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United States Senate

COMMITTEE ON APPROPRIATIONS

February 15-1937

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Honorable Marriner S. Eccles
Chairman, Board of Governors of the
Federal Reserve System
Washington, D. C.

My dear Mr. Eccles:

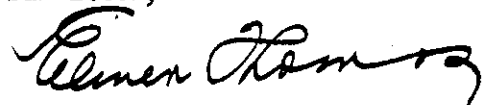
The Constitution provides that the Congress shall have power to regulate the value of money. This power has never been exercised in any formal or Constitutional manner. It is the opinion of many that the regulation and stabilization of the value of the dollar will serve to stabilize not only our currency but the currencies of many if not all of the major governments of the world.

I have prepared a draft of a bill having for its purpose the regulation, adjustment and stabilization of the value of our dollar and am enclosing copy of such draft herewith. You will note that the suggested bill, for the purposes mentioned in the Act, converts the Board of Governors of the Federal Reserve System into a governmental agency designated as a Monetary Authority. Also, you will note that the suggested bill gives your Board, as such Monetary Authority, a number of additional and increased powers. For example, Section 7 enlarges the powers of your Board.

I might suggest that this draft is an attempt to provide a system for the regulation of the value of the dollar similar to that provided and followed by Governor Strong. I might further suggest that the bill seeks to provide a plan for bringing about the kind of a dollar referred to by the President in several of his radio addresses.

If you will write me frankly just what you think of the several suggestions, the favor will be sincerely appreciated. The bill will be referred to the Committee on Banking and Currency and when a hearing is ordered, no doubt you will be asked to testify. I shall be glad to accept your suggestions in the strictest confidence and will not permit any suggestions you make to become public without your expressed permission.

Respectfully submitted,



Elmer Thomas

ET:SS

*If agreeable I should
be glad to discuss the matter
with you. E.T.*

For Release when introduced in the Senate by

ELMER THOMAS
United States Senator, Oklahoma

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A BILL

To regulate and stabilize the value of the dollar pursuant to the power conferred on the Congress by Paragraph 5 of Section 8 of Article 1 of the Constitution, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Sec. 1. MONETARY POLICY - Pursuant to the authority conferred in Paragraph 5 of Section 8 of Article 1 of the Constitution wherein the Congress is authorized to coin money and to regulate the value thereof, the Congress does hereby declare that the monetary policy of the United States shall embrace, among others, the following principles:

- a. To coin and keep constantly available an adequate supply of sound money;
- b. To regulate the value of the dollar so as to best serve the domestic economy of the people; and
- c. To place and keep in circulation a sufficient amount of properly valued currency to adequately supply the demands and needs of the people of the United States; Provided, that the regulation and stabilization of the value of the dollar shall be a fixed policy of the government of the United States, and, in order to give stability to industry, commerce, manufacturing, agriculture, mining, forestry, fisheries and other human activities, the regional Federal Reserve Banks and the member banks of the Federal Reserve System,

under the supervision and direction of the Monetary Authority, shall cooperate in carrying out the policy and principles herein set forth and as provided in this Act.

Sec. 2. CREATION OF MONETARY AUTHORITY - The Congress, in order to vitalize the provision of the Constitution and to carry into effect the monetary principles and financial policy set forth in Section 1 hereof deems it necessary to, and does hereby, create the Board of Governors of the Federal Reserve System into a governmental agency to be designated as a Monetary Authority (herein referred to as the Monetary Authority) for the express purpose of regulating the value of money: Provided, that the Constitutional clause - regulating the value of money - shall be construed to mean adjusting the value of the dollar to that point which will serve the best interests and best promote the domestic economy of the people of the United States; and, Provided further, that said clause - regulating the value of money - shall be construed to mean not only the adjustment of the value of money but also the stabilization of such regulated and adjusted value as hereinafter provided.

Sec. 3. DOLLAR VALUE CONTROL ITEMS - The Monetary Authority, in regulating, adjusting and stabilizing the value of the dollar as herein provided, shall take into account and give consideration to, among other things, the following:

- a. The amount of the annual total tax bills necessary to support the several units of government.
- b. The amount of the annual total public and private interest items;
- c. The amount of consolidated or massed debts, public and private, owed by the several units of government, corporations, and the people jointly and severally;
- d. The general price level and the relation of such price level to the price of basic commodities produced within the United States; and

e. The interests of tax payers, mortgagors, debtors, producers, consumers, wage earners, holders of fixed investments, and those who live on fixed incomes.

Sec. 4. STANDARDS AND LIMITATIONS - Immediately upon the passage and approval of this Act, the said Monetary Authority shall assume and exercise the powers herein delegated and conferred according to the standards and within the limitations herein set forth; Provided, that the said Monetary Authority is hereby authorized and directed to proceed without delay and as provided herein to so regulate the value of the dollar as to raise the general price level to a point equal to the average of the general price level for the year 1926, as shown by the Bureau of Labor Statistics; and, Provided further, that, pending the regulation and adjustment of the value of the dollar to the 1926 level as provided herein, the said Monetary Authority shall proceed to investigate, consider and determine the proper value of the dollar as provided in Section 3, of this Act; and, Provided further, that the adjusted, regulated and stabilized value of the dollar, as may be determined and officially decreed by the said Monetary Authority, as provided herein, shall not be at a point of value in excess of the average value of the dollar during the year of 1926, as shown by the said Bureau of Labor Statistics.

