

Relations Between Federal Reserve Board and Federal Reserve
Banks as Contemplated by Mr. Glass.

The following excerpts are taken from the report by Mr. Glass from the Committee on Banking and Currency of the House of Representatives in submitting the proposed Federal Reserve Act, September 9, 1913. On page 16 of the report he said:

"Public funds *** shall be deposited in these new banks which shall thus acquire an essentially public character, and shall be subject to the control and oversight which is a necessary concomitant of such a character. In order that these banks may be effectively inspected, and in order that they may pursue a banking policy which shall be uniform and harmonious for the country as a whole, the committee proposes a general board of management intrusted with the power to overlook and direct the general functions of the banks referred to. To this it assigns the title of 'The Federal Reserve Board'."

On page 18 Mr. Glass said:

"The only factor of centralization which has been provided in the committee's plan is found in the Federal reserve board, which is to be a strictly Government organization created for the purpose of inspecting existing banking institutions and of regulating relationships between Federal reserve banks and between them and the Government itself."

He summed up the position of the committee at the end of this particular section of his report by saying:

"In other words, the reserve-bank plan retains to the Government power over the exercise of the broader banking functions, while it leaves to individuals and privately owned institutions the actual direction of routine."

In another place (pages 42 and 43) Mr. Glass said:

"In this section provision has been made for the creation of a general board of control acting on behalf of the National Government for the purpose of overseeing the reserve banks and of adjusting the banking transactions of one portion of the country, as well as the Government deposits therein, to those of other portions."

Incidentally, Mr. Glass took occasion to observe (page 44):

"For obvious reasons it is considered wise that every member of the Federal reserve board designated by the President shall surrender any banking connections he may have had at the time of his nomination, and for equally obvious reasons it is deemed best that the board shall annually report to the House of Representatives, thereby establishing a direct relationship between the board and Congress."