1934

73D CONGRESS
2D SESSION

H. R. 9855

IN THE HOUSE OF REPRESENTATIVES

JUNE 4 (calendar day, JUNE 6), 1934

Mr. PATMAN introduced the following bill; which was referred to the Committee on Banking and Currency and ordered to be printed

A BILL

To regulate the value of money in pursuance of article I, section 8, paragraph 5, of the Constitution of the United States; to create a Federal Monetary Authority; to provide an adequate and stable monetary system; to prevent bank failures; to prevent uncontrolled inflation; to prevent depressions; to provide a system to control the price of commodities and the purchasing power of money; to restore normal prosperity and assure its continuance; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Secretary of the Treasury of the United States is hereby authorized and directed forthwith to purchase the capital stock of the twelve Federal Reserve banks and branches, and agencies thereof, and to pay to the owners

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A BILL
Granting a pension to William O. Mabry.
By Mr. WHITTINGTON

thereof in lawful money, as hereinafter provided, the book value of said stock with all lawful increment to the date of purchase .

(b) That all member banks of the Federal Reserve System are hereby required and directed to deliver forthwith to the Treasurer of the United States, by the execution and delivery of such documents as may be prescribed by the Secretary of the Treasury, all the stock of said Federal Reserve banks owned or controlled by them, together with any and/or all claims of any kind or nature in and to the capital assets of the said Federal Reserve banks, it being the intention of this Act to vest in the Government of the United States the absolute and unconditional ownership of the said Federal Reserve banks.

SEC. 2. (a) There is hereby created the Federal Monetary Authority, an agency of the Federal Government. It shall be composed of seven members, appointed by the President by and with the advice and consent of the Senate, who shall receive the same salary as the Associate Justices of the Supreme Court of the United States. The Secretary of the Treasury and the Comptroller of the Currency shall be ex officio members. Not more than four members may belong to or be identified with one national political party. The members shall be appointed for terms

of two, four, six, eight, ten, twelve, and fourteen years, respectively.

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

(c) Any member shall be eligible for reappointment.

(d) Any member who has served fourteen years or more shall, upon his retirement, receive annually for the remainder of his life a retirement salary or pension of two-thirds of the annual salary received during his active term of office.

(e) Upon qualification of a majority of members of the Federal Monetary Authority, the term of office of members of the Federal Reserve Board shall expire and terminate, and the Federal Monetary Authority shall assume and take over all the duties and authority previously vested by law in the Federal Reserve Board.

(f) The Federal Monetary Authority shall be the custodian of the public credit and of the funds of the United States and the agent of the Congress of the United States to issue the money of the United States and control the value thereof and the value of all foreign currency and coin as provided in article I, section 8, of the Constitution of

the United States, and for this purpose shall have control of the issue of all currency and coin of the United States, and shall have jurisdiction over, and shall control and supervise, all banking institutions of the United States and its Territories and possessions subject to law, and shall be the fiscal agent of the Government.

(g) The Federal Monetary Authority shall have and exercise all of the rights, duties, and powers conferred by law upon the Federal Reserve Board and the Secretary of the Treasury of the United States.

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

SEC. 3. The Treasurer of the United States may accept for custody and safe-keeping for said Federal Reserve banks deposits of gold or silver bullion or lawful money of the United States or gold or silver coin or bullion of foreign countries deposited with the said Federal Reserve banks. The Treasurer under the direction of the Federal Monetary Authority shall keep books of account in which shall be entered all deposits of the said Federal Reserve banks and all withdrawals. Said books of the Treasurer shall show at all times the lawful money held for the account of the said Federal Reserve banks, and the Treasurer shall, at

the request of the duly authorized officers of the Federal Reserve banks, and under regulations prescribed by the Federal Monetary Authority, deliver said lawful money to whomsoever the said Federal Reserve banks may direct, or transfer the title to said money by proper entry upon the Treasurer's books of account.

SEC. 4. (a) After the passage of this Act all currency to be issued shall be Treasury notes of the United States of similar form, size, and denomination to the present Federal Reserve notes or such other denominations as may be determined by the Federal Monetary Authority. Within one year from the passage of this Act all present Federal Reserve notes, national-bank notes, gold certificates, and silver certificates issued and/or outstanding, shall be recalled and those turned in for redemption shall be retired and destroyed, and the Treasury notes herein provided shall be issued in exchange, it being the purpose of this law to substitute Treasury notes herein provided for all other forms of currency or paper money of these United States.

(b) The Treasury notes herein provided shall be legal tender at face value for all debts and dues, public and private, including customs duties.

