

FEDERAL RESERVE BOARD FILE
111-1-41

Pocket

74TH CONGRESS
1ST SESSION

S. 433

IN THE SENATE OF THE UNITED STATES

JANUARY 3 (calendar day, JANUARY 7), 1935

Mr. THOMAS of Oklahoma introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

warded

To provide for the taking over by the Government of the outstanding capital stock of all Federal Reserve banks; to create a Federal Reserve bank and a Federal Reserve Bank Board; to provide an adequate and stable monetary system; to prevent both uncontrolled deflation and inflation; to provide a system to control the price of commodities through control of the purchasing power of money; to substitute Federal Reserve bank notes for outstanding gold certificates, silver certificates, Treasury notes of 1890, United States notes, Federal Reserve notes, national currency, and national-bank notes; and to coin and regulate the value of money in pursuance of article I, section 8, paragraph 5, of the Constitution of the United States; and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*

letter 1/10/35

1 That within ninety days after the date of the passage and
2 approval of this Act, each member bank of the Federal
3 Reserve System shall transfer to the Treasurer of the United
4 States all shares held by it of the capital stock of the Federal
5 Reserve bank of which it is a member, and the Secretary
6 of the Treasury is authorized and directed to pay, out of any
7 money in the Treasury not otherwise appropriated, to each
8 such member bank, upon the receipt by the Treasurer of the
9 United States of the shares so transferred by such bank, an
10 amount equal to the amount of the paid-in value of such
11 shares, together with any lawful increment to the date of
12 such transfer. Each such member bank, after such transfer,
13 shall be released from its stock subscription not previously
14 called in by the Federal Reserve bank of which it is a
15 member.

16 SEC. 2. Each such member bank transferring its shares
17 of stock as provided in section 1 shall, after such transfer,
18 continue to be entitled to all its privileges under the Federal
19 Reserve Act, as amended, except such as may result from
20 the holding of shares of stock in a Federal Reserve bank;
21 and thereafter no such member bank shall be subject to
22 the requirements of such Act, as amended, relating to sub-
23 scriptions for such capital stock. The shares of any such
24 member bank which fails to make such transfer shall be
25 surrendered and canceled, and the member bank shall receive

1 in payment therefor, under regulations to be prescribed by
2 the Federal Reserve Bank Board, a sum equal to the amount
3 of the paid-in value of such shares, together with any lawful
4 increment to the date of such surrender, and such member
5 bank shall not thereafter be entitled to any privileges under
6 the Federal Reserve Act, as amended: *Provided*, That it
7 is the intention of this Act to vest in the Government of
8 the United States the absolute and unconditioned ownership
9 of the said Federal Reserve banks. After ninety days from
10 the date of enactment of this Act, the requirements for
11 membership in a regional Federal Reserve bank shall be
12 those set forth in the Federal Reserve Act, as amended,
13 except such as require subscriptions to the capital stock of
14 Federal Reserve banks.

15 SEC. 3. There is hereby created a Federal Reserve
16 bank which shall be a bank of the United States and
17 shall embrace the several regional Federal Reserve banks
18 and their branches, created by and under section 2 of the
19 Federal Reserve Act of 1913: *Provided*, That such Federal
20 Reserve bank shall be an agency of the Federal Government.

21 SEC. 4. There is hereby created the Federal Reserve
22 Bank Board.

23 (a) The Federal Reserve Bank Board shall be com-
24 posed of a governor, a deputy governor, and five members,
25 appointed by the President, by and with the advice and

1 consent of the Senate, and such officials shall receive the
2 same salary as the Associate Justices of the Supreme Court
3 of the United States. The Secretary of the Treasury and
4 the Comptroller of the Currency shall be ex-officio members.
5 Not more than four members may belong to or be identified
6 with one national political party. The governor, deputy
7 governor, and members shall be appointed for one, two,
8 three, four, five, six, and seven years, respectively, as may
9 be designated by the President: *Provided*, That the mem-
10 bers of the Federal Reserve Board shall serve as members
11 of the Federal Reserve Bank Board until their successors
12 are appointed and qualify.

13 (b) Upon expiration of the term of office of each
14 member so selected, his successor, selected and confirmed
15 by the Senate in the same manner, shall serve for a term
16 of seven years.

17 (c) Any member shall be eligible for reappointment.

18 (d) Any member who has served eight years or more
19 shall, upon his retirement, receive annually for the re-
20 mainder of his life a retirement salary or pension of one-half
21 of the annual salary received during his active term of office.

