

I discussed with Mr. Sherman the possibility of combining this file with FOMC Members - General - because these two files overlap slightly.

He preferred that the two files remain intact and asked that a cross reference sheet be placed in each file.

B. Hunter  
9/9/55

Form F. R. 131

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

333.3-a-2

# Office Correspondence

Date March 13, 1936.

To Mr. Wyatt

Subject: \_\_\_\_\_

From Mr. Carpenter



At the meeting of the Board today, at which you were present, it was agreed, in view of the circumstances outlined by you, that the submission of the opinion requested by the Board as to the validity of the elections of the representatives of the Federal reserve banks as members of the Federal Open Market Committee would not be necessary.



SRC/acw

see memo 3/5/36

Form F. R. 131

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

333.3-a-2

# Office Correspondence

Date March 5, 1936.

To Mr. Wyatt

Subject: \_\_\_\_\_

From Mr. Carpenter

*Free*

At the meeting yesterday, at which you were present, you were requested to submit to the Board, prior to the date of the meeting of the Federal Open Market Committee to be held immediately following a conference of the Board with the Presidents of the banks beginning March 16, 1936, an opinion as to the validity of the election of each of the five members of the Federal Open Market Committee elected by the Federal reserve banks to represent the banks.

*[Signature]*  
SRC/acw

*see memo 3/13/36*

Form F. R. 148 b

TELEGRAM  
BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
LEASED WIRE SERVICE  
WASHINGTON

333,3-a-2

MAR 5 1936

CURTISS, BOSTON  
CASE, NEW YORK  
AUSTIN, PHILADELPHIA

FLETCHER, CLEVELAND  
STEVENS, CHICAGO  
WOOD, ST. LOUIS

GERRY, MINNEAPOLIS  
THOMAS, KANSAS CITY  
MOORE, SAN FRANCISCO

If you have not already done so, Board requests  
that you please forward immediately or as soon as election  
held, a certified transcript of the record of election  
of representative to Federal Open Market Committee.

(Signed) L. P. BETHEA

BETHEA

JPD/ebb

GENERAL COUNSEL'S OFFICE,

Dictated by *JPD*

Approved by .....

Revised by .....

*copy filed  
John C. Mendenhall*

FILE COPY

FEDERAL RESERVE BANK  
OF ATLANTA

OFFICE OF  
SECRETARY OF THE BOARD  
ASSISTANT FEDERAL RESERVE AGENT

February 27, 1936.

333-333  
333-333

RECEIVED  
FEDERAL RESERVE BOARD

1936 FEB 28 PM 3 50

Mr. Chester Morrill, Secretary,  
Board of Governors of the  
Federal Reserve System,  
Washington, D. C.

Dear Mr. Morrill:

In the absence of Mr. Kettig, Deputy  
Chairman, I have for acknowledgment your letter of Feb-  
ruary 25, 1936, with which you enclosed a copy of a  
letter which Chairman Eccles addressed to Governor Harri-  
son of the Federal Reserve Bank of New York, transmitting  
a copy of an opinion rendered on the question whether  
representatives of the Federal reserve banks on the Fed-  
eral Open Market Committee may be elected with limited  
authority and subject to the condition that they will, as  
members of the Committee, act in accordance with the in-  
structions of the Boards of Directors which elected them.

Your letter and enclosure will be handed  
to Mr. Kettig when he returns to Atlanta.

Very truly yours,



L. M. Clark,  
Secretary of the Board.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

333.3-a-2

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 26, 1936.

Dear Mr. Morrill:

I have just received from Mr. Bethea a copy of an opinion of Mr. Dreibelbis on the question whether the banking members of the Federal Open Market Committee could be appointed by the Federal Reserve Banks with limited authority subject to instructions by the banks.

I concur in Mr. Dreibelbis' opinion. The Federal Open Market Committee is an independent board and it would be as absurd to tie down the banking members of this body by instructions from the banks as it would be for the people of a state to elect a Senator of the United States with limited authority. The Senator represents not alone his state but the whole country as well, and the members of the Federal Open Market Committee likewise represent the interests of the country at large. As Mr. Dreibelbis points out, the functions of the Committee are to give orders to the Federal Reserve banks and not to receive orders from them.

Very truly yours,

*C. S. Hamlin*  
C. S. Hamlin,  
SPECIAL COUNSEL.

Mr. Chester Morrill, Secretary,  
Board of Governors of the Federal  
Reserve System,  
Washington, D. C.

333.3-a-2



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

February 25, 1936.

Dear Mr. Morrill:

I have read carefully the opinion of Mr. Dreibelbis on the matter of election of representatives of the Federal Reserve banks to serve upon the Federal Open Market Committee.

The opinion is clear and forcible and sets forth a possible interpretation of Section 12A of the Federal Reserve Act. The statute, however, is so vague that it is impossible to determine by ordinary laws of construction just what Congress had in mind.

According to the interpretation placed upon the statute by Mr. Dreibelbis, Congress has in effect created an electoral college and has rearranged district lines fixed by the Organization Committee and has consolidated the districts from the original twelve into a very much smaller number in connection with the selection of representatives upon said Federal Open Market Committee. According to this interpretation also, the powers granted to Federal Reserve banks under sub-section 7, Section 4, of the Federal Reserve Act, have been materially reduced in that power to bind the Federal Reserve bank is given its directors, as individuals, in connection with individual directors of other Federal

Mr. Morrill - (2)

Reserve banks.

It should be borne in mind that the interests, economic and financial, of the respective districts may be very diverse, and that to give the power to choose a representative on said Committee by the individual votes of two or more boards of directors, may seriously affect the interests of one or the other of the Federal Reserve banks.

The statute, as I have stated, is so vague that it seems hardly possible to build up from it what the intention of Congress was, but if there is any other construction which would relieve us from the necessity of accepting the theory that Congress has radically changed district lines as originally fixed by the Organization Committee and has radically reduced the power of the Federal Reserve banks by giving to directors, as individuals, in cooperation with directors of other banks, the power to bind the Federal Reserve bank, I should prefer to seek for some construction which would not involve such a radical departure from the essential principles of the Federal Reserve Act.

It should be remembered that the Federal Reserve banks in their relations to one another (subject, of course, to the jurisdiction or power of the central body known as the Board of Governors) are sovereign banks and I am reluctant to believe that Congress intended to merge these banks together for the purpose of electing a common representative on the Open Market Committee.



Mr. Morrill - (3)

To my mind, it would certainly be consistent with the language of the statute if in the first instance, the Federal Reserve bank by vote of its directors should agree upon a representative on the Committee and that the other bank or banks involved should take similar action. They could then confer together and, if possible, reach an agreement upon a given representative which agreement should be referred back to the individual Federal Reserve banks for ratification by their boards of directors.

To my mind, this would be a much fairer method than to merge the individual directors together into a kind of electoral college. If such were done and there were two Federal Reserve banks upon whom was imposed the duty of electing a common representative, it is conceivable that all the votes of one of the Federal Reserve banks might be cast for "A", while all the votes in the other Federal Reserve bank might be cast for "B" and you should have the same danger of stalling that would exist if each bank cast in the first instance only one vote. Or to go a little further, supposing, under the electoral college theory, there were two candidates for representation on the Committee, "A" and "B", the nine votes of one Federal Reserve bank are cast for "A" and the other Federal Reserve bank has lost one director, we will say, because of death, but casts the remaining eight votes for "B", the result would be that "A" would be elected although every one of the living directors of one Federal Reserve bank might be unalterably opposed to "A" as its common representative.

Mr. Morrill - (4)

The question may arise as to what would happen if the two Federal Reserve banks in question could not agree upon a common representative. It seems to me, however, that that question may fairly be postponed until such contingency should arise. It is obvious, of course, that in such a case the two or three banks in question would have no representative on the Committee and the question then would arise whether the Committee by regulation could prescribe some other means by which a common representative might be elected, or it might determine to refer the matter to Congress for its action. This, however, can safely rest until such a contingency should arise.

In conclusion, I would state as above, that while the interpretation of Mr. Dreibelbis is a possible one, it involves such serious changes in underlying features of the Federal Reserve System that I would hesitate to accept it if some other construction of the statute can be found. I believe that such a construction can be found by treating each Federal Reserve bank as a sovereign authority and enabling it to enter into a kind of treaty with the other Federal Reserve bank involved from which a common agreement may be reached and referred back to each board of directors for its ratification.

Very truly yours,



C. S. Hamlin,  
SPECIAL COUNSEL.

Mr. Chester Morrill, Secretary,  
Board of Governors of the Federal  
Reserve System,  
Washington, D. C.

*300-10-1000000000*

333.3-a-2

FEB 25 1936

*out*

Mr. George L. Harrison, Governor,  
Federal Reserve Bank of New York,  
New York, New York.

Dear Governor Harrison:

In accordance with our conversation over the telephone last week, I am inclosing herewith for your information, a copy of an opinion rendered by one of the Board's Assistant General Counsel and concurred in by the Board's General Counsel, on the question whether representatives of the Federal reserve banks on the Federal Open Market Committee may be elected with limited authority and subject to the condition that they will, as members of the Committee, act in accordance with the instructions of the Boards of Directors which elected them.

*L-425 2/24/36 orig filed  
FOMC Membr  
Sent*

Very truly yours,

M. S. Eccles,  
Chairman.

*appal  
lee*

Inclosure

MINUTES OF

FEB 25 1936

*SP*

FEB 25 1936

MINUTES OF

WW/ack

*Copy filed  
FOMC Membr  
Sent*

FILE COPY

L-425

February 24, 1938

Board of Governors

Election of representatives of Federal Reserve banks to Federal Open Market Committee with limited authority.

Mr. Erelbalbis,  
Assistant General Counsel

My opinion has been requested as to whether representatives of the Federal Reserve banks upon the Federal Open Market Committee, as provided for in section 12A of the Federal Reserve Act, as amended, may be elected with limited authority and subject to the condition that they will, as members of the Committee, act in accordance with the instructions of the boards of directors electing them.

OPINION

In my opinion representatives of the Federal Reserve banks upon the Federal Open Market Committee may not be elected with limited authority to act only in accordance with the instructions of the boards of directors electing such members.

DISCUSSION

The primary purpose of Congress in creating the Federal Open Market Committee was to fix responsibility for open market operations in one body with a national viewpoint. As a compromise between the views of those who believed such responsibility should be fixed exclusively in the Board of Governors of the Federal Reserve System and those who believed that it should be fixed in a committee consisting exclusively of the then Governors of the Federal Reserve banks, section 12A, as amended by the Banking Act of 1935, provided for a committee composed of the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks. None the less, however, was the Committee created as a body charged with the entire responsibility for the conduct of open-market operations in accordance with the governing principles of the Act.

It is significant that section 12A provides that the Committee "shall consist of the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks", and provides that such representatives shall be elected "one by the boards of directors of the Federal Reserve Banks of Boston and New York", etc. The representatives of the banks are elected by the several boards of directors of the Federal Reserve banks as grouped in section 12A, as

*Opinion filed  
to FOMC - Members  
General*

Board of Governors - 2

amended; but, when elected, they are representatives of all of the Federal Reserve banks and not representatives of the particular banks whose directors elected them. Had Congress intended that each representative should be elected as a representative of the group of banks electing such member, it would have so stated rather than to have provided that such members should constitute "representatives of the Federal Reserve banks". It follows, therefore, that the duties and obligations of the Federal Reserve bank representatives upon the Federal Open Market Committee are to the country at large and not to any one or group of Federal Reserve banks.

Among other things, section 12A of the Federal Reserve Act, as amended, provides that "No Federal Reserve bank shall engage or decline to engage in open-market transactions under section 14 of this Act, except in accordance with the direction of and regulations adopted by the Committee. The Committee shall consider, adopt, and transmit to the several Federal Reserve banks, regulations relating to the open-market transactions of such banks." Thus, rather than receiving directions from the Federal Reserve banks or the boards of directors of the Federal Reserve banks, members of the Federal Open Market Committee are charged by law with giving directions to the Federal Reserve banks, and the Federal Reserve banks are charged by law with the duty of following such directions. Certainly it cannot be said, therefore, that representatives of the banks on the Federal Open Market Committee are subject to instructions given by the banks electing them when, by the plain terms of the Act, they are charged with the duty of directing the banks in the performance of this particular function.

Thus, members of the Federal Open Market Committee are public officers charged with the duty of conducting open-market operations of the Federal Reserve System "with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country". Of necessity their deliberations and actions must be confidential. To disseminate information as to open-market policies while being formulated or while in the process of being executed might defeat the results sought in the execution of such policies. Congress must have so considered when it provided in section 10 of the Federal Reserve Act that the Board of Governors of the Federal Reserve System should keep a complete record of the action taken by the Federal Open Market Committee upon all questions of policy relating to open-market operations and should record therein the votes taken in connection with the determination of such policies and the reasons underlying the action of the Committee and should include in its annual report to Congress a full account of the action so taken during the preceding year. Had Congress intended that the consideration and execution of open-market policies be matters of public and current information there would have been no necessity for requiring such report to it.

BOARD OF GOVERNORS

Board of Governors - 4

The very fact that Congress provided for the report to be made to it rather than to the Federal Reserve banks or their boards of directors, is significant. Section 12A of the Federal Reserve Act, as amended, requires open-market operations to be conducted "with regard to their bearing upon the general credit situation of the country". Congress, and not the boards of directors of the several Federal Reserve banks, is the body which represents the public interest and Congress, while recognizing the confidential character of open-market operations, has provided for reports to be made to it as the body representing the general welfare of the country. Had Congress intended that the Federal Open Market Committee or any of its members should owe a duty or responsibility to report to the boards of directors of the Federal Reserve banks such duties would have been included in section 10 of the Federal Reserve Act.

With respect to public officers it has long been held that any contract or agreement tending to hamper or restrict such officer in the due performance of his duty or which seeks to impose upon such officer a restriction in connection with the exercise of his discretion is illegal and against public policy.

In the case of Schneider v. Local Union, 40 So. 700, the court, quoting from Greenhood on Public Policy, stated:

"Any contract which contemplates conduct which will amount to an imposition upon a public officer in the exercise of his discretion is void. \* \* \* Any contract by one acting in a representative capacity, which restricts the free exercise of a discretion vested in him for the public good, is void."

In the case of Campbell v. Offutt, 151 S. W. 403, the court stated:

"\* \* \* The law requires of a public officer that he shall use his best skill and judgment for the protection of the public interest, and an agreement before his appointment to divide the fees of the office with an attorney, if sustained, might seriously cripple the public service: \* \* \*."

Clearly, any effort to restrict a member of the Federal Open Market Committee in the free exercise of his discretion in the public interest and for the public welfare, by contract or otherwise, would be illegal and against public policy.

In the law of corporations, it is well settled that the discretion of directors in performing their duties cannot be limited or

100-100000-100

Board of Governors - 4

restricted by agreements against the interest of the corporation with the stockholders or otherwise.

Thus, in Manson v. Curtis, 223 N. Y. 313, 119 N. E. 559, it is stated:

"\* \* \* \* In corporate bodies, the powers of the board of directors are, in a very important sense, original and undelegated. The stockholders do not confer, nor can they revoke those powers. \* \* \* \* As a general rule, the stockholders cannot act in relation to the ordinary business of the corporation, nor can they control the directors in the exercise of the judgment vested in them by virtue of their office. \* \* \* \* Clearly the law does not permit the stockholders to create a sterilized board of directors. \* \* \* \*"

In the case of West v. Camden, 135 U. S. 507, the Supreme Court of the United States held that an agreement by a stockholder of a corporation to keep another person permanently in place as an officer of a corporation was void as against public policy, since such an agreement might require a stockholder as a director to act contrary to the true interest of a corporation.

In Baldeman v. Baldeman, 197 S. W. 376, the court said:

"\* \* \* \* And he (a stockholder) has the further right to demand that each director discharge his duty as such, not in accordance with his personal contract, but in the best interests of the corporation they represent. \* \* \* \*"

Other cases to the same effect are Lamb v. Lehmann, 143 N. E. 276, Ohio (1924); Rush v. Aunspaugh, 179 Ala. 542, 60 So. 802 (1912); Scripps v. Sweeney, 160 Mich. 148, 125 N. W. 72 (1910).

It is inconceivable that Congress, in creating the Federal Open Market Committee, for the avowed purpose of conducting open-market operations "with regard to their bearing upon the general credit situation of the country", intended to create a body, five members of which might be made obedient to the will of a body or bodies concerned primarily with local interests.

It is my conclusion, therefore, that representatives of the Federal Reserve banks upon the Federal Open Market Committee may not be elected with limited authority to act in accordance with instructions of the boards of directors electing such members and that in the conduct of their office such members are public officers exercising

Board of Governors

Board of Governors -

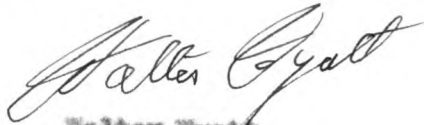
public functions in the interest of the public as a whole, and not necessarily in the interest of the particular group electing them.

Respectfully submitted,



J. P. Dreibelbis,  
Assistant General Counsel.

I have given careful consideration to the above opinion and concur in it completely.



Walter Wyatt,  
General Counsel.

JPD:rh



333.3-a-2

FEB 25 1936

Mr. F. H. Curtiss, Chairman,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts.

Dear Mr. Curtiss:

There is inclosed for your information a copy of a  
<sup>2/25/36</sup> letter which Chairman Eccles has written to Governor Harrison  
of the Federal Reserve Bank of New York, transmitting a copy  
of an opinion <sup>see above letter</sup> rendered by one of the Board's Assistant Gen-  
eral Counsel and concurred in by the Board's General Counsel,  
on the question whether representatives of the Federal re-  
serve banks on the Federal Open Market Committee may be elected  
with limited authority and subject to the condition that they  
will, as members of the Committee, act in accordance with the  
instructions of the Boards of Directors which elected them.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

Inclosures

WW/acw

*Copy filed  
3rd - Meml.  
Bene*  
*RR*  
FILE COPY

333,3-a-2

FEB 26 1936

Mr. H. L. Austin, Chairman,  
Federal Reserve Bank of Philadelphia,  
Philadelphia, Penna.

Dear Mr. Austin:

There is inclosed for your information a copy of a  
<sup>R/25/36</sup>  
letter which Chairman Eccles has written to Governor Harrison  
of the Federal Reserve Bank of New York, transmitting a copy  
of an opinion <sup>see above letter</sup> rendered by one of the Board's Assistant Gen-  
eral Counsel and concurred in by the Board's General Counsel,  
on the question whether representatives of the Federal re-  
serve banks on the Federal Open Market Committee may be elected  
with limited authority and subject to the condition that they  
will, as members of the Committee, act in accordance with the  
instructions of the Boards of Directors which elected them.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

Inclosures

WW/pcw

FILE COPY

333.3-a-2

FEB 25 1936

Mr. E. S. Burke, Jr.,  
Acting Chairman,  
Federal Reserve Bank of Cleveland,  
Cleveland, Ohio.

Dear Mr. Burke:

There is inclosed for your information a copy of a  
letter <sup>2/25/36</sup> which Chairman Eccles has written to Governor Harrison  
of the Federal Reserve Bank of New York, transmitting a copy  
of an opinion <sup>see above letter</sup> rendered by one of the Board's Assistant Gen-  
eral Counsel and concurred in by the Board's General Counsel,  
on the question whether representatives of the Federal re-  
serve banks on the Federal Open Market Committee may be elected  
with limited authority and subject to the condition that they  
will, as members of the Committee, act in accordance with the  
instructions of the Boards of Directors which elected them.

Very truly yours,

*Signed: Chester Morrill*

Chester Morrill,  
Secretary.

Inclosures

WV/acw  


FILE COPY

333.3-a-2

FEB 25 1936

Mr. F. A. Delano,  
Deputy Chairman,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia.

Dear Mr. Delano:

There is inclosed for your information a copy of a  
<sup>2/25/36</sup>  
letter which Chairman Eccles has written to Governor Harrison  
of the Federal Reserve Bank of New York, transmitting a copy  
of an opinion <sup>see above letter</sup> rendered by one of the Board's Assistant Gen-  
eral Counsel and concurred in by the Board's General Counsel,  
on the question whether representatives of the Federal re-  
serve banks on the Federal Open Market Committee may be elected  
with limited authority and subject to the condition that they  
will, as members of the Committee, act in accordance with the  
instructions of the Boards of Directors which elected them.

Very truly yours,

Chester Morrill

Chester Morrill,  
Secretary.

Inclosures

*[Handwritten signature]*  
AW/acw

FILE COPY

333.3-a-2

FEB 25 1936

Mr. W. H. Kettig, Deputy Chairman,  
Federal Reserve Bank of Atlanta,  
Atlanta, Georgia

Dear Mr. Kettig:

There is inclosed for your information a copy of a  
letter <sup>2/25/36</sup> which Chairman Eccles has written to Governor Harrison  
of the Federal Reserve Bank of New York, transmitting a copy  
of an opinion <sup>see above letter</sup> rendered by one of the Board's Assistant Gen-  
eral Counsel and concurred in by the Board's General Counsel,  
on the question whether representatives of the Federal re-  
serve banks on the Federal Open Market Committee may be elected  
with limited authority and subject to the condition that they  
will, as members of the Committee, act in accordance with the  
instructions of the Boards of Directors which elected them.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary

*AW/faf*  
Inclosures

See ans 2/27/36

FILE COPY

333.3-a-2

APR 25 1936

Mr. Eugene M. Stevens, Chairman,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois.

Dear Mr. Stevens:

There is inclosed for your information a copy of a  
<sup>2423736</sup> letter which Chairman Eccles has written to Governor Harrison  
of the Federal Reserve Bank of New York, transmitting a copy  
of an opinion <sup>per above letter</sup> rendered by one of the Board's Assistant Gen-  
eral Counsel and concurred in by the Board's General Counsel,  
on the question whether representatives of the Federal re-  
serve banks on the Federal Open Market Committee may be elected  
with limited authority and subject to the condition that they  
will, as members of the Committee, act in accordance with the  
instructions of the Boards of Directors which elected them.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary

HW/fsf

Inclosures

FILE COPY

333.3-a-2

FEB 25 1936

Mr. J. S. Wood, Chairman,  
Federal Reserve Bank of St. Louis,  
St. Louis, Missouri.

