

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date August 25, 1949

To Mr. Eccles

Subject: _____

From Mr. Sherman

With further reference to the questionnaires prepared by the subcommittee of the Joint Committee on the Economic Report regarding its study of monetary, credit, and fiscal policies, there is attached a copy of a form letter which the committee used in transmitting a general questionnaire (copy also attached) to a relatively small selected list of commercial bankers, economists, and other individuals under date of August 16, 1949.

Attachments.



CONGRESS OF THE UNITED STATES

Joint Committee on the Economic Report

August 16, 1949

By direction of Congress, the Joint Committee on the Economic Report has undertaken a comprehensive study relating to the effectiveness and coordination of monetary, credit, and fiscal policies. The general purpose of the study is to evaluate the guideposts, objectives, effectiveness, and coordination of these policies in the past and to discover what changes, if any, would promote the purposes of the Employment Act.

A Subcommittee composed of Senators Paul H. Douglas, Chairman, and Ralph E. Flanders and Representatives Wright Patman, Frank Buchanan, and Jesse P. Wolcott has been appointed to conduct the study. This Subcommittee wishes to have the benefit of the best advice that it can get and to consider all points of view. As a part of its program, therefore, it is sending out a questionnaire to a number of people who can contribute to an understanding of these interrelated subjects. You have been selected as one who can make a valuable contribution to the study.

We realize that the enclosed questionnaire covers a wide range of subjects and that to answer all of its questions would be a laborious and time-consuming task and would require a detailed knowledge in many fields. We do not expect all of the recipients of the questionnaire to answer all of the questions. We would, however, appreciate your cooperation in answering as many of them as you can and in returning your answers to this office at your earliest convenience, but by the fifteenth of September if possible. You are assured that your answers will be fully considered and that they will be highly useful to the Subcommittee in conducting hearings and in preparing its report and recommendations. We shall welcome your discussion of any other aspect of monetary, credit, and fiscal policies which you believe to require study and which is not specifically covered by the questionnaire.

It would be a public service if you would give us your best judgment on these subjects, and we would be grateful if you would reply in such detail as you may consider desirable.

The enclosed envelope, addressed to this office, is for your convenience.

Very truly yours,

(Signed) Paul H. Douglas

Paul H. Douglas

(Signed) Ralph E. Flanders

Ralph E. Flanders

QUESTIONNAIRE

Your reply will be of maximum assistance to the Committee if you will state the reasoning behind your answers to the following questions

1. What should be the guideposts and objectives of monetary and credit policies? For example, in formulating these policies what consideration should be given to the behavior of general price levels, to individual prices, to employment, to interest rates, and so on? What are your major criticisms, if any, of the guideposts and objectives of our monetary and credit policies in the past?
2. In formulating its policies, what attention should the Federal Reserve give to interest charges on the Government debt and to the prices of Government securities? What should be the guiding principles for any Federal Reserve actions relating to the yields and prices of Government securities?
3. What changes, if any, should be made in the division of authority within the Federal Reserve System and in the composition and method of selection of the System's governing bodies?
4. What changes, if any, should be made in the standards that banks must meet to qualify for membership in the Federal Reserve System? Should any banks other than national banks be required by law to become members of the System?
5. With its present powers, how effective can the Federal Reserve be in maintaining a high level of employment and relatively stable price levels? What are the principal limitations, if any, on its effectiveness for these purposes?
6. What changes, if any, should be made in the powers of the Federal Reserve in order to increase its effectiveness?
7. What changes, if any, should be made in the reserve requirements of member banks? In the authority of the Federal Reserve to alter member bank reserve requirements? Under what conditions and for what purposes should the Federal Reserve use this power? What power, if any, should the Federal Reserve have relative to the reserve requirements of nonmember banks?
8. What changes, if any, should be made in the power of the Federal Reserve to exercise selective credit controls? Has its regulation of margin requirements on security loans had any undesirable effects? Should it have the permanent power to regulate consumer credit? Should selective controls be applied to any other types of credit? If so, what should be the guiding principles?
9. What changes, if any, should be made in the division of monetary and credit control powers between the Federal Reserve and the Treasury? In the methods of coordinating their policies? Would you advocate increasing or decreasing the degree of independence of the Federal Reserve?
10. What changes, if any, should be made in our monetary policy relative to silver? What should be the principal considerations in this policy?
11. Should all of our money, including bank deposits, be freely redeemable in gold coin on demand for all purposes? What would be the advantages and disadvantages of such a policy? Would it lead to hoarding under some circumstances?
12. Under what conditions and for what purposes should the price of gold be changed, if at all?
13. What changes, if any, should be made in the powers and policies of the Federal Deposit Insurance Corporation? In the coverage of deposit insurance? In the basis and rates for deposit insurance premiums? In the commitments of the Government itself to provide financial assistance at any time that the resources of the FDIC might prove to be inadequate?
14. What changes, if any, should be made in the division of the authority to supervise and examine banks? In the objectives and policies of the various supervisory and examining agencies?
15. Under what conditions and for what purposes should the Government or its agencies lend to private borrowers or guarantee loans to private borrowers? What are the advantages and disadvantages of these activities? What are the relative advantages and disadvantages of Government loans to private borrowers as compared with the Government guarantee of private loans?

16. Have the activities of the Government agencies that lend to private borrowers or guarantee private loans been appropriately coordinated with general monetary and credit policies? If not, should the degree of coordination be increased? With respect to what policies? If a greater degree of coordination is desirable how should this be accomplished?
17. What should be the guiding principles of the Government's over-all taxing and spending policies? To achieve an annually balanced budget even though national income and price levels fluctuate? To achieve a surplus at all times in order to reduce its debt? To achieve a deficit at all times? To achieve a surplus at some times and a deficit at other times? If the budget should not be balanced annually, what principles should guide the authorities in determining the amounts of the surplus or deficit, and under what conditions should there be a surplus or deficit? Should tax rates be held constant throughout a business cycle or changed as business conditions change? What tax rates, if any, should be flexible? Should the rate of Government spending be varied for the purpose of promoting economic stability? If so, what should be the guiding principles? Is it feasible and desirable to develop automatic guides to fiscal policy? If so, what should they be?
18. What are the principal limitations on the effectiveness of a flexible fiscal policy as an instrument of economic stabilization? What changes in the division of authority and in procedures would increase the effectiveness of fiscal policy for this purpose?
19. What changes, if any, in the Government's debt management policies would promote economic stability? In Treasury policies relative to interest rates? In the types and proportions of securities issued? Should these vary with changes in economic conditions? If so, according to what principles? Under what conditions should the Treasury borrow from the commercial banks? From others? Under what conditions should it seek to retire debt held by the banks? To retire debt held by others?
20. What changes, if any, would you advocate in the methods and procedures for coordinating the Government's monetary, credit, and fiscal policies with each other and with other economic policies?

IDENTIFICATION SHEET

Please use separate sheets for your answers to the questionnaire, and fill out and attach this identification sheet to your reply. The questionnaire may be retained for your files. A return envelope is enclosed.

Occupational Status

- Farmer, or representative of farm organization
- Representative of labor organization
- Officer of a commercial bank or trust company
- Officer of another type of financial institution
- Officer of a retailing or wholesaling concern
- Officer of a manufacturing concern
- Economist
- Other

(Specify)

Do you wish your reply kept confidential? Yes No

Name

Position

Name of
Organization

Address

.....