

75TH CONGRESS  
1ST SESSION

# H. R. 7230

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IN THE HOUSE OF REPRESENTATIVES

MAY 25, 1937

Mr. PATMAN introduced the following bill; which was referred to the Committee on Banking and Currency and ordered to be printed

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## A BILL

Providing for Government ownership of the twelve Federal Reserve banks, and for other purposes.

Whereas a large number of Members of the House of Representatives believe that the twelve Federal Reserve banks should be owned and operated by the United States; and

Whereas an organization known as the Unofficial Steering Committee for the enactment of a law providing for Government ownership of said banks, and for other purposes, has been formed, composed of the following members from the following States:

Alabama—Patrick; Arizona—Murdock; Arkansas—Cravens, Miller, McClellan, Kitchens; California—McGroarty, Voorhis, Kramer, Ford, Colden, Tolan, Scott, Sheppard, Izac; Colorado—Cummings, Martin; Connecticut—Kopplemann; Delaware—Allen; Florida—Caldwell, Green, Hendricks, Peterson.

Idaho—White; Illinois—Long, Sabath, Boyer, Kelly, Rigney, McKeough, Fries, Keller; Indiana—Schulte, Ludlow, Gray, Griswold, Crowe, Larrabee; Iowa—Eicher, Wearin, Harrington, Jacobsen; Kansas—Patterson, Houston; Louisiana—Brooks, Griffith, Fernandez, Mills; Massachusetts—Connery, Healey, Casey; Michigan—O'Brien, Hook, Sadowski, Luecke, Dingell, Transue, Lesinski; Minnesota—Ryan; Mississippi—Ford, Colmer, Rankin, Collins; Missouri—Nelson, Shannon, Wood, Zimmerman; Montana—O'Connell, O'Connor; Nebraska—Luckey, Binderup; Nevada—Scrugham; New Jersey—Kenney, O'Neill, Wene; New York—Barry, Beiter, Gavagan, Sirovich; North Carolina—Weaver; Ohio—Aleshire, Dixon, Lamneck, Ashbrook, Kirwin, Kniffin, Harlan, McSweeney, Harter, Crosser, Bigelow, Fletcher, Sweeney, Fleger, Hunter, Secrest; Oklahoma—Nichols, Rogers, Disney, Boren, Johnson, Cartwright, Massingale, Hill, Ferguson; Oregon—Pierce, Honeyman; Pennsylvania—Crosby, Bradley, Stack, Allen, Daly, DeMuth, Gildea, Quinn, Dunn, Flannery, Moser, Dorsey, Eckert, Drew, Haines, Gray, Eberharter; Rhode Island—Forand, O'Connell.

South Carolina—Gasque; South Dakota—Hildebrandt; Tennessee—Chandler, Atkinson; Texas—Sanders, Jones, Thomas, Mansfield, McFarlane, Maverick, Patman; Utah—Murdock, Robinson; Virginia—Hamilton; Washington—Smith, Leavy, Wallgren, Hill, Coffec, Magnuson; West Virginia—Randolph, Ramsay; Wisconsin—O'Malley, Cannon; Wyoming—Greever.

and

Whereas said bill was prepared by the members of this group and said members are its coframers, coauthors, and co-sponsors; and

Whereas said group instructed one of its members to introduce the bill: Therefore

1       *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*  
3 That it is hereby declared to be the policy of Congress to  
4 provide for Government ownership of the twelve Federal  
5 Reserve banks; to prevent injurious expansion and contrac-  
6 tion of credit and currency; to stabilize and maintain a dollar  
7 of uniform purchasing power for the purpose of assuring the  
8 kind of dollar which a generation hence will have the same  
9 purchasing and debt-paying power; to permit all banks, the  
10 deposits of which are insured by the Federal Deposit Insur-  
11 ance Corporation, to receive all rights and privileges from  
12 the Federal Reserve System; and to encourage the sound  
13 local bank, recognizing the contribution that the local bank  
14 makes to the social and financial betterment of the local  
15 community.

16       SEC. 2. (a) The Secretary of the Treasury is author-  
17 ized and directed to acquire and hold, on behalf of the United  
18 States, all shares of capital stock of the Federal Reserve  
19 banks held by member banks of the Federal Reserve Sys-  
20 tem. Upon surrender by any such member bank of any  
21 such stock to the Secretary, he shall establish a credit for  
22 such bank in the Federal Reserve bank in an amount equal  
23 to its cash-paid subscription, with interest at the rate of

1 one-half of 1 per centum per month from the date of the  
2 last dividend until the enactment of this Act. If any mem-  
3 ber bank fails to surrender its stock prior to the effective  
4 date of this Act, it shall not be entitled to exercise any  
5 privileges of membership in the Federal Reserve System,  
6 after a tender to such bank by the Secretary of the Treasury  
7 of an amount equal to the cash-paid subscription for such  
8 stock and interest as above provided; but, upon surrender  
9 of such stock and acceptance of the tender of refund in  
10 respect thereof, such bank shall be restored to the privileges  
11 of such membership.

