

FEDERAL RESERVE BOARD

780

WASHINGTON

X-3833

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September 8, 1923.

SUBJECT: Congressional Inquiry on Membership in the  
Federal Reserve System.

Dear Sir:

There is enclosed herewith copy of a letter, with enclosure, received from the Chairman of the Congressional Joint Committee of Inquiry on Membership in the Federal Reserve System. This letter is referred to you with the request that you furnish the Board, at the earliest possible moment, with the answers which you individually would propose to the questions asked by the Committee, and any information which you think would be of value to the Board in its appearance before the Committee. This matter is also being referred to the members of the Federal Advisory Council.

Very truly yours,

G o v e r n o r .

TO GOVERNORS OF ALL F. R. BANKS

( COPY )

X-3833a

CONGRESS OF THE UNITED STATES  
JOINT COMMITTEE OF INQUIRY  
ON MEMBERSHIP IN FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C.

September 6, 1923.

Hon. D. R. Crissinger, Governor,  
Federal Reserve Board,  
Washington, D. C.

My dear Mr. Crissinger:

In pursuance of the provisions contained in the Agricultural Credits Act of 1923, passed by the Sixty-seventh Congress, Public Law No. 503, a copy of which is enclosed herewith, a joint committee, consisting of three members of the Banking and Currency Committee of the Senate and five members of the Banking and Currency Committee of the House of Representatives, has been appointed.

It is the purpose of the committee to start formal hearings along the lines of authority conferred upon them by the Act.

My purpose in communicating with you at this time is to advise you that the committee will be glad to have you, or any of all members of the Federal Reserve Board appear before the committee, on Tuesday, October 2, 1923, at two-thirty o'clock in the afternoon, in the House Banking and Currency Committee Rooms in the Capitol Building. The committee would like to have you be prepared to give them the effect of the present limited membership of State banks and trust companies in the Federal Reserve System; whether or not it is advisable to attempt to increase the membership of the Federal Reserve System; also advice upon the present financial conditions in the Agricultural Sections of the United States; Federal Reserve System reasons which actuate eligible State banks and trust companies in failing to become members of the Federal Reserve System; and what administration measures, if any, have been taken and are being taken to increase such membership; and whether or not in the opinion of the Federal Reserve Board any change should be made in the existing law or in the rules and regulations of the Federal Reserve Board; or if you have any suggestions of change in the method of administration to bring about in the Agricultural Districts a larger membership of State banks and trust companies in the Federal Reserve System.

For the use of the committee in preparing for the investigation, I shall be pleased if you will furnish me with a complete set of the rules and regulations of the Federal Reserve Board from its inception to date, also a copy of the Federal Reserve Act with all amendments to date.

The committee of inquiry are endeavoring to give as wide

publicity as possible to these hearings with a view of obtaining information in accordance with the instructions in the Act creating the committee. In this connection we are asking the cooperation of the Secretary of the Treasury, Secretary of Agriculture, War Finance Corporation, Federal Farm Loan Commissioner, American Bankers Association, State Bankers Association, Federal Reserve Banks, United States Chamber of Commerce, American Farm Bureau Federation, National Grange and other similar organizations, which are in a position to be helpful in furnishing accurate information such as is desired by the committee.

The committee realizes that in connection with the consideration of the question of limited membership of State banks and trust companies in the Federal Reserve System there are several outstanding, widely discussed questions which involve, to a greater or less degree, membership in the System; to-wit, branch banking, per collections, abolishment of the office of the Comptroller of the Currency, administration practices and policies of the Federal Reserve System, administration practices and policies of the office of the Comptroller of the Currency, interest on daily balances of the Federal Reserve System, conflict and competition now existing between National and State banking laws.

The purpose in mentioning these outstanding questions is to enable you to prepare yourselves, so far as possible, to present to the committee your views and conclusions as regards the problems presented by each of these questions. It is not, however, the intention of the committee to limit the discussions to these few enumerations, but it is the honest desire of the committee to, as far as possible, arrive at definite conclusions, therefore, it is to be hoped that the Board will make a full presentation of its views to the committee covering the scope of this inquiry.

Very truly yours,

(sgd) L. T. McFadden,

Chairman.

(Extract from Public Law, No. 503, 67th Congress.)

An Act To provide additional credit facilities for the agricultural and live-stock industries of the United States; to amend the Federal Farm Loan Act; to amend the Federal Reserve Act; and for other purposes.

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JOINT CONGRESSIONAL COMMITTEE.

SEC. 506 (a) That a joint committee be appointed, to consist of three members of the Banking and Currency Committee of the Senate, to be appointed by the President thereof, and five members of the Banking and Currency Committee of the House of Representatives, to be appointed by the Speaker thereof. Vacancies occurring in the membership of the committee shall be filled in the same manner as the original appointments.

(b) The joint committee is authorized to inquire into the effect of the present limited membership of State banks and trust companies in the Federal reserve system upon financial conditions in the agricultural sections of the United States; the reasons which actuate eligible State banks and trust companies in failing to become members of the Federal reserve system; what administrative measures have been taken and are being taken to increase such membership; and whether or not any change should be made in existing law, or in rules and regulations of the Federal Reserve Board, or in methods of administration, to bring about in the agricultural districts a larger membership of such banks or trust companies in the Federal reserve system.

(c) The committee is authorized to sit at any time during the sessions or recesses of the Congress, to conduct its hearings at Washington or at any other place in the United States, to send for persons, books, and papers, to take testimony, to administer oaths, and to employ experts deemed necessary by such committee, a clerk, and a stenographer to report such hearings as may be had in connection with any subject which may be before said committee, such stenographer's services to be rendered at a cost not exceeding \$1.25 per printed page. The expenses of such committee shall be paid out of the contingent funds of the Senate and House of Representatives in proportion to the membership of such committee from each House.

(d) The committee shall from time to time report to both the Senate and the House of Representatives the results of its inquiries, together with its recommendations, and may prepare and submit bills or resolutions embodying such recommendations, and the final report of said committee shall be submitted not later than January 31, 1924.