

Appendix

Membership of the Federal Reserve Board

EXTENSION OF REMARKS

OF

HON. J. WILLIAM FULBRIGHT

OF ARKANSAS

IN THE SENATE OF THE UNITED STATES

Monday, March 20 (legislative day of
Wednesday, March 8), 1950

Mr. FULBRIGHT. Mr. President, I ask unanimous consent to insert in the Appendix of the RECORD a letter addressed to Representative PAUL W. SHAFER, of Michigan, written by Hon. Marriner Eccles, of the Federal Reserve Board. This letter was written by Mr. Eccles in response to a statement by Mr. SHAFER upon the floor of the House of Representatives about the Reserve Board. In order that the point of view of Mr. Eccles be made available to the public, I believe this letter should be printed in full in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

MARCH 7, 1950.

HON. PAUL W. SHAFER,
House of Representatives,
Washington, D. C.

DEAR Mr. SHAFER: Your statements about the Federal Reserve Board in your speech on the floor of the House on February 21 and in the Appendix of the CONGRESSIONAL RECORD on February 15, contain so many misconceptions and misstatements of fact that I cannot permit these utterances to go unchallenged. They do a great injustice to R. M. Evans and M. S. Szymczak, members of the Board of Governors, to the late Gov. Lawrence Clayton, as well as to myself. In making the unfounded charge that the Board has been packed through violating the appointment provisions of the law, you cast wholly unwarranted reflections upon the Senate Committee on Banking and Currency, and the Senate itself, in the discharge of its function of confirming appointments. As a matter of simple justice I believe that the correct facts, which are set forth below, should be placed in the CONGRESSIONAL RECORD.

In the first place, you are obviously unfamiliar with the intent of the provisions of the Federal Reserve Act with regard to appointments. Section 10 of the act states:

"In selecting the members of the Board, not more than one of whom shall be selected from any one Federal Reserve district, the President shall have due regard to a fair representation of the financial, agricultural, industrial, and commercial interests, and geographical divisions of the country."

This section of the law was purposely drawn in very general terms as Senator Glass was at pains to explain when the Federal Reserve Act was first presented in Congress. The House Committee on Banking and Currency, of which Mr. Glass was the chairman, in a report which you will find on pages 805 et seq. of the authoritative volume, the Federal Reserve System, by the late Henry Parker Willis, who was the economic adviser to the committee, stated:

"The provision that the President in making his selection shall so far as possible select them in order to represent the different geographical regions of the country has been inserted in very general language in order that, while it might not be minutely mandatory, it should be the expressed wish of the Congress that no undue preponderance should be allowed to any one portion of the Nation at the expense of other portions. The provision, however, does not bind the President to any slavish recognition of given geographical sections."

The law provides for seven members of the Board; there are 12 Federal Reserve districts. Hence, all districts could not be represented on the Board at any one time. It was never the intent of the law that the Board should be representative of sectional interests. The wording of the law was designed to negative sectional representation, and to emphasize the public interest through broad distribution of representation of financial, agricultural, industrial, and commercial interests.

Taking up the individual cases in the order in which you discussed them in your speech on the floor of the House:

You state that there was a deliberate evasion of the spirit of the law because Mr. Evans was appointed from the fifth Federal Reserve district. Mr. Evans has resided in the fifth Federal Reserve district since the end of 1936 and, in fact, established his voting residence in Virginia, though this is by no means required as a condition for appointment from a Federal Reserve district. He was appointed in March of 1942 for the unexpired portion of the term of Mr. Chester C. Davis, who resigned to become president of the Federal Reserve Bank of St. Louis. Mr. Davis, who preceded Mr. Evans as the Administrator of the AAA, was himself named to the Federal Reserve Board from the same fifth Federal Reserve district. His appointment, as was that of Governor Evans, was passed upon by a Senate committee of which Senator Glass was a member, and chairman of a subcommittee on Federal Reserve matters. As the chief sponsor of the Federal Reserve Act Senator Glass was presumed to know more about its content and intent than any other living person. Senator Glass did not and, of course, would not, knowing the law, raise any such far-fetched objection as you stated in your speech, either to Mr. Davis' or Mr. Evans' appointment. Both came originally from Iowa. Both had resided for a number of years in the fifth Federal Reserve district. Both were selected to be representative of agriculture nationally.

You also stated that Mr. Evans, at the time of his selection, was a close friend of Marriner Eccles. The fact is that I had only a casual official acquaintance with Mr. Evans. He was strongly recommended by Mr. Davis, who had an intimate knowledge of his fine record in the agricultural field. He was also supported by national farm organizations, particularly the American Farm Bureau Federation. To suggest, as you do, that Mr. Evans would lend himself to a packing of the Board is an affront and an injustice which I resent on his behalf. If you had any acquaintance whatever with the man and his record, you would know how false this imputation is.

