

banks, three selected as representatives from industry and three designated by the Federal Reserve Board—a central body consisting of the Secretary of the Treasury, the Controller of the Currency and six other members appointed by the President with the consent of the Senate. This board is given, by law, the power to exercise general supervision over federal reserve banks. It is in terms empowered to examine the affairs of each federal reserve bank and to publish weekly a statement showing the condition of each bank as well as a consolidated statement of all the banks in the system. It is also specifically empowered to permit or, in certain cases, to require federal reserve banks to rediscount the discounted paper of other reserve banks and to suspend, for a limited time, reserve requirements, and it is empowered to review and determine rates of discount to be charged by federal reserve banks 'which shall be fixed with a view of accommodating commerce and business.'

*Reserve Board*

"Furthermore, a Federal Advisory Council is created by the act with a delegate member from each federal reserve bank. This council is authorized to confer with the Federal Reserve Board on general business conditions, to make oral or written representations concerning matters within the jurisdiction of the board and to call for information and to make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in the various districts, the purchase and sale of gold and securities by reserve banks, open-market operations by these banks and the general affairs of the reserve banking system.

*Advisory Council*

"The foregoing outline shows the broad purposes of the act and the wide powers of supervision and control given to the Federal Reserve Board over the whole reserve system. The congressional report of Senator Glass stated the objects of the act as follows:

*Objects of Reserve Act*

"1. Establishment of a more nearly uniform rate of discount throughout the United States, and thereby the furnishing of a certain kind of preventive against overexpansion of credit which should be similar in all parts of the country.

*Discount Rate*

"2. General economy of reserves in order that such reserves might be held ready for use in protecting the banks of any section of the country and for enabling them to go on meeting their obligations instead of suspending payments, as so often in the past.

*Economy in Reserves*

"3. Furnishing of an elastic currency by the abolition of the existing bond-secured note issue in whole or in part, and the substitution of a freely issued and adequately protected system of bank notes which should be available to all institutions which had the proper class of paper for presentation.

*Elastic Currency*

"4. Management and commercial use of the funds of the government which are now isolated in the treasury and sub-treasuries in large amounts.

*Commercial Use of Idle Public Funds*

"5. General supervision of the banking business and furnishing of stringent and careful oversight.

*Supervision of Banking*

"6. Creation of market for commercial paper.'

*Market for Commercial Paper*

"To carry out the purposes of the act, federal reserve banks, subject to the supervision of the Federal Reserve Board, are authorized to act as government depositaries

*Powers of Reserve Banks*

(Continued on page 9)