Dear Sir:

There is inclosed for your information a copy  
of a letter <sup>2/2/36</sup> which Chairman Eccles has written to Governor  
Harrison of the Federal Reserve Bank of New York, trans-  
mitting a copy of an opinion <sup>see above letter</sup> rendered by one of the Board's  
Assistant General Counsel and concurred in by the Board's  
General Counsel, on the question whether representatives  
of the Federal reserve banks on the Federal Open Market  
Committee may be elected with limited authority and subject  
to the condition that they will, as members of the Committee,  
act in accordance with the instructions of the Boards of  
Directors which elected them.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

Inclosures.

*AM*  
FILE COPY

333.3-a-2

FEB 25 1936

Mr. J. N. Peyton, Chairman,  
Federal Reserve Bank of Minneapolis,  
Minneapolis, Minnesota.

Dear Mr. Peyton:

There is inclosed for your information a copy of  
<sup>2/25/36</sup>  
a letter which Chairman Eccles has written to Governor  
Harrison of the Federal Reserve Bank of New York, transmit-  
ting a copy of an opinion <sup>file above letter</sup> rendered by one of the Board's  
Assistant General Counsel and concurred in by the Board's  
General Counsel, on the question whether representatives of  
the Federal reserve banks on the Federal Open Market Commit-  
tee may be elected with limited authority and subject to the  
condition that they will, as members of the Committee, act in  
accordance with the instructions of the Boards of Directors  
which elected them.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

Inclosures

*RR*

FILE COPY



333.3-a-2

FEB 25 1936

Mr. J. J. Thomas, Chairman,  
Federal Reserve Bank of Kansas City,  
Kansas City, Missouri.

Dear Mr. Thomas:

There is inclosed for your information a copy of  
<sup>2/25/36</sup>  
a letter which Chairman Eccles has written to Governor  
Harrison of the Federal Reserve Bank of New York, transmit-  
ting a copy of an opinion <sup>see above letter</sup> rendered by one of the Board's  
Assistant General Counsel and concurred in by the Board's  
General Counsel, on the question whether representatives of  
the Federal reserve banks on the Federal Open Market Commit-  
tee may be elected with limited authority and subject to the  
condition that they will, as members of the Committee, act in  
accordance with the instructions of the Boards of Directors  
which elected them.

Very truly yours,

(Signed) Chester Morrill  
Chester Morrill,  
Secretary.

Inclosures.

W. H. H. H.



FILE COPY

333.3-a-2

FEB 25 1936

Mr. C. C. Walsh, Chairman,  
Federal Reserve Bank of Dallas,  
Dallas, Texas.

Dear Mr. Walsh:

There is inclosed for your information a copy of  
<sup>2/25/36</sup>  
a letter which Chairman Eccles has written to Governor  
Harrison of the Federal Reserve Bank of New York, transmit-  
ting a copy of an opinion <sup>file above letter</sup> rendered by one of the Board's  
Assistant General Counsel and concurred in by the Board's  
General Counsel, on the question whether representatives of  
the Federal reserve banks on the Federal Open Market Committee  
may be elected with limited authority and subject to the con-  
dition that they will, as members of the Committee, act in  
accordance with the instructions of the Boards of Directors  
which elected them.

Very truly yours,

(Signed) Chester Morrill  
Chester Morrill,  
Secretary.

Inclosures.

*Walsh*

FILE COPY

333.3-a -

FEB 25 1936

Mr. W. N. Moore, Deputy Chairman,  
Federal Reserve Bank of San Francisco,  
San Francisco, California.

Dear Mr. Moore:

There is inclosed for your information a copy of  
a letter <sup>2/25/36</sup> which Chairman Eccles has written to Governor  
Harrison of the Federal Reserve Bank of New York, transmit-  
ting a copy of an opinion <sup>see above letter</sup> rendered by one of the Board's  
Assistant General Counsel and concurred in by the Board's  
General Counsel, on the question whether representatives  
of the Federal reserve banks on the Federal Open Market  
Committee may be elected with limited authority and sub-  
ject to the condition that they will, as members of the  
Committee, act in accordance with the instructions of the  
Boards of Directors which elected them.

Very truly yours,

(Signed) Chester Morrill  
Chester Morrill,  
Secretary.

Inclosures.

W. W. L. ngh  
*[Handwritten signature]*

FILE COPY

*Handwritten scribble*

RECEIVED  
FEDERAL RESERVE BOARD  
WASHINGTON

1936 FEB 23 3 57

FEDERAL RESERVE BANK  
OF NEW YORK

February 25, 1936.

S i r s :

I have for acknowledgment your letter of February 20, 1936,  
enclosing copy of Mr. Eccles' letter to the Chairman of the Federal  
Reserve Bank of Minneapolis, copy of opinion of the Assistant General  
Counsel of the Board of Governors of the Federal Reserve System, and  
copy of memorandum, all having to do with the subject of election of  
representatives of the Federal Reserve Banks to serve on the Federal  
Open Market Committee.

Please accept my thanks for the information contained in  
the various documents.

Respectfully,



J. H. CASE,  
Chairman.

Board of Governors of the  
Federal Reserve System,  
Washington, D. C.

Form F. R. 131

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

L-425  
333,32 Members

Office Correspondence

Date February 24, 1936

To Board of Governors  
From Mr. Dreibelbis,  
Assistant General Counsel

Subject: Election of representatives of  
Federal Reserve banks to Federal Open  
Market Committee with limited authority.

G P O 16-852

*V. C. ...*

My opinion has been requested as to whether representatives of the Federal Reserve banks upon the Federal Open Market Committee, as provided for in section 12A of the Federal Reserve Act, as amended, may be elected with limited authority and subject to the condition that they will, as members of the Committee, act in accordance with the instructions of the boards of directors electing them.

OPINION

In my opinion representatives of the Federal Reserve banks upon the Federal Open Market Committee may not be elected with limited authority to act only in accordance with the instructions of the boards of directors electing such members.

DISCUSSION

The primary purpose of Congress in creating the Federal Open Market Committee was to fix responsibility for open market operations in one body with a national viewpoint. As a compromise between the views of those who believed such responsibility should be fixed exclusively in the Board of Governors of the Federal Reserve System and those who believed that it should be fixed in a committee consisting exclusively of the then Governors of the Federal Reserve banks, section 12A, as amended by the Banking Act of 1935, provided for a committee composed of the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks. None the less, however, was the Committee created as a body charged with the entire responsibility for the conduct of open-market operations in accordance with the governing principles of the Act.

It is significant that section 12A provides that the Committee "shall consist of the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks", and provides that such representatives shall be elected "one by the boards of directors of the Federal Reserve Banks of Boston and New York", etc. The representatives of the banks are elected by the several boards of directors of the Federal Reserve banks as grouped in section 12A, as

*See*  
MINUTES OF

FEB 25 1936

*[Signature]*

## Board of Governors - 2

amended; but, when elected, they are representatives of all of the Federal Reserve banks and not representatives of the particular banks whose directors elected them. Had Congress intended that each representative should be elected as a representative of the group of banks electing such member, it would have so stated rather than to have provided that such members should constitute "representatives of the Federal Reserve banks". It follows, therefore, that the duties and obligations of the Federal Reserve bank representatives upon the Federal Open Market Committee are to the country at large and not to any one or group of Federal Reserve banks.

Among other things, section 12A of the Federal Reserve Act, as amended, provides that "No Federal Reserve bank shall engage or decline to engage in open-market transactions under section 14 of this Act, except in accordance with the direction of and regulations adopted by the Committee. The Committee shall consider, adopt, and transmit to the several Federal Reserve banks, regulations relating to the open-market transactions of such banks." Thus, rather than receiving directions from the Federal Reserve banks or the boards of directors of the Federal Reserve banks, members of the Federal Open Market Committee are charged by law with giving directions to the Federal Reserve banks, and the Federal Reserve banks are charged by law with the duty of following such directions. Certainly it cannot be said, therefore, that representatives of the banks on the Federal Open Market Committee are subject to instructions given by the banks electing them when, by the plain terms of the Act, they are charged with the duty of directing the banks in the performance of this particular function.

Thus, members of the Federal Open Market Committee are public officers charged with the duty of conducting open-market operations of the Federal Reserve System "with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country". Of necessity their deliberations and actions must be confidential. To disseminate information as to open-market policies while being formulated or while in the process of being executed might defeat the results sought in the execution of such policies. Congress must have so considered when it provided in section 10 of the Federal Reserve Act that the Board of Governors of the Federal Reserve System should keep a complete record of the action taken by the Federal Open Market Committee upon all questions of policy relating to open-market operations and should record therein the votes taken in connection with the determination of such policies and the reasons underlying the action of the Committee and should include in its annual report to Congress a full account of the action so taken during the preceding year. Had Congress intended that the consideration and execution of open-market policies be matters of public and current information there would have been no necessity for requiring such report to it.

Board of Governors - 57

The very fact that Congress provided for the report to be made to it rather than to the Federal Reserve banks or their boards of directors, is significant. Section 12A of the Federal Reserve Act, as amended, requires open-market operations to be conducted "with regard to their bearing upon the general credit situation of the country". Congress, and not the boards of directors of the several Federal Reserve banks, is the body which represents the public interest and Congress, while recognizing the confidential character of open-market operations, has provided for reports to be made to it as the body representing the general welfare of the country. Had Congress intended that the Federal Open Market Committee or any of its members should owe a duty or responsibility to report to the boards of directors of the Federal Reserve banks such duties would have been included in section 10 of the Federal Reserve Act.

With respect to public officers it has long been held that any contract or agreement tending to hamper or restrict such officer in the due performance of his duty or which seeks to impose upon such officer a restriction in connection with the exercise of his discretion is illegal and against public policy.

In the case of Schneider v. Local Union, 40 So. 700, the court, quoting from Greenhood on Public Policy, stated:

"Any contract which contemplates conduct which will amount to an imposition upon a public officer in the exercise of his discretion is void. \* \* \* \* Any contract by one acting in a representative capacity, which restricts the free exercise of a discretion vested in him for the public good, is void."

In the case of Campbell v. Offutt, 151 S. W. 403, the court stated:

"\* \* \* \* The law requires of a public officer that he shall use his best skill and judgment for the protection of the public interest, and an agreement before his appointment to divide the fees of the office with an attorney, if sustained, might seriously cripple the public service: \* \* \* \*"

Clearly, any effort to restrict a member of the Federal Open Market Committee in the free exercise of his discretion in the public interest and for the public welfare, by contract or otherwise, would be illegal and against public policy.

In the law of corporations, it is well settled that the discretion of directors in performing their duties cannot be limited or

Board of Governor's - 2

restricted by agreements against the interest of the corporation with the stockholders or otherwise.

Thus, in Manson v. Curtis, 223 N. Y. 313, 119 N. E. 559, it is stated:

"\* \* \* \* In corporate bodies, the powers of the board of directors are, in a very important sense, original and undelegated. The stockholders do not confer, nor can they revoke those powers. \* \* \* \* As a general rule, the stockholders cannot act in relation to the ordinary business of the corporation, nor can they control the directors in the exercise of the judgment vested in them by virtue of their office. \* \* \* \* Clearly the law does not permit the stockholders to create a sterilized board of directors. \* \* \* \*"

In the case of West v. Camden, 135 U. S. 507, the Supreme Court of the United States held that an agreement by a stockholder of a corporation to keep another person permanently in place as an officer of a corporation was void as against public policy, since such an agreement might require a stockholder as a director to act contrary to the true interest of a corporation.

In Haldeman v. Haldeman, 197 S. W. 376, the court said:

"\* \* \* \* And he (a stockholder) has the further right to demand that each director discharge his duty as such, not in accordance with his personal contract, but in the best interests of the corporation they represent. \* \* \* \*"

Other cases to the same effect are Lamb v. Lehmann, 143 N. E. 276, Ohio (1924); Rush v. Aunspaugh, 179 Ala. 542, 60 So. 802 (1912); Scripps v. Sweeney, 160 Mich. 148, 125 N. W. 72 (1910).

It is inconceivable that Congress, in creating the Federal Open Market Committee, for the avowed purpose of conducting open-market operations "with regard to their bearing upon the general credit situation of the country", intended to create a body, five members of which might be made obedient to the will of a body or bodies concerned primarily with local interests.

It is my conclusion, therefore, that representatives of the Federal Reserve banks upon the Federal Open Market Committee may not be elected with limited authority to act in accordance with instructions of the boards of directors electing such members and that in the conduct of their office such members are public officers exercising



Board of Governor's - 2

public functions in the interest of the public as a whole, and not necessarily in the interest of the particular group electing them.

Respectfully submitted,



J. P. Dreibelbis,  
Assistant General Counsel.

I have given careful consideration to the above opinion and concur in it completely.



Walter Wyatt,  
General Counsel.

*Gills*

FEDERAL RESERVE BOARD FILE  
L-425  
333.32

February 24, 1936.

TO: Board of Governors SUBJECT: Election of representatives  
of Federal Reserve banks to Fed-  
FROM: Mr. Dreibelbis, eral Open Market Committee with  
Assistant General Counsel limited authority.

My opinion has been requested <sup>Carried</sup> as to whether representatives of the Federal Reserve banks upon the Federal Open Market Committee, as provided for in section 12A of the Federal Reserve Act, as amended, may be elected with limited authority and subject to the condition that they will, as members of the Committee, act in accordance with the instructions of the boards of directors electing them.

OPINION

In my opinion representatives of the Federal Reserve banks upon the Federal Open Market Committee may not be elected with limited authority to act only in accordance with the instructions of the boards of directors electing such members.

DISCUSSION

The primary purpose of Congress in creating the Federal Open Market Committee was to fix responsibility for open market operations in one body with a national viewpoint. As a compromise between the views of those who believed such responsibility should be fixed exclusively in the Board of Governors of the Federal Reserve System and those who believed that it should be fixed in a committee consisting exclusively of the then Governors of the Federal Reserve banks, section 12A, as amended by the Banking Act of 1935, provided for a committee composed of the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks. None the less, however, was the Committee created as a body charged with the entire responsibility for the conduct of open-market operations in accordance with the governing principles of the Act.

It is significant that section 12A provides that the Committee "shall consist of the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks", and provides that such representatives shall be elected "one by the boards of directors of the Federal Reserve Banks of Boston and New York", etc. The representatives of the banks are elected by the several boards of directors of the Federal Reserve banks as grouped in section 12A, as amended; but, when elected, they are representatives of all of the Federal Reserve banks and not

representatives of the particular banks whose directors elected them. Had Congress intended that each representative should be elected as a representative of the group of banks electing such member, it would have so stated rather than to have provided that such members should constitute "representatives of the Federal Reserve banks". It follows, therefore, that the duties and obligations of the Federal Reserve bank representatives upon the Federal Open Market Committee are to the country at large and not to any one or group of Federal Reserve banks.

Among other things, section 12A of the Federal Reserve Act, as amended, provides that "No Federal Reserve bank shall engage or decline to engage in open-market transactions under section 14 of this Act, except in accordance with the direction of and regulations adopted by the Committee. The Committee shall consider, adopt, and transmit to the several Federal Reserve banks, regulations relating to the open-market transactions of such banks." Thus, rather than receiving directions from the Federal Reserve banks or the boards of directors of the Federal Reserve banks, members of the Federal Open Market Committee are charged by law with giving directions to the Federal Reserve banks, and the Federal Reserve banks are charged by law with the duty of following such directions. Certainly it cannot be said, therefore, that representatives of the banks on the Federal Open Market Committee are subject to instructions given by the banks electing them when, by the plain terms of the Act, they are charged with the duty of directing the banks in the performance of this particular function.

Thus, members of the Federal Open Market Committee are public officers charged with the duty of conducting open-market operations of the Federal Reserve System "with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country". Of necessity their deliberations and actions must be confidential. To disseminate information as to open-market policies while being formulated or while in the process of being executed might defeat the results sought in the execution of such policies. Congress must have so considered when it provided in section 10 of the Federal Reserve Act that the Board of Governors of the Federal Reserve System should keep a complete record of the action taken by the Federal Open Market Committee upon all questions of policy relating to open-market operations and should record therein the votes taken in connection with the determination of such policies and the reasons underlying the action of the Committee and should include in its annual report to Congress a full account of the action so taken during the preceding year. Had Congress intended that the consideration and execution of open-market policies be matters of public and current information there would have been no necessity for requiring such report to it.

The very fact that Congress provided for the report to be made to it rather than to the Federal Reserve banks or their boards of directors, is significant. Section 12A of the Federal Reserve Act, as amended, requires open-market operations to be conducted "with regard to their bearing upon the general credit situation of the country". Congress, and not the boards of directors of the several Federal Reserve banks, is the body which represents the public interest and Congress, while recognizing the confidential character of open-market operations, has provided for reports to be made to it as the body representing the general welfare of the country. Had Congress intended that the Federal Open Market Committee or any of its members should owe a duty or responsibility to report to the boards of directors of the Federal Reserve banks such duties would have been included in section 10 of the Federal Reserve Act.

With respect to public officers it has long been held that any contract or agreement tending to hamper or restrict such officer in the due performance of his duty or which seeks to impose upon such officer a restriction in connection with the exercise of his discretion is illegal and against public policy.

In the case of Schneider v. Local Union, 40 So. 700, the court, quoting from Greenhood on Public Policy, stated:

"Any contract which contemplates conduct which will amount to an imposition upon a public officer in the exercise of his discretion is void. \* \* \* \* Any contract by one acting in a representative capacity, which restricts the free exercise of a discretion vested in him for the public good, is void."

In the case of Campbell v. Offutt, 151 S. W. 403, the court stated:

"\* \* \* \* The law requires of a public officer that he shall use his best skill and judgment for the protection of the public interest, and an agreement before his appointment to divide the fees of the office with an attorney, if sustained, might seriously cripple the public service: \* \* \* \*."

Clearly, any effort to restrict a member of the Federal Open Market Committee in the free exercise of his discretion in the public interest and for the public welfare, by contract or otherwise, would be illegal and against public policy.

In the law of corporations, it is well settled that the discretion of directors in performing their duties cannot be limited or

restricted by agreements against the interest of the corporation with the stockholders or otherwise.

Thus, in Manson v. Curtis, 223 N. Y. 313, 119 N. E. 559, it is stated:

"\* \* \* \* In corporate bodies, the powers of the board of directors are, in a very important sense, original and undelegated. The stockholders do not confer, nor can they revoke those powers. \* \* \* \* As a general rule, the stockholders cannot act in relation to the ordinary business of the corporation, nor can they control the directors in the exercise of the judgment vested in them by virtue of their office. \* \* \* \* Clearly the law does not permit the stockholders to create a sterilized board of directors. \* \* \* \*"

In the case of West v. Camden, 135 U. S. 507, the Supreme Court of the United States held that an agreement by a stockholder of a corporation to keep another person permanently in place as an officer of a corporation was void as against public policy, since such an agreement might require a stockholder as a director to act contrary to the true interest of a corporation.

In Haldeman v. Haldeman, 197 S. W. 376, the court said:

"\* \* \* \* And he (a stockholder) has the further right to demand that each director discharge his duty as such, not in accordance with his personal contract, but in the best interests of the corporation they represent. \* \* \* \*"

Other cases to the same effect are Lamb v. Lehmann, 143 N. E. 276, Ohio (1924); Rush v. Aunspaugh, 179 Ala. 542, 60 So. 802 (1912); Scripps v. Sweeney, 160 Mich. 148, 125 N. W. 72 (1910).

It is inconceivable that Congress, in creating the Federal Open Market Committee, for the avowed purpose of conducting open-market operations "with regard to their bearing upon the general credit situation of the country", intended to create a body, five members of which might be made obedient to the will of a body or bodies concerned primarily with local interests.

It is my conclusion, therefore, that representatives of the Federal Reserve banks upon the Federal Open Market Committee may not be elected with limited authority to act in accordance with instructions of the boards of directors electing such members and that in the

-5-

L-425

conduct of their office such members are public officers exercising public functions in the interest of the public as a whole, and not necessarily in the interest of the particular group electing them.

Respectfully submitted,

(Signed) J. P. Dreibelbis

J. P. Dreibelbis,  
Assistant General Counsel.

I have given careful consideration to the above opinion and concur in it completely.

(Signed) Walter Wyatt

Walter Wyatt,  
General Counsel.

RUSA

Miss Egbert

This is the matter I spoke to you about this morning.

The Corona went sure this morning.

AW

*Files  
JCS*

FEDERAL RESERVE BANK  
OF DALLAS

3333-a-2  
~~333-32~~

C. C. WALSH  
CHAIRMAN OF THE BOARD  
AND FEDERAL RESERVE AGENT

February 24, 1936

RECEIVED  
FEDERAL RESERVE BOARD  
WASHINGTON

1936 FEB 27 AM 9 10

Board of Governors of the  
Federal Reserve System  
Washington, D. C.

Attention Mr. Chester Morrill, Secretary

Gentlemen:

Receipt is acknowledged of your letter of February 19, 1936, outlining the Board's position in regard to (a) the premature election by a certain Federal reserve bank of its President as a member of the Federal Open Market Committee, and (b) the functions and powers of persons chosen by Federal reserve banks to serve as alternates of their respective representatives on the Federal Open Market Committee.

As instructed, I have informed each member of our board of directors of the contents of your letter.

Yours very truly,  
*C. C. Walsh*

Chairman of the Board

*Copy filed  
Fome memo  
Gene*



*File*  
*333.3.0.22*  
*333 32*

FEDERAL RESERVE BANK  
OF NEW YORK

February 21, 1936.

Dear Mr. Morrill:

Receipt is acknowledged of your letter of February 19,  
1936 concerning the official appointed, and the manner of his  
appointment, by one of the Federal reserve banks, as a member  
of the Federal Open Market Committee.

This letter was presented to our board of directors  
at its meeting on February 20, 1936.

Very truly yours,



J. H. CASE,  
Chairman.

Mr. Chester Morrill,  
Secretary, Board of Governors of the  
Federal Reserve System,  
Washington, D. C.

*Copy filed*  
*Home - Mem*  
*file*

333.3-62

February 20, 1936.

Mr. Frederic H. Curtiss, Chairman,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts.

Dear Mr. Curtiss: 2/20/36

There is inclosed for your information a copy of a letter which Mr. Eccles has addressed to Mr. J. N. Peyton, Chairman of the Board of Directors of the Federal Reserve Bank of Minneapolis, transmitting, in accordance with his request, a copy of an opinion of the Board's Counsel with reference to the question of whether, in electing representatives of the Federal Reserve banks to serve on the Federal Open Market Committee, each director has a vote or each bank has one. A copy of such opinion is also inclosed, together with a copy of the memorandum setting forth one suggested procedure for holding such elections.

Very truly yours,

*Chester Morrill*

Chester Morrill,  
Secretary.

Inclosures.

JPD/ebb  
*inclosed by [unclear]*

Dated: *JPD*  
Approved By: *[Signature]*  
Reviewed By: *[Signature]*

FILE COPY

333.3-a 2

February 20, 1936.

