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ARGUMENT AGAINST OWNERSHIP OF FEDERAL RESERVE  
BANK STOCK BY THE GOVERNMENT

REC'D IN FILES SECTION  
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It is not necessary for the Government to own the regional banks in order to have the Federal Reserve function in the public interest. The Federal Reserve banks have responsibility for matters of local concern, such as carrying the reserves of member banks and extending credit to these banks according to rules and regulations made by the Board under the authority of the Federal Reserve Act. While it is true that the member banks select six of the nine directors of the Reserve banks, actions by the board of directors on matters of national policy require approval of the Federal Reserve Board. So long as the Board has adequate control of all matters of national scope and importance, it would serve no public purpose to change the ownership of stock of the Federal Reserve banks. 10

On the other hand, there are definite advantages in preserving local ownership of the Federal Reserve banks. Ownership of the Federal Reserve banks by the member banks of their districts tends to develop cooperation by the member banks with Reserve bank operations. This is of real assistance to the Reserve banks in the performance of their special functions in the Reserve System. While central control is provided over the banking policies which are of national scope, this is supplemented in the System by responsibility of the regional banks for actual banking operations and for policies of local concern. Such policies relate to conditions in the various districts, with which local men are in a position to be familiar. Ownership of Reserve bank stock and the rights which accompany stock ownership, such as the selection of directors of the Reserve banks, encourage

the member banks and the communities they serve to keep an active interest in the operations of the Reserve banks.

Moreover, through this contact the member banks are more likely to develop an understanding of the policies of the Federal Reserve Board than would otherwise be the case. Washington seems rather remote to many member banks and the policies initiated by the Federal Reserve Board in the public interest conflict at times with the interests of the particular banks. Through the part which they play in selecting the management of the Reserve banks, the member banks can feel that they are a part of the System and must cooperate with it.

Purchase by the Government of Federal Reserve bank stock would arouse much opposition among persons who are apprehensive about the increase of Government participation in private business. It will be much wiser to make no change in the ownership of the stock, provided the law makes it clear that the control of monetary policy will rest with a public body not under the influence of any private group.

Most of the important foreign central banks are privately owned.

It should be remembered that the member banks, which own the stock of the Federal Reserve banks, can never receive more than 6 percent on that stock. The rest of the banks' earnings goes into surplus, which strengthens the ability of banks to serve the business of the country and which, in case of liquidation, reverts to the Government.