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HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON DOMESTIC FINANCE OF THE COMMITTEE ON BANKING AND CURRENCY EIGHTY-EIGHTH CONGRESS WASHINGTON, D.C.

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Press Release for Sunday A.M.
June 28, 1964

THE SUBCOMMITTEE ON DOMESTIC FINANCE OF THE HOUSE BANKING AND CURRENCY COMMITTEE RELEASES "PROPOSALS FOR IMPROVEMENT OF THE FEDERAL RESERVE"

The Domestic Finance Subcommittee today submitted for circulation and discussion a set of corrective proposals to strengthen the Federal Reserve System. All of the Democratic members of the Subcommittee joined in this action. The Republican members did not join in the release.

The Democratic members of the Subcommittee are Wright Patman, Chairman, (D.Tex.), Henry S. Reuss (D.Wisc.), Charles A. Vanik, (D.Ohio), Claude Pepper (D.Fla.), Joseph G. Minish (D.N.J.), Charles L. Weltner (D.Ga.), Richard T. Hanna (D.Calif.), and Charles H. Wilson (D.Calif.).

The text follows:

"PROPOSALS FOR IMPROVEMENT OF THE FEDERAL RESERVE SUBMITTED FOR DISCUSSION BY THE SUBCOMMITTEE ON DOMESTIC FINANCE"

"We have heard considerable testimony on the Federal Reserve System. The testimony strongly suggests that some revision of the System is indicated to improve future monetary policy and thereby our economy's performance, in accord with the Employment Act of 1946. A set of corrective proposals which emerges from the testimony given before the Subcommittee is presented herewith for further consideration.

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"We are not suggesting, of course, that these proposals cannot be improved upon. While the Subcommittee has not settled on any specific proposal, it intends to consider the entire set in public hearings after the next Congress convenes in January 1965. The proposals, though preliminary and tentative, are circulated at this time to allow for full study and discussion by the Congress, the Executive Branch, the Federal Reserve, and the public:

A. To Emphasize the Public Character of the Federal Reserve:

1. Provide for the retirement of the Federal Reserve stock.
2. Vest all power to conduct open market operations in the Federal Reserve Board.

B. To Increase the Effectiveness of Monetary Policy by Assuring the Recruitment of an Outstanding Federal Reserve Board and an Adequate Response to Advances in Economic Knowledge:

1. Remove the present requirement that the President, in selecting Governors of the Federal Reserve Board

'....shall have due regard to a fair representation of the financial, agricultural, industrial and commercial interests and geographical divisions of the country.' Instead require only that the Governors be men of integrity devoted to the public interest.
2. Reduce to five the number of Governors of the Federal Reserve Board.
3. Reduce to five years the terms of office of the Governors and allow for reappointment.

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4. Make the term of the Chairman of the Board of Governors coterminous with that of the President.
5. Raise the salaries of the Governors.

C. To Insure Public Control Over the Expenditures of Public Monies:

1. Provide for a public audit by the Comptroller General of all expenditures by the Federal Reserve Board and the Reserve Banks.
2. Provide for paying into the Treasury as miscellaneous receipts all capital gains and interest received by the Federal Reserve from U. S. Government securities.
3. Authorize appropriations by the Congress of the expenses of the Federal Reserve Banks and the Federal Reserve Board.

D. To Provide Statutory Guidelines for Monetary Policy and Assure Co-ordination of All of the Government's Economic Policies in Achieving the Goals of the Employment Act of 1946.

1. Require that the President set forth in his periodic Economic Reports, in conjunction with his recommendations on fiscal and debt management policy, guidelines concerning monetary policy, domestic and foreign -- including the growth of the money supply, as defined by him -- necessary to attain the goals of maximum employment, production, and purchasing power of the Employment Act of 1946.
2. Express the sense of Congress that the Federal Reserve operate in the open market so as to facilitate the

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achievement of the President's monetary policy; and require that the Federal Reserve, if its monetary views and actions diverge from those recommended by the President, file with the President and the Congress a statement of reasons for its divergence, in form like the President's Economic Report.

E. To Allow for Greater Specialization in Performing the Monetary Control Function:

1. Permit the Federal Reserve Board to concentrate on monetary policy by transferring its present bank supervisory functions to the Comptroller of the Currency, the FDIC or, alternatively, to a newly created Federal Banking authority.

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In addition to the foregoing proposals, the Subcommittee recommends that the following questions pertaining to Federal Reserve operations be studied:

- (a) The extension of control over reserve requirements so as to cover all commercial banks.
- (b) The opening of the discount window to all commercial banks."

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