Mr. J. H. Case, Chairman,  
Federal Reserve Bank of New York,  
New York, New York.

Dear Mr. Case:

*2/20/36*  
There is inclosed for your information a copy of a letter which Mr. Eccles has addressed to Mr. J. N. Peyton, Chairman of the Board of Directors of the Federal Reserve Bank of Minneapolis, transmitting, in accordance with his request, a copy of an opinion of the Board's Counsel with reference to the question of whether, in electing representatives of the Federal Reserve banks to serve on the Federal Open Market Committee, each director has a vote or each bank has one. A copy of such opinion is also inclosed, together with a copy of the memorandum setting forth one suggested procedure for holding such elections.

Very truly yours,

Chester Morrill,  
Secretary.

GENERAL COUNSEL'S OFFICE,  
inclosures.

Dictated by *JPD*.....

Approved by *JPD/ebb*.....

Revised by.....

*CW*

*see ans 2/25/36*

FILE COPY

333.3-a-2

February 20, 1936.

Mr. R. L. Austin, Chairman,  
Federal Reserve Bank of Philadelphia,  
Philadelphia, Pennsylvania.

Dear Mr. Austin:

2/20/36  
There is inclosed for your information a copy of a letter which Mr. Eccles has addressed to Mr. J. N. Peyton, Chairman of the Board of Directors of the Federal Reserve Bank of Minneapolis, transmitting, in accordance with his request, a copy of an opinion of the Board's Counsel with reference to the question of whether, in electing representatives of the Federal Reserve banks to serve on the Federal Open Market Committee, each director has a vote or each bank has one. A copy of such opinion is also inclosed, together with a copy of the memorandum setting forth one suggested procedure for holding such elections.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

Inclosures.

JPD/ebb

GENERAL COUNSEL'S OFFICE,

Dictated by *JPD*.....

Approved by.....

Revised by.....

*CMM*

FILE COPY

333.3 u-2

February 20, 1936.

Mr. E. S. Burke, Jr., Acting Chairman,  
Federal Reserve Bank of Cleveland,  
Cleveland, Ohio.

Dear Mr. Burke:

*2/20/36*  
There is inclosed for your information a copy of a letter which Mr. Eccles has addressed to Mr. J. N. Peyton, Chairman of the Board of Directors of the Federal Reserve Bank of Minneapolis, transmitting, in accordance with his request, a copy of an opinion of the Board's Counsel with reference to the question of whether, in electing representatives of the Federal Reserve banks to serve on the Federal Open Market Committee, each director has a vote or each bank has one. A copy of such opinion is also inclosed, together with a copy of the memorandum setting forth one suggested procedure for holding such elections.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

**Inclosures.**

JPD/ebb  
GENERAL COUNSEL'S OFFICE,

Dictated by *JPD*

Approved by .....

Revised by .....

*CW*  
**FILE COPY**

333.3-a-2

February 20, 1936.

Mr. Frederic A. Delano, Deputy Chairman,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia.

Dear Mr. Delano:

<sup>2/20/36</sup>  
There is inclosed for your information a copy of a letter which Mr. Eccles has addressed to Mr. J. N. Peyton, Chairman of the Board of Directors of the Federal Reserve Bank of Minneapolis, transmitting, in accordance with his request, a copy of an opinion of the Board's Counsel with reference to the question of whether, in electing representatives of the Federal Reserve banks to serve on the Federal Open Market Committee, each director has a vote or each bank has one. A copy of such opinion is also inclosed, together with a copy of the memorandum setting forth one suggested procedure for holding such elections.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

Inclosures.

JPD/ebb

GENERAL COUNSEL'S OFFICE,

Dictated by *JPD*.....

Approved by.....

Revised by.....

*cm*  
FILE COPY

333.03-a-2

February 20, 1936.

Mr. W. H. Kettig, Deputy Chairman,  
Federal Reserve Bank of Atlanta,  
Atlanta, Georgia.

Dear Mr. Kettig:

<sup>2/20/36</sup>  
There is inclosed for your information a copy of a letter which Mr. Eccles has addressed to Mr. J. M. Peyton, Chairman of the Board of Directors of the Federal Reserve Bank of Minneapolis, transmitting, in accordance with his request, a copy of an opinion of the Board's Counsel with reference to the question of whether, in electing representatives of the Federal Reserve banks to serve on the Federal Open Market Committee, each director has a vote or each bank has one. A copy of such opinion is also inclosed, together with a copy of the memorandum setting forth one suggested procedure for holding such elections.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

Inclosures.

JPD/ebb

GENERAL COUNSEL'S OFFICE,

Dictated by *JPD*.....

Approved by.....

Revised by.....

*Cru*  
FILE COPY

333.3-a-2

February 20, 1936.

Mr. E. M. Stevens, Chairman,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois.

Dear Mr. Stevens:

2/20/36

There is inclosed for your information a copy of a letter which Mr. Eccles has addressed to Mr. J. N. Peyton, Chairman of the Board of Directors of the Federal Reserve Bank of Minneapolis, transmitting, in accordance with his request, a copy of an opinion of the Board's Counsel with reference to the question of whether, in electing representatives of the Federal Reserve banks to serve on the Federal Open Market Committee, each director has a vote or each bank has one. A copy of such opinion is also inclosed, together with a copy of the memorandum setting forth one suggested procedure for holding such elections.

Very truly yours,

Chester Morrill,  
Secretary.

Inclosures.

JPD/ebb

GENERAL COUNSEL'S OFFICE,

Dictated by *JPD*.....

Approved By.....

Revised by.....

*CW*

FULL COPY



333.3 - 2

February 20, 1936.

Mr. J. S. Wood, Chairman,  
Federal Reserve Bank of St. Louis,  
St. Louis, Missouri.

Dear Mr. Wood:

2/20/36

There is inclosed for your information a copy of a letter which Mr. Eccles has addressed to Mr. J. N. Peyton, Chairman of the Board of Directors of the Federal Reserve Bank of Minneapolis, transmitting, in accordance with his request, a copy of an opinion of the Board's Counsel with reference to the question of whether, in electing representatives of the Federal Reserve banks to serve on the Federal Open Market Committee, each director has a vote or each bank has one. A copy of such opinion is also inclosed, together with a copy of the memorandum setting forth one suggested procedure for holding such elections.

Very truly yours,

(Signature) Chester Morrill

Chester Morrill,  
Secretary.

Inclosures.

JPD/ebb

GENERAL COUNSEL'S OFFICE,

Dictated by *JPD*.....

Approved by.....

Revised by.....

*CW*

FILE COPY

333.3-11-2

February 20, 1936.

Mr. J. J. Thomas, Chairman,  
Federal Reserve Bank of Kansas City,  
Kansas City, Missouri.

Dear Mr. Thomas:

2/20/36

There is inclosed for your information a copy of a letter which Mr. Eccles has addressed to Mr. J. N. Peyton, Chairman of the Board of Directors of the Federal Reserve Bank of Minneapolis, transmitting, in accordance with his request, a copy of an opinion of the Board's Counsel with reference to the question of whether, in electing representatives of the Federal Reserve banks to serve on the Federal Open Market Committee, each director has a vote or each bank has one. A copy of such opinion is also inclosed, together with a copy of the memorandum setting forth one suggested procedure for holding such elections.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

Inclosures.

JPD/ebb

GENERAL COUNSEL'S OFFICE,

Dictated by *JPD*

Approved by .....

Revised by .....

*CW*  
FILE COPY

333.3-a.2

February 20, 1936.

Mr. C. C. Walsh, Chairman,  
Federal Reserve Bank of Dallas,  
Dallas, Texas.

Dear Mr. Walsh:

2/20/36

There is inclosed for your information a copy of a letter which Mr. Eccles has addressed to Mr. J. N. Peyton, Chairman of the Board of Directors of the Federal Reserve Bank of Minneapolis, transmitting, in accordance with his request, a copy of an opinion of the Board's Counsel with reference to the question of whether, in electing representatives of the Federal Reserve banks to serve on the Federal Open Market Committee, each director has a vote or each bank has one. A copy of such opinion is also inclosed, together with a copy of the memorandum setting forth one suggested procedure for holding such elections.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

Inclosures.

JPD/ebb  
GENERAL COUNSEL'S OFFICE,

Dictated by.....

Approved by.....

Revised by.....

*CW*  
FILE COPY

33334

February 20, 1936.

Mr. Walton N. Moore, Deputy Chairman,  
Federal Reserve Bank of San Francisco,  
San Francisco, California.

Dear Mr. Moore:

*2/20/36*

There is inclosed for your information a copy of a letter which Mr. Ecolas has addressed to Mr. J. N. Peyton, Chairman of the Board of Directors of the Federal Reserve Bank of Minneapolis, transmitting, in accordance with his request, a copy of an opinion of the Board's Counsel with reference to the question of whether, in electing representatives of the Federal Reserve banks to serve on the Federal Open Market Committee, each director has a vote or each bank has one. A copy of such opinion is also inclosed, together with a copy of the memorandum setting forth one suggested procedure for holding such elections.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

Inclosures.

JPD/ebb

GENERAL COUNSEL'S OFFICE,

Dictated by *JPD*

Approved by .....

Requested by .....

FILE *cm* COPY

3333-2

SEP 20 1934

*J. N. Peyton*

Mr. J. N. Peyton, Chairman,  
Federal Reserve Bank of Minneapolis,  
Minneapolis, Minnesota.

Dear Mr. Peyton:

In accordance with your request, I am inclosing herewith for your information a copy of an opinion by one of the Board's Assistant General Counsel, concurred in by its General Counsel, on the question of whether, in electing representatives of the Federal Reserve banks on the Federal Open Market Committee, each director is entitled to one vote, or each bank is entitled to one.

Also, as requested by you, I am inclosing a copy of a memorandum setting out one method of procedure which has been suggested in connection with holding such elections. This, of course, does not imply that it is the only one which may be followed.

Very truly yours,

M. S. Eccles,  
Chairman.

Inclosures.

*JPD*  
JPD/ebb *JN*

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20mc - [unclear]  
bank*

FILE COPY

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

February 20, 1936

Mr. J. M. Peyton, Chairman,  
Federal Reserve Bank of Minneapolis,  
Minneapolis, Minnesota.

Dear Mr. Peyton:

In accordance with your request, I am inclosing herewith for your information a copy of an opinion by one of the Board's Assistant General Counsel, concurred in by its General Counsel, on the question of whether, in electing representatives of the Federal Reserve banks on the Federal Open Market Committee, each director is entitled to one vote, or each bank is entitled to one.

Also, as requested by you, I am inclosing a copy of a memorandum setting out one method of procedure which has been suggested in connection with holding such elections. This, of course, does not imply that it is the only one which may be followed.

COPY

Very truly yours,

M. S. Eccles,  
Chairman.

*JMP*  
Inclosures.

*Lee*  
MINUTES ON  
FEB 20 1936  
*SL*

One Suggested Procedure for Holding Election  
of Representatives of Federal Reserve Banks  
to Membership Upon Federal Open Market  
Committee

^  
In view of the fact that each election of representatives of Federal Reserve banks to membership on the Federal Open Market Committee is by the directors of two or three different Federal Reserve banks a practical problem as to the method of conducting such election has arisen. Without in anywise suggesting the impropriety of some other form of election, the following has been suggested as one practical means by which such election could be conducted.

1. The boards of directors of each of the several Federal Reserve banks as grouped in section 12A of the Federal Reserve Act could mutually agree upon some officer of any of such banks to act as teller in the conduct of such election.

2. Each board of directors of a Federal Reserve bank within a particular group of Federal Reserve banks could then nominate from among the full time regularly acting executive officers of such banks comprising such group one or as many candidates as the members of such board might desire and forward such nominations to the teller already appointed.

3. The teller after receipt of all nominations could prepare ballots and forward the same to each director of a Federal Reserve bank in the group for which such teller was acting.

4. Each director could then cast his vote with the teller and after each director had had a reasonable or agreed time within which to cast his vote the teller could canvas the ballots and announce the results of the election.

5. Candidates would be elected by a plurality of the votes cast and in the event of a tie it would be necessary to hold another election. "

*See*  
.....  
MINUTES ON

FEB 20 1936

*AP*

Form F.R. 131

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

3333- members  
6-424

Office Correspondence

Date February 20, 1936.

To Board of Governors

Subject: Election of Federal Reserve bank's  
representatives to Federal Open  
Market Committee.

From Mr. Dreibelbis, Assistant General Counsel.

GPO 16-852

I. QUESTION PRESENTED

My opinion has been requested as to whether in the election of representatives of the Federal Reserve banks to the Federal Open Market Committee, pursuant to the provisions of section 12A of the Federal Reserve Act, as amended by the Banking Act of 1935, each bank or each board of directors of a bank as a unit is entitled to one vote, or whether each director is entitled to a vote.

II. OPINION

It is my opinion that section 12A of the Federal Reserve Act, as amended by the Banking Act of 1935, creates an electoral body composed of the directors of the Federal Reserve banks as grouped in said section for the purpose of electing a member to the Federal Open Market Committee and that each director is entitled to cast a vote in the election.

III. DISCUSSION

Section 12A of the Federal Reserve Act provides for representation of the Federal Reserve banks upon the Federal Open Market Committee by the election of five members to the Committee. It is provided that such representatives shall be elected "one by the boards of directors of the Federal Reserve Banks of Boston and New York," etc.

No discussion occurred in the hearings before the House and Senate Committees or in the debates as to whether it was contemplated that each board of directors should vote as a unit, thus giving each bank one vote, or whether the voting should be by the directors of each bank, thus giving each bank nine votes.

It is hardly conceivable that Congress intended that each board of directors should vote as a unit, because this could frequently result in deadlock. It is well settled that where the meaning of a statute is not free from doubt it will be given that construction which leads to practical and not impractical results. Missouri Pacific

See  
MINUTES ON

FEB 20 1936

*SR*



Board of Governors - 2

Railroad Company v. Holt, 293 Fed. 155. certiorari denied 264 U. S. 584; likewise it will be given that construction which will carry out rather than defeat the purpose of the legislature. The Emily and the Carolyn, 9 Wheat. 381. Also it has been said that "where great inconvenience will result from a particular construction that construction is to be avoided unless the meaning of the legislature is plain". United States v. Fisher, 6 U. S. 358.

Thus, in election cases upholding elections by plurality rather than by majority, courts have based their decisions upon the grounds that "any system of parliamentary tactics, or any condition of membership, however well meant, calculated to defeat such an organization, or any construction of the statute leading to such result," should be avoided.

This is illustrated by the following quotation including the foregoing one from the case of State v. Anderson, 12 N. E. 666:

"In this state the plurality principle has been and is applied generally to elections. \* \* \* The legislature not having designated any mode of electing the officers at the organization of the council, nor prescribed the number of votes necessary to elect, but simply required the members to organize by 'electing', it is a fair inference, in the absence of anything to indicate a different intent or meaning, that the term 'electing' was used in its popular and generally received sense of choosing by a plurality of votes. This inference is aided by the context, as well as by the manifest object of the statute. One leading purpose was to effectuate a prompt, if not an immediate, organization. As is said by Johnson, J., in State v. Green, 37 Ohio St. 232; 'The council is charged with an important public trust. It is essential to the exercise of that trust that a speedy organization should be had.' 'They (the members present, if a quorum) shall forthwith proceed to organize,' is the unmistakable language of the statute. 'where the question involved is difficult of solution, any system of parliamentary tactics, or any conduct of members, however well meant, calculated to defeat such an organization, or any construction of the statute leading to such result, will not be favored unless clearly required by the terms of the law.'" 12 N.E. 656, 658 (Ohio, 1887)

Should the pertinent portion of section 12A be interpreted as allowing each bank or each board of directors as a unit one vote, as distinguished from allowing each director of a Federal Reserve bank a

## Board of Governors - 3

vote, the power to deadlock an election and even to defeat the will of the majority would be put within the hands of a minority. For instance, in a case where two Federal Reserve banks are grouped together, five directors of one bank might favor candidate A, while the other four directors and the nine directors of the other bank might favor candidate B. In such case the five directors could control the vote of the board they represented and thus deadlock the election. In a case where three Federal Reserve banks are grouped together, five directors of each of two banks might favor candidate A, whereas the other directors of such banks, together with the nine directors of the third bank, might favor candidate B. In such case ten directors of two Federal Reserve banks would control the election, as against the wishes of seventeen other directors. Such a construction could result in great inconvenience, would be impractical, and might defeat rather than carry out the purpose of the legislature.

In addition, it is very significant that with respect to the election of class A and class B directors to the board of directors of each Federal Reserve bank, section 4 (paragraph 16) of the Federal Reserve Act clearly provides that the voting shall be done by the member banks and that each member bank "by resolution of the Board or by an amendment to its by-laws shall authorize its president, cashier, or some other officer to cast the vote of the member bank in the election of the class A and B directors".

Thus, where Congress intended that the voting should be done by the member banks as units, it specifically provided that each bank should have one vote and prescribed the means whereby such vote should be cast. In connection with section 12A of the Federal Reserve Act, however, it was provided that the election should be by "the boards of directors of the Federal Reserve banks".

There is, of course, little distinction between a bank casting one vote and its board of directors as a unit casting one vote. Had Congress, in creating the Federal Open Market Committee, intended that each Federal Reserve bank should cast a vote, it would have made provision, as it did in the case of the election of class A and B directors to the boards of directors of Federal Reserve banks, for the selection by such boards of someone to cast such vote. Not having done so, Congress must have intended that the directors of the several Federal Reserve banks, as grouped in section 12A of the Federal Reserve Act, should constitute several electoral bodies, each charged with the duty of selecting a representative of the Federal Reserve banks to the Federal Open Market Committee.

In view of the fact that the wording of section 12A of the

Board of Governors - 4

Federal Reserve Act is in itself novel, there is no direct authority squarely upon the point, but somewhat analogous situations have arisen in connection with other statutes.

For instance, there is a statute in the State of Massachusetts providing that towns of a certain population may unite for the purpose of employing a superintendent of schools and providing that the school committees of each town shall form a joint committee and choose a superintendent of schools. In the case of Reed v. Barton et al. 47 N. E. 961, it appeared that, pursuant to such statute, three small towns proceeded to elect a superintendent of schools through their respective committees. As the committees of two of the towns consisted of only three members, whereas the third town had a committee consisting of nine members, the voting was equalized by giving each town the same number of votes, if all committeemen were present; but the towns did not vote as units. Subsequently, the election was questioned and, in upholding the election, Chief Justice Holmes held that, "The members of the joint committee provided by St. 1898, c. 466, no doubt are intended to vote individually and not by towns".

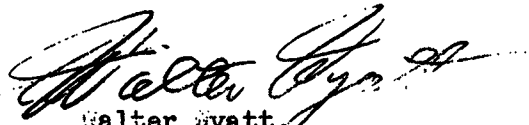
In view of all of the considerations stated above it is my opinion, that the election contemplated by Congress in the enactment of section 12A of the Federal Reserve Act is an election by an electoral body consisting of the members of the boards of directors of the several Federal Reserve banks as grouped in the section.

Respectfully,



J. P. Dreibelbis,  
Assistant General Counsel.

I have given careful consideration to the above opinion and concur in it completely.



Walter Wyatt,  
General Counsel.

February 18, 1936.

Mr. Frederic H. Curtiss, Chairman,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts.

Dear Mr. Curtiss:

The Board of Governors has received information from one of the Federal reserve banks to the effect that the board of directors of the bank, at a meeting early in February, "unanimously elected \_\_\_\_\_, President of the Federal Reserve Bank of \_\_\_\_\_, as a member of the Federal Open Market Committee" et cetera. However, according to the information of the Board of Governors the board of directors of the particular Federal reserve bank referred to in the action taken has not elected a President for the term beginning March 1, 1936.

It is the opinion of the Board of Governors that the action taken in this matter is premature and the Board has requested that the directors of the bank be so advised.

It appears also that a resolution was approved containing a recommendation that both the person elected as representative and the person elected as alternate be in Washington at the time of meetings of the Federal Open Market Committee and that the alternate, if the principal is present, will act merely in an advisory capacity. The Board of Governors has called attention to the fact that the Federal Open Market Committee as created

FILE COPY

Mr. Frederic H. Curtiss - (2)

by Congress consists solely of the members of the Board of Governors and the five representatives of Federal reserve banks and that the only function of an alternate as prescribed by the statute is to serve in the absence of the representative for whom he is an alternate. Therefore, the Board of Governors has expressed the opinion that it was not contemplated by Congress that an alternate should attend or participate in a meeting of the Federal Open Market Committee except in the absence of the representative for whom he is the alternate.

The Board will appreciate it if you will inform the members of your board of directors promptly of the contents of this letter.

Very truly yours,

*(Signed, Chester Morrill)*

Chester Morrill,  
Secretary.

*See*

FEB 19 1936

*RL*

CM:yjd:dk

*CM*

FAKE COPY

FEB 11 1936

Mr. J. H. Case, Chairman,  
Federal Reserve Bank of New York,  
New York, New York.

Dear Mr. Case:

The Board of Governors has received information from one of the Federal reserve banks to the effect that the board of directors of the bank, at a meeting early in February, "unanimously elected \_\_\_\_\_, President of the Federal Reserve Bank of \_\_\_\_\_, as a member of the Federal Open Market Committee" et cetera. However, according to the information of the Board of Governors the board of directors of the particular Federal reserve bank referred to in the action taken has not elected a President for the term beginning March 1, 1936.

It is the opinion of the Board of Governors that the action taken in this matter is premature and the Board has requested that the directors of the bank be so advised.

It appears also that a resolution was approved containing a recommendation that both the person elected as representative and the person elected as alternate be in Washington at the time of meetings of the Federal Open Market Committee and that the alternate, if the principal is present, will act merely in an advisory capacity. The Board of Governors has called attention to the fact that the Federal Open Market Committee as created

FILE COPY

Mr. J. H. Case - (2)

by Congress consists solely of the members of the Board of Governors and the five representatives of Federal reserve banks and that the only function of an alternate as prescribed by the statute is to serve in the absence of the representative for whom he is an alternate. Therefore, the Board of Governors has expressed the opinion that it was not contemplated by Congress that an alternate should attend or participate in a meeting of the Federal Open Market Committee except in the absence of the representative for whom he is the alternate.

The Board will appreciate it if you will inform the members of your board of directors promptly of the contents of this letter.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

CM yd

*CW*

*See...*  
FEB 19 1936 *RKJ*

FILE COPY

February 19, 1936.

