

SENATE BILL REPORT

SJM 8005

**AS REPORTED BY COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE,
FEBRUARY 26, 1991**

Brief Description: Removing the secrecy and lack of public accountability associated with the federal reserve system.

SPONSORS: Senators Metcalf, Conner and Moore.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators von Reichbauer, Chairman; McCaslin, Moore, Owen, Pelz, Rasmussen, and Sellar.

Staff: Benson Porter (786-7470)

Hearing Dates: February 5, 1991; February 26, 1991

BACKGROUND:

In 1913, Congress created the Federal Reserve System, which is comprised of public and private entities, to serve as this nation's central bank. The system includes a seven-member board of governors, the twelve regional federal reserve banks, the Federal Open Market Committee (FOMC), the Federal Advisory Council, and privately-owned member commercial banks.

As the central bank, the primary role of the system is to conduct the national monetary policy through three primary mechanisms. The FOMC exclusively directs and regulates open market trading, which consists of the purchase and sale of government and other securities by the reserve banks. The system also establishes member bank reserve requirements and regulates member bank borrowing from the federal reserve banks. By employing these three means, the system can influence the availability and cost of bank reserves, bank credit, and money.

During the 101st Congress, a measure was sponsored to eliminate the secrecy associated with the Federal Reserve System. Although this measure did not gain approval, support for increased public accountability of the Federal Reserve System has continued to be expressed.

SUMMARY:

Congress is requested to enact legislation removing the secrecy and lack of public accountability associated with the Federal Reserve System.

Appropriation: none

Revenue: none

Fiscal Note: none requested

TESTIMONY FOR:

The Federal Reserve System makes monetary policy decisions substantially impacting the public. As such, public accountability associated with the system should be promoted.

TESTIMONY AGAINST: None

TESTIFIED: Senator Metcalf, prime sponsor (pro)