アメリカの金融制度と金融機関

栗　原　　茂

Outline of Financial Institutions

In general, the financial system of most advanced countries consists of one central bank on the top followed by a few large money-center banks with branches all over the country, and of many regional banks and money dealing institutions. The financial system of the United Sates, however, is unique, and rather complicated, compared with that of other countries. The Federal Reserve System functions as a central bank with its executive office in Washington. The country is divided into twelve Federal Reserve Districts and in each district is placed a regional Federal Reserve Bank.

The country abounds with various financial institutions. They can be divided into two separate groups: financial intermediary institutions and other organizations. The financial intermediary institutions include commercial banks, savings banks, savings and loan associations, credit unions, pension funds, etc. Other organizations include primarily investment banks, securities companies and mortgage banks. Commercial banks consist of national banks and state banks, as the system being called a dual banking system. There are numerous banks in the United States and the total number of FDIC-insured banks at the close of 1988 was 13,911 with 4,482 national banks, 8,937 state banks and 492 savings banks.

In addition to these, there are many other financial institutions. These structural characteristics of American financial institutions are strongly influenced by the independent spirit of American people carried down since the founding of the country.

Historical Background. The economy in early America was one of self-sufficiency. There was a minuscule amount of capital and little demand for money. So, no commercial banks existed. Merchants who wanted to import goods from England, therefore, obtained a credit of six to nine months from exporters. The importers sold the merchandise to wholesalers or to local stores on shorter credit. Those import merchants later came to specialize in the business of credit and exchange and subsequently became independent bankers. In Boston, the first investment company appeared in 1818 followed by savings and loan association and building and loan association in 1831 and mutual life insurance company in 1840. In Philadelphia, the first investment bank opened in 1764 and the first commercial bank, the Bank of North America still existing today, started in 1781. The Philadelphia Savings Fund Society which was founded in 1816 is said to be the first savings bank in the United States.

In the early 1800s most states did not depend on taxes to finance their fiscal needs. They instead issued lottery tickets to obtain the necessary funds. Under such circumstances, there appeared a special type of merchants who underwrote, or guaranteed the sale of the new issues of the lottery. These have become today's underwriters. Since there were not so many stocks or bonds circulated at that time, banks were not involved in investment activities. The New York Stock Exchange of today was established in 1817. The rapid economic expansion of the American West gathered its momentum in the 1880s and it triggered openings of capital markets and financial intermediaries. This led to the growth of the direct financing through securities markets.

In the 1920s, population in cities expanded and demands for durable consumption goods grew phenomenally accompanying the needs for consumer credit for them. To meet these social needs various financial institutions appeared from 1911 to 1930s. They were, for example, the postal savings system (abolished in March 1966), credit unions and pension funds.

After the second world war, the demand for money by the government and the needs for consumer credit and home building funds by individuals increased. Varieties of financial services came to be available for the public. Commercial banks competed each other in the areas of consumer credit and real estate mortgage loans. In the 1950s, the number of savings and loan associations, (S & Ls), expanded because they enjoyed a privilege of better treatment than other financial institutions in both corporation tax and interest they paid. Pension funds started to participate in the long-term capital market.

In the 1960s new financial instruments were introduced in the market together with new financial management techniques. In the 1970s financial environment further changed in the face of inflation and turmoil on the foreign exchange market. The inflation caused a crisis in S & Ls. In the 1980s, a trend of securitization appeared giving rise to the controversy anew over the Glass-Steagal Act which prohibited banks from engaging in securities business. American financial system is now undergoing a big change through deregulation in order to adjust to these new developments.

Federal Reserve System as a Central Bank

The establishment of the system of a central bank in the United States was rather late compared with other countries. It started on December 23, 1913 when the Federal Reserve Act was enacted. (The surviving central banks of major countries are chronologically listed: The Bank of Sweden, 1656; The Bank of England, 1694; The Bank of France, 1800; The Bank of Japan, 1888.) The major objective of the enactment of the Federal Reserve Act was to give necessary liquidity to the market in the face of a monetary crisis and not to steer the economy through the devices of controlling money supply, interest rate and credit as they are being used today. The Federal Reserve System thus established is very complicated in its construction reflecting the spirit of antifederalism lasting from the beginning of the country. The central governing body of the Federal Reserve System is called the Board of Governors which consists of members each representing the interest of federal government, business and member banks. It is placed in Washington and oversees twelve Federal Reserve Banks located in respective Federal Reserve Districts. We can consider, therefore, that the central bank is in Washington and it has twelve branches all over the United States, or that there are twelve central banks in the United States. The Federal Reserve System is, however, more precisely called a central banking system rather than a central bank.