(c) The Federal Monetary Authority may redeem the Treasury notes herein provided in gold or silver at the current selling price fixed by it, but only for the purpose of permitting

the settlement of net debit balances on legitimate commercial transactions between citizens of the United States and those of foreign countries.

(d) The decisions of the Federal Monetary Authority as to all questions relating to the exchange of currency for gold or silver in such international transactions shall be absolute and final.

SEC. 5. (a) All individuals, firms, associations, or corporations engaged in the business of banking as defined by law, and among other things receiving deposits of money from the citizens or firms, corporations, or associations of any State and transferring or transporting said money or the title thereto to individuals, firms, associations, or corporations of any other State or States or Territories of the United States, are hereby declared to be engaged in interstate commerce and as such are subject to Federal jurisdiction and to the jurisdiction of the Federal Monetary Authority.

(b) After one year after the passage of this Act, all banking institutions of the United States and Territories thereof shall be required to keep on hand, or on deposit with the Treasurer of the United States, or in the Federal Reserve bank of its district, lawful money of the United States for the whole of its deposits which are subject to check and/or payable on demand or within sixty days after

notice, and a further sum equal to 5 per centum upon all savings or investment deposits payable after sixty days' notice.

(c) All demand deposits shall be held in trust for the benefit of the depositor and shall not be merged with or become a part of the assets of the bank, nor shall they be liable for its obligations.

(d) For the purpose of creating the lawful money reserves hereinabove required, the Federal Monetary Authority shall purchase from banks, and from individuals in the United States, bonds of the Government, or any State or municipality thereof, or assets of any bank; or may rediscount at one-half of 1 per centum, so much of the asset obligations of any bank as may be necessary to supply the required reserves hereinabove provided.

SEC. 6. The Federal Monetary Authority shall purchase, at a price to be from time to time fixed by it, all gold and/or silver which may be offered in the domestic market, and may purchase or sell gold, silver, foreign exchange and instrumentalities, and/or obligations of foreign governments, at such times and in such quantities as in its discretion may appear to be necessary to carry out the purposes of this Act.

SEC. 7. (a) Whenever the wholesale commodity index shall fall below the average for the year 1926, the Federal Reserve banks under the direction of the Federal

Monetary Authority shall expand demand bank deposits in the manner herein provided until the wholesale commodity index rises to the average level of the year 1926.

(b) If the wholesale commodity index rises more than 5 per centum above such standard, the Federal Reserve banks under the direction of the Federal Monetary Authority may contract bank deposits by selling the bonds and obligations of the United States held by such Federal Reserve banks.

SEC. 8. The Federal Monetary Authority shall establish and maintain an Economic Research Service, the duties of which shall be to collect and assemble and analyze all of the authentic data which may be obtained from any governmental or other source for the purpose of determining the true and correct relation of the total amount of money in active demand deposits to prices, wages, business and industrial activity, and the standard of living, and the total quantity of money necessary to be in circulation in demand deposits to maintain full productivity of the individual and collective resources of the Nation, so that Congress may scientifically and accurately determine the rate at which progressive additions to the stock of circulating money must be made to promote a constant elevation in the general average standard of living as rapidly as the productive capacity and facilities of the Nation permit.

SEC. 9. It is hereby declared to be the purpose of Congress to expand the currency in active circulation in demand bank deposits subject to check, until there is substantially full employment at the wage and price levels of 1926, and for that purpose the Federal Monetary Authority is hereby authorized to issue currency to carry out the provisions of this Act, and in payment of the ordinary and/or emergency expenses of the Federal Government, until there shall be in circulation in demand bank deposits subject to check, a sum equal to $250 per capita of the total population of the United States, after which and until modified by Congress, the Federal Monetary Authority may further increase the issue of currency as herein specified in payment of the ordinary expenses of the Federal Government, or for extraordinary undertakings of the Federal Government authorized by Congress, at a rate not to exceed 4 per centum per annum, calculated upon the total sum in circulation on the last business day of the preceding year.

SEC. 10. The wholesale price index herein referred to is the wholesale commodity price index of the Bureau of Labor Statistics of the Department of Labor of the United States.

SEC. 11. All laws or parts of laws in conflict with this Act are hereby repealed.

SEC. 12. If any provision of this Act or the application of such provision to any person or circumstance shall be held invalid, the remainder of this Act or the application of such provisions to persons or circumstances other than those as to which it is held invalid shall not be affected thereby.

SEC. 13. This Act shall take effect February 1, 1935, or sooner, by proclamation of the President.

SEC. 14. This Act may be cited as the "Monetary Control Act of 1934."