

PERSONAL AND
CONFIDENTIAL

March 24, 1947.

Dear Chester:

Enclosed is a confidential report, which speaks for itself all too eloquently. I thought you would be interested in seeing it and possibly in getting together a similar one covering Jake's activities in your district. I am particularly interested as to whether he took about the same line and in anything supplemental that you may recall.

I have quite a lot more to tell you on this subject when I see you. I think it is pretty well under control at the moment.

With best regards,

Sincerely yours,

Mr. Chester C. Davis, President,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri.

Enclosure

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FEDERAL RESERVE BANK OF ST. LOUIS

ST. LOUIS 2, MISSOURI

OFFICE OF
THE PRESIDENT

March 26, 1947

PERSONAL AND CONFIDENTIAL

Dear Marriner:

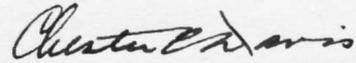
I have read the memorandum covering Mr. Vardaman's visit to the Atlanta bank in January with greatest interest. The only formal meeting Mr. Vardaman has had an opportunity to attend in St. Louis was the joint meeting of our branch directors with the head office directors last spring. On that occasion he said nothing that tended to reflect discredit on the Board of Governors or the Federal Reserve System.

I will give you a memorandum setting forth his activities in relation to this district which, as you know, constitute the first instance of direct interference by a member of the Board of Governors with the internal affairs of a Federal Reserve Bank of which I have had knowledge during my 11-year association with the System. This memorandum will repeat the information given the Board on December 6 by Chairman Dearmont and me.

In addition I will check in Memphis, Mississippi and Arkansas to see whether there is any record of Mr. Vardaman's remarks at the State Bankers' Association meetings last spring.

With personal regards, I am

Sincerely yours,



Chester C. Davis,
President.

Honorable Marrines S. Eccles, Chairman,
Board of Governors of the
Federal Reserve System,
Washington 25, D. C.

FEDERAL RESERVE BANK OF ST. LOUIS

ST. LOUIS 2, MISSOURI

OFFICE OF
THE PRESIDENT

March 28, 1947

PERSONAL AND CONFIDENTIAL

Honorable Marriner S. Eccles, Chairman,
Board of Governors of the
Federal Reserve System,
Washington 25, D. C.

Dear Marriner:

In going over my notes of the meeting which Chairman Dearmont and I held with the Board of Governors on December 6, 1946, I find reference to your request that I write you a report of the experiences Vice Presidents Peterson and Stead had with Governor Vardaman on separate occasions, and of my conversation with Governor Vardaman concerning them. I am sorry that I have waited so long before complying with your request.

James K. Vardaman, Jr., Member of the Board of Governors of the Federal Reserve System, came to my office in the Federal Reserve Bank of St. Louis on November 29, 1946. He told me he was stopping in St. Louis on his way back from a trip through the West on which he had visited the Federal Reserve Banks of Minneapolis, San Francisco and Kansas City and some of their branches.

He told me he felt he had been given a fine reception everywhere he went. I assumed that he had talked elsewhere along the same line he talked to me, which was critical of the Board, and particularly of Chairman Eccles. One statement impressed me as so unjustifiable that I made a note of it. He said that, some time before he left Washington for this Western trip, Chairman Eccles called him in and told him to "pull in his horns"; that if he did not, he (Mr. Eccles) would "see that Drew Pearson turned loose on him a campaign of vilification". He then modified this statement by adding that Marriner had not used exactly those words, which nevertheless conveyed the meaning of what had been said. Mr. Vardaman said that, later on, Elliott Thurston had told him (Vardaman) that unless he took a different course in the Board, he (Thurston) would see to it that a press campaign against Vardaman was carried on by Ernest Lindley, Drew Pearson and Reuben Lewis (Finance Magazine).

Governor Vardaman told me in this interview that he had been telling the Federal Reserve Bank officers and directors that he was opposed to the domination of the Reserve Banks by the Board of Governors through bureaucratic action from Washington, and personally advocated leaving the operation of the Reserve Banks to their officers and directors. I told him that from what I had been told, it seemed to me that he was the one Board member who was directly interfering in the case of St. Louis. He asked what I meant and I told him of the reports Vice President Peterson and Vice President Stead had brought back to me following their meetings, on different occasions, with Governor Vardaman in Washington. Governor Vardaman heard what I had to say, and then said that anyone who made such a report was "a damn liar". I replied that it wasn't necessary for us to get into an argument over the question, since we were to have an opportunity to bring it into the open when Chairman Dearmont and I appeared before the Board December 6, on its summons. He told me he knew nothing of such a meeting; that if one were called it was not at his request, but rather, he said, "it is the Chairman's doings".

The reports made to me by Vice Presidents Peterson and Stead were given to the Board of Governors, in Mr. Vardaman's presence, at the meeting on December 6.

Vice President Peterson had called on Governor Vardaman while in Washington at the Examiners' Conference September 12-13. Before going, he had asked me what I thought correct procedure would be, and I had advised that, by all means he should call on Governor Vardaman and pay his respects. On his return to St. Louis Mr. Peterson came to see me at once, considerably disturbed over what had happened when he did make his call. He quoted Governor Vardaman as saying that if he had been a member of the Board of Governors when Mr. Hitt's election as first vice president came up, he would have voted against confirmation and would have blocked approval. He added that he had not given up, but would keep fighting until he got "the son-of-a-bitch out of the Bank"; that if Hitt made a single false move he would "get him". Finally, he had asked Mr. Peterson to watch and report to him anything on which action could be based.

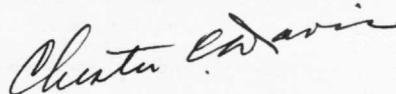
Vice President Stead's report was along the same line. We had arranged for him to spend some time in Washington with the Board's research staff, and in the Federal Reserve Banks of New York, Philadelphia and Richmond, to familiarize himself

with their research work. I had suggested that he call on the members of the Board of Governors, most of whom he had met, and that I thought it particularly important that he call on Governor Vardaman, whom he had not met.

On his return Mr. Stead told me that Governor Vardaman had opened up on him without preliminaries, saying that he had "told Davis he intended to stay out of St. Louis bank matters, but that certain things there needed to be cleaned up". He said he was going to have Vice President Attebery removed inside of six months, and Mr. Hitt as soon as he could; that "Guy Hitt was shoved in there, and isn't doing the job - he will have to go"; that "the other one (Attebery) represents long-standing incompetence that has to be dealt with by getting him out". He said that "if Davis won't act, someone else will".

These reports were considered when Chairman Dearmont and I met with the Board on December 6, and the Board has the record of that meeting.

Yours very truly,



Chester C. Davis
President.

PERSONAL AND
CONFIDENTIAL

April 1, 1947.

Dear Chester:

This is to acknowledge and to thank
you for sending me the information with regard
to Jake's visit in your district.

Sincerely yours,

Mr. Chester C. Davis, President,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri.

ET:b


(IDENTICAL LETTER TO MR. WHITTEMORE)