

C O P Y

SEP 7 1944

Dear Miss Swindler:

This is in reply to your letter of August 20, 1944 inquiring about the Federal Reserve Banks and United States Money. Your questions are answered in the order in which they appear in your letter.

1. The stock of the twelve Federal Reserve Banks is owned by the member banks among which are included all national banks and some state-chartered banks. However, the Federal Reserve Banks are essentially public institutions. The members of the Board of Governors of the Federal Reserve System are appointed by the President. No member of the Board of Governors may be an officer or director of any bank, banking institution, trust company, or Federal Reserve Bank or hold stock in any bank, banking institution or trust company, nor is any member of the Board of Governors permitted during his term of office, and, provided he has not served the full term for which he was appointed, for two years thereafter, to hold any office, position or employment in any member bank.

It should also be noted that the Board of Governors has substantial authority in regard to the directors, officers and employees of all Federal Reserve Banks. Three of the nine members of the Board of Directors of each Federal Reserve Bank are appointed by the Board of Governors. Any compensation provided by the boards of directors of Federal Reserve Banks for directors, officers or employees of Federal Reserve Banks is subject to the approval of the Board of Governors of the Federal Reserve System, and the Board of Governors may suspend or remove any officer or director of any Federal Reserve Bank.

2. Title to the monetary gold stocks of the United States, the major portion of which is stored in the Bullion Depository at Fort Knox, Kentucky, is vested in the United States Government. Under the Gold Reserve Act of 1934 title to all gold of the Federal Reserve system was transferred to the United States Government.



3. The Congressional power "to coin money, regulate the value thereof", and the derivative power to issue paper currency are in no way infringed upon by the activities of the Federal Reserve Banks. The Federal Reserve Banks were established, and their purposes and powers defined by Congressional Act. The Federal Reserve Banks are authorized to issue currency only in accordance with the reserve requirements and other conditions established by Congress. Furthermore, Section 43, Title III, of the Act of May 12, 1933 requires the Secretary of the Treasury to maintain all coins and all currency of the United States, including Federal Reserve Notes and Federal Reserve Bank Notes, at parity with the gold dollar which is the standard unit of value of this country. Thus Congress exercises complete control over the issuance and value of all coins and currency of the United States. In this connection there is enclosed a copy of the Summary History of United States Money.

Very truly yours,

(SIGNED) D. W. BELL

Under Secretary of the Treasury.

Miss Ivadell A. Swindler,  
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Davenport, Iowa.

Enclosure.