Structure of the Federal Reserve System. The Federal Reserve System is comprised of (1) The Board of Governors, (2) 12 Federal Reserve Banks, (3) Member Banks, and (4) other Depository Institutions. There are a number of committees and advisory councils within the system.

The Board of Governors. The Board of Governors is comprised of seven members. Their term of office is 14 years and there can be no reappointment after the full term has been served. The members are appointed by the President with the advice and consent of the Senate. The Chairman of the Board and the Vice President are also appointed by the President with the consent of the Senate. Their term of office is four years. The operational expenditures of the Board of Governors are covered by the earnings of 12 Reserve Banks and thus the Board of Governors are independent of both executive and legislative offices. The responsibilities of the Board of Governors include: (1) To approve the discount rate decided by each Reserve Bank, (2) To determine the appropriate level of reserve requirement for depository institutions within the range approved by the Congress, (3) To approve loans among the Reserve Banks under the consent of at least five members of the Board, (4) To decide on the type of credit extended by the Reserve Banks, and (5) To supervise the Reserve Banks.

Federal Reserve District and Federal Reserve Bank. Under the Federal Reserve Act the continent of the United States is divided into 12 districts called Federal Reserve Districts with each district having the Federal Reserve Bank and its branches. The total number of the branches is 26. The Federal Reserve Districts are not based on the state's border. Some states belong to three different Reserve Districts. The Federal Reserve Bank of each Reserve District is a corporation authorized by the federal government. The Reserve Bank of the each district is named after the city wherein it is located: for example, Federal Reserve Bank of New York, Federal Reserve Bank of Philadelphia, Federal Reserve Bank of Richmond, etc. The member banks of a Reserve Bank are stock holders of the Reserve Bank and they elect six of the nine directors of their Reserve Bank. The directors are divided into three classes, A, B and C. The directors of the A Class represent the banking sector and they are elected by member banks; the directors of the B Class represent the commercial sector; and the C Class the public sector. All the directors are directly appointed by the Board of Governors. Member banks are required to purchase the shares of their Reserve Bank equal to three per cent of their net worth, but their power to control the Reserve Bank is limited. The purpose of the Reserve Bank is not to make profit, but to offer member banks with services and to execute the policies established by the Board of Governors. As a result, the distribution of the profit of the Reserve Bank to its member banks is restricted.

Member Banks, Incorporators of a bank can choose the law by which they establish a bank, namely federal law or state law. Thus, the banks established based on the Banking Act of 1933 are called national banks and they are required to join the Federal Reserve System as its members. On the other hand, the banks organized under their respective state's banking laws are called state banks and they are free to choose whether to become members of the Reserve System or not. After 1986 on, however, all the depository institutions have been required to keep their reserve balances with the Federal Reserve Bank whose district they belong to. Accordingly, the differences between national banks and state banks have narrowed.

Federal Open Market Committee. Federal Open Market Committee was established under the Banking Act of 1933. The committee is composed of seven members of the Board of Governors and five of the Reserve

Bank presidents. The Committee is a vital instrument as the policy making function of the Federal Reserve System. The meetings of the Committee are held at the office of the Board of Governors in Washington approximately every six weeks. At these meetings recent economic and financial developments are assessed to formulate appropriate strategy on the open market operations which are the most important tool for the implementation of monetary policy. The open market operation means the purchase and sale of securities, mostly the U. S. government securities, by the Federal Reserve System in the open market. The chairman of the Board of Governors chairs the Federal Open Market Committee. Since actual purchase and sale of securities is conducted by Federal Reserve Bank of New York through its trading manager, the president of the New York Fed serves as the permanent vice chairman of the Committee and has a strong influential power in the formulation of open market policies.

Federal Advisory Council. The Federal Advisory Council was created by the Federal Reserve Act of 1913. The council consists of 12 members, each representing his Reserve Bank. The original purpose of the establishment of this council was to facilitate the communication between the Reserve Banks and the banking industry in general. The council meets at least four times a year with the Board of Governors to discuss various matters related to the Fed's policies, but its function does not go beyond consultation and deliberation. The council has no executory power.

Commercial Banks

Commercial banks are private banking institutions and they are the most important of all the financial institutions. They are organized mainly to lend short-term funds to finance the production and marketing of goods. Their operations are today diversified in many other areas than commercial lending, providing various services to consumers.

