

Cong. Rec., House of Representatives, September 10, 1913, pp. 4643, 4644, 4645, 4647, 4648, 4649. (Mr. Glass speaking)

" \*\*\* Guided by the lamp of experience, taking note of the fact that, in time of emergency, clearing-house associations in the great money centers, and even in smaller communities, repeatedly succeeded in arresting financial disaster, the House Banking and Currency Committee conceived the idea that regional organizations of individual banks throughout the country might effectually prevent disaster. Hence, the fundamental idea of the bill now presented is the creation of a new class of banks to be known as Federal reserve banks. The country is to be divided into twelve parts, having reference to capital and the existing course of business; and in each of these regions is to be organized a Federal reserve bank. \*\* It is operated by a board of nine directors, two-thirds of whom are selected directly by the member banks and one-third by the Federal reserve board. Three of the nine directors must fairly represent the commercial, industrial, or agricultural interests of the community.

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"Overseeing the whole new system of Federal reserve banks, as a capstone of the scheme, is created a Federal reserve board, consisting of seven members.

"Nearly every power conferred by this bill on the Federal reserve board, composed of seven members, has been for half a century vested by the national-bank act in the Secretary of the Treasury and the Comptroller of the Currency, to be exercised in the conduct and control of the national banking system. It does not seem necessary here and now to enumerate these powers; they relate to examination, regulation, publication, and control.

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"But, Mr. Chairman, bitter as has been the criticism leveled at the powers of the Federal reserve board provided by this bill, they have not been comparable to the denunciation by big banking interests of what is termed the 'political structure' of this board. It is contended that the banks should have at least a minority representation upon the Federal reserve board; and I frankly admit that the claim upon its face seems both reasonable and expedient. Indeed, the first tentative draft of this bill contained such a provision; but, after thorough consideration and full discussion, a different conclusion was reached. This Federal reserve board is distinctly a Government institution, and eminent bankers who were here in Washington last winter and spring contending for representation were met with the challenge to cite one instance where private interests were represented on any Government board in this or any other civilized country. They could not answer.

" \*\*\* The Federal reserve board, technically speaking, has no banking function. It is strictly a board of control, properly constituted of high Government officials, doing justice to the banks, but fairly and courageously representing the interests of the people.

"No great reformation in any existing institution was ever accomplished except in the face of severe contention. The clatter which we

have heard in certain quarters about the 'unconstitutionality' of this proposed system and the 'confiscatory' nature of the power conferred upon the Federal reserve board is merely part of a cunningly devised propaganda to force concessions in another direction and to coerce Congress into yielding on certain other points which vitally affect certain big banks with extensive stock-exchange connections. We have taken every reasonable precaution against asserting any power here that may be regarded as unconstitutional. We are not proposing to disturb any vested interest. There is nothing of a confiscatory nature in any of the powers to be exercised by the Federal reserve board.

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"The present bill is intended to render capital available to banks through the rediscount operation, \*\*\* . There is no reason why at the present time there should be variations in rates of interest from 3 per cent in New York City to 12 or 15 per cent in small towns in the cotton-growing regions. \*\*\* If a standard kind of paper were provided it should command exactly the same confidence and bear exactly the same rate of interest in one part of the country as in another.

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"Section 20 of the pending bill, Mr. Chairman, constitutes one of its vital features. It is the real point of attack by the big bankers of the central reserve cities. \*\*\* But in real truth their fundamental and insuperable objection is to the reserve requirement. All other fault-finding is simply strategic.

"The whole fight of the great bankers is to drive us from our firm resolve to break down the artificial connection between the banking business of this country and the stock speculative operations at the money centers. \*\*\* Under existing law we have permitted banks to pyramid credit upon credit and to call these credits reserves. It is a misnomer; they are not reserves. And when financial troubles come and the country banks call for their money with which to pay their creditors they find it all invested in stock-gambling operations. There is suspension of payment and the whole system breaks down under the strain, causing widespread confusion and almost inconceivable damage.