Mr. R. L. Austin, Chairman,  
Federal Reserve Bank of Philadelphia,  
Philadelphia, Pennsylvania.

Dear Mr. Austin:

The Board of Governors has received information from one of the Federal reserve banks to the effect that the board of directors of the bank, at a meeting early in February, "unanimously elected \_\_\_\_\_, President of the Federal Reserve Bank of \_\_\_\_\_, as a member of the Federal Open Market Committee" et cetera. However, according to the information of the Board of Governors the board of directors of the particular Federal reserve bank referred to in the action taken has not elected a President for the term beginning March 1, 1936.

It is the opinion of the Board of Governors that the action taken in this matter is premature and the Board has requested that the directors of the bank be so advised.

It appears also that a resolution was approved containing a recommendation that both the person elected as representative and the person elected as alternate be in Washington at the time of meetings of the Federal Open Market Committee and that the alternate, if the principal is present, will act merely in an advisory capacity. The Board of Governors has called attention



Mr. R. L. Austin - (2)

to the fact that the Federal Open Market Committee as created by Congress consists solely of the members of the Board of Governors and the five representatives of Federal reserve banks and that the only function of an alternate as prescribed by the statute is to serve in the absence of the representative for whom he is an alternate. Therefore, the Board of Governors has expressed the opinion that it was not contemplated by Congress that an alternate should attend or participate in a meeting of the Federal Open Market Committee except in the absence of the representative for whom he is the alternate.

The Board will appreciate it if you will inform the members of your board of directors promptly of the contents of this letter.

Very truly yours,

*(Signed) Chester Morrill*

Chester Morrill,  
Secretary.

CN:yd;djk

3333-2-2

FEB 18 1937

Mr. H. F. Strater, Secretary,  
Federal Reserve Bank of Cleveland,  
Cleveland, Ohio.

Dear Mr. Strater:

The Board has noted the information in your letter of February 7 that the board of directors of the Federal Reserve Bank of Cleveland "at its meeting today, unanimously elected Geo. W. Morris, President of the Federal Reserve Bank of Philadelphia, as a member of the Federal Open Market Committee, to represent the Federal Reserve Banks of Philadelphia and Cleveland, and also elected M. J. Fleming, President of the Federal Reserve Bank of Cleveland, alternate". However, according to the information of the Board of Governors, the board of directors of the Federal Reserve Bank of Philadelphia has not elected a president for the Federal Reserve Bank of Philadelphia for the term beginning March 1.

It is the opinion of the Board of Governors that the action taken by the directors of your bank is premature and the Board desires that the directors of your bank be so advised.

In your letter you referred also to a resolution unanimously approved by your board of directors containing a recommendation to the boards of directors of the Federal Reserve Banks of Philadelphia and Cleveland that the representative and alternate

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*AMC Number (3)-(4)*

Mr. H. F. Strater - (2)

electd by them be in Washington at the time of the meetings of the Federal Open Market Committee and that the alternate, if the principal is present, will act merely in an advisory capacity. The Federal Open Market Committee as created by Congress consists solely of the members of the Board of Governors and the five representatives of the Federal reserve banks and the only function of an alternate as prescribed by the statute is to serve in the absence of the representative for whom he is an alternate. Therefore, it is the opinion of the Board of Governors that it was not contemplated by Congress that an alternate should attend or participate in a meeting of the Federal Open Market Committee, except in the absence of the representative for whom he is the alternate.

The Board will appreciate it if you will inform the members of your board of directors promptly of the contents of this letter.

Very truly yours,

*Chester Morrill*  
Chester Morrill,  
Secretary.

CM yd

333.3-a-2

February 19, 1936.

Mr. Frederic A. Delano, Deputy Chairman,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia.

Dear Mr. Delano:

The Board of Governors has received information from one of the Federal reserve banks to the effect that the board of directors of the bank, at a meeting early in February, "unanimously elected \_\_\_\_\_, President of the Federal Reserve Bank of \_\_\_\_\_, as a member of the Federal Open Market Committee" et cetera. However, according to the information of the Board of Governors the board of directors of the particular Federal reserve bank referred to in the action taken has not elected a President for the term beginning March 1, 1936.

It is the opinion of the Board of Governors that the action taken in this matter is premature and the Board has requested that the directors of the bank be so advised.

It appears also that a resolution was approved containing a recommendation that both the person elected as representative and the person elected as alternate be in Washington at the time of meetings of the Federal Open Market Committee and that the alternate, if the principal is present, will act merely in an advisory capacity. The Board of Governors has called attention to the fact that the Federal Open Market Committee as created

Mr. Frederic A. Delano - (2)

by Congress consists solely of the members of the Board of Governors and the five representatives of Federal reserve banks and that the only function of an alternate as prescribed by the statute is to serve in the absence of the representative for whom he is an alternate. Therefore, the Board of Governors has expressed the opinion that it was not contemplated by Congress that an alternate should attend or participate in a meeting of the Federal Open Market Committee except in the absence of the representative for whom he is the alternate.

The Board will appreciate it if you will inform the members of your board of directors promptly of the contents of this letter.

Very truly yours,

*(Faint signature)*

Chester Morrill,  
Secretary.

CM mgh

*Sec*

FEB 9 1936

*R/S*

*CM*

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February 19, 1936.

Mr. W. H. Kettig, Deputy Chairman,  
Federal Reserve Bank of Atlanta,  
Atlanta, Georgia.

Dear Mr. Kettig:

The Board of Governors has received information from one of the Federal reserve banks to the effect that the board of directors of the bank, at a meeting early in February, "unanimously elected \_\_\_\_\_, President of the Federal Reserve Bank of \_\_\_\_\_, as a member of the Federal Open Market Committee" et cetera. However, according to the information of the Board of Governors the board of directors of the particular Federal reserve bank referred to in the action taken has not elected a President for the term beginning March 1, 1936.

It is the opinion of the Board of Governors that the action taken in this matter is premature and the Board has requested that the directors of the bank be so advised.

It appears also that a resolution was approved containing a recommendation that both the person elected as representative and the person elected as alternate be in Washington at the time of meetings of the Federal Open Market Committee and that the alternate, if the principal is present, will act merely in an advisory capacity. The Board of Governors has called attention to the fact that the Federal Open Market Committee as created

Mr. W. H. Kettig - (2)

by Congress consists solely of the members of the Board of Governors and the five representatives of Federal reserve banks and that the only function of an alternate as prescribed by the statute is to serve in the absence of the representative for whom he is an alternate. Therefore, the Board of Governors has expressed the opinion that it was not contemplated by Congress that an alternate should attend or participate in a meeting of the Federal Open Market Committee except in the absence of the representative for whom he is the alternate.

The Board will appreciate it if you will inform the members of your board of directors promptly of the contents of this letter.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

CW:ugh

*See*  
FEB 19 1936  
*RKJ*

*CW*  
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333.3-a-2

February 19, 1936.

Mr. E. M. Stevens, Chairman,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois.

Dear Mr. Stevens:

The Board of Governors has received information from one of the Federal reserve banks to the effect that the board of directors of the bank, at a meeting early in February, "unanimously elected \_\_\_\_\_, President of the Federal Reserve Bank of \_\_\_\_\_, as a member of the Federal Open Market Committee" et cetera. However, according to the information of the Board of Governors the board of directors of the particular Federal reserve bank referred to in the action taken has not elected a President for the term beginning March 1, 1936.

It is the opinion of the Board of Governors that the action taken in this matter is premature and the Board has requested that the directors of the bank be so advised.

It appears also that a resolution was approved containing a recommendation that both the person elected as representative and the person elected as alternate be in Washington at the time of meetings of the Federal Open Market Committee and that the alternate, if the principal is present, will act merely in an advisory capacity. The Board of Governors has called attention to the fact that the Federal Open Market Committee as created



Mr. E. M. Stevens - (2)

by Congress consists solely of the members of the Board of Governors and the five representatives of Federal reserve banks and that the only function of an alternate as prescribed by the statute is to serve in the absence of the representative for whom he is an alternate. Therefore, the Board of Governors has expressed the opinion that it was not contemplated by Congress that an alternate should attend or participate in a meeting of the Federal Open Market Committee except in the absence of the representative for whom he is the alternate.

The Board will appreciate it if you will inform the members of your board of directors promptly of the contents of this letter.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

CM:yd:lf

*See*  
FEB 19 1936 *RKJ*

*CW*

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333.3-2-2

February 19, 1936.

Mr. J. S. Wood, Chairman,  
Federal Reserve Bank of St. Louis,  
St. Louis, Missouri.

Dear Mr. Wood:

The Board of Governors has received information from one of the Federal reserve banks to the effect that the board of directors of the bank, at a meeting early in February, "unanimously elected \_\_\_\_\_, President of the Federal Reserve Bank of \_\_\_\_\_, as a member of the Federal Open Market Committee" et cetera. However, according to the information of the Board of Governors the board of directors of the particular Federal reserve bank referred to in the action taken has not elected a President for the term beginning March 1, 1936.

It is the opinion of the Board of Governors that the action taken in this matter is premature and the Board has requested that the directors of the bank be so advised.

It appears also that a resolution was approved containing a recommendation that both the person elected as representative and the person elected as alternate be in Washington at the time of meetings of the Federal Open Market Committee and that the alternate, if the principal is present, will act merely in an advisory capacity. The Board of Governors has called attention to the fact that the Federal Open Market Committee as created

Mr. J. S. Wood - (2)

by Congress consists solely of the members of the Board of Governors and the five representatives of Federal reserve banks and that the only function of an alternate as prescribed by the statute is to serve in the absence of the representative for whom he is an alternate. Therefore, the Board of Governors has expressed the opinion that it was not contemplated by Congress that an alternate should attend or participate in a meeting of the Federal Open Market Committee except in the absence of the representative for whom he is the alternate.

The Board will appreciate it if you will inform the members of your board of directors promptly of the contents of this letter.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

CM:yd:lf

*See*  
FEB 19 1936  
*RKJ*

*CM*

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333.3-a-2

February 19, 1936.

Mr. J. N. Peyton, Chairman,  
Federal Reserve Bank of Minneapolis,  
Minneapolis, Minnesota.

Dear Mr. Peyton:

The Board of Governors has received information from one of the Federal reserve banks to the effect that the board of directors of the bank, at a meeting early in February, "unanimously elected \_\_\_\_\_, President of the Federal Reserve Bank of \_\_\_\_\_, as a member of the Federal Open Market Committee" et cetera. However, according to the information of the Board of Governors the board of directors of the particular Federal reserve bank referred to in the action taken has not elected a President for the term beginning March 1, 1936.

It is the opinion of the Board of Governors that the action taken in this matter is premature and the Board has requested that the directors of the bank be so advised.

It appears also that a resolution was approved containing a recommendation that both the person elected as representative and the person elected as alternate be in Washington at the time of meetings of the Federal Open Market Committee and that the alternate, if the principal is present, will act merely in an advisory capacity. The Board of Governors has called attention to the fact that the Federal Open Market Committee as created

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Mr. J. N. Peyton - (2)

by Congress consists solely of the members of the Board of Governors and the five representatives of Federal reserve banks and that the only function of an alternate as prescribed by the statute is to serve in the absence of the representative for whom he is an alternate. Therefore, the Board of Governors has expressed the opinion that it was not contemplated by Congress that an alternate should attend or participate in a meeting of the Federal Open Market Committee except in the absence of the representative for whom he is the alternate.

The Board will appreciate it if you will inform the members of your board of directors promptly of the contents of this letter.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

CM:yd:lf.

*CM*

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FEB 19 1936  
*R23*

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333.3-a-2

February 19, 1936.

Mr. J. J. Thomas, Chairman,  
Federal Reserve Bank of Kansas City,  
Kansas City, Missouri.

Dear Mr. Thomas:

The Board of Governors has received information from one of the Federal reserve banks to the effect that the board of directors of the bank, at a meeting early in February, "unanimously elected \_\_\_\_\_, President of the Federal Reserve Bank of \_\_\_\_\_, as a member of the Federal Open Market Committee" et cetera. However, according to the information of the Board of Governors the board of directors of the particular Federal reserve bank referred to in the action taken has not elected a President for the term beginning March 1, 1936.

It is the opinion of the Board of Governors that the action taken in this matter is premature and the Board has requested that the directors of the bank be so advised.

It appears also that a resolution was approved containing a recommendation that both the person elected as representative and the person elected as alternate be in Washington at the time of meetings of the Federal Open Market Committee and that the alternate, if the principal is present, will act merely in an advisory capacity. The Board of Governors has called attention to the fact that the Federal Open Market Committee as created

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Mr. J. J. Thomas, Chairman - (2)

by Congress consists solely of the members of the Board of Governors and the five representatives of Federal reserve banks and that the only function of an alternate as prescribed by the statute is to serve in the absence of the representative for whom he is an alternate. Therefore, the Board of Governors has expressed the opinion that it was not contemplated by Congress that an alternate should attend or participate in a meeting of the Federal Open Market Committee except in the absence of the representative for whom he is the alternate.

The Board will appreciate it if you will inform the members of your board of directors promptly of the contents of this letter.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

CM yd

*See*

FEB 19 1936

*RJ*

*CM*

FILE COPY

333.3-9-4

February 19, 1956.

Mr. C. C. Walsh, Chairman,  
Federal Reserve Bank of Dallas,  
Dallas, Texas.

Dear Mr. Walsh:

The Board of Governors has received information from one of the Federal reserve banks to the effect that the board of directors of the bank, at a meeting early in February, "unanimously elected \_\_\_\_\_, President of the Federal Reserve Bank of \_\_\_\_\_, as a member of the Federal Open Market Committee" et cetera. However, according to the information of the Board of Governors the board of directors of the particular Federal reserve bank referred to in the action taken has not elected a President for the term beginning March 1, 1956.

It is the opinion of the Board of Governors that the action taken in this matter is premature and the Board has requested that the directors of the bank be so advised.

It appears also that a resolution was approved containing a recommendation that both the person elected as representative and the person elected as alternate be in Washington at the time of meetings of the Federal Open Market Committee and that the alternate, if the principal is present, will act merely in an advisory capacity. The Board of Governors has called attention to the fact that the Federal Open Market Committee as created

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Mr. C. C. Walsh - (2)

by Congress consists solely of the members of the Board of Governors and the five representatives of Federal reserve banks and that the only function of an alternate as prescribed by the statute is to serve in the absence of the representative for whom he is an alternate. Therefore, the Board of Governors has expressed the opinion that it was not contemplated by Congress that an alternate should attend or participate in a meeting of the Federal Open Market Committee except in the absence of the representative for whom he is the alternate.

The Board will appreciate it if you will inform the members of your board of directors promptly of the contents of this letter.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

CM yd

*See*  
19  
*RJZ*

*CW*  
FILE COPY

333 + 3 - 2 - 2

February 19, 1956.

Mr. Walton H. Moore, Deputy Chairman,  
Federal Reserve Bank of San Francisco,  
San Francisco, California.

Dear Mr. Moore:

The Board of Governors has received information from one of the Federal reserve banks to the effect that the board of directors of the bank, at a meeting early in February, "unanimously elected \_\_\_\_\_, President of the Federal Reserve Bank of \_\_\_\_\_, as a member of the Federal Open Market Committee" et cetera. However, according to the information of the Board of Governors the board of directors of the particular Federal reserve bank referred to in the action taken has not elected a President for the term beginning March 1, 1956.

It is the opinion of the Board of Governors that the action taken in this matter is premature and the Board has requested that the directors of the bank be so advised.

It appears also that a resolution was approved containing a recommendation that both the person elected as representative and the person elected as alternate be in Washington at the time of meetings of the Federal Open Market Committee and that the alternate, if the principal is present, will act merely in an advisory capacity. The Board of Governors has called attention to the fact that the Federal Open Market Committee as created

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Mr. Walton N. Moore - (2)

by Congress consists solely of the members of the Board of Governors and the five representatives of Federal reserve banks and that the only function of an alternate as prescribed by the statute is to serve in the absence of the representative for whom he is an alternate. Therefore, the Board of Governors has expressed the opinion that it was not contemplated by Congress that an alternate should attend or participate in a meeting of the Federal Open Market Committee except in the absence of the representative for whom he is the alternate.

The Board will appreciate it if you will inform the members of your board of directors promptly of the contents of this letter.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

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*RKJ*

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Circulate  
MWB*

FEDERAL RESERVE BANK  
OF DALLAS

C. C. WALSH  
CHAIRMAN OF THE BOARD  
AND FEDERAL RESERVE AGENT

February 15, 1936

*333-32*  
*333,3-a-2*

RECEIVED  
FEDERAL RESERVE BOARD  
WASHINGTON

1936 FEB 17 PM 1 42

Board of Governors of the  
Federal Reserve System  
Washington, D. C.

*Eccles*

Gentlemen: ATTENTION: Mr. Chester Morrill, Secretary

In accordance with the request contained in your  
letter of February 13, 1936, I have today forwarded to each  
member of our board of directors a copy of Chairman Eccles'  
letter of February 13 to the Deputy Chairman of the Federal  
Reserve Bank of Minneapolis, and copies of the enclosures re-  
ferred to therein relative to the representation of the Federal  
reserve banks on the Federal Open Market Committee to be con-  
stituted after March 1, 1936.

I am strongly in sympathy with the Board's views on  
this subject, and so are all members of our board of directors,  
as you doubtless observed from the resolution which they adopted  
on this subject at our regular board meeting held on January 7,  
1936.

Yours very truly,

*Clem A. ...*

Federal Reserve Agent

*[Handwritten initials and checkmarks in left margin]*

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Kend*

333.3=a-7

FEDERAL RESERVE BANK  
OF NEW YORK

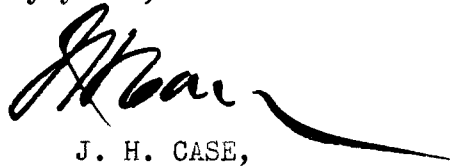
February 14, 1936.

Dear Mr. Morrill:

We acknowledge with thanks the receipt of the Board's letter of February 13 enclosing a copy of Chairman Eccles' letter of February 13 to Mr. Homer P. Clark, Deputy Chairman of the Federal Reserve Bank of Minneapolis, together with a copy of the memorandum and a copy of the letter referred to therein, on the subject of the Board's views with regard to the representation of the Federal reserve banks on the Federal Open Market Committee to be constituted after March 1, 1936.

As authorized by the Board, we are bringing Chairman Eccles' letter and its enclosures to the attention of our directors, copies of the correspondence having been forwarded today to each of them.

Very truly yours,



J. H. CASE,  
Chairman.

Mr. Chester Morrill,  
Secretary, Board of Governors of the  
Federal Reserve System,  
Washington, D. C.

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Home-Mem.  
Bank*

*7/2/11*

**FEDERAL RESERVE BANK  
OF CLEVELAND**

RECEIVED  
FEDERAL RESERVE BOARD  
WASHINGTON

*333,3-a-2*

1936 FEB 17 AM 9 25

February 14, 1936.

*Mr. Berkey ✓  
Mr. Carpenter  
File  
Cm*

Board of Governors of the  
Federal Reserve System,  
Washington, D. C.

Gentlemen:

In response to the request contained  
in the Board's letter of February 13, we  
have today forwarded to each director of  
this bank a copy of the correspondence re-  
garding the Federal Open Market Committee  
to be constituted after March 1, 1936.

Very truly yours,

*N.F. Strater*  
Secretary.

*Copy filed  
some members  
Bank*

*Accountants*  
*W. H. C. [unclear]*  
*M. S. [unclear]*

FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

*Mr. Eccles*  
*10 mile and*  
*return to*  
*Mr. Cuyler*  
*for file*  
*333*  
*333-22*

OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

February 14, 1936

RECEIVED  
FEDERAL RESERVE BOARD  
WASHINGTON

1936 FEB 17 AM 9 19

Board of Governors  
of the Federal Reserve System  
Washington, D. C.

Date of mailing

First to Mr. *Eccles*

..... Gentlemen:

Mr. Broderick  
Mr. Szymczak  
Mr. McKee

I have just received your letter of February 13, with

enclosures concerning the representative of the Federal Reserve

banks on the Federal Open Market Committee. I can advise you that

at a joint meeting of the Boards of Directors of the St. Louis and

Chicago banks, held in Chicago on February 6, 1936, it was determined

that the member to be selected would be an officer of one of the

Federal Reserve banks.

However, I shall see to it that your letter and enclosures

are brought to the attention of all the directors of our bank at once.

Very truly yours,

*John M. Swann*  
Chairman of the Board

EMS HH

*Copy filed*  
*Gene M. [unclear]*  
*[unclear]*

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337 32

*Handwritten initials/signature*

February 15, 1936.

Mr. Frederic H. Curtiss, Chairman,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts.

Dear Mr. Curtiss:

Because of the interest which the Board feels that the directors of your bank would have in learning its views in regard to the representation of the Federal reserve banks on the Federal Open Market Committee to be constituted after March 1, 1936, the Board has authorized me to send you the inclosed copy of Chairman Eccles' letter <sup>2/13/36</sup> of this date to Mr. Homer P. Clark, Deputy Chairman of the Federal Reserve Bank of Minneapolis, together with a copy of the memorandum <sup>X9492 2/13/36</sup> and a copy of the letter referred to therein. It will be appreciated if you will bring these inclosures to the attention of all the directors of your bank at your earliest opportunity for their information.

Very truly yours,

Chester Morrill,  
Secretary.

*Handwritten notes:*  
Copy filed  
F.H. Morrill  
Banc

CM yd Inclosures.

*Handwritten:* Cur  
**FILE COPY**



333,3-a2

February 13, 1936.

Mr. J. H. Case, Chairman,  
Federal Reserve Bank of New York,  
New York, New York.

Dear Mr. Case:

Because of the interest which the Board feels that the directors of your bank would have in learning its views in regard to the representation of the Federal reserve banks on the Federal Open Market Committee to be constituted after March 1, 1936, the Board has authorized me to send you the inclosed copy of Chairman Eccles' letter of this date to Mr. Homer P. Clark, Deputy Chairman of the Federal Reserve Bank of Minneapolis, together with a copy of the memorandum and a copy of the letter referred to therein. It will be appreciated if you will bring these inclosures to the attention of all the directors of your bank at your earliest opportunity for their information.

Very truly yours,

Chester Morrill,  
Secretary.

see ans 2/14/36

Inclosures.

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333.3-a-2

February 15, 1936.

Mr. R. L. Austin, Chairman,  
Federal Reserve Bank of Philadelphia,  
Philadelphia, Pennsylvania.

