

**System as Whole**

The federal reserve system has demonstrated such success as to meet with widespread public endorsement of most of its basic features. Its structure and its fundamental powers are well designed to serve the need of our nation for a reserve banking agency adapted to our business and financial requirements and to our wide expanse of territory.

**Importance of Administration**

While particular transitory policies have been called into question, in the main the administrations of the reserve banks, under the general supervision of the Federal Reserve Board, have shown capacity and skill. The continued devotion of men of ability and influence to the affairs of the system as members of its governing bodies is fully as important for its future welfare as any alteration in structure or method of operation. The system is a growing organism. It must be adapted with care to our country's needs as those needs actually appear. This adaptation may be expected more confidently from a steady development of skill in administration than from any legislative overhauling of its powers and methods of operation.

**Regional Banks**

The conception of a system of regional banks of autonomous character is sound. The idea of a single, highly centralized reserve bank which was advocated for a while has come to be recognized as impracticable. Our political traditions, the immense area of the country, the wide variations in the economic development of its sections, and the proved values of the regional system, all lend support to the rejection of the one central bank idea.

**One Central Bank Rejected****Dependence of Reserve Banks on Member Banks**

A fundamental necessity for the proper functioning of a central banking system in this country is the development of a high degree of cooperation between the reserve institutions and the member banks. The wholehearted support of the member banks must be had if for no other reason than that they make the direct contacts with the business public. A system that is not based upon the principle of cooperation must fail. The reserve banks, as even our brief history has shown, must depend upon something more than their own activities and resources to achieve the needed progress in improving credit conditions.

**Regional System Promotes Close Relations**

The regional system makes the administration of each reserve bank more amenable to sentiment in its district and thus serves to emphasize the idea of cooperation. In particular the regional banks make the actual credit contacts with member banks, two-thirds of their directors are chosen by members banks, and the member banks provide all of their stock capital. While the same provisions might be utilized in the organization of a single central bank, the relationships of any one member bank to the central institution would be far less intimate and complete. If it be argued that a central bank could make use of branches to establish contacts with member institutions.

*(Continued on page 8)*