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IS THE FEDERAL RESERVE A FEDERAL AGENCY?

"Federal" is a word with different meanings. It can mean a U.S. Government agency or function, like the Federal Communications Commission (FCC). Or, it can be used as a trade name of a privately-owned commercial outfit which has no connection whatsoever with the U.S. Government, like "Federal Express" (the overnight delivery service).

Contrary to popular belief, the word "Federal" in Federal Reserve is like "Federal" in Federal Express. Although the seven-member Federal Reserve board of governors is appointed by the President, the real powerhouse is a privately-owned commercial banking system, not a U.S. Government agency.

If that is a surprise to you, you can prove it to yourself. Look in the telephone book in one of the cities where a Federal Reserve bank is located, and you will see that it is not listed with all the U.S. Government agencies, but is alphabetically listed with the other private commercial companies such as Federal Express.

Or, call the public information office at one of the Federal Reserve banks and ask how much it pays in local property taxes. The Federal Reserve Bank of New York paid $2,775,275 in property taxes in 1982. Federal Government agencies, of course, don't pay local property taxes.

Who owns the Federal Reserve (often called the Fed) is important because of the tremendous power it exerts over your life, your family, and our nation, combined with its total lack of accountability to the American people. That's what concerns the Committee for Monetary Reform which is determined to do something about it.

The Fed operates as our country's "central bank" with the exclusive right to create money, control our money supply, and regulate interest rates. The Fed uses billions of dollars of money in any way it wishes, and has never had an outside audit.

The Fed operates with total independence from Congress, the President, and the American people. No elected official has any say-so over what the Fed does with U.S. money or credit.

The Federal Reserve System was given all this vast power in 1913 in order to stabilize the economy and prevent depressions. Yet we had the most massive depression in the history of our country starting in 1929. In recent years, Fed manipulation of our economy has produced the bankruptcy of thousands of farmers and businesses.

The Fed is supposed to use its vast powers for the public good. But its policies have primarily benefited the big New York banks. The tight money and high interest rate policies produced record profits for the big banks during 1980-82, while forcing thousands of businesses to go bankrupt and close their doors.

The Committee for Monetary Reform has a more specific complaint, too. To govern the Federal Reserve System, the original statute set up a seven-man board of governors to be appointed by the President and confirmed by the Senate. However, the major decisions are made by a board of twelve men known as the "Federal Open Market Committee," which, again, is not any more a U.S. Government agency than Federal Express.

The Committee for Monetary Reform believes that the Open Market Committee operates illegally because, although seven of its members are the governors duly appointed by the President, the other five members are proposed for appointment by the big banks. Since they represent the very banks they are supposed to regulate, they have an unconscionable conflict of interest.

No wonder the money system has been operated for the financial enrichment of the big banks to the detriment of the American taxpayers, businessmen, and farmers. The men who set the Open Market Committee policies and fix interest rates are the same ones who benefit financially from their decisions.

More than 20 bills have been introduced into Congress to change the Federal Reserve System. More important, the Committee on Monetary Reform (made up of a large group of businessmen, farmers, and academicians) is filing suit this summer to challenge the delegation of authority to the Federal Open Market Committee.

The Committee believes that the Fed must be taken out of the private hands that control it and made accountable to the elected representatives of the American people.