Dear Mr. Austin:

Because of the interest which the Board feels that the directors of your bank would have in learning its views in regard to the representation of the Federal reserve banks on the Federal Open Market Committee to be constituted after March 1, 1936, the Board has authorized me to send you the inclosed copy of Chairman Eccles' letter of this date to Mr. Homer P. Clark, Deputy Chairman of the Federal Reserve Bank of Minneapolis, together with a copy of the memorandum and a copy of the letter referred to therein. It will be appreciated if you will bring these inclosures to the attention of all the directors of your bank at your earliest opportunity for their information.

Very truly yours,

Chester Morrill,  
Secretary.

Inclosures.

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*CM*

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333-a-8

February 13, 1936.

Mr. E. S. Burke, jr.,  
Acting Chairman,  
Federal Reserve Bank of Cleveland,  
Cleveland, Ohio.

Dear Mr. Burke:

Because of the interest which the Board feels that the directors of your bank would have in learning its views in regard to the representation of the Federal reserve banks on the Federal Open Market Committee to be constituted after March 1, 1936, the Board has authorized me to send you the inclosed copy of Chairman Eccles' letter of this date to Mr. Homer P. Clark, Deputy Chairman of the Federal Reserve Bank of Minneapolis, together with a copy of the memorandum and a copy of the letter referred to therein. It will be appreciated if you will bring these inclosures to the attention of all the directors of your bank at your earliest opportunity for their information.

Very truly yours,

Chester Morrill,  
Secretary.

See ans 2/14/36

Inclosures.

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333.3-27

February 13, 1936.

Mr. Frederic A. Delano, Deputy Chairman,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia.

Dear Mr. Delano:

Because of the interest which the Board feels that the directors of your bank would have in learning its views in regard to the representation of the Federal reserve banks on the Federal Open Market Committee to be constituted after March 1, 1936, the Board has authorized me to send you the inclosed copy of Chairman Eccles' letter <sup>2/13/36</sup> of this date to Mr. Homer P. Clark, Deputy Chairman of the Federal Reserve Bank of Minneapolis, together with a copy of the memorandum <sup>X9492 2/13/36</sup> and a copy of the letter referred to therein. It will be appreciated if you will bring these inclosures to the attention of all the directors of your bank at your earliest opportunity for their information.

Very truly yours,

Chester Morrill,  
Secretary.

Inclosures.

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333.3-a-7

February 15, 1936.

Mr. W. H. Kettig, Deputy Chairman,  
Federal Reserve Bank of Atlanta,  
Atlanta, Georgia.

Dear Mr. Kettig:

Because of the interest which the Board feels that the directors of your bank would have in learning its views in regard to the representation of the Federal reserve banks on the Federal Open Market Committee to be constituted after March 1, 1936, the Board has authorized me to send you the inclosed copy of Chairman Eccles' letter of this date to Mr. Homer F. Clark, Deputy Chairman of the Federal Reserve Bank of Minneapolis, together with a copy of the memorandum and a copy of the letter referred to therein. It will be appreciated if you will bring these inclosures to the attention of all the directors of your bank at your earliest opportunity for their information.

Very truly yours,

Chester Morrill,  
Secretary.

Inclosures.

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333.3-a-7

February 15, 1936.

Mr. E. M. Stevens, Chairman,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois.

Dear Mr. Stevens:

Because of the interest which the Board feels that the directors of your bank would have in learning its views in regard to the representation of the Federal reserve banks on the Federal Open Market Committee to be constituted after March 1, 1936, the Board has authorized me to send you the inclosed copy of Chairman Eccles' letter <sup>2/13/36</sup> of this date to Mr. Homer P. Clark, Deputy Chairman of the Federal Reserve Bank of Minneapolis, together with a copy of the memorandum <sup>X9492 2/13/36</sup> and a copy of the letter referred to therein. It will be appreciated if you will bring these inclosures to the attention of all the directors of your bank at your earliest opportunity for their information.

Very truly yours,

Chester Morrill,  
Secretary.

see ans 2/14/36

Inclosures.

CM yd

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February 13, 1936.

Mr. J. S. Wood, Chairman,  
Federal Reserve Bank of St. Louis,  
St. Louis, Missouri.

Dear Mr. Wood:

Because of the interest which the Board feels that the directors of your bank would have in learning its views in regard to the representation of the Federal reserve banks on the Federal Open Market Committee to be constituted after March 1, 1936, the Board has authorized me to send you the inclosed copy of Chairman Eccles' letter of this date to Mr. Homer P. Clark, Deputy Chairman of the Federal Reserve Bank of Minneapolis, together with a copy of the memorandum and a copy of the letter referred to therein. It will be appreciated if you will bring these inclosures to the attention of all the directors of your bank at your earliest opportunity for their information.

Very truly yours,

Chester Morrill,  
Secretary.

Inclosures.

CM yd

*CW*

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February 13, 1936.

Mr. J. J. Thomas, Chairman,  
Federal Reserve Bank of Kansas City,  
Kansas City, Missouri.

Dear Mr. Thomas:

Because of the interest which the Board feels that the directors of your bank would have in learning its views in regard to the representation of the Federal reserve banks on the Federal Open Market Committee to be constituted after March 1, 1936, the Board has authorized me to send you the inclosed copy of Chairman Eccles' letter of this date to Mr. Homer P. Clark, Deputy Chairman of the Federal Reserve Bank of Minneapolis, together with a copy of the memorandum and a copy of the letter referred to therein. It will be appreciated if you will bring these inclosures to the attention of all the directors of your bank at your earliest opportunity for their information.

Very truly yours,

Chester Morrill,  
Secretary.

for ans see 333.32 (9)-(10)-(12) - 2/21/36  
Inclosures.

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2-22-36

February 13, 1936.

Mr. C. C. Walsh, Chairman,  
Federal Reserve Bank of Dallas,  
Dallas, Texas.

Dear Mr. Walsh:

Because of the interest which the Board feels that the directors of your bank would have in learning its views in regard to the representation of the Federal reserve banks on the Federal Open Market Committee to be constituted after March 1, 1936, the Board has authorized me to send you the inclosed copy of Chairman Eccles' letter of this date to Mr. Homer P. Clark, Deputy Chairman of the Federal Reserve Bank of Minneapolis, together with a copy of the memorandum and a copy of the letter referred to therein. It will be appreciated if you will bring these inclosures to the attention of all the directors of your bank at your earliest opportunity for their information.

Very truly yours,

Chester Morrill,  
Secretary.

see ans 2/15/36

Inclosures.

CM yd

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FILE COPY

643.3-a-7

February 15, 1936.

Mr. Walton N. Moore, Deputy Chairman,  
Federal Reserve Bank of San Francisco,  
San Francisco, California.

Dear Mr. Moore:

Because of the interest which the Board feels that the directors of your bank would have in learning its views in regard to the representation of the Federal reserve banks on the Federal Open Market Committee to be constituted after March 1, 1936, the Board has authorized me to send you the inclosed copy of Chairman Eccles' letter of this date to Mr. Homer P. Clark, Deputy Chairman of the Federal Reserve Bank of Minneapolis, together with a copy of the memorandum and a copy of the letter referred to therein. It will be appreciated if you will bring these inclosures to the attention of all the directors of your bank at your earliest opportunity for their information.

Very truly yours,

Chester Morrill,  
Secretary.

Inclosures.

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*J. Edgar Hoover*

*232-1-2  
333-032*

*Ecds ✓*

February 15, 1936.

*[Handwritten initials]*

Mr. Homer P. Clark, Deputy Chairman,  
Federal Reserve Bank of Minneapolis,  
Minneapolis, Minnesota.

*[Handwritten initials]*

Dear Mr. Clark:

In accordance with your request made during my conversation with you and Mr. Grangaard recently in Washington regarding the selection of representatives of the Federal reserve banks on the Federal Open Market Committee to be constituted after March 1, 1936, there is inclosed herewith a copy of a memorandum containing the views of the Board of Governors on this subject, which the Board has authorized me to send to you. There is also inclosed a copy of a letter which I have received from one of the Federal reserve banks stating the views of its directors. It will be appreciated if you will bring these inclosures to the attention of all the directors of the Federal Reserve Bank of Minneapolis at your earliest opportunity for their information and consideration.

*see X9492  
2/13/36  
1-9-36  
see 1/10/36 from  
San Fran*

Very truly yours,

M. S. Eccles,  
Chairman.

Inclosures.

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X-9492

REPRESENTATIVES OF THE FEDERAL RESERVE BANKS  
UPON THE FEDERAL OPEN MARKET COMMITTEE

*file date*

FEB 13 1936

*Carded*

The Board of Governors of the Federal Reserve System has been asked by certain officers and directors of Federal Reserve banks for an informal expression of its views as to whether under section 12A of the Federal Reserve Act (providing that the Federal Open Market Committee "shall consist of the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks, to be selected as hereinafter provided") representatives of the Federal Reserve banks may be selected outside of the executive personnel of the Federal Reserve banks to serve on the Open Market Committee.

A comprehensive review of the historical development of the Committee and of all available sources reflecting the legislative intent when the section was enacted and the purposes sought to be achieved clearly demonstrates that selection of representatives by the Federal Reserve banks from the ranks of banking, industry or commerce would constitute a flagrant violation of what Congress intended.

Realization of the importance and effect of open-market operations upon the national credit structure resulted in a gradual development of methods of control or coordination of activities culminating in the "Open Market Committee" created by section 12A of the Federal Reserve Act as revised effective March 1, 1936. This development is best reflected by a chronological listing of the various committees and bodies created for such purpose as follows:

1. "Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities" - This committee was composed of five governors of Federal Reserve banks and functioned from May 1922 to April 7, 1923.
2. "Open Market Investment Committee" - This committee was created on April 7, 1923 as a result of resolution passed by the Federal Reserve Board on March 22, 1923 from which time open-market operations were not engaged in by the Federal Reserve banks except with the approval of the Federal Reserve Board. It was composed of five governors of Federal Reserve banks and functioned until March 31, 1930.
3. "Open Market Policy Conference" - This committee was created as the result of conferences by

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FMC memb  
list*

representatives of the 12 Federal Reserve banks with the Board for the purpose of recommending policies and plans regarding open-market operations. It was composed of the twelve governors of the Federal Reserve banks and functioned until the passage of the Banking Act of 1933.

4. "Federal Open Market Committee" - This committee was created on June 16, 1933, by the Banking Act of 1933 and was composed of the twelve governors of the Federal Reserve banks.

5. "Federal Open Market Committee" - As provided in section 12A of the Federal Reserve Act as now in force, creating a committee consisting of "The Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks".

At no time throughout the history of the Federal Reserve System have open-market operations been conducted by other than executive officials of the Federal Reserve banks, their actions being subject to approval of the Federal Reserve Board, all such executives as well as Board members being full-time officials who were required by established practice or by law to discontinue all active participation in outside business.

The issue as to whether representatives of private enterprise should serve upon a public body created for the purpose of discharging such responsibilities in the public interest seems to have been met and settled in the original enactment of the Federal Reserve Act when banker representation was forcefully argued and as forcefully denied both by Congress and by the President.

Senator Glass, in his authoritative book on the Federal Reserve System, entitled "An Adventure in Constructive Finance", described how a committee of bankers visited President Wilson and sought to persuade him to agree to banker representation on the Federal Reserve Board. Senator Glass wrote:

"When they had ended their arguments Mr. Wilson, turning more particularly to Forgan and Wade, said quietly: 'Will one of you gentlemen tell me in what civilized country of the earth there are important government boards of control

"'on which private interests are represented?' There was painful silence for the longest single moment I ever spent; and before it was broken Mr. Wilson further inquired: 'Which of you gentlemen thinks the railroads should select members of the Interstate Commerce Commission?' There could be no convincing reply to either question, so the discussion turned to other points of the currency bill; and, notwithstanding a desperate effort was made in the Senate to give the banks minority representation on the reserve board, the proposition did not prevail."

At the time of revision of Section 12A by the Banking Act of 1935, the issue was whether the primary initiative and responsibility for open-market operations should be fixed exclusively in the Board of Governors of the Federal Reserve System as then being set up, or left in a committee consisting exclusively of the then Governors of the Federal Reserve Banks, or committed to a combination of both, and at no stage in the development of the legislation was it contemplated by any of those actively interested therein, irrespective of differing viewpoints, that the responsibility should be shifted to or shared with those outside of the official executives of the banks and members of the Board.

The bill, as introduced and passed in the House (H.R. 7617), definitely fixed such responsibility in the Federal Reserve Board. In Congressman Steagall's report upon the bill the following was stated:

"Under the present law, open-market policies are formulated by the Federal Open Market Committee, which consists of the governors of the 12 Federal Reserve banks."

After explaining that the proposed bill would place the primary responsibility in the Board, his report continued:

"The participation of Federal Reserve banks governors in the deliberations leading to the adoption of open-market policies will be preserved. Open market operations may be initiated either by the committee of the governors or by the Board, but the ultimate responsibility for making a final decision and the power for adopting and carrying out national policies will be concentrated in a national body, as they properly should be in the public interest."

The bill was amended in the Senate to provide for the creation of a "Federal Open Market Committee" consisting of the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks to be selected annually, but throughout the discussion it is evident that although the word "representatives" was used in place of "Presidents", to which the titles of "Governors" were changed by the Senate Committee, there was no intention of altering the original meaning and purpose to confine representation to members of the Board and executives of the banks.

During the consideration of the Banking Act of 1935 by the Banking and Currency Committees in both the House and the Senate, many distinguished bankers appeared before one or both of the Committees and expressed a unanimity of opinion that Governors of the Federal Reserve banks should be members of the Open Market Committee. The very fact that they so testified is indicative of the fact that the issue at stake in the pending legislation was whether or not responsibility for this important function should be vested in the Governors of the Federal Reserve banks or in the Federal Reserve Board. It appears that these witnesses never had in mind a selection of representatives of Federal Reserve banks from other than Governors or other executive officers of the Federal Reserve banks.

The recommendation of the special committee of the American Bankers Association was "that the Open Market Committee shall consist of the entire Federal Reserve Board, (reduced to five members), and four Governors of the Federal Reserve banks, selected by the Governors of the twelve Federal Reserve banks annually."

The recommendation of the Federal Advisory Council was that "The Federal Open Market Committee shall consist of the five members of the Federal Reserve Board (reduced in membership) and four Governors of the Federal Reserve banks."

The Commission on Banking Law and Practice of the Association of Reserve City Bankers in its "Summary of Arguments on Title II of the Banking Act of 1935" clearly recognized that the only point of difference was in whether the power to determine the open market policy of the Federal Reserve System was to be in the Federal Reserve Board or in a committee, as then constituted, of Governors of the Federal Reserve banks.

The Committee on Banking Legislation of the Chamber of Commerce of the United States, in an analysis and report filed with the sub-committee of the Senate Committee on Banking and Currency, recommended "that open market policies should continue, as at present, to be formulated by a committee representing the twelve Federal

Reserve banks." The Committee as then constituted was composed of the twelve Governors of the Federal Reserve banks.

The legislative policy with respect to outside domination or influence in the administration of the Federal Reserve Act is illustrated by section 10 of the Act, wherein it is provided that the members of the Board shall devote their entire time to its business and that "No member of the Board of Governors of the Federal Reserve System shall be an officer or director of any bank, banking institution, trust company, or Federal Reserve bank or hold stock in any bank, banking institution, or trust company." It is hardly conceivable that Congress, in setting up an administrative body to control and supervise credit, should zealously strive to insure that body's immunity from outside banking influence and then assign an important power over credit to a committee, five of whose 12 members could retain their private connections with outside business or banking.

It is self-evident that in order to render efficient service on the Open Market Committee a member must be in constant touch with the operations of the Reserve banks and have a continuing knowledge of the condition of the member banks, of the trends in loans and deposits, of the fluctuations in interest rates and of the money market and credit situation generally. Regardless of his ability, an outsider, engrossed as he would be most of the time in his own affairs, could not establish and maintain that interest and knowledge necessary to discharge properly his duties as a member of the Committee. Inevitably his attitude would not in the very nature of the case be truly representative of the Federal Reserve banks. It is only human nature that a person engaged in an enterprise for profit would be primarily concerned with the administration of that enterprise. Frequently, it might become the duty of such member to move in the direction opposite from that which would be advantageous to his private interests. Whether or not members finding themselves in that position could subordinate their private interests to the general public interest which the Open Market Committee is intended to subserve, it would be unfair to place any member of that Committee in the embarrassing position of being required to make such choices. Such a relation to the System would tend seriously to impair the efficiency and prestige of the directors and officers of the Reserve banks and produce at times confusion and embarrassment.

Members of the Committee are in a sense the trustees of the credit policy of the nation and, like trustees, they should not be in the attitude of purchasing from or selling to themselves. Such trustees must be scrupulous to place themselves beyond reproach and above suspicion. The prestige, and indeed the preservation of the Federal Reserve System, depend upon it.



Form F. 1. 131

333.32 member

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date February 11, 1936

To Board of Governors

Subject:

From Mr. Dreibelbis

Attached hereto is seven copies of a memorandum upon the subject of representation of the Federal Reserve banks upon the Federal Open Market Committee.

Respectfully submitted,



J. P. Dreibelbis,  
Assistant General Counsel.

REPRESENTATIVES OF THE FEDERAL RESERVE BANKS  
UPON THE FEDERAL OPEN MARKET COMMITTEE

Some question has arisen with respect to the composition of personnel of the Federal Open Market Committee as created by section 12A of the Federal Reserve Act.

This section provides that the committee shall consist of "The members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks, to be selected as hereinafter provided". The immediate question is whether the five or any of the five representatives of the Federal Reserve banks may be selected outside of the official personnel of the Federal Reserve banks selecting such representatives.

Section 12A does not in precise terms set out requirements in this respect but a review of the historical development of the committee and a review of such sources as are available reflecting the legislative intent when the section was enacted and the purposes sought to be achieved will clearly demonstrate that, irrespective of any ambiguity in the letter of the act, selection of representatives by the Federal Reserve banks from the ranks of banking, industry or commerce would constitute a flagrant violation of what Congress intended and might well be calculated to defeat its very purpose.

Realization of the importance and effect of open-market operations upon the national credit structure commencing in 1920 and 1921 has resulted in the gradual development of methods of control or coordination of activities and has finally culminated in the "Open Market Committee" created by section 12A of the Federal Reserve Act as revised effective March 1, 1936. This development is best reflected by a chronological listing of the various committees and bodies created for such purpose as follows:

1. "Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities" - This committee was composed of five governors of Federal Reserve banks and functioned from May 1922 to April 7, 1923.

2. "Open Market Investment Committee" - This committee was created on April 7, 1923 as a result of resolution passed by the Federal Reserve Board on March 22, 1923 from which time open-market operations were not engaged in by the Federal Reserve banks except with the approval of the Federal Reserve Board. It was composed of five governors of Federal Reserve banks and functioned until March 31, 1930.

*Minutes copy filed below*

- 2 -

3. "Open Market Policy Conference" - This committee was created as the result of conferences by representatives of the 12 Federal Reserve banks with the Board for the purpose of recommending policies and plans regarding open-market operations. It was composed of the twelve governors of the Federal Reserve banks and functioned until the passage of the Banking Act of 1933.

4. "Federal Open Market Committee" - This committee was created on June 16, 1933 by the Banking Act of 1933 and was composed of the twelve governors of the Federal Reserve banks.

5. "Federal Open Market Committee" - As provided in section 12A of the Federal Reserve Act as now in force, providing for a committee consisting of "The Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks".

Thus, the Federal Reserve banks or the Federal Reserve banks with the approval of the Federal Reserve Board, have formulated all policies and directed all open-market operations since the necessity therefor arose. At no time have the committees been composed of others than officials of Federal Reserve banks. Indeed, the issue as to whether private enterprise should be represented in a body created for the purpose of regulating and supervising such interests seems to have been met and settled in the original enactment of the Federal Reserve Act when banker representation was so forcefully argued and so forcefully denied both by Congress and the President.

This interesting period in the history of the Federal Reserve System is graphically related in the following passage from Senator Glass' book entitled "An Adventure in Constructive Finance":

"These great bankers, arbiters for years of the country's credits, were grouped about the President's desk in the Executive office adjoining the Cabinet room. I sat outside the circle, having already voiced my own dissent from the President's attitude. President Wilson faced the group across the desk; and as these men drove home what seemed to me good reason after good reason for banker representation on the central board, I actually experienced a sense of regret that I had a part in subjecting Mr. Wilson to such an ordeal. When they had ended their arguments Mr. Wilson, turning more particularly to Forgan and Wade, said quietly:

- 3 -

'Will one of you gentlemen tell me in what civilized country of the earth there are important government boards of control on which private interests are represented?' There was painful silence for the longest single moment I ever spent; and before it was broken Mr. Wilson further inquired: 'Which of you gentlemen thinks the railroads should select members of the Interstate Commerce Commission?' There could be no convincing reply to either question, so the discussion turned to other points of the currency bill; and, notwithstanding a desperate effort was made in the Senate to give the banks minority representation on the reserve board, the proposition did not prevail."

These facts were before Congress when section 12A was enacted.

At the time of the revision of section 12A by the Banking Act of 1935, the importance of open-market operations as an instrument of credit control was conceded. Indeed, it was recognized as one of the most, if not the most, important of such instruments. Likewise, it was conceded that responsibility for the formulation and execution of such policy should be concentrated in one body. All previous committees had been composed of officers of the various Federal Reserve banks. The whole issue was whether that responsibility should be fixed in the Board of Governors of the Federal Reserve System as then being set up or in the Federal Reserve banks.

The bill, as introduced and passed in the House (H.R.7617), definitely fixed such responsibility upon the Federal Reserve Board. In Congressman Steagall's report upon the bill the following was stated:

"Under the present law, open-market policies are formulated by the Federal Open Market Committee, which consists of the governors of the 12 Federal Reserve banks. The recommendations of the committee are subject to the approval of the Federal Reserve Board, and the boards of directors of each Federal Reserve bank retain the authority to refuse participation in the policy adopted. We have, therefore, an arrangement by which there is a policy-making body of 12, which has power to formulate policies, but not to put them into effect. We have the Federal Reserve Board, consisting of 8 members, who have the authority to approve or disapprove of the recommendations of the committee; and we have 108 directors of the Reserve banks, who have the final determination as to whether the policy is to be carried out or not. It would be difficult to conceive of an arrangement better calculated than this for diffusing responsibility and creating an elaborate system of obstructions.

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"The amendment will cure this situation by placing responsibility for national monetary and credit policies squarely upon the Federal Reserve Board. It will eliminate conflicts of jurisdiction and policy because the final decision as to all matters affecting national policies would be vested in the Federal Reserve Board. The participation of Federal Reserve bank governors in the deliberations leading to the adoption of open-market policies will be preserved. Open-market operations may be initiated either by the committee of the governors or by the Board, but the ultimate responsibility for making a final decision and the power for adopting and carrying out national policies will be concentrated in a national body, as they properly should be in the public interest."