22 (e) The Federal Reserve Bank Board is authorized
23 to appoint and fix the compensation of such officers,
24 examiners, and other experts as may be necessary for carry-
25 ing out its functions under this Act, without provisions of

1 other laws applicable to the employment and compensation
2 of officers and employees of the United States, and the Board
3 may, subject to the civil-service laws, appoint such other
4 officers and employees as are necessary in the execution of
5 its functions and fix their salaries in accordance with the
6 Classification Act of 1923, as amended.

7 (f) The Federal Reserve Bank Board shall have its
8 principal office in Washington, District of Columbia, but it
9 shall establish branch offices throughout the United States,
10 and its possessions and with the approval of the President
11 may establish branches and appoint agents elsewhere than in
12 the United States in such grouping and numbers as may be
13 necessary or convenient for the purpose of this Act, and
14 shall formulate policies and regulations for the management
15 of the branch offices. The branch offices shall be designated
16 Federal Reserve banks in the following manner; the Federal
17 Reserve Bank of New York, the Federal Reserve Bank of
18 Chicago, and so forth.

19 (g) The Federal Reserve Bank Board shall be the cus-
20 todian of the public credit and of the funds of the United
21 States and the agent of the Congress of the United States
22 to issue the money of the United States and control the value
23 thereof and the value of all foreign currency and coin as
24 provided in article 1, section 8, of the Constitution of the
25 United States, and for this purpose shall have control of the

1 issue of all currency, and coin of the United States, and shall
2 have jurisdiction over, and shall control and supervise, all
3 banking institutions of the United States and its Territories
4 and possessions subject to law, and shall be the fiscal agent
5 of the Government.

6 (h) The Federal Reserve Bank Board shall have and
7 exercise all of the rights, duties, and powers consistent with
8 this Act and conferred by law upon the Federal Reserve
9 Board.

10 (i) It shall have the power to prescribe such rules
11 and regulations not inconsistent with law as it may deem
12 desirable for the safe and proper conduct of the banks and
13 banking institutions within its jurisdiction.

14 SEC. 5. The Federal Reserve bank, acting through
15 its regional branches, is authorized to extend credit accom-
16 modations to individuals, firms, corporations, and associa-
17 tions applying therefor against notes, drafts, and bills of
18 exchange, arising out of actual commercial transactions or
19 seasonal agricultural requirements, that is, that are issued
20 or drawn for agricultural, industrial, or commercial purposes,
21 or the proceeds of which have been or are to be used in pro-
22 ducing, purchasing, carrying, or marketing goods in one or
23 more of the steps of the process of production, manufacture,
24 or distribution. All notes, drafts, and bills of exchange
25 issued or drawn for industrial or commercial purposes must

1 have a maturity at time of discount of not more than ninety
2 days, exclusive of days of grace. Notes, drafts, and bills of
3 exchange drawn or issued for agricultural purposes or based
4 on livestock must have a maturity at the time of discount
5 of not exceeding nine months, exclusive of days of grace.
6 The Federal Reserve Bank Board shall establish such rules
7 and regulations as are necessary to carry out the intent of
8 the provisions of this section.

9 SEC. 6. The capital of the Federal Reserve Bank, herein
10 created, shall be the total sum paid for the outstanding
11 stock of the several Reserve banks; *Provided*, That such
12 capital shall be either increased or decreased from time
13 to time pursuant to a resolution passed by the Board and
14 approved by the President; *Provided further*, That at all
15 times the entire capital of such bank shall be owned by
16 and belong to the Government of the United States.

17 SEC. 7. (a) After the passage of this Act all currency
18 to be issued shall be Federal Reserve bank notes of similar
19 form, size and denomination to the present Federal Reserve
20 bank notes or such other denominations as may be deter-
21 mined by the Federal Reserve Bank Board. Within one
22 year from the passage of this Act all present Federal Reserve
23 notes, national bank notes, gold certificates, silver certifi-
24 cates, Treasury notes and United States notes, issued and/or
25 outstanding, shall be recalled and those turned in for

1 redemption shall be retired and destroyed, and the Federal
2 Reserve Bank notes herein provided shall be issued in ex-
3 change, it being the purpose of this law to substitute Federal
4 Reserve Bank notes herein provided for all other forms of
5 currency or paper money of these United States.

6 (b) The Federal Reserve bank notes herein provided
7 shall be full legal tender at face value for all debts and dues,
8 public and private.