Dual Banking System. As briefly mentioned in the beginning, there are two types of banks: national banks which represent banks chartered through the Comptroller of Currency and state banks which are chartered through the state banking authorities or commissions. This is called a dual licensing system. This complicated system is also the product of the history of the country. The history is briefly explained to help better understanding of the U. S. banking structure.

The expenditures of the War of Independence which started in 1775 was financed by foreign borrowings such as from Spain and France and by the issuance of abundant paper monies under the decision of the Continental Congress. As a result, a super-inflation occurred. When the United States became independent in 1776, its new government was authorized to issue currencies. Alexander Hamilton being a federalist and the first Secretary of the Treasury wanted to have a strong centralized government and was in favor of a national banking system, while Thomas Jefferson, being a republican, advocated less governmental control on business and state's rights and opposed to the authorization and supervision of commercial banks by the central government. These two opposing viewpoints influenced the later development of the banking system of the country. Shortly after the independence of the country, the First Bank of the United States was created by Congress in 1791 for duration of 20 years, but after the charter expired in 20 years the bank was closed. Congress chartered the Second Bank of the United States in 1816 for 20 years and it lasted until the charter expired. Both the First and Second Banks of the United States were private banks in which the government had a 20 percent share in the capital. They had branches in major cities in the United States and were authorized to issue currencies and performed a quasi-central bank functions for regional banks.

The years between 1811 and 1863 were a period of unsound banking, and called the age of "Wild Cat Banks" because many of these banks were located in remote places. These banks were organized to simply issue paper monies rather than accepting deposit and making loans. They were uncontrolled and bank failures were numerous.

The State of Michigan and the State of New York passed free banking laws in 1837 and 1838, respectively. The law authorized anyone who wished to go into banking business to do so by obtaining a charter from the state banking commission if the bank met the provisions of the law. The banking law of New York State became a model of the National Banking Law of 1863. The objectives of establishing national banks were to increase the government borrowing to finance the Civil War and also to provide rules relative to the qualification, the kind of currency issues, the reserve ratio and others. National banks had higher capital requirements than state banks and were prohibited from investing in real estates.

Incorporators of a commercial bank were thus allowed to obtain its charter either from the state banking authority or from the Comptroller of Currency in the case of a national bank. As a result, coexistence of state banks and national banks came into being. As of 1988 national banks represented 32 per cent of the total number of banks in the United

States, but their total assets far exceed those of all state banks.

Unit Banking and Branch Banking. One of the characteristics of banking structure in the United States, in addition to a previously explained dual banking system, is that there are numerous independent banks throughout the whole country. Limitation of branches by the state authorities have partially contributed to this. Reflecting the general sentiment of the public, fearing the possible control exercised by large banks, many state banking laws have limited branching of banks. There are three types of state banking laws regarding the branching, they are called: Unit Banking, Limited Branching and Statewide Branching. The unit banking is the oldest style of banking in which banks are not permitted to have any branch offices. Limited branching allows banks to open branches within specified geographic areas, usually in the city or country where the parents bank is located. Some states permit banks to branch statewide, thus called statewide branching. National banks were in principle able to open branches in other states. The passage of the McFadden Act of 1927, however, prevented interstate branching of national banks. Actually, the McFadden Act kept banks small and numerous, which made them vulnerable to bankruptcies and unable to compete internationally.

Interstate Banking. As above mentioned, state banks were permitted to do business in a given territory within the state where they were charterd. Because of the improvement of transportation network, expansion of communication, increase in the population and its mobility, banks sought to expand their services beyond their territorial spheres. But the McFadden Act disallowed the banks to do so. (After the enactment of the McFadden Act, branches of national banks were required to comply with the banking laws of the states where they operated. Existing branches, however, were allowed to continue their business as they used to.) In recent years some states have ralaxed their banking regulations permitting the banks of other states to come in and operate or to set up branches on a reciprocal basis. Meanwhile, bank holding companies to be explained next were organized in order to cross state's boundaries dodging the McFadden Act and they grew rapidly. There are two types of bank holding companies: One-Bank Holding Company and Multi-Bank Holding Company. The latter is sometimes called a group banking.

