March 23, 1949.

Dear Jess:

In accordance with our telephone conversation I am handing you herewith two copies of the "Purposes and Functions of the Federal Reserve System.

Sincerely yours,

M. S. Eccles.

Mr. A. D. Willard, Vice President,
National Association of Broadcasters,
1771 N. Street, N.W.
Washington, D. C.

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PURPOSES AND FUNCTIONS OF THE FEDERAL
RESERVE SYSTEM

In an economic system in which people produce different goods and services in order to make a living, there must be some common means of paying for exchanges of goods and services between them. Money performs this essential function. In this country, our total supply of money consists of currency issued by the Treasury and the Federal Reserve System and deposits subject to check in commercial banks. This money supply needs to be no larger or no smaller than the economy requires for its exchange of output at a stable level of prices. In order to assure that money supply will always be adjusted to the economy's requirements, the Congress has established an agency known as the Federal Reserve System.

The principal purpose of the Federal Reserve System is to regulate the supply and cost of money. The System tries to do this so as best to contribute to the maintenance of a high level of employment, stable values, and a rising standard of living for all of the people. In order to regulate the supply of bank credit, or money, the Federal Reserve depends chiefly on its ability to increase or decrease bank reserves, which constitute the legally required basis of bank credit, or money,

The principal methods the Federal Reserve has for regulating the volume of bank credit are discounts for member banks, purchases and sales of Government securities in the open market, and changes in the reserve requirements of member banks. In addition to these general methods of regulation the Federal Reserve has special powers to regulate the terms on which transactions in stock market securities are financed and, on a temporary basis, authority to prescribe terms on which consumer credit may be extended.

All national and many State banks are members of the Federal Reserve System. There are twelve Federal Reserve Banks, each serving one of the districts into which the country is divided. The Board of Governors in Washington supervises the workings of the Federal Reserve System and in general is responsible for formulating national credit policies and overseeing their execution. The Federal Open Market Committee, comprising the seven members of the Board and five representatives elected by the Federal Reserve Banks, has the responsibility of deciding when and how much Government securities to buy or sell in the open market and under what conditions.

The Federal Reserve pays out currency in response to the public's need for money in that form rather then as deposits in banks. It also absorbs unneeded currency as the public redeposits currency holdings at banks. Its operations result in making the entire currency supply elastic.

Many service functions are performed by the Federal Reserve System. The Federal Reserve facilitates collection and clearance of checks, acts as fiscal agent for the United States Treasury, and exercises supervisory duties with respect to member banks. Each of the Federal Reserve Banks and the Board plays an active role in dissemination to the public of information on credit and general economic developments.

March 22, 1949