Your statements with regard to Mr. Clayton are equally far from the truth. Again, because you are ignorant of the law as it was drawn by Senator Glass, you make the false

charge that Mr. Clayton's appointment violated the spirit of the law. Then you state that in January 1945 Eccles had Clayton moved to Boston, Mass., where he assumed the nominal position of president of Clayton Securities Corp., of Boston, a company owned and operated by Clayton's brother. You added that before he went to Boston it was understood that President Roosevelt had agreed to his appointment to the board after he had established a residence in Boston. There was no such agreement whatsoever nor did I have Mr. Clayton moved to Boston. When Mr. Clayton left Utah at my instance in December of 1934 to be my assistant when I became governor of the Federal Reserve Board he sold his home there, gave up his voting residence and settled in Washington. He had no plans for returning to Utah. He went to Boston at the request of his brother, to my great regret and not with my urging—quite the contrary. He bought a home there and became a voting resident of the State. So far as I knew he intended to remain there indefinitely. Your insinuation that this move was a part of a scheme to circumvent the law is utterly baseless and again a grave injustice to a man of independent mind and judgment. I urged his appointment to President Truman because of an internal situation which had developed on the Board. Governor Szymczak was absent on an important mission in Europe as an economic adviser to our military government in Germany. Ronald Ransom, of Atlanta, vice chairman of the Board, was gravely ill, and, in fact, on his deathbed. Governor Vardaman, who had been on the Board a comparatively short time, was visiting the various Federal Reserve banks to become better acquainted with the System and, as a result, was absent for extended intervals. As a consequence, the problem of obtaining a quorum of the Board became acute. In this situation I recommended to President Truman that he name Mr. Clayton inasmuch as he had had a long experience in commercial as well as investment banking, he had been my close associate in Federal Reserve policy matters and administration ever since 1934. In addition to his experience in banking and in the Reserve System he was a graduate of the Harvard Law School. I knew of no one better fitted by experience, by temperament, by qualifications generally than Mr. Clayton to come on the Board and immediately assume the responsibilities which an inexperienced man could not have been expected to shoulder without a long period of apprenticeship.

Again, your imputation of "packing" the Board by Mr. Clayton's appointment is a grave injustice to all concerned, including the President and the members of the Senate committee who thoroughly inquired into his qualifications. I had personally discussed his appointment with Senator TAFT, who was well acquainted with him, with Senator WHITE and with Senator MILLIKIN, the three ranking Republican leaders, and also with Senator TOBEY, then chairman of the Senate Banking and Currency Committee. They all indicated that they would favor his confirmation if the appointment were made. Likewise, other New England Senators, including Senators SALTONSTALL and LODGE, of Massachusetts; FLANDERS, of Vermont; McMAHON, of Connecticut; and BRIDGES, of New Hampshire, were consulted and gave him their support. Moreover, the leading bankers of the First Federal Reserve

District likewise supported Mr. Clayton's appointment. In fact, I am not aware of any dissenting voice that was raised in the New England district by bankers, Members of Congress, or anyone else. He was confirmed without a dissenting voice on the floor of a Senate in which the Republicans had a majority. Your insinuation that Mr. Clayton was a rubber stamp is as baseless as your other reflections upon Board members.

As for Governor Szymczak's appointment, your speech appears to imply that Board members should not serve longer than 14 years. The provision that "any person appointed as a member of the Board after the date of enactment of the Banking Act of 1935 shall not be eligible for reappointment as such member after he shall have served a full term of 14 years" was written into the Banking Act of 1935 for the first time and became effective on February 1, 1936. Previously there was no limitation. The 1935 act was not retroactive and there was no requirement, legal or otherwise, to stand in the way of Governor Szymczak's appointment as of February 1, 1948, to a full 14-year term. That was the judgment of counsel for the Board as well as the judgment of the Senate Banking and Currency Committee which inquired fully into this question and recommended his confirmation by the Senate, where he was unanimously confirmed. It would have been a great misfortune to lose the services of Governor Szymczak who is still a comparatively young man. His industry and devotion to his task are well known to all who are acquainted with him. Your tortured misreading of the facts are as unjust to him as to the others.

As for myself, it is ludicrous for you to suggest any lack of independence on my part. If there is any one thing with which I have been charged above all else is that I have been too independent of White House or Treasury or other influences, in or out of Government. I have never run for, or sought, public office, nor have I ever engaged in political activities. I have no political or other axes to grind. As one who has spent most of his adult life in banking and business I am quite as solicitous as you are to preserve our system of private enterprise and our democratic institutions. To this end I think it imperative to prevent any "packing" of the Federal Reserve Board and to maintain its independence.

Sincerely yours,

M. S. ECCLES.

Training Program for the United States Coast Guard Reserve

EXTENSION OF REMARKS

OR

HON. HARRY P. CAIN

OF WASHINGTON

IN THE SENATE OF THE UNITED STATES

Monday, March 20 (legislative day of Wednesday, March 8), 1950

Mr. CAIN. Mr. President, I ask unanimous consent that a recent letter to me from Admiral Forrest Sherman, Chief of Naval Operations, be printed in the Appendix to the RECORD. Admiral Sherman sets forth his reasons why the United States Coast Guard Reserve ought to be provided with a training program. The Nation understands that port security will be a question of major concern in the future. The House of Representatives is presently considering the wisdom of activating the Coast Guard Reserve in this

man's views will be helpful to this consideration.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NAVY DEPARTMENT,
OFFICE OF THE
CHIEF OF NAVAL OPERATIONS,
Washington, D. C., March 15, 1950.