9 (c) The Federal Reserve Bank Board may redeem the
10 Federal Reserve bank notes herein provided to be issued
11 in gold or silver at the current selling price fixed by it, but
12 only for the purpose of permitting the settlement of net
13 debit balances on legitimate commercial transactions be-
14 tween citizens of the United States and those of foreign
15 countries.

16 (d) All gold, silver, bonds, and other collateral now
17 held by the Federal Reserve System or by any agency of
18 the Government as backing and security for outstanding
19 notes, shall be delivered to the Federal Reserve bank to
20 be held as security and backing for the new Federal Reserve
21 bank notes to be issued in lieu of the various forms of out-
22 standing currencies.

23 (e) The decisions of the Federal Reserve Bank Board
24 as to all questions relating to the exchange of currency for

1 gold or silver in such international transactions shall be ab-
2 solute and final.

3 SEC. 8. All gold and silver owned and held by the
4 Government as monetary metal, whether coined or in metal
5 bars or otherwise, shall be at all times under the supervision
6 of the President, the Secretary of the Treasury, and the
7 Treasurer of the United States: *Provided*, That the Treas-
8 urer of the United States shall be the custodian of all such
9 gold and silver monetary metal.

10 SEC. 9. The Federal Reserve Bank Board shall pur-
11 chase, at a price to be from time to time fixed by it, all gold
12 and/or silver which may be offered in the domestic market,
13 and may purchase or sell gold, silver, foreign exchange and
14 instrumentalities, and/or obligations of foreign governments,
15 at such times and in such quantities as in its discretion may
16 appear to be necessary to carry out the purposes of this Act.

17 SEC. 10. It is hereby declared to be the policy of the
18 United States to restore the value of property to the normal
19 standard; to restore and maintain the purchasing power of
20 money, using the wholesale-commodity index as a guide;
21 and to expend credit to the extent to which the volume of
22 production shall rise annually, after the commodity index
23 of 1926 shall have been restored.

24 The stabilization of the purchasing power of the dollar
25 shall be a fixed policy of the Government of the United States,

1 and of the Federal Reserve Bank Board, and of the regional
2 Federal Reserve banks, and all the powers of the Federal
3 Reserve bank shall be employed to give stability to industry,
4 commerce, manufactures, agriculture, mining, forestry, fish-
5 eries, and other human activities as far as it may be done
6 by regulating the volume of money through the issue of cur-
7 rency and by expanding and contracting bank deposits and
8 credit and regulating the rate of interest.

9 SEC. 11. The Federal Reserve bank, under the direc-
10 tion of the Federal Reserve Bank Board, shall expand bank
11 deposits by buying United States bonds or obligations until
12 the wholesale-commodity index rises to the approximate
13 level of the years 1926, as ascertained by the Bureau of
14 United States Statistics. If the wholesale-commodity index
15 rises more than 5 per centum above such standard, the
16 regional Federal Reserve banks, under the direction of the
17 Federal Reserve Bank Board, shall contract bank deposits
18 by selling the bonds and obligations of the United States
19 held by such banks until the wholesale-commodity index
20 goes down to the normal standard. It shall be the duty
21 of the regional Federal Reserve banks and of the Federal
22 Reserve Bank Board to make effective this policy of restor-
23 ing and maintaining the purchasing power of money and
24 to regulate the value thereof, using the wholesale-commodity

1 index of 1926 as the standard until further authorized by
2 statute to depart therefrom.

3 SEC. 12. The Bureau of Labor Statistics of the Depart-
4 ment of Labor is hereby transferred to the Federal Reserve
5 bank and such bureau shall be under the supervision of the
6 Federal Reserve Bank Board. The name of such Bureau
7 shall be changed from the Bureau of Labor Statistics to the
8 Bureau of United States Statistics. The duties of such
9 Bureau, in addition to those now prescribed by law, shall be
10 to collect and assemble and analyze all of the authentic data
11 which may be obtained from any governmental or other
12 source for the purpose of determining the true and correct
13 relation of the total amount of money in active demand de-
14 posits to prices, wages, business, and industrial activity, and
15 the standard of living, and the total quantity of money neces-
16 sary to be in circulation in demand deposits to maintain full
17 productivity of the individual and collective resources of the
18 Nation, so that the Federal Reserve Bank Board may scien-
19 tifically and accurately determine the rate at which progres-
20 sive additions to the stock of circulating money must be made
21 to promote a constant elevation in the general average stand-
22 ard of living as rapidly as the productive capacity and
23 facilities of the Nation permit.

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By Mr. THOMAS of Oklahoma

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