One Bank Holding Company. One-Bank Holding Company, otherwise known as Unitary Bank Holding Company, is the one which controls a single commercial bank and operates many other businesses at the same time. Therefore, One-Bank Holding Company is a corporate entity in which a nonbank firm can do banking business legally. Since the Bank Holding Company Act of 1956 did not prohibit banks from engaging in the new areas of business such as data-processing, accounting and management services, one-bank holding companies mushroomed between 1970 and 1980. More importantly, the subsidiary bank could easily raise necessary funds for its parent company by selling the latter's commercial papers. Such an innovative way of raising funds made it possible for the bank holding companies to avoid keeping reserve balances for deposits and other regulations pertaining to money supply which had been established by the Board of Governors of the Federal Reserve System. Under such circumstances, the government feared the potential power that one-bank holding companies might have in the future (recall the erstwhile *Zaibatsu* of Japan which is an enormous corporation structure made up of various industries with its central financing companies controlling all its subsidiaries). The government amended the Bank Holding Company Act in 1970 imposing more control over bank holding company and placed one-bank holding companies on the same restrictions as multi-bank holding companies with regard to their activities.

Multi-Bank Holding Company. Expansion of banks is also possible by establishing a multi-bank holding company. It is created by a corporation controlling more than 25 percent of voting shares or having a power to exercise an influence over the election of directors of two or more of independent banks even though they are located in different states. Multi-Bank Holding Companies thus can operate within the state which observes unit-banking system, or conduct inter-state banking entering into the states whose laws disallow inter-state banking. They started to appear in the early 1900s and kept increasing in numbers until the great depression of 1933. In the 1980s, many multi-bank holding companies were again established with a purpose of conducting inter-state banking.

Deposit Institutions

Deposit institutions are called "thrift institutions" or simply "thrifts". They include savings and loan associations, mutual savings banks and credit unions. Especially, savings and loan associations, (S & Ls), experienced difficulties during 1979 through 1982 and many went into bankruptcy. As a result, Congress relaxed restrictions on the S & Ls and made efforts to prevent further deterioration of the industry. However, the junk bond market decline in early 1990 further worsened the condition and many S & Ls have been in the reorganization process under the direction of government authorities.

Savings and Loan Associations. There were about 2,500 Savings and Loan Associations at the beginning of 1989. The number must have been substantially reduced since then because of the resolution activity during 1989. The S & Ls have been established with the original purpose of providing individuals or households with low-cost credits when purchasing their homes. They can be federally or state chartered. Approximately three fifths of the total S & Ls are state chartered. The association may be organizad as a mutual association or as a stockholder-owned corporation. The source of funds of the association is savings deposits of individuals and families and the funds thus obtained were traditionally used to purchase a mortgage loan. Because of the recent deregulation, S & Ls are now allowed to offer NOW accounts and MMC and make consumer and business loans.

Mutual Savings Banks. There are about 1,000 Mutual Savings Banks and their functions are very similar to those of S & Ls. The main difference between the two is that the depositors of Mutual Savings Banks are stockholders of the Banks. In other words, the depositors are owners of Mutual Savings Banks. Fundamentally, they are of non-profit organizations and earnings after operations are retained with the Banks or distributed among depositors. Deregulations expanded their operations in the areas of both collection and management of funds.

Credit Unions. Credit Unions are organized by company employees, members of labor unions, churches and fraternities with a purpose of sharing common interests of the members. The first Credit Union was organized in 1908 and today they total approximately 14,000. Members purchase the shares of their Credit Union and become eligible to get low-cost loans from the Union. Until recently Credit Unions could offer only savings accounts and made consumer loans, but current deregulations allow them to accept accounts similar to checking account and make long-term mortgage loans.

Money Market Mutual Funds. Money Market Mutual Funds appeared in the middle of the 1970s and expanded rapidly. They are open-end investment trusts in which stocks are sold to the public at a fixed price. The shareholders are not creditors but owners of the Fund. The funds collected from the sale of stocks are invested in short-term money market securities such as negotiable certificates of deposit (CDs), commercial papers, government securities and bankers' acceptances.

Contractual Intermediaries

Contractual Intermediaries mainly include Life Insurance Companies, Property-Casualty Insurance Companies, Private Pension Funds and Government Pension Plans.

Life Insurance Companies. Life Insurance Companies provide protection against death or decrease in income or savings associated with old age. The premiums collected from policy-holders are usually invested in long-term high-yield securities such as corporate bonds, stocks and mortgage bonds.

Property-Casualty Insurance Companies. Property-Casualty Insurance

Companies offer protection against the risk of prorerty damage caused by fire or personal injuries originated by accidents. Since to predict the occurrence of such risks is more difficult than in the case of Life Insurance, Property-Casualty Insurance Companies keep their assets in the form of marketable long-term securities covering government securities, corporate stocks and bonds.