The bill was amended in the Senate to provide for the creation of a "Federal Open Market Committee" consisting of the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks to be selected annually.

In conference the present section 12A was agreed to.

Thus it is clear that the provision for the selection of "five representatives of the Federal Reserve banks" represented a compromise between fixing responsibility in the Board and fixing responsibility in the banks by fixing responsibility in a body composed of the Board and representatives of the banks.

This is borne out by the following remarks of Senator Glass made when the bill, as amended by the Banking and Currency Committee of the Senate, was reported to the Senate:

"As I have said, in order to produce a bill, in order to harmonize radical differences, concessions, even yielding of convictions, had to be made, so it was finally determined to constitute the open-market committee of the 7 members of the Federal Reserve Board and 5 representatives of the Federal Reserve banks. The Federal Reserve banks, which are the trustees of the reserve funds of all the member banks of the country, are graciously given this minority representation upon the open-market committee.

"Some of us were opposed to any alteration of the existing arrangement. Others thought that the representatives of the banks, whose money is to be used, whose credit is to be put in jeopardy, should have control of the committee and should have the majority representation. But in order to reconcile bitter differences there was yielding, and we have now proposed an open-market committee composed of all 7 members of the Federal Reserve Board and 5 representatives of the regional reserve banks."

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During the consideration of the Banking Act of 1935 by the Banking and Currency Committees in both the House and the Senate, many distinguished bankers appeared before one or both of the Committees and among them there seemed to be a unanimity of opinion that "Governors" of the Federal Reserve banks should be members of the Open Market Committee. The very fact that they so testified is indicative of the fact that the sole issue at stake in the pending legislation was whether or not control of this important function should be vested in the "Governors" of the Federal Reserve banks or in the Federal Reserve Board. It does not appear that these witnesses ever had in mind a selection of representatives of Federal Reserve banks from other than "Governors" or other *officers* officers from the official personnel of the Federal Reserve banks.

The recommendation of the special committee of American Bankers Association was "that the Open Market Committee shall consist of the entire Federal Reserve Board, (reduced to five members), and four Governors of the Federal Reserve banks, selected by the Governors of the twelve Federal Reserve banks annually".

The recommendation of the Federal Advisory Committee was that "The Federal Open Market Committee shall consist of the five members of the Federal Reserve Board (reduced in membership) and four Governors of the Federal Reserve banks".

The Commission on Banking Law and Practice of the Association of Reserve City Bankers in its "Summary of Arguments on Title II of the Banking Act of 1935" clearly recognized that the only point of difference was in whether the power to determine the open market policy of the Federal Reserve System was to be in the Federal Reserve Board or in a committee, as then constituted, of Governors of the Federal Reserve banks.

The Committee on Banking Legislation of the Chamber of Commerce of the United States, in an analysis and report filed with the sub-committee of the Senate Committee on Banking and Currency, recommended "that open market policies should continue, as at present, to be formulated by a committee representing the twelve Federal Reserve banks". The Committee as then constituted was composed of the twelve Governors of the Federal Reserve banks.

In this connection it may be well to point out that Congress in providing that the committee should consist of "the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks", also provided that such representatives of the banks should be elected, one by the boards of directors of the Federal Reserve Banks of Boston and New York, one by the boards of directors of the Federal Reserve Banks of Philadelphia and Cleveland, one by the boards of directors of the Federal Reserve Banks of Chicago and St. Louis,

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one by the boards of directors of the Federal Reserve Banks of Richmond, Atlanta and Dallas and one by the boards of directors of the Federal Reserve Banks of Minneapolis, Kansas City and San Francisco. Obviously, it was not the intention to concentrate the powers therein conferred in other than a national body or to alter the responsibility to conduct operations other than within the governing principles as laid down in the act. The purpose was to meet the demands of those who thought that responsibility for operations should be in the banks rather than in the Board and to provide a method whereby the committee as a whole would be able to present a composite picture of the needs of commerce and business with respect to the general credit situation of the entire country. Consequently, the section should be interpreted as providing for the selection of five members of the committee from "representatives of the Federal Reserve banks", that is to say, from the already designated representatives of the Federal Reserve banks so acting at the time of their election to membership upon the committee. By the same reasoning that would permit Federal Reserve banks to select, as a member of the committee, a representative not already a designated representative of the Federal Reserve banks, they could elect representatives from points outside their respective districts and conceivably each designated group of Federal Reserve banks could select as a representative and as a member of the committee a director and officer of a large city commercial bank and conceivably the committee could be composed of the seven members of the Board of Governors of the Federal Reserve System and five officers or directors of one large city bank.

The legislative policy with respect to outside domination or influence in the administration of the Federal Reserve Act is illustrated by section 10 of the Act, wherein it is provided that "No member of the Board of Governors of the Federal Reserve System shall be an officer or director of any bank, banking institution, trust company, or Federal Reserve bank or hold stock in any bank, banking institution, or trust company". True, this section applies only to the members of the Board of Governors, but it is hardly conceivable that Congress, in setting up an administrative body to control and supervise credit, should so zealously provide for its freedom of action by and large and then delegate perhaps the most important function to a committee, five-twelfths of which could possibly represent private interests as opposed to the national interest. Such a construction of section 12A would certainly be strained in the light of the true intent of Congress and, as the same is susceptible of a construction giving effect to the real intent, such construction should be placed upon it.

Added to this is the very significant fact that section 12A as revised by the Banking Act of 1935 took away from the Federal Reserve banks the power of declining to participate in open-market operations recommended by the Committee. At the same time, however, it provided for representatives of the banks to be upon the Committee. Clearly

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Congress would not and did not undertake to provide for representation of the Federal Reserve banks by making it possible for such representation to come from sources wholly outside of the banks.

In addition, it is to be noted that in the only case, in connection with the Federal Reserve System where Congress has provided for a body, the personnel of which is selected from sources outside of the official personnel of Federal Reserve banks, to wit: the Federal Advisory Council, it, at the same time has provided for the compensation and allowance of the Council members. In connection with the Federal Open Market Committee, however, no provision whatever is made for the payment of compensation to or expenses of the members. Had Congress intended that members could be selected from sources outside the official personnel of the Federal Reserve banks, it no doubt would have made provision for payment of compensation to and the expenses of such members.

Further, it is significant that Title II of the Banking Act of 1935 became effective August 23, 1935, except that section 203 provided for the appointment of a Board of Governors of the Federal Reserve System effective February 1, 1936, and sections 201 and 205 were enacted effective March 1, 1936. Section 201 amends paragraph "Fifth" of section 4 of the Federal Reserve Act so as to authorize a Federal Reserve bank "To appoint by its board of directors a president, vice-president, etc." Section 205 amends section 12A of the Federal Reserve Act and creates the Federal Open Market Committee effective March 1, 1936. The fact that these sections were enacted effective upon the same date would indicate that the five representatives of the Federal Reserve banks were to be selected from among the "Presidents" of the Federal Reserve banks.

Aside from the legal aspect of the situation, there is the fact that there now exists a well-defined and long-established policy outlined by the Board and concurred in by the banks recognizing and seeking to avoid the embarrassment resulting from affiliation with outside business interests of officers and employees of Federal Reserve banks, and even of directors when their status as directors might be considered as being used to further their private interests.

In 1919 the Board addressed a letter to all governors of the Federal Reserve banks saying, among other things, "While the Board does not assume any jurisdiction over the business affiliates of any director of a Federal Reserve bank except insofar as such connections may affect his qualifications as prescribed in section 4 of the Federal Reserve Act, it has always entertained the view that no director of officer of a Federal Reserve bank should permit his connection with the bank to be used in furthering his private business or the interest of any corporation with which he may be associated."



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In 1924 the Board directed a letter to the chairman of all Federal Reserve banks, wherein it was stated, "There appears to be no provision of law which would prohibit an officer of a Federal Reserve bank from forming an outside connection with a business concern of any kind, but the Federal Reserve Board believes it will be as obvious to the Federal Reserve banks as it is to itself that the good conduct and reputation of the Federal Reserve System require that the officers of the reserve banks shall give their entire time and attention to the affairs of the bank and not be identified with any outside business interests". The views expressed in this action were apparently concurred in by the officers and directors of the Federal Reserve banks.

The duties of a member of the Open Market Committee in connection with the formulating and fixing of open-market policies comes peculiarly within the logic of the above letters outlining policy in connection with Federal Reserve bank personnel and the reasons upon which the aforesaid letters were based, which reasons were and are apparently concurred in by all of the Federal Reserve banks, apply with even greater force to a member of the Open Market Committee.

From the outset open-market operations have been an important function of the Reserve banks and within the last few years they have become a major responsibility of the System. The new Committee has been invested with broad powers and from its decisions and orders there is no appeal. It follows, therefore, that to render efficient service on the body a member should be in constant touch with the operations of the Reserve banks and have a continuing knowledge of the condition of the member banks, of the trends in loans and deposits, of the fluctuations in interest rates and of the money market and credit situation generally. Regardless of his ability, an outsider, engrossed as he would be most of the time in his own affairs, could not establish and maintain that interest and knowledge necessary to properly discharge his duties as a member of the Committee. Inevitably his attitude would tend to become advisory rather than representative of the Federal Reserve banks. It is only human nature that a person engaged in an enterprise for profit would be primarily concerned with the administration of that enterprise. Frequently, it might become the duty of such member to move in the opposite direction from that which would be advantageous to his own enterprise. Whether or not members finding themselves in that position could act without regard to their private affairs and in the public interest, it would be unfair to such member to be placed in such position. Such a relation to the System could well impair the efficiency and prestige of the directors and officers of the Reserve banks and produce at times confusion and embarrassment.

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Members of the Committee are in a sense the trustees of the credit policy of the nation and, like trustees, they should not be in the attitude of purchasing from or selling to themselves.

Next in importance to the actual sound and efficient conduct of operations by the Open Market Committee in the public interest and for the public welfare is the reputation of that body for so conducting its affairs. The very existence of a private interest upon the part of a member of the Committee, even conceding that such interest would not influence his action, might affect the public interpretations of the actions of the Committee. The detrimental effect resulting from such a situation is apparent.

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REPRESENTATIVES OF THE FEDERAL RESERVE BANKS  
UPON THE FEDERAL OPEN MARKET COMMITTEE

FEB 11 1936

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Some question has arisen with respect to the composition of personnel of the Federal Open Market Committee as created by section 12A of the Federal Reserve Act.

This section provides that the committee shall consist of "The members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks, to be selected as hereinafter provided". The immediate question is whether the five or any of the five representatives of the Federal Reserve banks may be selected outside of the official personnel of the Federal Reserve banks selecting such representatives.

Section 12A does not in precise terms set out requirements in this respect but a review of the historical development of the committee and a review of such sources as are available reflecting the legislative intent when the section was enacted and the purposes sought to be achieved will clearly demonstrate that, irrespective of any ambiguity in the letter of the act, selection of representatives by the Federal Reserve banks from the ranks of banking, industry or commerce would constitute a flagrant violation of what Congress intended and might well be calculated to defeat its very purpose.

Realization of the importance and effect of open-market operations upon the national credit structure commencing in 1920 and 1921 has resulted in the gradual development of methods of control or coordination of activities and has finally culminated in the "Open Market Committee" created by section 12A of the Federal Reserve Act as revised effective March 1, 1936. This development is best reflected by a chronological listing of the various committees and bodies created for such purpose as follows:

1. "Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities" - This committee was composed of five governors of Federal Reserve banks and functioned from May 1922 to April 7, 1923.

2. "Open Market Investment Committee" - This committee was created on April 7, 1923 as a result of resolution passed by the Federal Reserve Board on March 22, 1923 from which time open-market operations were not engaged in by the Federal Reserve banks except with the approval of the Federal Reserve Board. It was composed of five governors of Federal Reserve banks and functioned until March 31, 1930.

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3. "Open Market Policy Conference" - This committee was created as the result of conferences by representatives of the 12 Federal Reserve banks with the Board for the purpose of recommending policies and plans regarding open-market operations. It was composed of the twelve governors of the Federal Reserve banks and functioned until the passage of the Banking Act of 1933.

4. "Federal Open Market Committee" - This committee was created on June 16, 1933 by the Banking Act of 1933 and was composed of the twelve governors of the Federal Reserve banks.

5. "Federal Open Market Committee" - As provided in section 12A of the Federal Reserve Act as now in force, providing for a committee consisting of "The Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve banks".

Thus, the Federal Reserve banks or the Federal Reserve banks with the approval of the Federal Reserve Board, have formulated all policies and directed all open-market operations since the necessity therefor arose. At no time have the committees been composed of others than officials of Federal Reserve banks. Indeed, the issue as to whether private enterprise should be represented in a body created for the purpose of regulating and supervising such interests seems to have been met and settled in the original enactment of the Federal Reserve Act when banker representation was so forcefully argued and so forcefully denied both by Congress and the President.

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At the time of the revision of section 12A by the Banking Act of 1935, the importance of open-market operations as an instrument of credit control was conceded. Indeed, it was recognized as one of the most, if not the most, important of such instruments. Likewise, it was conceded that responsibility for the formulation and execution of such policy should be concentrated in one body. All previous committees had been composed of officers of the various Federal Reserve banks. The whole issue was whether that responsibility should be fixed in the Board of Governors of the Federal Reserve System as then being set up or in the Federal Reserve banks.

The bill, as introduced and passed in the House (H.R. 7617), definitely fixed such responsibility upon the Federal Reserve Board. In Congressman Steagall's report upon the bill the following was stated:

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Thus it is clear that the provision for the selection of "five representatives of the Federal Reserve banks" represented a compromise between fixing responsibility in the Board and fixing responsibility in the banks by fixing responsibility in a body composed of the Board and representatives of the banks.

This is borne out by the following remarks of Senator Glass made when the bill, as amended by the Banking and Currency Committee of the Senate, was reported to the Senate:

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"Some of us were opposed to any alteration of the existing arrangement. Others thought that the representatives of the banks, whose money is to be used, whose credit is to be put in jeopardy, should have control of the committee and should have the majority representation. But in order to reconcile bitter differences there was yielding, and we have now

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In this connection it may be well to point out that Congress in providing that the committee should consist of "the members of the Board of Governors of the Federal Reserve System and five representatives of

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the Federal Reserve banks", also provided that such representatives of the banks should be elected, one by the boards of directors of the Federal Reserve Banks of Boston and New York, one by the boards of directors of the Federal Reserve Banks of Philadelphia and Cleveland, one by the boards of directors of the Federal Reserve Banks of Chicago and St. Louis, one by the boards of directors of the Federal Reserve Banks of Richmond, Atlanta and Dallas and one by the boards of directors of the Federal Reserve Banks of Minneapolis, Kansas City and San Francisco. Obviously, it was not the intention to concentrate the powers therein conferred in other than a national body or to alter the responsibility to conduct operations other than within the governing principles as laid down in the act. The purpose was to meet the demands of those who thought that responsibility for operations should be in the banks rather than in the Board and to provide a method whereby the committee as a whole would be able to present a composite picture of the needs of commerce and business with respect to the general credit situation of the entire country. Consequently, the section should be interpreted as providing for the selection of five members of the committee from "representatives of the Federal Reserve banks", that is to say, from the already designated representatives of the Federal Reserve banks so acting at the time of their election to membership upon the committee. By the same reasoning that would permit Federal Reserve banks to select, as a member of the committee, a representative not already a designated representative of the Federal Reserve banks, they could elect representatives from points outside their respective districts and conceivably each designated group of Federal Reserve banks could select as a representative and as a member of the committee a director and officer of a large city commercial bank and conceivably the committee could be composed of the seven members of the Board of Governors of the Federal Reserve System and five officers or directors of one large city bank.

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Added to this is the very significant fact that section 12A as revised by the Banking Act of 1935 took away from the Federal Reserve banks the power of declining to participate in open-market operations recommended by the Committee. At the same time, however, it provided for representatives of the banks to be upon the Committee. Clearly Congress would not and did not undertake to provide for representation of the Federal Reserve banks by making it possible for such representation to come from sources wholly outside of the banks.

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FEDERAL OPEN MARKET COMMITTEE  
(From Jan. 1 to Feb. 29, 1936)

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|---|------------------------------------|
| * <del>F. H. Curtiss</del> <i>P. A. Young</i> | Boston                             |
| * George L. Harrison                          | New York                           |
|   | <i>Phila.</i>                      |
| * M. J. Fleming                               | Cleveland                          |
|   | <i>Pittsburgh</i>                  |
| * Oscar Newton                                | Atlanta                            |
| * G. J. Schaller                              | Chicago (H. P. Preston, alternate) |
| * Wm. McC. Martin                             | St. Louis                          |
| * W. B. Geery                                 | Minneapolis                        |
| * G. H. Hamilton                              | Kansas City (minutes)              |
| * B. A. McKinney                              | Dallas (minutes)                   |
|   | <i>San Francisco</i>               |

333.3-a-2

EXCERPT FROM LETTER OF FEDERAL RESERVE BANK OF KANSAS CITY  
DATED Feb 7, 1936, re minutes of meeting of Board held on  
February 6.

*file date*  
FEB - 7 1936

"Governor Hamilton informed the directors that in accordance with the rules adopted to govern the election of a member and an alternate member of the Federal Open Market Committee by the Boards of Directors of the Federal Reserve Banks of San Francisco, Minneapolis, and Kansas City, he, as judge of the election, had called a conference of representatives of the three Boards of Directors to be held in Denver on February 15, this action being necessary in view of the failure of the three banks to elect a member and an alternate member of the Federal Open Market Committee by February 1.

"The directors selected as their representatives to attend the meeting to be held in Denver, the committee previously appointed to confer with the Boards of Directors of the other two banks on matters relating to the selection of representatives on the Open Market Committee. The Committee appointed consists of Deputy Chairman Brown, Director Bernardin, and Director Mullaney."

*Copy of this file  
found 7 months  
ago*

*see X-9410 - 1/2/36*

*orig. filed 321.11 (10)*

C O P Y

FEDERAL RESERVE BOARD FILE  
~~333-321~~

February 6, 1936.

Mr. J. N. Peyton, Chairman,  
Federal Reserve Bank of Minneapolis,  
Minneapolis, Minnesota

333-321-a-2

Dear Mr. Peyton:

Reference is made to your letter of January 21 reporting the action of the Board of Directors of your bank on certain subjects at its meeting on January 21, 1936.

You will be advised at an early date in regard to the Board's action on salaries fixed by your Board of Directors for officers of your bank, and in the meantime the Board will interpose no objection to payment of salaries to officers of the bank at the rates previously approved by the Board and in effect on December 31, 1935.

It is noted that Directors Clark, Grangaard and O'Connell have been appointed as a committee to meet at Denver with Directors representing the Kansas City bank and the San Francisco bank for the purpose of considering recommendations to be made to the several Boards regarding the selection of a member and alternate member of the Open Market Committee; that Directors Clark and Grangaard have been appointed a committee to visit Washington sometime after February 1 to discuss with the Board of Governors of the Federal Reserve System general policies of the bank; and that the Board of Directors are not in favor of a uniform day for holding directors' meetings throughout the System.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

*Copy of this in  
Edna's memo  
file*

323.3-a-7

Copy

FEDERAL RESERVE BANK OF KANSAS CITY

January 27, 1936

Board of Governors of the  
Federal Reserve System  
Washington, D. C.

Gentlemen:

A regular meeting of the Board of Directors of this bank was held on Saturday, January 25, the meeting having been postponed from January 23 by unanimous consent of the directors. The meeting was attended by all of the directors and by Counsel Leedy, Governor Hamilton, Deputy Governor Worthington, and by Mr. W. T. Kemper, Member of the Federal Advisory Council.

In addition to the regular routine business of the meeting, the directors took action as follows:

The various rates of discount and purchase in effect at this bank were established without change for the ensuing period, subject to the approval of the Board of Governors of the Federal Reserve System.

The directors accepted with approval a report of the committee of directors appointed to confer with representatives of the Boards of Directors of the Federal Reserve Banks of San Francisco and Minneapolis on matters having to do with the selection by the three Boards of Directors of a member and alternate member of the Open Market Committee. This report reviewed the proceedings of a meeting of representatives of the three banks held in Omaha on January 6, and recommended the adoption by this board of a set of rules which had been tentatively agreed upon at the Omaha meeting as suitable to govern elections of members and alternate members of the Open Market Committee by the Boards of Directors of the three banks.

The rules recommended by the committee were formally adopted by our board, and inasmuch as such rules provide that the Board of Directors of each bank shall designate its choice for a member of the Open Market Committee and its choice for an alternate member of such committee prior to February 1 of each year, and certify such action to a judge of election named by the rules as the Governor of the Federal Reserve Bank of Kansas City, the directors named their choices for the respective positions and directed that such choices be certified to the judge of election, as provided in the election rules.

Under such rules, if the Boards of Directors of at least two of the three banks select the same individual as member or as alternate member of the Open Market Committee, the judge of election shall declare such individual elected and shall certify such election to the Board of Governors of the Federal Reserve System. The rules provide that if by February 1 no person has received at least two votes for the position of member of the committee or if no person has received at least two votes for the position of alternate member, then the

see X-9410 - 1/2/36  
orig filed 321.11(10)

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here

judge of election shall call representatives of the Boards of Directors of the three banks together at Denver on a date to be agreed upon by such representatives for a conference for the purpose of arriving at an agreement with regard to persons to fill these offices. In this connection, we have been informed that the Board of Directors of the Federal Reserve Bank of Minneapolis has adopted the recommended rules of election, subject to adoption by the Boards of Directors of the other two banks. We have not learned of any action taken on this matter by the Board of Directors of the San Francisco bank.

Very truly yours,

/s/ W. M. McAdams

Secretary



C O P Y

FEDERAL RESERVE BANK  
OF MINNEAPOLIS

FEDERAL RESERVE BOARD FILE  
333.350-2  
~~333.32~~

January 21st, 1936.

Mr. Chester Morrill, Secretary,  
Board of Governors of the  
Federal Reserve System,  
Washington, D. C.

Dear Mr. Morrill,

At the regular meeting of our Board of Directors held today, the budget for the first half of 1936, which will be forwarded to you in due course, was approved by the Directors.

The Directors approved the payment of the prior service liability under the Retirement System, over a period of five years from January 1, 1935, and in so doing approved the readjustment of the books of the bank, retroactively to December 31, 1935, in order to accomplish this result, with the provision that a reserve in the amount of the bank's prior service liability on January 1, 1936, be set up in accordance with the Board's letter of January 13th.