Sec. 5. EQUILIBRIUM PRICE LEVEL - The Monetary Authority, in carrying into effect the principle of monetary policy stated in (b) of Section 1 hereof, and after full consideration of said items (a), (b), (c), (d), and (e) in Section 3 hereof, shall regulate and adjust the value of the dollar, as provided herein, so as to effectuate, produce and bring about an equilibrium price level designed to serve the best interests of the people of the United States as mentioned in (e) of Section 3 hereof.

Sec. 6. STABILIZATION - Immediately upon the completion of the regulation and adjustment of the value of the dollar, as provided

herein, the Monetary Authority shall proceed to stabilize the value of said dollar at the point of value so determined and officially decreed as provided in Section 4 hereof; Provided, that in the regulation, adjustment and stabilization of such value at such point, the said Monetary Authority shall have all the authority herein delegated and conferred and, in addition, shall have all the authority heretofore delegated and conferred upon the members of the Federal Reserve Board and the Board of Governors of the Federal Reserve System.

Sec. 7. SPECIFIC POWERS - In order to carry into effect the principles of the monetary policy set forth in this Act, the Monetary Authority, acting under the powers conferred herein and acting as the Board of Governors of the Federal Reserve System, shall have the following specific powers:

- a. Full and complete control over all open market operations in all regional Federal Reserve Banks, both in the buying and selling of securities at home and abroad;
- b. Full and complete control over the discount rate at each of the regional Federal Reserve Banks; and
- c. Full and complete control over the eligibility of all kinds and classes of collateral to be accepted by the several regional Federal Reserve Banks, their branches and other member Banks of the Federal Reserve System.

Sec. 8. MONETARY AUTHORITY STATISTICS - For the purpose of assisting in the regulation, adjustment and stabilization of the value of the dollar, the said Monetary Authority is hereby authorized to investigate, prepare and officially adopt a system of statistics to be known as the Monetary Authority Statistics; Provided, that in preparing such statistics, the Monetary Authority shall have authority to call upon other departments

of the Government for such statistics, data and information as may be desired and requisitioned; and, Provided further, that, pending the adoption of such Monetary Authority Statistics, the said Monetary Authority shall make use of, and be governed by, the Bureau of Labor Statistics as provided herein.

Sec. 9. OFFICERS AND EMPLOYEES - In carrying into effect the provisions of this Act, the Monetary Authority shall have power to appoint officers and employees, to define their duties, fix their compensation, require bonds of them, and fix the penalty thereof, and to dismiss at pleasure such officers and employees. The said Monetary Authority is hereby empowered to adopt and promulgate such rules and regulations as it may deem necessary to carry out the provisions of this act.

Sec. 10. INTERPRETATION OF DELEGATED POWERS - The powers conferred upon and delegated to the Monetary Authority herein created shall be construed to be a delegation of legislative powers conferred upon the Congress by Paragraph 5, of Section 8, of Article 1, of the Constitution, to regulate the value of money; Provided, that such powers so delegated shall be further interpreted and construed to be a delegation of such legislative powers to a Governmental agency to carry out a fixed policy of Congress according to definite and fixed standards, and within definite and fixed limitations, as set forth herein and as provided by this Act.

Sec. 11. All provisions of the Federal Reserve Act of 1913, with amendments, including Title 3 of Public numbered 10, 73d Congress, and amendments thereof, and other public Acts of the 73d, 74th and 75th Congress, when not in conflict and not inconsistent with the provisions of this Act, shall be, and are hereby, continued in full force and effect.

Sec. 12. There is authorized to be appropriated out of any money in the Treasury not otherwise appropriated annually, such sums

as may be necessary for carrying into effect the purposes of this Act.

Sec. 13. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act and the application of such provision to other persons or circumstances shall not be affected thereby.

Sec. 14. The short title of this Act shall be the "Monetary Authority Act".

(END)

TO.....

FROM.....

REMARKS:

Mr. Morrill came in to see if you got one of these letters from Senator Thomas -- all the board members received one and they decided just to acknowledge receipt of them and then decide whether they wished to answer any more fully. Morrill has sent Goldenweiser or someone else over there a copy with the request that it be returned with comments.

It was upon Morrill's request that I sent the formal acknowledgment of its receipt.

February 19, 1937.

My dear Senator Thomas:

In Mr. Eccles' absence from the city, I am acknowledging your letter of February 15th with which you enclosed copy of a draft of a bill which you propose to introduce having for its purpose the regulation, adjustment and stabilization of the value of our dollar. Your letter and the enclosure will be called to Mr. Eccles' attention upon his return to the office next week.

Very truly yours,

Secretary to Mr. M. S. Eccles.

Honorable Elmer Thomas,
United States Senate,
Washington, D. C.

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