Pension and Retirement Funds. Pension and Retirement Funds pay accumulated savings to members upon their retirement. The funds grew rapidly after World War II. The Funds resemble life insurance. Pension disbursements can be fairly accurately estimated, thus the funds are invested in corporate stocks and bonds.

Government Pension Plans. Government Pension Plans are to provide pensions to government employees when they have retired out of their accumulated savings. The Plans manage their funds by investing in corporate stocks and U. S. government securities.

Financial Market

Financial Market may be divided into two categories: Short-term Money Market and Long-term Money Market. The former represents the abstract place where short-term financial assets are bought and sold, and is usually called Money Market. The latter means a capital market including a stock market. The capital market is a process in which savings and investment are joined together and it contributes to the development of economy.

Money Market. Money market is where short-term, a maturity of less than one year, negotiable credit instruments are traded. The largest market is that of shorh-term government securities. Especially since 1961 negotiable certificates of deposit, or CDs, have been playing an important part for medium and large commercial banks as a vehicle to collect funds. CDs are sold with a face value of $100,000 or more. Since CDs promise high returns for investors, and secondary markets are readily available for them, the instruments are highly traded by finance managers of corporations. Also existing are markets for commercial papers and bankers' acceptances. The market for repurchase agreement transactions is also important. It facilitates short-term lending and borrowing. This market is being used actively by banks and corporations. A repurchase agreement transaction means that a bank or corporation sells short-term securities such as treasury bills to a company making an agreement to repurchase the same at any fixed date in the future at a predetermined price. The difference between the selling price and the repurchase price constitutes a profit margin of the transaction. Last but not least important is the federal funds market, which is the market where banks can abjust with efficiency at low cost the overs and shorts of their reserve balances kept with Federal Reserve Bank. This merket resembles the Call Market of Japan.

Capital Market. Capital Market including stock market is a place or a system in which long-term securities with maturity of more than one year are traded. Stock market is the largest as far as the balance is concerned. The next largest is the market for mortgage-backed securities, or sometimes called mortgage bonds. Next come corporate bonds markets. Insurance companies are major holders of corporate bonds. Lastly, there are markets for Treasury notes and bonds and other securities issued by federal agencies as well as local governments. These securities are purchased by a wide range of individuals and institutions.

Capital markets consist of both Initial and Secondary capital markets. The former is the merket for securities being issued for the first time and the latter is the market for transactions of existing securities whereby giving liquidity to the instruments sold in the initial market.

When government securities and corporate bonds or stocks are newly issued, they are first purchased in the primary market by investment banks. Investment banks underwrite the new issues. This means that they act as middlemen between the issuing corporation and the public, and guarantee the issuer the sale of stocks as a predetermined price or at a given yield in the case of bonds. The underwriters purchase the new issues wite their own capital at the guaranteed price and advertise publicly to make a complete sale. In other words, they are a market maker for the new issues. The margin between the guaranteed purchase price and sale price represents the income for underwriters. (Investment bankers can act not only as underwriters but also brokers or dealers. They do not accept deposits from the public, nor extend business loans and consumer credits. In this sense, they are different from commercial banks. On the other hand, commercial banks are prevented by the Glass-Steagall Act of 1933 from underwriting securities, namely engaging in investment banking activities. Commercial banks are only allowed to underwrite or purchase the securities issued by states or local governments.)

Movement To Reform Financial System

Various governmental restrictions had been placed on financial institutions until the later part of the 1960s. The original intentions of these restrictions were: (1) To maintain the stability of financial system, (2) To attain the objectives of national economy including price stability, maintenance of employment, development of economy and the stable balance of international payments. Confronting with the economic environment and technological development in the 1970s, financial institutions could no longer carry on a profitable business under existing regulations and clamours for deregulation came to be raised.

The governmental regulations until that time included following: (1) *Market segregation*: This regulation was provided in order to prevent excessive competition. Given financial institutions were allowed to offer specified financial services and were restricted to enter into other business areas. For example, commercial banks were permitted to accept checking accounts, while thrifts such as savings banks and credit unions were not. Thrifts were to specialize in accepting savings deposits. Furthermore, there were various restrictions regarding the management of funds. For instance, commercial banks specialized in making business and consumer loans, thrifts in housing loans, and credit unions in extending consumer loans to their members; (2) *Fixed price*: This aimed at regulating interest rates. Financial institutions were not allowed to pay interest in excess of the limit attached to each category of deposits. Commercial banks were prohibited from paying interest on checking accounts; (3) *Entry restriction*: It was necessary for any newly incorporating financial institutions to get a permit from the sate or federal authorities by proving in their application that they were necessary in the community where they would locate. Even when they obtained their approval and authorization, they were restricted in regard to their branches and operations within and outside of their domiciled state. Under such circumstances, with competitions being limited, all the financial institutions could enjoy business with a stable profit guaranteed in their respective specialized areas. As a result, market efficiency was lost.