Mr. W. B. Geery was elected Governor, Harry Yaeger was elected Deputy Governor and Harry I. Ziemer was elected Deputy Governor and Cashier, for the period expiring February 29, 1936, and, subject to the approval of the Board, their salaries remain unchanged. All other officers and legal counsel of the Federal Reserve Bank of Minneapolis and of the Helena Branch were elected for the year 1936 at the same salaries, excepting only that, subject to the approval of the Board, the following salary adjustments were passed:

Mr. H. C. Core, Assistant Cashier	was raised from	\$5500	to	\$5800
Mr. A. R. Larson, " " " "	"	\$5300	to	\$5600
Mr. W. E. Peterson, " " " "	"	\$4500	to	\$5000
Mr. O. R. Preston, " " " "	"	\$4500	to	\$5000

and I shall be pleased to have you communicate to me the Board's action with regard to these salaries at your convenience. The increases in those salaries above noted will not offset the decrease in officers' salaries due to the elimination of Assistant Cashier Rast.

The Directors passed a motion appointing Directors Clark, Grangaard and O'Connell as a committee to meet with Directors representing the Kansas City bank and Directors representing the San Francisco bank at Denver on a date which was to be arranged by the Chairman of the Board, for the purpose of further considering recommendations which may be made to the several Boards by the representatives of the several banks for member and alternate member of the Open Market Committee.

*copy of this in FMC member book*

*see memo 2/6/36*

*filed 321.11 (9)*

Mr. Chester Morrill,

(2)

January 21, 1936.

The Board appointed a committee consisting of Messrs. Clark and Grangaard to visit Washington some time after February 1st to discuss with the Board of Governors of the Federal Reserve System general policies of the bank from point of view of the Directors.

The letter of the Board dated December 27, 1935, X-9407, asking the opinion of our Board as to the desirability of arranging with the several Federal Reserve Banks for uniformity in holding meetings of the Boards of Directors of the twelve Federal Reserve Banks on the same date, was read to the Directors. Our Board takes the point of view that several of the directors come from very long distances and it is very desirable that our directors' meetings be held on Monday so traveling time may be absorbed over Saturday and Sunday, and for this reason, as well as other pertinent reasons which were brought out at the meeting, our Board would not be in favor of any uniform day for holding directors' meetings throughout the System.

Very truly yours,

(Signed) J. N. Peyton

CHAIRMAN OF THE BOARD

JNP:B

*J. Moore*

FEDERAL RESERVE BANK OF SAN FRANCISCO

353.322  
~~333-32~~

OFFICE OF  
CHAIRMAN OF THE BOARD  
FEDERAL RESERVE AGENT

January 10, 1936

Dear Mr. Eccles:

Receipt is acknowledged of your letter of January 2, enclosing copy of reply to a letter received from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, quoting a resolution adopted by a clearing house association recommending that the Federal Reserve Banks of St. Louis and Chicago select as their member of the Open Market Committee a man of wide experience in business and financial affairs who is not an officer of either bank.

At a meeting of our Board yesterday, your letter was read and discussed at considerable length. Our Board is in unanimous accord with the principles as expressed in this letter and are definitely of the opinion that such a proposal, as made by the clearing house association, is fraught with great danger to the System. We feel that no banker not officially connected with one of the Federal reserve banks could accept such a position without serious embarrassment to himself and the System.

Members of the Open Market Committee, wielding the great power of that office, should be required to divest themselves of all interests in any organizations directly affected by the operations of the Committee, as the members of the Board of Governors are required to do in connection with their offices. From a careful study of the history of Section 12a of the Federal Reserve Act, as amended, it is indicated to us very clearly that the applicable provision in the Act obviously intended to provide that representatives of the Federal reserve banks should be persons officially connected with those banks and therefore, in fact, able to represent them.

In the opinion of our Board, it would be a mistake of major importance if representatives outside of the System are selected by the Federal reserve banks as members of the Open Market Committee.

Yours very truly,  
*Walter N. Moore*  
WALTON N. MOORE  
Deputy Chairman

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Berl*

Mr. M. S. Eccles,  
Chairman,  
Board of Governors of Federal Reserve System,  
Washington, D. C.

*J. M. ...*

FEDERAL RESERVE BANK OF CHICAGO

333.3-a-2

230 SOUTH LA SALLE STREET

January 10, 1936

OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

Hon. Marriner S. Eccles  
Chairman, Board of Governors  
of the Federal Reserve System  
Washington, D. C.

Dear Mr. Eccles:

Referring again to your letter of January 2, 1936, relative to the question of the selection of a member of the Federal Open Market Committee, I today presented your letter to the board of directors of this bank at its annual meeting. Our board recognizes the importance of this whole matter involving a representative from two Federal Reserve banks on the Open Market Committee, and the procedure to be followed in connection with the appointment of such a member. Inasmuch as we will have another meeting of our board later this month, it was deemed wise to take the matter under consideration in the interim, and bring it up again at that time for further determination. Inasmuch as the new member of the Open Market Committee does not take office until March 1, and we will have two more meetings of our full board in the interim, it is considered that it is not essential that we take hasty action at this time.

I shall be glad to advise you just as soon as there is anything definite to report.

Very truly yours,

*[Handwritten Signature]*  
Chairman of the Board

EMS HH

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J. M.*

FEDERAL RESERVE BANK  
OF ATLANTA

333.3-2

OFFICE OF  
CHAIRMAN OF THE BOARD,  
FEDERAL RESERVE AGENT.

January 11, 1936.

Mr. M. S. Eccles, Chairman,  
Board of Governors of the  
Federal Reserve System,  
Washington, D. C.

FOR COPY

Dear Mr. Eccles:

At the regular January meeting of the Board of Directors  
of this bank your communication of January 2, 1936 (X-9410), addressed to  
me, was read, as was also the copy of your letter of the same date  
(X-9410-a) addressed to Mr. E. M. Stevens, Chairman of the Federal Reserve  
Bank of Chicago.

Our directors were in entire accord with the views and  
suggestions of the Board of Governors of the Federal Reserve System, as  
set out in your letter to Mr. Stevens.

I was authorized, as Deputy Chairman of this bank, to ap-  
point one or more as a committee to meet with similar committees appointed,  
respectively, by the Federal Reserve Banks of Richmond and Dallas, with  
authority to formulate a procedure for the selection of a representative  
on the Federal Open Market Committee and to submit such suggested proce-  
dure, with recommendations in respect thereof, for consideration of the  
full Board of Directors of the Atlanta bank.

Very truly yours,

*W. H. Kettig*

W. H. KETTIG,  
Deputy Chairman of the Board.

- Mr. Harbo
- Mr. [unclear]
- Mr. Jan
- Mr. [unclear]
- Mr. [unclear]
- Mr. [unclear]
- Mr. [unclear]
- Mr. [unclear]
- Mr. [unclear]
- Mr. [unclear]
- Mr. [unclear]
- Mr. [unclear]
- Mr. [unclear]
- Mr. [unclear]
- Mr. [unclear]

Please [unclear]  
and return  
Mr. [unclear]

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[unclear]

FEDERAL RESERVE BANK  
OF CLEVELAND

333.332-2

January 14, 1936.

Mr. M. S. Eccles, Chairman,  
Board of Governors of the  
Federal Reserve System,  
Washington, D. C.

Dear Mr. Eccles:

Your letter of January 2, 1936, X-9410 addressed to Mr. E. S. Burke, Jr., Acting Chairman, and enclosing a letter which was sent to the Chairman of the Federal Reserve Bank of Chicago in connection with the selection of a representative to serve on the Federal Open Market Committee after March 1, 1936, was brought to the attention of, and carefully considered by our Board of Directors, at its meeting on January 10, 1936.

The suggestion of the Board of Governors of the Federal Reserve System with respect to an appropriate method of selecting a representative on the Federal Open Market Committee, was very favorably received by our Board, which took appropriate action providing for the appointment of a committee of three directors from this bank, consisting of Mr. Chess Lamberton, Mr. B. R. Conner and Mr. John Galvin, to confer with a similar committee from the Federal Reserve Bank of Philadelphia, to arrive at an understanding as to the selection of a representative for both banks on the Federal Open Market Committee.

The action of our Board has been communicated to the Federal Reserve Bank of Philadelphia and it is hoped that arrangements for an early meeting of the two committees can be completed.

Our Board concurs in the view of the Board of Governors that it was the intention of the Congress that the members of the Federal Open Market Committee representing the Federal Reserve banks should be the President of one of the banks in the group, and believes the President of one of the other banks should be selected as an alternate.

Our Board is very strongly of the opinion that whoever is chosen as the representative of the Federal Reserve Banks of Philadelphia and Cleveland must be governed by the interests of and represent impartially, both banks.

It is understood that the Board of Governors has no duty or responsibility with respect to the selection of a representative, however, our Board requested that its views, and the action taken, be communicated to the Board of Governors.

Yours very truly,

*W. H. Strater*  
Secretary.

*Copy filed  
F. M. C. Mem  
S. m*

*333.3*

*333.3-a-2*

FEDERAL RESERVE BANK  
OF DALLAS

C. C. WALSH  
CHAIRMAN OF THE BOARD  
AND FEDERAL RESERVE AGENT

January 9, 1936

Mr. M. S. Eccles, Chairman  
Board of Governors of the Federal Reserve System  
Washington, D. C.

FOR INFORMATION

Dear Mr. Eccles:

Reference is made to your letter X-9410 of January 2, 1936, enclosing a copy of your letter of the same date to Chairman Stevens of the Federal Reserve Bank of Chicago in connection with the selection of members to serve on the Federal Open Market Committee after March 1, 1936.

The letter and enclosure were presented and carefully considered at the regular meeting of our board of directors held Tuesday, January 7, 1936, the minutes of which are now being prepared and will be sent the Board within the next day or two.

The views of the Board of Governors of the Federal Reserve System, as expressed in your letter to Chairman Stevens, are fully concurred in by our board of directors, and there is quoted below, for your information, the action taken by our board:

"There was presented letter X-9410 of January 2, 1936, from the Board of Governors of the Federal Reserve System on the subject of selection of members of the Federal Open Market Committee to serve after March 1, 1936.

"After discussion, the following motion by Director Hooks, seconded by Director Middleton, carried:

'That this board of directors is in full accord with the views expressed in Chairman Eccles' letter of January 2, 1936, to Chairman Stevens of the Federal Reserve Bank of Chicago, as to the procedure to be followed with respect to the selection of the representatives to serve on the Federal Open Market Committee;

*Mr. Tolson*  
*Mr. Clegg*  
*Mr. Glavin*  
*Mr. Ladd*  
*Mr. Nichols*  
*Mr. Rosen*  
*Mr. Tracy*  
*Mr. Carson*  
*Mr. Egan*  
*Mr. Gurnea*  
*Mr. Hendon*  
*Mr. Mumford*  
*Mr. Quinn*  
*Mr. Nease*  
*Mr. Gandy*

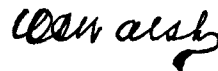
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and ...  
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*Hand*

'That the Chairman of the Board be authorized and directed to communicate with the Federal Reserve Banks of Richmond and Atlanta with the view of having representatives of the three boards of directors meet at a central point; and that the Chairman of this bank be further authorized, after ascertaining the number of directors agreed upon to represent each of the banks, to appoint a committee of directors of that number from this board; such committee to have full power to act for this bank at the meeting when held.'

Pursuant to the action of our board of directors, I have taken up with the Federal Reserve Banks of Richmond and Atlanta the matter of arranging a joint conference of directors to select the representative on the Federal Open Market Committee. When I have ascertained the number of directors selected by those banks, I will appoint a similar number from our board and will, of course, advise you the result of this conference.

Yours very truly,



Chairman of the Board



*John*

# FEDERAL RESERVE BANK OF SAN FRANCISCO

JNO. U. CALKINS, GOVERNOR

January 9, 1936.

AIRMAIL

The Honorable M. S. Eccles,  
Chairman, Board of Governors of  
the Federal Reserve System,  
Washington, D. C.

Dear Sir:

At the meeting of the Board of Directors of this bank held today, the selection of a member of the Federal Open Market Committee was discussed, and the members of the Board unanimously expressed entire agreement with the reasoning set forth in your cogent letter X-9410, dated January 2, regarding membership of the Federal Open Market Committee.

It seems to them preposterous that any banker, investment banker, stock broker, should have an opportunity to sit on that Committee, with incidental advantage gained from knowledge obtained there.

It is also their view that it is preposterous that such member, or members, should have the potential power to compel all Federal Reserve Banks to buy or sell in the open market regardless of whether they could safely do so, or not.

As a minimum requirement, members of that Committee should (as members of the Board of Governors are required to) divest themselves of connection with, or interest in, any organization directly affected by the operations of the Federal Open Market Committee.

The framers of the applicable provision in the Act obviously intended to provide that representatives of the Federal Reserve Banks should be in fact representatives of those banks.

It is also the opinion of this Board of Directors that, if the situation cannot be otherwise remedied, the Act should be briefly amended forthwith.

Yours very truly,

*John U. Calkins*  
Governor.

*circulate*

*mtc*

Mr. Tolson ✓  
Mr. E.A. Tamm ✓  
Mr. Clegg ✓  
Mr. Glavin ✓  
Mr. Ladd ✓  
Mr. Nichols ✓  
Mr. Rosen ✓  
Mr. Tracy ✓  
Mr. Carson ✓  
Mr. Clayton ✓  
Mr. Hurst ✓  
Mr. Keith ✓  
Mr. Lester ✓  
Mr. Quinn ✓  
Mr. Nease ✓  
Miss Gandy ✓

*file*

- 20 - a - 2

Excerpt from the minutes of the meeting of the Board of Directors of the Federal Reserve Bank of Dallas, held on January 7, 1936.

*file date*  
JAN - 7 1936

There was presented letter X-9410 of January 2, 1936, from the Board of Governors of the Federal Reserve System on the subject of selection of members of the Federal Open Market Committee to serve after March 1, 1936.

After discussion, the following motion by Director Hooks, seconded by Director Middleton, carried:

"That this board of directors is in full accord with the views expressed in Chairman Eccles' letter of January 2, 1936, to Chairman Stevens of the Federal Reserve Bank of Chicago, as to the procedure to be followed with respect to the selection of the representatives to serve on the Federal Open Market Committee;

"That the Chairman of the Board be authorized and directed to communicate with the Federal Reserve Banks of Richmond and Atlanta with the view of having representatives of the three boards of directors meet at a central point; and that the Chairman of this bank be further authorized, after ascertaining the number of directors agreed upon to represent each of the banks, to appoint a committee of directors of that number from this board; such committee to have full power to act for this bank at the meeting when held."

*Copy filed  
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Gene*

FEDERAL RESERVE BANK  
OF NEW YORK

FOR DEPOSIT ONLY

Mr. Board  
Mr. E.  
Mr. F.  
Mr. G.  
Mr. H.  
Mr. I.  
Mr. J.  
Mr. K.  
Mr. L.  
Mr. M.  
Mr. N.  
Mr. O.  
Mr. P.  
Mr. Q.  
Mr. R.  
Mr. S.  
Mr. T.  
Mr. U.  
Mr. V.  
Mr. W.  
Mr. X.  
Mr. Y.  
Mr. Z.

*File*

January 6, 1936.

Dear Governor Eccles:

I wish to acknowledge receipt of your letter  
(X-9410) of January 2, 1936, enclosing a copy of a letter,  
 bearing the same date, addressed by you to Mr. Stevens,  
 Chairman, Federal Reserve Bank of Chicago, concerning the  
 membership and method of appointment of the members of the  
 Federal Open Market Committee as it is to be constituted  
 after March 1, 1936. This letter will be brought to the  
 attention of our Board of Directors at its next meeting.

Faithfully yours,

*J. H. Case*  
 J. H. CASE,  
 Chairman.

Hon. Marriner S. Eccles,  
 Chairman, Board of Governors of the  
 Federal Reserve System,  
 Washington, D.C.

*File*

FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

January 4, 1936

Hon. Marriner S. Eccles  
Chairman, Board of Governors  
of the Federal Reserve System  
Washington, D. C.

Dear Mr. Eccles:

I have before me your letter of January 2, 1936, with reference  
to the question of our member of the Federal Open Market Committee to  
serve after March 1, 1936.

You will recall that in my letter of December 16, I sent you a  
copy of the resolution which had been sent to us by the Clearing House  
Association of St. Louis without comment on my part excepting that we  
had advised the Clearing House that the matter would be presented to our  
board of directors. You will therefore understand that their suggestion  
was not thereby concurred in by this office.

I am very glad to have the expression of the Board's opinion  
on this matter and can assure you that it will have the careful considera-  
tion of our board of directors. After conferring with our board, I shall  
be glad to advise you of any views which it has on this subject.

Very truly yours,

*Wm. C. Miller*  
Chairman

EMS HH

*File*  
*MS*  
*MS*  
*MS*

333.3-1-2

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-9410

January 2, 1936.

Dear Sir:

Recently I received from Mr. Stevens, Chair-  
man of the Federal Reserve Bank of Chicago, a letter  
quoting a resolution adopted by a clearing house asso-  
ciation recommending that the Federal Reserve Banks of  
St. Louis and Chicago select as their member of the  
Open Market Committee a man of wide experience in busi-  
ness and financial affairs who is not an officer of  
either bank.

12/16/35

The letter was considered at a meeting of the  
Board today and I am inclosing, for the information of  
the board of directors of your bank, a copy of my reply  
which was approved by the Board.

Very truly yours,

M. S. Eccles,  
Chairman.

copy filed  
for the mem  
Inclosure.

TO CHAIRMEN OF ALL F. R. BANKS EXCEPT CHICAGO.

COPY

X-9410-a

January 2, 1936.

Mr. E. M. Stevens, Chairman,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois.

Dear Mr. Stevens:

Your letter of December 16 in which you quoted a resolution of a clearing house association recommending that the Federal Reserve Banks of St. Louis and Chicago select as their member of the Open Market Committee a man of wide experience in business and financial affairs who is not an officer of either bank was brought to the attention of the members of the Board. In this connection several informal inquiries which have come to the attention of the members of the Board of Governors indicated that there was doubt at some of the Federal reserve banks as to what course should be followed with respect to the selection of their representatives to serve after March 1, 1936, as members of the Federal Open Market Committee.

The law is silent as to the procedure which shall be followed by the boards of directors in the selection of such representatives and it does not place upon the Board of Governors of the Federal Reserve System any duty or responsibility with respect to the determination of such procedure. However, since the question has arisen the Board feels that it may be of some assistance to the directors of the Federal reserve banks by giving them its views and suggestions regarding these matters.

Without reviewing in detail the history of the legislation, it is clear that throughout the discussions the persons whom the

proponents of representation of the Federal reserve banks on the Open Market Committee had in mind were the Governors of the Federal reserve banks, as shown for example by the recommendations of the American Bankers' Association, the Reserve City Bankers' Association, and the Federal Advisory Council. When, in addition to this, the fact is taken into consideration that the amendment took away from the Federal reserve banks the power of declining to participate in open market operations recommended by the Federal Open Market Committee and instead made the decisions of the committee binding upon the banks, it becomes especially significant that the members of the committee to be selected by the banks are referred to in the amendment as "representatives of the Federal reserve banks". The Board therefore believes that it is clear that the Congress intended that these members should be persons in position to present adequately the views of the Federal reserve banks and to speak authoritatively for them.

Aside from these considerations it is evident that any person having otherwise satisfactory individual qualifications who might be selected from outside the official personnel of the Federal reserve banks would almost certainly have or represent interests of a business or investment character which might affect his action as a member of the committee. Even though not influenced by his personal interests, their existence might affect the public interpretation of the actions of the Federal Open Market Committee in which he participated. Moreover, he could not be intimately acquainted with the affairs of the

-3-

X-9410-a

member banks and the Federal reserve banks, the financial policies of the Government, and other phases of monetary matters to the extent that would be desirable and as fully as would be possible in the case of representatives who served only the Federal reserve banks. Although he would have a vote, his contribution to the deliberations of the committee would be more likely that of a consultant or adviser called in at the meetings than that of a true spokesman for the Federal reserve banks.

It is apparent that the situation also presents the question of an appropriate method by which the directors of the banks may contact each other and determine their selections in a mutually satisfactory manner and it seems to the Board that this might be accomplished by preliminary meetings between committees of directors of the banks who could be authorized to formulate procedure and make recommendations for the consideration of the full board of directors of each Federal reserve bank concerned.

The Board will be glad to be advised as to the views of the directors of your bank regarding these suggestions.

Very truly yours,

(Signed) M. S. Eccles

M. S. Eccles,  
Chairman.



January 2, 1936.

Chairman  
XXXXXX

X-9410

Dear Sir:

Recently I received from Mr. Stevens, Chairman of the Federal Reserve Bank of Chicago, a letter quoting a resolution adopted by a clearing house association recommending that the Federal Reserve Banks of St. Louis and Chicago select as their member of the Open Market Committee a man of wide experience in business and financial affairs who is not an officer of either bank.

The letter was considered at a meeting of the Board today and I am inclosing, for the information of the board of directors of your bank, a copy of my reply which was approved by the Board.

Very truly yours,

M. S. Eccles,  
Chairman.

TO CHAIRMEN OF ALL F. R. BANKS EXCEPT CHICAGO.

 SRC/acw

FILE COPY

X-9410 a

Chairman  
~~XXXXXXXX~~

Mr. E. M. Stevens, Chairman,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois.

Dear Mr. Stevens:

Your letter of December 16 in which you quoted a resolution of a clearing house association recommending that the Federal Reserve Banks of St. Louis and Chicago select as their member of the Open Market Committee a man of wide experience in business and financial affairs who is not an officer of either bank was brought to the attention of the members of the Board. In this connection several informal inquiries which have come to the attention of the members of the Board of Governors indicated that there was doubt at some of the Federal reserve banks as to what course should be followed with respect to the selection of their representatives to serve after March 1, 1936, as members of the Federal Open Market Committee.

The law is silent as to the procedure which shall be followed by the boards of directors in the selection of such representatives and it does not place upon the Board of Governors of the Federal Reserve System any duty or responsibility with respect to the determination of such procedure. However, since the question has arisen the Board feels that it may be of some assistance to the directors of the Federal reserve banks by giving them its views and suggestions regarding these matters.

