

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

## Office Correspondence

Date March 30, 1938To Chairman EcclesSubject: Proposed amendments to Patman Bill.From Mr. Wyatt, General Counsel

During the meeting yesterday, Governor Ransom requested that I furnish to each member of the Board a copy of each of the 6 amendments which Congressman Patman has proposed to be made to his bill, H.R. 7230.

I find that these amendments have never been printed in bill form but were published in the Congressional Record for Monday, March 21, at page 5040. Copies quoted from the Congressional Record are attached.

Respectfully,

Walter Wyatt,  
General Counsel.

Attachment

PROPOSED AMENDMENTS TO PATMAN BILL

(Quoted from Congressional Record of March 21,  
1938, at page 5040)

1. Mandate

First, it was charged that the bill had no mandate that was sufficient; that it was not enough for Congress to certify a policy as outlined in section 1. We have prepared an amendment to meet this objection, as follows:

It shall be the duty of the Board of Governors of the Federal Reserve banks to raise the all-commodity index, or the so-called price level, until full employment of all persons able and willing to work shall have been achieved, and until the price level shall at least reach the all-commodity index of 100 as established by the Department of Labor for the year of 1926, which is the same as the average for the years 1914-30, inclusive. Thenceforth such price level shall be standardized and maintained at a variation not to exceed 2 percent above or below the standard reached as aforesaid. It shall be the duty of the Federal Reserve Board in accomplishing these ends to expand demand bank deposits by the purchase of United States bonds and notes, or bonds secured by the United States, or bonds of States and subdivisions thereof, or other sound bankable assets, and to contract demand bank deposits by the sale of the securities aforesaid.

2. Removal of Board Members

Second, in order to make sure that Congress may have charge of the agency whose duty it is to regulate the value of money, the following amendment is proposed:

The Board of Governors of the Federal banks is hereby declared to be the agency of the Congress to create money and regulate the value thereof, as authorized by the Constitution of the United States, and the individual members of such Board shall hold office subject to the will of the Congress of the United States; and either the Senate or the House by resolution may authorize and request the President of the United States to nominate a successor to a member of the Board from any Federal Reserve district regardless of the term for which he was appointed, whereupon, the office of such member upon the passage of such resolution shall be vacated.

3. Composition of Board

Section 5 of our bill provides that the board of governors of the Federal Reserve System shall consist of 15 members, including the Secretary of the Treasury, the Comptroller of the Currency, and the chairman of the board of directors of the Federal Deposit Insurance Corporation, who shall have voting privileges, and 12 members appointed by the President of the United States by and with the advice and consent of the Senate.

We propose to change this so as to make the Board consist of 12 members, one from each Federal Reserve district. The President will have the power to appoint them, but either House of Congress will have the power to remove them.

4. Directors of Reserve Banks

Section 6 of our bill provides that class A, B, and C directors of each of the 12 banks shall be appointed by the President by and with the advice and consent of the Senate. We propose to change this so that they will be selected and appointed by the Board of Governors of the Federal Reserve Banking System and subject to removal by this Board at will. This will give the Board of Governors, the agency charged with the duty of regulating the value of money by Congress, complete power and control. At the same time, Congress will have a way of dealing with these members if they fail to carry out their duties.

5. Coordination of Other Agencies

We suggest, however, that although the Secretary of the Treasury, Comptroller of the Currency, and Chairman of the Federal Deposit Insurance Corporation are not to be members of the Board, that they shall be required to coordinate their efforts and activities with the Board of Governors.

6. Centralization

We propose further that these 12 institutions and their 25 branches be conducted as 1 institution. This will prevent much overlapping of bookkeeping and clerical work and will cause the system to be operated more efficiently and at much less expense.