

A BRIEF FOR THE PRESIDENT

CONFERENCE WITH MEMBERS OF THE BOARD OF
GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Some time ago I asked Tom McCabe to bring you gentlemen over to see me immediately after he had taken office, as I was anxious to become better acquainted with you and to take this opportunity to discuss very generally, but of necessity briefly, some of my thoughts concerning the Federal Reserve System and its future.

From the conversations that I have had with Tom, I find that we are in complete accord on how the strength of the System can be maintained and increased. His testimony before the Senate Banking and Currency Committee met with my complete approval.

I have a strong conviction that the Federal Reserve Act as originally passed by the Congress in 1913 was a monumental piece of legislation and that the System is one of the most unique institutions in this country. In a country as diverse and vast as ours, a federal system produces the best results. We recognize this in our political structure with state and national governments, and in the Federal Reserve System we recognize it by having district banks, with the Board of Governors as coordinators.

I recognize that we must have one national monetary policy, but believe strongly that the regional banks should participate in the formulation of that policy to the greatest extent possible. Of course, I fully recognize the statutory responsibilities of you men as the Board of Governors and that you cannot relinquish your responsibility.

Particularly in these times, the Federal Reserve System and all its component parts have a most important part to play in preserving stability in our economy. These are crucial days. We have not yet won the peace and we

can well lose it through weaknesses that may develop in our own economy. We are today in a position of leadership in the world. Therefore, the Federal Reserve System, both at home and abroad, must make a unified, effective contribution. To that end it must work closely and effectively with the other departments of our government. Unity on the Board is an essential prerequisite to this effective service for the public good.

I sincerely hope that none of you gentlemen has given any credence to the accusations as made before the Senate Banking and Currency Committee, as well as in the gossip columns, that the change in chairmanship was due to the pressure of certain financial interests. I assure you that there is no foundation whatsoever for those accusations. My chief purpose in changing the chairmanship of the Board at this particular time was to effect the principle of rotation, in which I am a great believer. The nomination of Tom McCabe was my own idea, and I take complete responsibility for his appointment. He has my full support, and I expect each of you to give him your full cooperation.

April 16, 1948