"The avowed purpose of this bill is to cure this evil; to withdraw the reserve funds of the country from the congested money centers and to make them readily available for business uses in the various sections of the country to which they belong. This we propose to do cautiously, without any shock to the existing arrangement, graduating the operation to prevalent conditions and extending it over a period of 36 months. This affords ample time to the reserve and central reserve city banks to adjust themselves to the reserve requirements of the new system.

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"\*\*\*\* But the committee has carefully provided against dangerous or undue expansion. If the banks of the country will not exercise common prudence in the matter, it is within the power of the Federal reserve board to compel them to do so by laying a firm hand upon the rate of discount.

Moreover, the gold-reserve requirement and the redemption facilities afforded by the bill will have a powerful tendency toward checking expansion. But I will not longer claim the attention of the House upon this particular phase of the subject. I desire briefly to demonstrate the entire feasibility of the scheme provided by this bill for shifting the reserves without contracting credit. The matter has been figured out by the best experts in the country. It has been gone over with extreme care and we confidently challenge criticism of the facts and figures presented.

"Section 22 of the bill provides for a revision of the existing reserves of national banking associations, which, under the present reserve system, are divided into three classes, (a) country banks, (b) reserve city banks, (c) central reserve city banks.

"The aim of this measure is to transfer these reserves away from banks other than those to which they belong, so that ultimately bank reserves will be held partly in the vaults of the banks to which they belong, and partly in the regional reserve banks, the reserve banks taking the place of existing reserve city and central reserve city banks in their relation to member banks."

Mr. GLASS. " \*\*\* He asserts that the Federal board is given more power under this bill than any institution on earth, whereas I have shown, and no man here can show the contrary, that there is scarcely a power with which that board is invested which has not been performed by one or two Government functionaries for the last 50 years.

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" \*\*\* While the bill (Aldrich) provided that the rate of discount should be uniform, no method was devised to make the rate uniform, whereas the open-market provision of the pending bill will enable the reserve bank to enforce its rate of discount."

(Changes in the Banking and Currency System of the United  
States House of Representatives, 63d Cong., 1st Sess., Report 69, p. 55)

"The object of these provisions is twofold:

"1. To establish par transfers of funds among the  
banks in each Federal reserve district.

"2. To establish par transfers of funds between Federal  
reserve districts.

"Precisely how much difficulty and cost will be incurred by the  
Federal reserve banks in carrying out the provisions of this section cannot  
be precisely calculated. It can, however, be positively stated that such  
expenditures will be very much less than those incurred by banks at the  
present day in carrying through their exchanges. The proposed provision  
will eliminate the numerous and well-founded complaints of unjust charges  
for exchange; and, while it will prevent certain banks from profiting as  
they now do by exchange transactions, it will correspondingly benefit the  
community. \*\*\*

"That this function of exchange may be effectively carried out,  
and that other duties connected with relations between the several banks  
of the System may be wisely, promptly and effectively carried through, the  
proposed bill confers upon the Federal reserve board the power to require  
each Federal reserve bank to perform the functions of a clearing house,  
and at its discretion to require some one of them to act as a clearing house  
for all the others or at its own discretion to act as a clearing house in  
this way itself."

Mr. OWEN. "I need not say, Mr. President, that no one can have any doubt that the members of the Federal reserve board should be men of the most distinguished attainments, men who should rank favorably in comparison with members of the Supreme Court of the United States, because in reality this Federal reserve board will be a supreme court of American finance, safeguarding the commercial interests of this Nation, protecting our gold reserve, protecting our banking system, protecting our commercial system, protecting the individual credit of the private citizen, and giving him a fair deal in the struggle of commercial and business life, and seeing to it that every citizen shall receive the just amount of credit to which he is entitled by character and by resources."

One of the most clear cut and forceful analyses of the power of the Federal Reserve Board over the Federal Reserve Banks was made in the Senate on December 4, 1913, near the close of the debates preceding the enactment of the Federal Reserve Act by Senator James A. Reed of Missouri, who was recognized as one of the ablest lawyers in public life. The following, beginning on page 173 of the Congressional Record, is an extensive quotation from his remarks.

