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## RESEARCH DEPARTMENTS OF THE FEDERAL RESERVE BANKS

It has always been important and is now more important than ever that each Federal Reserve Bank have an adequate economic department headed by a full-time economist. In general, the purpose of such a department is threefold: to serve the Board of Governors, the Bank, and the public.

### To serve the Board of Governors

The Board of Governors in its work needs to have a thorough knowledge of economic developments in the various regions of the country, as well as in the nation as a whole. It is difficult for persons located in Washington to develop and maintain an adequate knowledge of conditions in the various communities. The Banks themselves should be the best means for the development and transmission of such information to the Board. This requires the maintenance of research departments with staffs adequate to develop and maintain the information. In recent years the Board has been able through the conduct of numerous spot surveys, to present on short notice information covering regions throughout the country. The completeness of such surveys has, however, been limited in some districts by the fact that the research departments of some of the Banks were not adequately equipped to supply the necessary information against a background of continuing contact with leaders in district enterprises.

### To serve the Bank

The research department of each Reserve Bank must keep Bank officials informed as to economic developments both within the district and nationally. Each Bank should assume a position of leadership in its community and to do this the officers should keep in close touch with business and financial developments in important regions in their district. The System's work and that of each Bank is much broader than the purely mechanical functions of bank operations, fiscal agency, and the like. In the development of monetary and credit policy, consideration must be given to the important problems that arise in connection with industry, commerce, agriculture, and finance, and each Bank must have its officers informed on these subjects if they are to take an active part in decisions that are made within a given region. Bank officials must have not only the knowledge gained from contact with bankers, businessmen, and others in the locality but also that provided by the research department in its continuous and systematic appraisal of economic conditions throughout the district.

Bank officials must also be kept fully informed on national as well as local developments so that, when meeting with the Board of Governors or with the Federal Open Market Committee to consider System policy, each may contribute fully to the discussion and see that problems important to his district are viewed in their proper perspective and are given full consideration.

To serve the public

If the Banks are to occupy a position of leadership in their own communities, they must be recognized as authorities on affairs within their districts. This can best be accomplished by building up a research department which will know conditions in its district thoroughly and will be available for consultation with Federal, State, and local governmental agencies; private organizations; and individuals who are interested in a knowledge of what is going on in a community. At present there are no other such agencies to which one may go for information on local developments. The Federal Reserve Banks have already made some place for themselves in this respect and have been of real service to the public, but the work should be expanded further. The present program for regional economic studies should do much in this direction if the Banks develop their staffs sufficiently to do the work and if the results so far as possible are made available to the public and the public is informed of this fact.

RELATION OF BOARD OF GOVERNORS TO RESEARCH  
DEPARTMENTS OF FEDERAL RESERVE  
BANKS

Prior to 1936 the research departments were under the supervision of the Chairmen and Federal Reserve Agents. In the latter half of that year the research departments were transferred to the Banks as a part of the transfer of the non-statutory duties of the Chairmen and Federal Reserve Agents to the operating departments of the Banks.

At the time this transfer was made there was set forth, in the letters sent to each Bank authorizing the change, a set of principles to govern the operations of the research departments after their transfer from the Agent's department to the Bank. Briefly these principles stated that the Board expected its Division of Research and Statistics to keep in close touch with the activities of similar departments at Reserve Banks and would expect full cooperation in the System's work in this field. New projects of an extensive nature proposed by a Bank should be worked out in cooperation with the Board's Division of Research and Statistics, and from time to time the Board would request the Banks to cooperate on special studies of primary interest to the Board. The Board would continue the practice of reviewing all publications of the Federal Reserve Banks dealing with matters of more than local interest and requiring approval of the Board before they are issued. The budgets of the research departments continued to be subject to advance approval of the Board and all appointments of persons to supervisory positions in the departments remained subject to Board approval.

Thus the Board retained supervisory control over the research departments and could, at its discretion, withdraw them from the Banks. In the event that a Federal Reserve Bank was unwilling to establish an adequate research department or to allow it sufficient funds to carry out projects deemed essential by the Board, the department could at any time be put under the Chairman who is the local representative of the Board of Governors.