HON. HARRY P. CAIN,
United States Senate,
Washington, D. C.

DEAR SENATOR CAIN: I have your letter of March 10, as well as that of March 7, which you gave me during our attendance at Operation Portrex.

Your letter of March 10 is very much appreciated. I am grateful for your kind remarks and for your offer to be of help; both are quite heartening.

With respect to your letter of March 7, I feel that the interests of national defense will be well served by the establishment of a Coast Guard Reserve. That, of course, will require funds for the training of such a reserve at the present time. An annual appropriation of \$4,100,000 for such purpose is not excessive.

In the event of mobilization, it is contemplated that the Coast Guard will perform the following specific functions: (1) Port security; (2) harbor master duty at advance bases; (3) beach patrol duty; (4) reactivation and manning of high frequency direction finding stations; and (5) harbor defense—inshore and offshore patrols in small craft.

A reserve component of the Coast Guard should be trained to proficiency in the foregoing matters. Such training would not duplicate training now being given the Naval Reserve.

Thank you for your letters and your good wishes.

Cordially yours,
FORREST SHERMAN,
Admiral, United States Navy.

Secretary Acheson and the Extremists

EXTENSION OF REMARKS

OF

HON. A. S. J. CARNAHAN

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Monday, March 20, 1950

Mr. CARNAHAN. Mr. Speaker, under permission to extend my remarks in the RECORD, I include an editorial from the San Francisco Chronicle entitled "Secretary Acheson and the Extremists" and an editorial from the New York Times entitled "Challenge to Russia."

I commend the sane and balanced tone of these editorials to the American people. They follow:

[From the San Francisco Chronicle of March 2, 1950]

SECRETARY ACHESON AND THE EXTREMISTS

Secretary of State Acheson has been placed unfairly in a squeeze between extremist groups. We suggest that those Americans who are not extremists take stock of what's going on and give him the solid backing he needs to carry on with his job.

From one side, the leftists are heckling him for being too tough with the Russians. This is being carried on not only by the Communists but by a highly vocal segment of starry-eyed people who still believe humility on the part of America is the key to an accommodation with Russia. Both of these groups...

hand, and petition for another hearing on the atomic-energy matter and related problems. This would be highly pleasing to Stalin, and gratifying to Communists everywhere, but Acheson can see no further gain from holding our hat in our hand, and we believe most Americans thoroughly agree with him.

From the other side, the extreme rightists are giving him relentless trouble over the Hiss matter. From his statement expressing compassion for Hiss and from his previous statement that he would not turn his back on his personal friend, they are construing Acheson as a condoner of treachery and a partisan of communism. We do not see how this follows. It seems to us quite compatible with fundamental Americanism for a man to feel compassion for another, whatever the depths of his trouble. And Acheson's refusal to turn his back on his long-time friend impressed us as a position in support of human decency, rather than in favor of whatever defections of which Hiss might be guilty.

One thing is certainly clear—Acheson cannot be guilty of the accusations thrown at him by both sides, for they are irreconcilable.

We suggest that a careful review of Acheson's life and of his record in public office will disclose no shred of actual evidence that he is other than a human being and an earnest, devoted American. And his recent record convinces us that he is also a singularly competent Secretary of State, performing ably under a set of international conditions that render that job more difficult, and more critical in terms of potential consequences, than it has ever been in history.

Since the manner of performance of this international task bears importantly upon the lives, welfare, and survival, of all of us, we regret these systematic mud-slinging campaigns as aiming to diminish the effectiveness of the Secretary of State in the performance of his main duties. We do not, of course, expect the Communists to pipe down, and it would probably be starry-eyed on our part to expect the extreme rightists to realize they are playing into the Communists' hands. But there is need and opportunity for the overwhelming majority of non-extremists to raise their own voices in behalf of fair play, and a reasonable chance for Acheson to do the job he is trying to do for all of us.

[From the New York Times of Friday, March 17, 1950]

CHALLENGE TO RUSSIA

In two major statements on American foreign policy Secretary Acheson has challenged Soviet Russia to make good with deeds its propaganda for peace and the coexistence of the Communist world and the free world. In what may be taken as a reply to recent speeches in Moscow, Mr. Acheson has offered a seven-point program on the basis of which peaceful coexistence could be achieved and the cold war ended.

This program, in effect, calls upon Soviet Russia to halt its policy of aggression and to cooperate, with unmistakable evidence of good faith, in finding peaceful settlements for all outstanding problems. It particularly calls upon the Soviet Union to cooperate in concluding peace treaties with Germany and Japan, and final settlements with Austria and Korea, in conformity with Russia's wartime pledges and with the principles of the United Nations. It calls for the withdrawal of Soviet military and police forces from the satellite areas, so that the nations in these areas may achieve genuine independence and self-government, as agreed upon at Yalta. It calls for an end of Soviet obstruction in the United Nations and for Soviet cooperation in finding an effective system for the control of atomic weapons and the limitation of other armaments. Finally...