"Mr. President, the provisions I have just discussed might be ineffectual if it were not for the fact that at the same time we enlarged the powers of the Federal reserve board so that it can compel regional banks to obey this mandate of the law. We conferred this power by providing in section 11, paragraph J, as follows: The Federal reserve board shall have power--

To exercise general supervision over said Federal reserve banks.

"When, therefore, we imposed the duty upon the directors of the regional banks to treat all member banks fairly and impartially and without discrimination, and gave the Federal reserve board, which is appointed by the President of the United States, authority to exercise general supervision over the Federal reserve bank, we gave the Federal reserve board power and authority to compel the Federal reserve banks to be impartial in their dealings with member banks. The same authority empowers the Federal reserve board to protect the public against wrongs sought to be perpetrated by the reserve banks. The power conferred is sufficient to accomplish these ends, and if it be wisely exercised there is but slight danger of discrimination in favor of some bank and against others; or in favor of one section of the country and against another; or, I will add, the adoption of a policy by regional banks which will be oppressive to the public.

Powers of Federal Reserve Board Increased.

"The Federal reserve board, appointed by the President, is, by the two amendments I have set out, given absolute command of the system. It can make the regional directors perform their full duty with fairness and impartiality to all.

"We followed these amendments with others of equal importance. We gave the reserve board the unrestricted right to remove any of the directors of a regional bank. Here is the language: 'The Federal Reserve Board shall have power to suspend or remove any officer or director of any Federal reserve bank, the cause of such removal to be forthwith communicated in writing by the Federal Reserve Board to the removed officer or director and to said bank.' The House bill only gave a restricted right of removal.

Mr. BORAH. "Mr. President--

Mr. REED. "I will yield in one moment. The lawyers of the Senate will observe that that power of removal is absolute. There is no trial demanded. It vests in the Federal Reserve Board the right to remove. The solitary requirement is that after removal has taken place, or coincident with it, the reason shall be put upon the public records in order that the board may be judged by its acts.

The PRESIDING OFFICER. "Does the Senator from Missouri yield to the Senator from Idaho?"

Mr. REED. "I yield to the Senator."

Mr. BORAH. "As I understand the change which was made as to the power of removal, it rests now solely and exclusively within the discretion of the Federal Board."

Mr. REED. "Yes, sir."

Mr. BORAH. "There is no one to review it and no reasons need be assigned for the removal, but after the removal the reasons shall be communicated to the bank."

Mr. REED. "That is the fact. It was intended to vest the power of removal absolutely--to give the Federal Board the right to remove, without question, any director, and the board is not compelled to specify any particulars and have trials and hearings; its mandate of removal is final."

"The safeguard against an abuse of that power (and it is a very great power) is found in the fact that this board will be composed of men of the highest character. It will be the supreme court of finance. The board will be appointed by the President himself, and must be confirmed by the Senate. It is required to state its reasons for the removal. If it states trifling reasons that do not justify its action, it will place itself in a sad position before the bar of public opinion. We need not therefore fear an abuse of its powers."

"But another reason why the power will never be misused is that the board can not appoint the successor of the director removed. There is no incentive to remove a man except for real cause, because the power that removes can not, in pursuit of any scheme it may have, put some favorite man in the place of the man removed. The power may be thought to be somewhat arbitrary, but I believe that it is necessary to vest this power in the Federal Government if we give to the banks the majority of the directorate of the regional banks."

"Putting together, then, these several provisions to which I have adverted, I believe we can say to the country with a clear conscience that while we have drawn these banks together into this great system, while we have given them a common stock ownership, while we have placed the control of the regional banks in the hands of the bankers, we have at the same time so safeguarded every avenue and so locked every door that the people may be content. In the last analysis the Federal reserve board, appointed by the President and representing the entire country, has complete and absolute power, and will control the entire system and prevent discriminations, combinations, or other wrongs."

Page 179.