12 (b) The assets, property, and records of the Federal  
13 Reserve banks shall be the property of the United States,  
14 but the transfer of shares of capital stock of the Federal  
15 Reserve banks to the Secretary shall not deprive any mem-  
16 ber bank of its rights and privileges under the Federal  
17 Reserve Act, as amended.

18 (c) After all necessary expenses have been paid or pro-  
19 vided for, the net earnings of the Federal Reserve banks shall  
20 be covered into the Treasury as miscellaneous receipts.

21 SEC. 3. (a) The provisions of the Federal Reserve Act,  
22 as amended, relating to the subscription for stock of the  
23 Federal Reserve banks, shall not apply in respect of admis-  
24 sion to and continuance of membership in the Federal  
25 Reserve System.

1 (b) Any State bank, the deposits of which are insured  
2 by the Federal Deposit Insurance Corporation, shall, under  
3 such reasonable rules and regulations as the Board of Gov-  
4 ernors of the Federal Reserve System shall prescribe, be  
5 entitled to all the rights and privileges under the Federal  
6 Reserve Act, as amended, if such bank carries its reserves  
7 with a Federal Reserve bank. Any such bank shall be  
8 permitted to withdraw at will from such affiliation upon  
9 written notice to the Board of Governors of the Federal  
10 Reserve System.

11 SEC. 4. Notwithstanding any other provision of law, the  
12 Board of Governors of the Federal Reserve System, upon  
13 the affirmative vote of not less than ten of its members, in  
14 order to prevent injurious credit expansion or contraction  
15 and to carry out its duty under subsection (a), may by  
16 regulation change the requirement as to reserves to be main-  
17 tained against demand or time deposits, or both, by member  
18 or affiliated banks.

19 SEC. 5. The Board of Governors of the Federal Reserve  
20 System shall consist of fifteen members, including the Secre-  
21 tary of the Treasury, the Comptroller of the Currency, and  
22 the Chairman of the Board of Directors of the Federal  
23 Deposit Insurance Corporation, who shall have voting privi-  
24 leges and all other privileges of any member of said board,  
25 and twelve members appointed by the President of the

1 United States, by and with the advice and consent of the  
2 Senate. Not more than one appointive member shall be  
3 selected from any one Federal Reserve district. The five  
4 additional appointive members provided for by this section  
5 shall be appointed with terms as follows: One to expire  
6 January 31, 1941; one to expire January 31, 1943; one  
7 to expire January 31, 1945; one to expire January 31,  
8 1947; and one to expire January 31, 1949. The term of  
9 office of the member who was appointed for a term expiring  
10 January 31, 1938, is hereby extended until January 31,  
11 1939. The term of office of each successor to any appointive  
12 member in office on the date of enactment of this Act, or  
13 appointed as the first incumbent of a membership created by  
14 this Act, shall be twelve years from the expiration of the  
15 term of his predecessor. Whenever under existing law the  
16 concurrence of four or more of the members of the Board of  
17 Governors of the Federal Reserve System is required, such  
18 requirement of law shall be held to be complied with by the  
19 concurrence of eight members.

20 SEC. 6. Classes A, B, and C directors of each bank  
21 shall be appointed by the President, by and with the advice  
22 and consent of the Senate. No director of any class shall  
23 be an officer, director, employee, or stockholder of any bank.  
24 Each director of any Federal Reserve bank shall be a resi-  
25 dent of the Federal Reserve district in which such bank is

1 located. Each director shall be appointed for a term of  
2 nine years after the first appointment. The appointments  
3 shall be so arranged that the regular term of one director  
4 at each bank shall expire each year. It shall be unlawful  
5 for any director of a Federal Reserve bank or an official of  
6 the Board of Governors of the Federal Reserve banks to be  
7 employed by any bank within three years from the time of  
8 service as a director or official.

9       SEC. 7. The Federal Advisory Council, created by sec-  
10 tion 12 of the Federal Reserve Act, as amended, is hereby  
11 abolished.

12       SEC. 8. The Board of Governors of the Federal Reserve  
13 Board shall hereafter constitute the Federal Open Market  
14 Committee.

15       SEC. 9. All positions, except those of directors and offi-  
16 cers, in the Federal Reserve banks are hereby included in  
17 the classified civil service. The incumbents of such positions  
18 shall acquire the same status under the classified civil service  
19 as though certified after examination by the Civil Service  
20 Commission if, at the expiration of the probationary period  
21 of six months, their services are certified to the Commission  
22 as being satisfactory. No officer, director, or employee of  
23 any Federal Reserve bank or Federal Reserve Board shall  
24 receive an annual salary in excess of \$25,000.

1        SEC. 10. Examinations of member and affiliated banks  
2 of the Federal Reserve System by any Federal agency shall  
3 be made without charge or assessment for costs thereof  
4 against such banks.

5        SEC. 11. The Board of Governors of the Federal Reserve  
6 System is authorized to prescribe such rules and regulations  
7 as may be necessary to carry out the policies and provisions  
8 of this Act.

9        SEC. 12. This Act shall take effect on January 1, 1938.

10       SEC. 13. All laws or parts of laws in conflict herewith  
11 are hereby repealed.

12       SEC. 14. There is hereby authorized to be appropriated  
13 such sums as may be necessary to carry out the provisions  
14 of this Act.