

it must be admitted that it would be necessary for the branches to possess powers substantially similar to those now possessed by the regional banks, and so no apparent advantage would be gained. Any infringement upon the regional idea must operate against the principle of cooperation.

Number of
Regional Banks

While not asserting that exactly twelve regional banks located as at present comprise an ideal system, we believe that modification of this structural feature should not be attempted in the immediate future. Peculiar problems that grow out of the departure from the form of earlier central bank organizations are well on the road to solution. The conduct of business and banking in the United States has been adapted to this form. Attempts to eliminate any of the present district reserve banks undoubtedly would develop discord and rancor. This would outweigh any mechanical and operating efficiencies that might be afforded by changing the number of districts. Adjustments through approving branches within the areas of the respective districts of the regional banks are within the power of the Federal Reserve Board, but here it should be emphasized that the further extension of regional branch banks to meet the civic pride of any community is inexcusable and should be made only when clearly imperative to serve a territory not now in reasonably close relationship to the regional reserve bank.

Branches of
Regional Banks

After rejecting the principle of one centralized bank, we prefer to support for the present the continuance of the present number of reserve banks, while not precluding the possible desirability of a future adjustment in this feature of the system's structure.

Recommendation

The Committee recommends that in the structure of the federal reserve system the principle of regional banks with autonomous powers be maintained.

Applications
for Rediscounts

One of the major responsibilities of the regional reserve banks is to act upon applications for rediscount made by member banks. Through decrease or increase of rediscount rates such applications may be encouraged or discouraged. The changes in such rates are closely watched by the banks and are of vital interest to the public generally because of the influence of the rediscount rate upon the lending rates of the member banks. It is in relation to this function of reserve operation that some tendency to weaken regional autonomy has developed, which if it persists will furnish a considerable impetus to undue centralization of power within the system.

Rediscount Rate

Power of
Reserve Banks

The Federal Reserve Act specifies that the rediscount rates shall be fixed "with a view of accommodating commerce and business." It gives to each reserve bank the power to establish such rates, "subject to review and determination of the Federal Reserve Board."

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