Without reviewing in detail the history of the legislation, it is clear that throughout the discussions the persons whom the proponents

-2-

of representation of the Federal reserve banks on the Open Market Committee had in mind were the Governors of the Federal reserve banks, as shown for example by the recommendations of the American Bankers' Association, the Reserve City Bankers' Association, and the Federal Advisory Council. When, in addition to this, the fact is taken into consideration that the amendment took away from the Federal reserve banks the power of declining to participate in open market operations recommended by the Federal Open Market Committee and instead made the decisions of the committee binding upon the banks, it becomes especially significant that the members of the committee to be selected by the banks are referred to in the amendment as "representatives of the Federal reserve banks". The Board therefore believes that it is clear that the Congress intended that these members should be persons in position to present adequately the views of the Federal reserve banks and to speak authoritatively for them.

Aside from these considerations it is evident that any person having otherwise satisfactory individual qualifications who might be selected from outside the official personnel of the Federal reserve banks would almost certainly have or represent interests of a business or investment character which might affect his action as a member of the committee. Even though not influenced by his personal interests, their existence might affect the public interpretation of the actions of the Federal Open Market Committee in which he participated. Moreover, he could not be intimately acquainted with the affairs of the member banks and the Federal reserve banks, the financial policies of the Government, and other phases of monetary matters to the extent that would be desirable

-5-

and as fully as would be possible in the case of representatives who served only the Federal reserve banks. Although he would have a vote, his contribution to the deliberations of the committee would be more likely that of a consultant or adviser called in at the meetings than that of a true spokesman for the Federal reserve banks.

It is apparent that the situation also presents the question of an appropriate method by which the directors of the banks may contact each other and determine their selections in a mutually satisfactory manner and it seems to the Board that this might be accomplished by preliminary meetings between committees of directors of the banks who could be authorized to formulate procedure and make recommendations for the consideration of the full board of directors of each Federal reserve bank concerned.

The Board will be glad to be advised as to the views of the directors of your bank regarding these suggestions.

Very truly yours,

M. S. Eccles,  
Chairman.

333-2-5-2

**Chairman**  
~~XXXXXXXX~~

JAN 2 1936

Mr. E. M. Stevens, Chairman,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois.

Dear Mr. Stevens:

Your letter of December 16 in which you quoted a resolution of a clearing house association recommending that the Federal Reserve Banks of St. Louis and Chicago select as their member of the Open Market Committee a man of wide experience in business and financial affairs who is not an officer of either bank was brought to the attention of the members of the Board. In this connection several informal inquiries which have come to the attention of the members of the Board of Governors indicated that there was doubt at some of the Federal reserve banks as to what course should be followed with respect to the selection of their representatives to serve after March 1, 1936, as members of the Federal Open Market Committee.

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Without reviewing in detail the history of the legislation, it is clear that throughout the discussions the persons whom the proponents

See ans 1/10/36  
See ans 1/4/36

FILE COPY

2/11/54  
100-100000

-2-

of representation of the Federal reserve banks on the Open Market Committee had in mind were the Governors of the Federal reserve banks, as shown for example by the recommendations of the American Bankers' Association, the Reserve City Bankers' Association, and the Federal Advisory Council. When, in addition to this, the fact is taken into consideration that the amendment took away from the Federal reserve banks the power of declining to participate in open market operations recommended by the Federal Open Market Committee and instead made the decisions of the committee binding upon the banks, it becomes especially significant that the members of the committee to be selected by the banks are referred to in the amendment as "representatives of the Federal reserve banks". The Board therefore believes that it is clear that the Congress intended that these members should be persons in position to present adequately the views of the Federal reserve banks and to speak authoritatively for them.

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and as fully as would be possible in the case of representatives who served only the Federal reserve banks. Although he would have a vote, his contribution to the deliberations of the committee would be more likely that of a consultant or adviser called in at the meetings than that of a true spokesman for the Federal reserve banks.

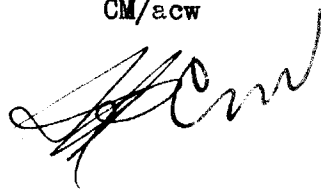
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The Board will be glad to be advised as to the views of the directors of your bank regarding these suggestions.

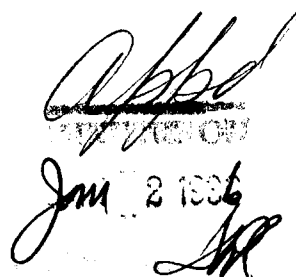
Very truly yours,

M. S. Eccles,  
Chairman.

CM/acw



MINUTES ON  
JUN 2 1936



JUN 2 1936

333.3-a-2

**FEDERAL RESERVE BOARD**  
WASHINGTON

December 30, 1935.

Mr. Eccles:

The attached draft of a letter to Mr. Stevens is submitted for your consideration in regard to the procedure for selecting representatives of the Federal reserve banks on the new open market committee. If you approve or after making such changes as you desire the letter will then be circulated to the other Board members. It would be expected that a copy of this letter would be sent to each of the other Federal reserve banks for their information.



Secretary.

CM yd



## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

Mr. E. M. Stevens, Chairman,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois.

Dear Mr. Stevens:

Your letter of December 16 with which you inclosed a copy of a resolution of a clearing house association recommending that the Federal Reserve Banks of St. Louis and Chicago select as their member of the Open Market Committee a man of wide experience in business and financial affairs who is not an officer of either bank was brought to the attention of the members of the Board. In this connection several informal inquiries which have come to the attention of the members of the Board of Governors indicated that there was doubt at some of the Federal reserve banks as to what course should be followed with respect to the selection of their representatives to serve after March 1, 1936, as members of the Federal Open Market Committee.

The law is silent as to the procedure which shall be followed by the boards of directors in the selection of such representatives and it does not place upon the Board of Governors of the Federal Reserve System any duty or responsibility with respect to the determination of such procedure. However, since the question has arisen the Board feels that it may be of some assistance to the directors of the Federal reserve banks by giving them its views and suggestions regarding these matters.

Mr. E. M. Stevens - (2)

Without reviewing in detail the history of the legislation, it is clear that throughout the discussions the persons whom the proponents of representation of the Federal reserve banks on the Open Market Committee had in mind were the Governors of the Federal reserve banks, as shown for example by the recommendations of the American Bankers' Association, the Reserve City Bankers' Association, and the Federal Advisory Council. When, in addition to this, the fact is taken into consideration that the amendment took away from the Federal reserve banks the power of declining to participate in open market operations recommended by the Federal Open Market Committee and instead made the decisions of the committee binding upon the banks, it becomes especially significant that the members of the committee to be selected by the banks are referred to in the amendment as "representatives of the Federal reserve banks". The Board therefore believes that it is clear that the Congress intended that these members should be persons in position to present adequately the views of the Federal reserve banks and to speak authoritatively for them.

Aside from these considerations it is evident that any person having otherwise satisfactory individual qualifications who might be selected from outside the official personnel of the Federal reserve banks would almost certainly have or represent interests of a business or investment character which might affect his

Mr. E. M. Stevens - (3)

action as a member of the committee. Even though not influenced by his personal interests, their existence <sup>might</sup> ~~would~~ affect the public interpretation of the actions of the Federal Open Market Committee in which he participated. Moreover, he could not be intimately acquainted with the affairs of the member banks and the Federal reserve banks, the financial policies of the Government, and other phases of monetary matters to the extent that would be desirable and as fully as would be possible in the case of representatives who served only the Federal reserve banks. Although he would have a vote, his contribution to the deliberations of the committee would be more likely that of a consultant or adviser called in at the meetings than that of a true spokesman for the Federal reserve banks.

~~With these considerations in mind and others that may become apparent upon further study of the matter it is believed that it will be evident that the President of a Federal reserve bank is the logical person for selection by the boards of directors as the representative of their banks on the committee or as an alternate for such representative. He will occupy the position of chief executive officer of a Federal reserve bank through choice by his board of directors. He should know the financial and economic conditions of his district and the views of his directors. His interests will be those of the Federal reserve system, and by virtue of the~~

*auth*

Mr. E. M. Stevens - (4)

position he will occupy he will be in position to be confidentially informed currently of the facts that will enter into the deliberations and decisions of the committee.

In making the selection, consideration might also be given to the advisability of the adoption of a procedure whereby in the case of two Federal reserve banks the President of each bank might serve as a member every other year, the President of the other bank serving as the alternate. In the case of three Federal reserve banks the representation could be rotated among the three banks.

*sub*

It is apparent that the situation also presents the question of an appropriate method by which the directors of the banks may contact each other and determine their selections in a mutually satisfactory manner and it seems to the Board that this might be accomplished by preliminary meetings between committees of directors of the banks who could be authorized to formulate procedure and make recommendations for the consideration of the full board of directors of each Federal reserve bank concerned.

The Board will be glad to be advised as to the views of the directors of your bank regarding these suggestions.

Very truly yours,

Chester Morrill,  
Secretary.

X-9410-a

January 2, 1936.

Mr. E. M. Stevens, Chairman,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois.

Dear Mr. Stevens:

Your letter of December 16 with which you inclosed a copy of a resolution of a clearing house association recommending that the Federal Reserve Banks of St. Louis and Chicago select as their member of the Open Market Committee a man of wide experience in business and financial affairs who is not an officer of either bank was brought to the attention of the members of the Board. In this connection several informal inquiries which have come to the attention of the members of the Board of Governors indicated that there was doubt at some of the Federal reserve banks as to what course should be followed with respect to the selection of their representatives to serve after March 1, 1936, as members of the Federal Open Market Committee.

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Mr. E. M. Stevens - (2)

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Mr. E. M. Stevens

Mr. E. M. Stevens - (5)

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FRASER COPY

Mr. E. M. Stevens - (4)

position he will occupy he will be in position to be confidentially informed currently of the facts that will enter into the deliberations and decisions of the committee.

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It is apparent that the situation also presents the question of an appropriate method by which the directors of the banks may contact each other and determine their selections in a mutually satisfactory manner and it seems to the Board that this might be accomplished by preliminary meetings between committees of directors of the banks who could be authorized to formulate procedure and make recommendations for the consideration of the full board of directors of each Federal reserve bank concerned.

The Board will be glad to be advised as to the views of the directors of your bank regarding these suggestions.

Very truly yours,

Chester Morrill,  
Secretary.

CM yd

FILE COPY



Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

3333-a-2  
Date December 17, 1935.

To Governor Eccles,  
From Mr. Szymczak.

Subject: \_\_\_\_\_

16-852

I spoke to Governor Geery of the Minneapolis bank, to Governor Hamilton of the Kansas City bank, and to Governor Calkins of the San Francisco bank with reference to the method they are to adopt in the choice of a representative of those three banks on the Open Market Committee. After considerable discussion with each, I suggested that perhaps a choice of three directors, to be appointed by each board, might meet at a central point - such as Denver - and discuss fully the method of appointment and have such method approved by their boards at their following meetings. They seemed to agree to this proposal, and advised me that they would contact each other at once upon some such basis.

I also spoke to Governor McKinney of Dallas and to Governor Newton of Atlanta about the choice of a representative for the Dallas, Atlanta and Richmond banks, and made the same suggestion to them. They promised to discuss the matter with each other and with Governor Seay of the Richmond bank some time during their stay in Washington for the Open Market Committee meeting on the 17th.

*Copy filed  
Finance Branch  
Bank*

MSS:s:t

*Letter to be  
prepared*  
**MINUTES ON**  
*DEC 27 1935*  
*SP*



P.S. For your information, Chairman Peyton of the Minneapolis bank showed a preference for San Francisco to be represented on the Open Market Committee, while Governor Hamilton of Kansas City showed preference for a banker outside the Federal reserve banks - preferably from Minneapolis. Governor Newton of Atlanta showed preference for Governor McKinney of the Dallas bank.

# FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

December 16, 1935

OFFICE OF THE  
CHAIRMAN OF THE BOARD AND  
FEDERAL RESERVE AGENT

Hon. Marriner S. Eccles  
Chairman, Board of Governors  
of the Federal Reserve System  
Washington, D. C.

Dear Mr. Eccles:

For your information, I am quoting from a letter received today from the St. Louis Clearing House Association:

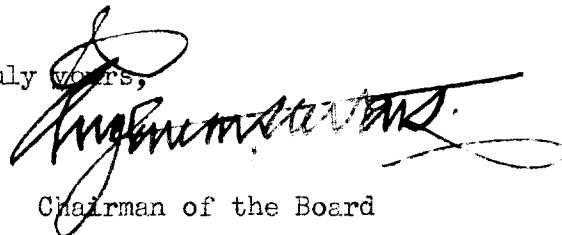
"WHEREAS, The Banking Act of 1935 provides that a member of the Open Market Committee be selected by joint action of the Federal Reserve Bank of Chicago and the Federal Reserve Bank of St. Louis and

"WHEREAS, The financial interests of all the people will be best served if the membership of the Open Market Committee is composed of able men from business as well as banking, therefore

"BE IT RESOLVED, The St. Louis Clearing House Association recommends to the Federal Reserve Bank of Chicago and the Federal Reserve Bank of St. Louis that they select as their member of the Open Market Committee a man of wide experience in business and financial affairs who is not an officer of either bank."

I have replied to this letter merely stating that their resolution would be presented for the consideration of our board of directors in due course.

Very truly yours,



Chairman of the Board

*per ans 12/36*

EMS HH

*copy filed  
St. Louis  
Bank*

3333-a-2

FEDERAL RESERVE BANK  
OF  
ST. LOUIS

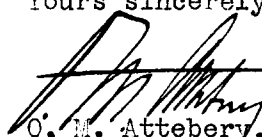
December 16, 1935.

Mr. Wm. McC. Martin,  
c/o Board of Governors of  
the Federal Reserve System,  
Washington, D. C.

Dear Governor Martin:

I enclose copy of a letter received  
this morning addressed to you. A similar letter  
was received by Mr. Wood, who plans to bring it  
to the attention of our Board at the meeting  
Wednesday.

Yours sincerely,

  
O. M. Attebery,  
Deputy Governor.

*copy of attachment filed  
by some memb  
here*

333.3-2

FEDERAL RESERVE BANK  
OF  
ST. LOUIS

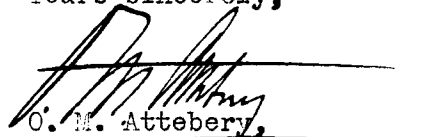
December 16, 1935.

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c/o Board of Governors of  
the Federal Reserve System,  
Washington, D. C.

Dear Governor Martin:

I enclose copy of a letter received  
this morning addressed to you. A similar letter  
was received by Mr. Wood, who plans to bring it  
to the attention of our Board at the meeting  
Wednesday.

Yours sincerely,

  
O. M. Attebery,  
Deputy Governor.

*Copy of attachment filed  
by me  
Gene*

ST. LOUIS CLEARING HOUSE ASSOCIATION

St. Louis, Mo.

Dec. 13, 1935.

Mr. Wm. McC. Martin, Governor,  
Federal Reserve Bank,  
St. Louis, Mo.

Dear Mr. McC. Martin:

The members of this Association, at a recent meeting, adopted the following resolution:

WHEREAS, The Banking Act of 1935 provides that a member of the Open Market Committee be selected by joint action of the Federal Reserve Bank of Chicago and the Federal Reserve Bank of St. Louis and

WHEREAS, The financial interests of all the people will be best served if the membership of the Open Market Committee is composed of able men from business as well as banking, therefore

BE IT RESOLVED, The St. Louis Clearing House Association recommends to the Federal Reserve Bank of Chicago and the Federal Reserve Bank of St. Louis that they select as their member of the Open Market Committee a man of wide experience in business and financial affairs who is not an officer of either bank.

Yours very truly,

(Signed) R. R. Tillay, Manager.

C O P Y

*Current*  
*333.3-a-2*

ST. LOUIS CLEARING HOUSE ASSOCIATION

ST. LOUIS, MO.

OFFICE OF THE  
MANAGER

*File*

FOR CIRCULATION

Dec. 13, 1935

Mr. ...	.....
Mr. Miller	.....
Mr. James	.....
Mr. Thomas	.....
Mr. Szymczak	.....
Mr. Clayton	.....
Mr. ...	.....

Mr. Geo. J. Schaller, Governor  
Federal Reserve Bank  
Chicago, Ill.

Dear Mr. Schaller:

Please note -- check  
and return to  
Mr. Carpenter

The members of this Association, at a recent meeting,  
adopted the following resolution:

WHEREAS, The Banking Act of 1935 provides that  
a member of the Open Market Committee be selected by  
joint action of the Federal Reserve Bank of Chicago  
and the Federal Reserve Bank of St. Louis and

WHEREAS, The financial interests of all the  
people will be best served if the membership of the  
Open Market Committee is composed of able men from  
business as well as banking, therefore

BE IT RESOLVED, The St. Louis Clearing House As-  
sociation recommends to the Federal Reserve Bank of  
Chicago and the Federal Reserve Bank of St. Louis that  
they select as their member of the Open Market Committee  
a man of wide experience in business and financial af-  
fairs who is not an officer of either bank.

Yours very truly,

*R. P. Kelley*  
Manager

*The above letter was  
handed to me by Gov. Schaller  
today for the information of  
the Board.*

*CW 12/17/35*

*Copy filed  
Home - Membr*

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date **February 8, 1935.**

To Federal Reserve Board

Subject: \_\_\_\_\_

From Mr. Morrill *cm*

RESERVE BOARD FILE  
333-1  
333.3-10-852

*John L. ...*

Advice has been received of the selection by the boards of directors of the respective Federal reserve banks of the following members of the Federal Open Market Committee for the year

FOR DISCUSSION 1935:

- Mr. Hamlin
- Mr. Miller
- Mr. James
- Mr. Thomas
- Mr. Szymczak
- Mr.
- Mr.
- Mr. Morrill
- Mr. Beihca
- Mr. Carpenter
- Mr. Noell
- Mr.
- Mr.
- Mr.
- Mr.

District	Name and Title
No. 1	R. A. Young, Governor *Deputy Governor
No. 2	G. L. Harrison, Governor
No. 3	G. W. Norris, Governor *Deputy Governor
No. 4	M. J. Fleming, Governor
No. 5	G. J. Seay, Governor *Senior Deputy Governor
No. 6	Oscar Newton, Governor
No. 7	G. J. Schaller, Governor *H. P. Preston, Deputy Governor
No. 8	W. McC. Martin, Governor
No. 9	W. B. Geery, Governor
No. 10	G. H. Hamilton, Governor
No. 11	B. A. McKinney, Governor
No. 12	J. U. Calkins, Governor *Senior Deputy Governor

\* Alternate.

Please note --- check and return to Mr. Carpenter

*File*

FEDERAL OPEN MARKET COMMITTEE - 1935.

GENERAL INVESTIGATION DIVISION FILE

383

333-3-a-2

2-8-35

- \* R. A. Young Boston
- \* G. H. Harrison New York
- \* Governor or a deputy governor Philadelphia (*see salary letter*)
- \* ~~E. R. Fancher~~ *W. J. Fleming* Cleveland
- \* G. J. Seay Richmond  
(senior deputy governor in his absence)
- Oscar Newton Atlanta
- \* George J. Schaller Chicago

- \* Wm. McG. Martin St. Louis
- \* G. H. Hamilton Kansas City
- \* W. B. Geery Minneapolis
- \* B. A. McKinney Dallas
- \* *J. W. Callahan* *San Francisco*



Form No. 181

# Office Correspondence

FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD FILE
Date April 27, 1934.
<del>333.3-2-2</del>

To Federal Reserve Board  
 From Mr. Morrill

Subject:

333.3-2-2 16-862

FOR CIRCULATION

- Gov. Black ✓
- Mr. Hamilton ✓
- Mr. Miller ✓
- Mr. James ✓
- Mr. Thomas ✓
- Mr. Symonds ✓
- Mr. G. ✓
- Mr. Martin ✓
- Mr. Mc ✓
- Mr. Bell ✓
- Mr. Car ✓
- Mr. No ✓
- Mr. S ✓
- Mr. Co ✓
- Mr. P ✓
- Mr. W ✓

Advice has now been received of the selection by the boards of directors of the respective Federal reserve banks of the following members of the Federal Open Market Committee for the year 1934:

<u>District</u>	<u>Name and Title</u>
No. 1.	R. A. Young, Governor *Deputy Governor
No. 2.	G. L. Harrison, Governor
No. 3.	G. W. Norris, Governor *Acting Governor
No. 4.	E. R. Fancher, Governor
No. 5.	G. J. Seay, Governor *Deputy Governor
No. 6.	W. S. Johns, Acting Governor
No. 7.	G. J. Schaller, Governor
No. 8.	W. McC. Martin, Governor
No. 9.	W. B. Geery, Governor
No. 10.	G. H. Hamilton, Governor
No. 11.	B. A. McKinney, Governor
No. 12.	J. U. Calkins, Governor *Senior Deputy Governor

\* Alternate.

Please note check and return to  
 Mr. Carpenter  
*W.C.C.*

Form No. 131

**Office Correspondence**

FEDERAL RESERVE BOARD

Date April 27, 1934.

To Federal Reserve Board

Subject:

From Mr. Morrill

330

16-852

*Docket*

Advice has now been received of the selection by the boards of directors of the respective Federal reserve banks of the following members of the Federal Open Market Committee for the year 1934:

<u>District</u>	<u>Name and Title</u>
No. 1.	R. A. Young, Governor *Deputy Governor
No. 2.	G. L. Harrison, Governor
No. 5.	G. W. Norris, Governor *Acting Governor
No. 4.	E. R. Fancher, Governor
No. 5.	G. J. Seay, Governor *Deputy Governor
No. 6.	W. S. Johns, Acting Governor
No. 7.	G. J. Schaller, Governor
No. 8.	W. McC. Martin, Governor
No. 9.	W. B. Geery, Governor
No. 10.	G. H. Hamilton, Governor
No. 11.	B. A. McKinney, Governor
No. 12.	J. U. Calkins, Governor *Senior Deputy Governor

\* Alternate.

ENTERED IN  
MINUTES ON

MAY 2 - 1934

SRC/acw

*[Handwritten signature]*

Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date March 23, 1934.

To Mr. Carpenter

Subject: \_\_\_\_\_

From Mr. Walters

~~303~~  
338.3-0-2

A search of our files indicates that the following Federal reserve banks have not advised the Board as to their respective selections of members of the Federal Open Market Committee for the year 1934:

16-852

### Federal Reserve Bank

- Philadelphia ✓ ?
- Richmond ✓ ?
- Chicago ?
- San Francisco ✓
- St. Louis - 1934
- Minneapolis - ?
- Kansas City ?

Shall I prepare a letter to each of the bank's shown above requesting the desired information?

*Mr. Merrill:  
Do you agree that we should ask them to advise us?*  
*SR. yes*

*schaller see file minutes 1-5-34*