"The banks have contended that they are entitled to be represented upon the Federal reserve board. I utterly deny it. They are on one side of the table; the Government of the United States, representing the people of the country, is upon the other. The bankers represent those who demand, who ask, rights from the Government. They come to the Federal reserve board making their demands and proffering their requests. No man should sit upon that board unless he represents the people of the United States - the people of the United States alone - for it is their money and their credit which is to be granted."



Mr. POMERENE. "Is it possible that anything radically wrong can be done by this board against the public interests when the Government has at least three representatives on the board who can keep, and will keep, the Federal reserve board fully advised as to what is going on, and when it has at the same time the power to remove arbitrarily upon its own motion, when the circumstances are such, in its opinion, to justify it, every member of that board?

Mr. REED. "Mr. President--

The VICE PRESIDENT. "Does the Senator from Ohio yield to the Senator from Missouri?

Mr. POMERENE. "I do.

Mr. REED. "I call the attention of the Senator to the further fact that there is a power given the Federal reserve board under this proposed law to exercise general supervision over the Federal reserve banks, which, if I interpret it rightly, gives them the right at any minute to interfere with the bank and direct the course of its business.

Mr. POMERENE. "That was exactly what I had in mind, and I think the Senator has correctly quoted the language of the bill.

Mr. SHAFROTH. "The interpretation of the Senator from Missouri should be given very high standing, because of the fact that it was his provision that was incorporated in the bill.

Mr. POMERENE. "That is correct. I am glad to give him the credit for it.

Congressional Record, Senate, December 15, 1913, p. 901.

Mr. OWEN. "That is not the only safeguard. The Federal reserve board, under the structure of this bill, charged as it is, from the beginning to the end of this bill with safeguarding American finance, safeguarding American commerce, in providing for the stability of our financial, commercial, and industrial affairs, has been given the complete supervisory control over this system. It is charged with the duty of obtaining a stability in our financial affairs, and it is only possible to conceive that they would not discharge their duty by conceiving at the same time that the men put at the head of the greatest financial establishment in the whole world would prove to be unfaithful to that trust."

Cong. Rec., Senate, May 10, 1932, p. 9884 (S. 4412 - Banking Act of 1933)  
(Senator Glass speaking)

"For a period of six years one of the Federal reserve banks has apparently given more attention to 'stabilizing' Europe and to making enormous loans to European institutions than it has given to stabilizing America. Accordingly, we have a provision in this bill asserting, in somewhat plainer terms, the restraint the Federal reserve supervisory authority here at Washington should exercise over the foreign and open market operations of banks which may assume to be a 'central bank of America'. \*\*\*

"For a long time that great bank resisted any suggestion - and it does now - that it should be brought within the actual jurisdiction of the central authority here at Washington \*\*\*.

"There is not a word in the law which provides for a 'governor' of a Federal reserve bank. The statute will be searched in vain for any suggestion of a 'governor' of a Federal reserve bank.

"While we intended to preclude all idea of central banking, we designed that the Government, through its agencies, should keep a strict supervisory control of the System, and we appointed a Government agent, one of three of the Government directors at the Federal reserve bank, who should be the presiding officer, and whom we intended to be the head officer of the bank. He has been literally brushed aside. He is a mere custodian of evidences of credit. They have set up in each of these banks a government of their own.

"For a while this 'board of governors' came well-nigh usurping important functions of the Federal Reserve Board here in Washington. They would have their meetings at their pleasure and convenience, resolve this, that, or the other thing, and graciously let the supervising authority here know what they had done. It was proceeding so far that the Federal Reserve Board was threatened with the humiliating status of 'unofficial observers' of the transactions of the Federal reserve banking system. Finally, the governor of the board here had the discernment and the courage to put a stop at least to that sort of thing, and served notice on them that they should meet only when the Board required them to meet, and upon the sanction of the Board."