Changes in economic environment, advancement of technology and the appearance of new financial commodities have caused the transformation of the financial system.

Regarding the economic environment, specially notable is the period during the 1960s through 1970s, when inflation advanced and interest rates were raised. Faced with such a situation, thrift institutions were not allowed to adjust their interest rates upward. Meanwhile, homeowners were able to refinance their mortgages at lower rate when interests in the market dropped. Thus, the interest fluctuations squeezed the profit margin of thrift institutions to the point where their survival became vulnerable.

In the field of technological innovations, accompanied with the advancement of computers, automatic teller machines and electronic information transmitting devices have been introduced. The new electronic technology facilitated the fund transfer, and eliminated geographical distance. It also helped to reduce the cost of financial transactions. More importantly, the electronic information transmitting system has changed the meaning associated with money or forms of money. These various changes have transformed financial institutions, which had been to offer only limited services to customers in a limited locality, to more flexible institutions giving broader services to much wider classes of customers covering international horizons. Also, these innovations made it possible for securities companies and other non-financial institutions to gain entry in the financial service sector.

Diversification of financial institutions and appearance of new financial commodities have brought severe competition among the institutions. It accompanied risks, too. Against such background, the Hunt Commission was organized by Presidential instruction in 1970 to study the financial structure and regulations. Under the recommendation made by the Commission, the Depository Institutions Deregulation and Monetary Control Act was passed by the Congress in 1980. The main points of this law include: (1) Gradual removal of all interest rate limits, (2) Checking accounts service by thrift institutions, (3) Wider range of application of funds and an expansion of investment opportunities for thrifts, (4) Wider application of reserve balance requirement by financial institutions, (5) Moderation of restrictions on entry into banking and other financial markets. With the advancement of deregulation of financial institutions, many changes have taken place. Specially noted among others is what is called "disintermediation". This means a phenomenon in which funds outflow from financial intermediaries to new financial commodities like MMF, or money market funds. In other words, it is a phenomenon of people leaving banks for high-yield new financial instruments. In order to cope with this new trend, the Garn-StGermain Depository Institution Act was passed in October 1982. By the enactment of this law, thrifts institutions are now able to enter into the various business fields which hitherto had been closed for them.

A number of deregulations have opened up the market for all financial and depository institutions. The difference between commercial banks and thrift institutions has decreased and consumers have come to select the most suitable service for their own needs. It is expected that in the future there will be no conspicuous difference existing among financial intermediary institutions. At present, reviews and studies are being made about the Glass-Steagall Act of 1933 which barred commercial banks from engaging in investment banking and also from paying interest on any type of demand deposits. This movement reflects the intent on the part of government and financial sectors to construct a new financial structure to cope with the internationalization of finance now being taken place.

The Treasury and Federal Reserve System

The behavior of financial institutions and markets are strongly influenced by the actions taken by the Federal Reserve System and also by the Treasury Department. The Federal Reserve's actions concern monetary side and the Treasury Department the management of the public debts and fiscal policy. The Federal Reserve System aims to attain the economic goal of the country by exerting monetary policies influencing interest rates and money supply, whereas the Treasury's debt management concern alterations of maturity structure of the federal debt, and its fiscal policies refer to those of tax and spending of the federal government. In recent years, the government's fiscal policies have been directed to the expansion of economy rather than a counter cyclical measure. As a result, a huge amount of federal debt has been incurred. This condition sometimes has created a discord between the Treasury and the Fed regarding the latter's monetary policy. There is no ready answer for the suitable choice between the Treasury's and the Fed's actions as to a solution to a given national economic problem. The effect on the economy of either policies accompanies a time lag to a certain extent. For example, the Fed's monetary policy can be exercised much quicker than the Treasury's actions because the latter requires deliberations by Congress. The monetary policy, therefore, is better suited as a means of a short-term adjustment of business condition. Meanwhile, the Treasury's fiscal policy might give much faster influence on investment in plant and machinery through its multiplier effect than in the case of the Fed's monetary policy. Both the Fed's monetary policy and the Treasury's fiscal and debt policy are required to be exercised positively assessing the economic condition at a given time.

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