

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release

November 22, 1949

Digest of Statement of  
Marriner S. Eccles  
Before The  
Subcommittee on Monetary, Credit and Fiscal Policies  
Of The  
Joint Committee on the Economic Report  
November 22, 1949.

Testifying today before the Senate subcommittee on monetary, credit, and fiscal policies, Marriner S. Eccles, Member and former Chairman of the Federal Reserve Board, declared:

1. That the "red herring of the dual banking system is always brought up to obscure the real merits of fundamental questions involved in the proper administration of fiscal, monetary, and credit policy."

2. That, except in emergencies, "the Government should not compete with or invade the domain of private banking and credit institutions." He urged enactment of a pending bill to enable Federal Reserve Banks to guarantee, in part, loans made by private banks.

3. That Congress never intended that the FDIC which was created to protect depositors "would be used either to hamper effective national monetary policy or to give any class of banks special advantages over others." "I regret to say," he added, "that the FDIC has been used to discourage membership in the Federal Reserve System and to weaken effective monetary policy." He advocated that the law be amended to provide "that a bank can be a member of the Federal Reserve System without joining the FDIC in the same way that a State bank is now privileged to be a member of the FDIC without being obliged to join the Federal Reserve System."

4. That if, as the Comptroller of the Currency's Office has advocated, bank examination be directed as though it were not concerned with monetary and credit policy it can nullify such policy. "In fact," he said, "too often in the past bank examination policy became tighter when conditions grew worse thus intensifying deflation and, conversely, examination policy has gone along with inflationary forces when caution was needed."

5. That if the Federal Open Market Committee, now consisting of the Reserve Board and five Reserve Bank Presidents, is to be given other monetary responsibilities now vested in the Board, as urged by some bankers, the "Presidents of all twelve Federal Reserve Banks should be constituted the monetary and credit authority and they should take over the functions of the Board of Governors, which body should be abolished."

Governor Eccles reiterated his view that Congress should authorize a National Monetary Commission as proposed in S. 1559, now pending.