Mr. GLASS. " \*\*\* As Secretary of the Treasury I noted that that official had an undue influence in the activities of the Board. I myself exercised it as Secretary of the Treasury, and my only defense for having done so was that it was the immediate postwar period when billions of dollars of Federal securities had to be floated, and I insisted that the Federal Reserve Board and banks should coordinate their activities with those of the Treasury in order to make the tremendous task of floating these securities reasonably certain of accomplishment. But my very experience convinced me that the Secretary of the Treasury should not, in ordinary peace times, be a member of the Board. To start with, he has practically two votes, his own and that of the Comptroller of the Currency. I do not recall any man ever having been a member of that board without the recommendation of the Secretary of the Treasury. So, he is the dominant figure, and, as I have before stated, the Federal reserve banking system has been made a doormat of the United States Treasury.

"That was never intended \*\*\*.

"Very likely members of the Board with spirit could wish that I had not said this, but I am speaking a little frankly to-day, and that is my view. But the Federal Reserve Board itself has wanted the Secretary of the Treasury to be put off the Board. There is nothing personal in it. All of them had an affection for Secretary Mellon, and all of them, I venture to say, have an affection for Secretary Mills, as I have; but they do not think that the Secretary of the Treasury should be on the board, with two votes to begin with and a dominant influence on its activities; and yet the Senate is told that that is a 'nefarious' suggestion. \*\*\* "

Senator Glass, after reciting his proposal that member banks of the System should have minority representation on the Federal Reserve Board and the President's rejection of that proposal, said:

" \*\*\* The President, however, made this concession: After that conference he requested me to remain, and asked me to write that provision of the Federal reserve act which authorized the appointment of an advisory council, to be composed of a representative of the banks in each Federal reserve district, with no authority to do anything more than to advise the Federal Reserve Board as to banking technique and as to problems affecting banking.

"I have not always been satisfied that their advice was wholesome; but that, I will say to the Senator from Utah, is why no banking interests are permitted representation on the Federal Reserve Board. \*\*\*

"I have not changed my mind since my conversion by Mr. Wilson. I do not think that the banking interests ought to have anything to do with selecting this altruistic board."

In the course of a discussion of a provision of the proposed Banking Act of 1933 for requiring that insured banks be members of the Federal Reserve System, Senator Glass said:

"I think I violate no confidence when I say that the President, who, at the beginning, was very much opposed to any insurance of bank deposits at all, very earnestly advocated that provision of the bill, and I do not think I reveal any secret in saying that the Secretary of the Treasury, who was and is utterly opposed to any insurance of deposits, was very insistent upon that provision. I must repeat that my own judgment is that there should be that lapse of time to give these weaker banks, not only the weaker State banks but the weaker member banks of the Federal Reserve Banking System, an opportunity to prepare to avail themselves of this insurance clause of the bill.

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" \*\*\* For 35 years in the other House, and up to this time in the Senate, I have opposed guaranteeing deposits, but this is not a Government guaranty of deposits. The Government is only initially involved to the extent of \$150,000,000, to which it was never entitled except by law. It never earned a dollar of it. The Federal Reserve Banking System does nearly a million and a half dollars worth of free work for the Treasury Department for which it does not receive a thrip; and that does not include any contributions to the great buildings they have had to construct or to the overhead charges necessitated by the construction of those buildings. The Government is only involved in an initial subscription to the capital of a corporation that we think will pay a dividend to the Government on its investment. It is not a Government guaranty.

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"Then another provision of the bill in which I should like to enlist the interest of the Senate particularly is a prohibition against the payment of interest on demand deposits by commercial banks. There are various reasons for that, some of them I think compelling. The payment of interest on demand deposits has resulted for years and years in stripping the country banks of all their spare funds, which have been sent to the money centers for stock speculative purposes. \*\*\* So that this payment of interest, particularly on bank-demand deposits, has resulted in drawing the funds from the country banks to the money centers for speculative purposes, to be polite about the matter. \*\*\* We confide to the Federal Reserve Board authority which it does not now possess in this connection to regulate interest on time deposits in order to put a stop to the competition between banks in payment of interest, which frequently induces banks to pay excessive interest on time deposits and has many times over again brought banks into serious trouble."

Cong. Rec., Senate, July 24, 1935, pp 11776, 11777, 11778.

