

When the building was still new, Representative Wright Patman of Texas, last of the genuine Populists to serve in Congress, offered a mischievous suggestion. Patman was a brilliant eccentric, self-taught and stubbornly independent in his views, and he devoted nearly fifty years in Congress to methodically assaulting the Federal Reserve System and its privileged powers. This building, Patman observed at a

House hearing in 1939, did not actually belong to the federal government. It belonged to the twelve Reserve Banks of the Federal Reserve System—and the twelve Reserve Banks were owned and controlled by private commercial banks, which held stock in the Reserve Banks as a condition of membership in the System. Therefore, the congressman reasoned, the Fed's headquarters was not tax-exempt like other public buildings. It should be subject to local property taxes, like any other private enterprise.

Inspired by Patman's remarks, the District of Columbia tax collector sent a bill for property taxes to the Federal Reserve's Board of Governors. The Fed refused to pay. The board's lawyers patiently tried to explain the complicated institution created by Woodrow Wilson's legislative compromise, an institution that, they insisted, was a part of the government. The lawyers cited the original legislative history of 1913 and an Attorney General's opinion issued the following year and subsequent federal court decisions, all of which confirmed this. The Federal Reserve was an "independent department" of government.

The D.C. tax collector was not convinced. After all, the Board of Governors had purchased the land from the federal government in 1935 for \$750,000 and the Treasury Department had signed over the deed, relinquishing "all the right title and interest of the United States of America." If the Fed was part of government, why would the federal government sell real estate to itself? In December 1941, four days before Pearl Harbor, the District of Columbia government published a notice of delinquent taxes and scheduled a public auction. It would sell the Federal Reserve's marble temple to the highest bidder.

The auction was postponed several times and never occurred, but it took three years of legal wrangling before the Board of Governors could convince the local government that the Federal Reserve System, despite its peculiar structure, was indeed part of the federal government. In the end, each of the twelve Reserve Banks was compelled to execute a quitclaim deed, attesting that they did not own the building on Constitution Avenue, that the U.S. government owned it.²

Nevertheless, the Federal Reserve System enjoyed the ambiguity over its status and exploited it. Philip E. Coldwell, who served nearly thirty years in the System, as president of the Dallas Reserve Bank and on the Board of Governors, observed: "To some extent, the Federal Reserve considers itself government. Other times, when it serves, it considers itself not government."

Wright Patman never relented. Twenty-five years later, on the floor of the House of Representatives, he declared: "A slight acquaintance with American constitutional theory and practice demonstrates that, constitutionally, the Federal Reserve is a pretty queer duck." He was correct in that. The Federal Reserve System was an odd arrangement, a unique marriage of public supervision and private interests, deliberately set apart from the elected government, though still part of it.