Mr. Glass.

"Since the establishment of the system, and now, the Secretary of the Treasury and the Comptroller of the Currency have been members of the Federal Reserve Board. Periodically, it has been urged upon the Banking and Currency Committees of the two Houses of Congress that these two officials should be eliminated, for various reasons. With respect to the Secretary of the Treasury, it was urged - and I know it to be a fact, because I was once Secretary of the Treasury - that he exercised undue influence over the Board; that he treats it rather as a bureau of the Treasury instead of as a board independent of the Government, designed to respond primarily and altogether to the requirements of business and industry and agriculture, and not to be used to finance the Federal Government, which was assumed always to be able to finance itself.

"Moreover, it was represented that these officials, except when of their own initiative they wanted something to be acted on, rarely ever attended meetings of the board. I think the present Secretary of the Treasury has attended only two or three meetings. I do not think I, as Secretary of the Treasury, ever attended more than one or two meetings of the Board; but, all the same, I dominated the activities of the Board, and I always directed them in the interest of the Treasury, and so did my predecessor, the present Senator from California (Mr. McAdoo). That, however, was because when he functioned it was during the war, and when I functioned it was in the immediate post-war period, when the difficulties of the Treasury perhaps exceeded those of the war period. Certainly they were not less.

"\*\*\*\*\* In the bill which we have reported, however, we leave off both the Secretary of the Treasury and the Comptroller of the Currency, with no dissent from these officials. The bill constitutes the Board of Governors of the Federal Reserve System of seven members, to be appointed by the President, by and with the advice and approval of the Senate. The President is authorized to appoint one of these governors as chairman of the Board, and another as vice chairman of the Board.

Debates on Banking Act of 1935

RE: RELATIONSHIP WITH TREASURY DEPARTMENT.

With respect to this suggestion the following comments by Senator Glass are of interest. These comments were made on the floor of the Senate following the committee report on the bill (see 79 Congressional Record pp11776--11777)

MR. GLASS. "That briefly covers the outstanding provisions title I of the bill. I come now to title II of the bill with which I have somewhat more familiarity, and which is really of infinite importance to the banking and business interests of the country.

It will be noted upon examination of the bill that we change the title of the Federal Reserve Board by proposing to call it hereafter the "Board of Governors of the Federal Reserve System." That was done largely at the suggestion of the senior member of the Federal Reserve Board, Dr. Miller. Representation was made to the committee that to have a governor and vice governor of the Federal Reserve Board was to place all other members of the Board at a disadvantage in the matter of prestige and of influence upon problems presented for consideration. Therefore he suggested that the Board be called the "Board of Governors of the Federal Reserve System."

Since the establishment of the system, and now, the Secretary of the Treasury and the Comptroller of the Currency have been members of the Federal Reserve Board. Periodically, it has been urged upon the Banking and Currency Committees of the two Houses of Congress that these two officials should be eliminated, for various reasons. With respect to the Secretary of the Treasury, it was urged--and I know it to be a fact, because I was once Secretary of the Treasury--that he exercised undue influence over the Board; that he treats it rather as a bureau of the Treasury instead of as a board independent of the Government, designed to respond primarily and altogether to the requirements of business and industry and agriculture, and not to be used to finance the Federal Government, which was assumed always to be able to finance itself.

Moreover, it was represented that these officials, except when of their own initiative they wanted something to be acted on, rarely ever attended meetings of the board. I think the present Secretary of the Treasury has attended only two or three meetings. I do not think I, as Secretary of the Treasury, ever attended more than one or two meetings of the Board; but, all the same, I dominated the activities of the Board, and I always directed them in the interest of the Treasury, and so did my predecessor, the present Senator from California (Mr. McAdoo). That, however, was because when he functioned

it was during the war, and when I functioned it was in the immediate post-war period, when the difficulties of the Treasury perhaps exceeded those of the war period. Certainly they were not less.

"In the Banking Act of 1932, which passed the Senate overwhelmingly, there was a provision eliminating the Secretary of the Treasury, and upon a record vote it was retained in the bill by 62 to 14, after considerable discussion on the floor, which indicated that the Senate concurred in the better judgment of those who think the Secretary of the Treasury and the Comptroller of the Currency should not be on the Board.

"That provision would have been retained in the Banking Act of 1933 but for the fact that the then Secretary of the Treasury, in wretched health which eventuated in his death, was greatly concerned about the matter, and was rather importunate and insistent in desiring to be retained as a member of the Board. In the bill which we have reported, however, we leave off both the Secretary of the Treasury and the Comptroller of the Currency, with no dissent from these officials. The bill constitutes the Board of Governors of the Federal Reserve System of seven members, to be appointed by the President, by and with the advice and approval of the Senate. The President is authorized to appoint one of these governors as chairman of the Board, and another as vice chairman of the Board."

During the debate in the Senate there was considerable discussion of influence exerted by Governor Strong and the Federal Reserve Bank of New York and also Dr. Miller's explanation of this situation. In this regard the following may be noted. Ibid pp. 11910

"MR. BORAH. I ask this question: Undoubtedly the Board did know what Mr. Strong did. They were informed by him as to what he had been doing. He secured their approval. Under the law, that is permitted to be done, provided it meets the approval of the Board. That is true under the provision just read.

"MR. GLASS. My recollection of the incident is that he did not ask even the approval of the Board. He operated on his own initiative and contended that he had a right to do it. I was unable to find any sanction of law for any such action, whether it was taken by a Federal Reserve bank or the Federal Reserve Board.

"If the Senator can devise any provision of law which will compel public officials to do their duty under the statute, I shall be very glad to have him do it.

"MR. BORAH. I may not be able to draw an amendment which will compel a public officer to do his duty, but the first thing to do in this bill is to fix and define that duty--set up a standard to guide the official. If he does not comply with the standard, we can provide for his dismissal. I will present such an amendment during the day.

"Mr. President, Dr. Miller stated, referring to Mr. Strong:

"His ideas began to develop in the spring of 1927, but his program was not shaped until after conferences with representatives of the three great European central banks who visited the United States



in the summer of that year. This program was then presented to the Federal Reserve System in informal conferences with Federal Reserve bank governors, proposed to the Federal Reserve Board and approved by it, and participated in by all the Federal Reserve banks, with dissent on the part of only one."

"MR. GLASS. That simply illustrates what I have said for years. It was first presented to the Secretary of the Treasury, and the Secretary of the Treasury, together with the governor of the New York Federal Reserve Bank, dominated the Board. The Secretary of the Treasury ought not to be on the Board."

During the debate, Senator Thomas argued that the government through the Treasury Department should buy the stock of the Federal Reserve Banks. Senator Thomas even offered an amendment which would provide for such government ownership. This amendment was lost, however, during the course of the debate on this matter. The following may be noted: Ibid p. 11924

"MR. THOMAS..Mr. Miller says that the leadership rests upon the Federal Reserve Bank of New York, and in this case of emergency that leadership failed.

"I desire to place in the RECORD at this point one or two other statements from this very valuable document. I have respect and regard for the testimony, even if others do not seem to give the testimony much weight.

"I want to show the Senate, if I may, from this testimony, what the Federal Reserve Board was up against here in Washington. I read from page 27 as follows:

"It is not without significance in current discussions as to the proper distribution of authority between the banks and the Board that during the tension occasioned by the acute differences over the leadership of the Federal Reserve System in the 6 months following the Board's declaration of its position of February 2, 1929--"

"They were having difficulty. A contest arose between the banks on the one side and the Board on the other, and this is what Mr. Miller says of that contest, and of what the Board in Washington had to face before they could act.

"the five members of the Board--"

"That is, the Federal Reserve Board here in Washington--"

"the five members of the Board who took the responsibility of formulating the attitude and policy for the Federal Reserve System were opposed by a minority of their own membership."

"In other words, the minority members of the Board were against the five. Five of the members undertook to formulate a policy, and they were opposed in the first instance by the balance of the members of the Board. I quote further: