

FEDERAL RESERVE BANK  
OF ATLANTA

OFFICE OF  
PRESIDENT

March 12, 1947

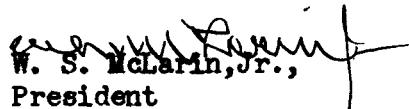
Dear Mr. Eccles:

I am enclosing a memorandum on the subject of Governor Vardaman's visit to the Atlanta Reserve Bank. So far as any of us here can recall this memorandum seems to cover about what was said by Mr. Vardaman at the several meetings in Atlanta but the reading of the memorandum will not leave one with the same reactions as one would have from actually hearing the remarks for the manner of speaking, the tones, and sarcastic implications made by a speaker cannot be put down on paper.

I was disappointed about the little that could be put in the memorandum so I had a person who was present at two of the meetings and talked with Governor Vardaman give me his recollections and I am also enclosing statement of his reactions to the memorandum and the impressions he gained from the talks.

If I can be of any further service in this connection please call upon me.

Very truly yours,

  
W. S. Marriner S. Eccles  
President

Mr. Marriner S. Eccles  
Care - Board of Governors of the  
Federal Reserve System  
Washington 25, D. C.

RE: GOVERNOR VARDAMAN'S VISIT TO THE  
ATLANTA BANK ON JANUARY 16 and 17, 1947

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It is extremely difficult to recall the exact statements made by a person several weeks after he spoke, particularly if it was the speaker's request that he wanted his remarks to be off record and no notes or memorandum were prepared on the subject.

As I reflect upon Governor Vardaman's three talks, one before our Board, one at the Capital City Club, after the luncheon, and one at the informal luncheon in our dining room on the second day of his visit, my recollection of the substance of what he said is as follows:

At the Directors' Meeting

Governor Vardaman began his remarks by stating that his appointment on the Board was not of his choosing; he said he accepted the appointment in order to keep a promise he had made to President Truman. He said it was with some reluctance that he accepted the appointment for the reason he knew his thinking and his ideas of democracy and his dislike for bureaucratic control would clash with certain members of the Board of Governors, particularly Chairman Eccles.

Mr. Vardaman said that Chairman Eccles was to be commended for some good work that he had done at the Board; he said that the Chairman wrote almost single-handed the Banking Act of 1935, and it was largely due to his hard work and maneuvering that the Act was passed by Congress. He said, however, that he felt the Chairman had held his office too long;

that he felt the fourteen-year terms were too long; that no one person should be permitted to remain on the Board longer than 10 years. He referred to the fact that it is possible under the existing act for the present Chairman to continue in office until he has served approximately 22 years. He referred to the members of the Board as "untouchables" and stated that they cannot be removed from office except for cause.

The Governor said that bureaucracy, rather than communism, is the great danger facing the country today,

He stated that the Board's policies are developed on the basis of theory and that any facts presented in conflict with the theory are disregarded. He said that certain theories held by the Board are incompatible with a privately owned banking system, on which the democratic form of government depends.

Governor Vardaman stated that promptly after he assumed his duties at the Board he began to ask a good many questions about the twelve Banks and their Branches. He said he discovered that the Board members had little or no knowledge of what was going on in the twelve Districts; that they depended almost exclusively upon reports from the Banks, assembled by the staff. The Governor stated that the Board's office is operated on about 30 per cent thinking by the Board members and on about 70 per cent of the influence from the staff.

Governor Vardaman stressed the point that the fundamental difference between him and the Chairman was that he believed in democracy and more autonomy for the Reserve Banks and Branches but that the Chairman be-

lieved that efficiency could best be had by centralization of authority in Washington. He said that because of this idea of the Chairman's, the Reserve System had developed into a bureaucratic agency, a one-man Board; that the Board is Eccles.

Governor Vardaman stated he thought that in all matters affecting the economy in general there should be hearings at which the public should be invited to present its views; for example, he said that he insisted that the stock exchange people should be permitted to sit around the table and express their views regarding margin requirements. He said that at the time the margin requirements were increased to a no-loan-value basis, he asked the Director of the Security Loans Division if he had gathered information showing views contrary to those entertained by the Board. He stated that he was surprised to learn that this was not done and, to his further surprise, the Director stated that his Division worked up information to support the views of the Chairman after the Chairman had decided what he wished to do.

Mr. Vardaman emphasized his belief that the directors of the Reserve Banks should be more articulate regarding the operation of the Banks and System policy.

At the Capital City Club luncheon:

Attached is a list of those present at the Capital City Club luncheon.

Governor Vardaman repeated to some extent what he had said before the directors but went into detail regarding his objections to Government by regulation rather than by congressional enactment. He referred particularly to Regulations "T", "U", and "W". He said there was considerable doubt as to whether it was intended that the Board should have as much power as it had assumed in the promulgation of Regulation W. He said he felt that Congress should be asked to review many such subjects and be more specific regarding the authority to issue regulations.

~~127~~ The Governor said that, in his opinion, the Board had no authority to promulgate 100 per cent margin requirements. He said the Board could "regulate" the business, but not "strangulate" it.

He advocated the repeal of Regulation W as an unwarranted assumption of bureaucratic control.

He recommended direct contact with representatives in Congress as the way to combat bureaucracy.

The Governor spoke rather freely of the bureaucratic attitude on the part of the Board of Governors and other governmental agencies in Washington. He repeated the statement he had made at the Board of

Directors' meeting that the Board of Governors had developed into a one-man Board, and that he was doing everything within his power to get the Board to function as a full Board and act only after it had received the views from as many groups as possible interested in the subject or subjects under consideration, and the advice and recommendations of the offices and directors of the Reserve Banks prior to the issuance of rules and regulations by the Board.

GUEST LIST FOR LUNCHEON HONORING GOVERNOR JAMES K. VARDAMAN, JR.

Capital City Club, Atlanta, Georgia ,  
Thursday, January 16, 1947, 1:00 p.m.

Atlanta (Head Office) Directors:

Mr. W. D. Cook	President First National Bank in Meridian Meridian, Mississippi
Mr. George J. White	President The First National Bank of Mount Dora Mount Dora, Florida
Mr. Ernest T. George	President Seaboard Refining Company, Ltd., New Orleans, Louisiana
Mr. J. A. McCrary	Vice President and Treasurer J. B. McCrary Company, Inc. Atlanta, Georgia
Mr. Frank H. Neely	Executive Vice President and Secretary Rich's, Inc. Atlanta, Georgia
Mr. J. F. Porter	President and General Manager Tennessee Farm Bureau Federation Columbia, Tennessee.

Branch Directors:

NASHVILLE

Mr. W. Bratten Evans	President Tennessee Enamel Manufacturing Company Nashville, Tennessee
Mr. Joel B. Fort, Jr.,	Vice President and Manager Branch - Federal Reserve Bank Nashville, Tennessee

Branch Directors - Continued:

NEW ORLEANS:

Mr. H. G. Chalkley, Jr.

President  
Sweet Lake Land & Oil Co., Inc.  
Lake Charles, Louisiana

JACKSONVILLE:

Mr. H. S. Moody

Executive Vice President  
Manatee River Bank & Trust Company  
Bradenton, Florida

BIRMINGHAM:

Mr. Gordon D. Palmer

President  
The First National Bank of Tuscaloosa  
Tuscaloosa, Alabama

Atlantans and others:

Mr. Haymes McFadden

Publisher, Southern Banker

Colonel Blake R. Van Leer

President,  
Georgia School of Technology

Mr. Clarence Haverty

Chairman of the Board,  
Fulton National Bank

Mr. Erle Cocke

President,  
Fulton National Bank

Mr. H. Lane Young

Vice Chairman of the Board,  
Citizens & Southern National Bank

Mr. Mills B. Lane, Jr.

President  
Citizens & Southern National Bank

Mr. Joseph E. Birnie

President,  
The Bank of Georgia

Mr. John A. Sibley

President  
Trust Company of Georgia

Mr. R. E. Gormley  
(President, Georgia  
Bankers' Association)

Vice President  
Georgia Savings Bank & Trust Company

Atlantans and others - continued

Mr. J. T. Brown (Member, Federal Advisory Council)	President Capital National Bank Jackson, Mississippi
Mr. G. W. Patty	Executive Vice President First National Bank in Meridian Meridian, Mississippi
Dr. Raymond R. Paty	Chancellor, University System of Georgia, Athens, Georgia.
General Edward H. Brooks	Commanding General Fourth Service Command Fort McPherson, Georgia.
Mr. George C. Biggers	President, The Atlanta Journal
Major Clark Howell	President and Publisher The Atlanta Constitution
Mr. Freeman Strickland	Vice President First National Bank of Atlanta
Mr. William A. Parker,	President Beek & Gregg Hardware Company
Mr. James J. Selvage	President General Mills, Inc
Mr. Richard W. Courts	Courts & Company (stocks and bonds)
Mr. Malon Courts	Courts & Company (stocks and bonds)
Mr. W. S. McLarin, Jr.	President Federal Reserve Bank of Atlanta
Mr. L. M. Clark	First Vice President Federal Reserve Bank of Atlanta
Mr. Pollard Turman	General Counsel Federal Reserve Bank of Atlanta
Mr. J. R. McCravey, Jr.	Secretary to the Board, Federal Reserve Bank of Atlanta

Atlantans and others - continued

Mr. L. W. (Chip) Robert, Jr.

Robert & Company, Inc.  
Architects and Engineers

Mr. I. Carl Milner  
(Member, Industrial  
Advisory Committee)

Vice President and General Manager  
Gate City Cotton Mills  
East Point, Georgia

Mr. Luther H. Randall  
(Member, Industrial  
Advisory Committee)

President  
Randall Brothers, Inc.

Mr. Reed Dolan

Chief National Bank Examiner  
Sixth Federal Reserve District

Mr. Malcolm Bryan

Vice Chairman of the Board  
Trust Company of Georgia

Mr. Henry Toombs

Toombs & Creighton, Architects,  
114 Marietta Street, N. W.

At the Informal Luncheon in the  
Officers' Dining Room at the  
Federal Reserve Bank

Attached is a list of those attending the luncheon in the officers' dining room at the Federal Reserve Bank on January 17, 1947.

After the luncheon, Governor Vardaman talked informally repeating to some extent what he had said at the directors' meeting and at the luncheon at the Capital City Club. He did, however, refer more particularly to the Research and Statistical Division at the Board's office and similar departments attached to other governmental agencies. He said he thought the governmental agencies could very well do away with independent research divisions and rely upon a central research department. He stated that there is so much waste of time and money through the duplication of research and statistics departments; that they are operated with a view of proving or justifying the action of the agencies rather than the presenting of information from all angles of the subject and without color for political considerations. He said he thought the research and statistical work done by the Banks in the field was good and should be encouraged, but that the compiling and coordinating of the work in Washington should be confined to one department or division.

The Governor again referred to the one-man Board, rather than a seven-man Board, as provided for in the Federal Reserve Act. He stated that our Government has been run too much by executive fiat rather than by legislative enactment. In response to a query from a visitor at the luncheon as to what he, Governor Vardaman, would suggest as a remedy for the situation

of which he complained, the Governor stated that interested individuals could express their views to their Senators in the hope that Congress would clarify the Act, so as to eliminate any necessity of executive orders or regulations not clearly provided for by congressional acts.

Governor Vardaman emphasized the fact that he stood in the position of a lone wolf in his relationship with the Board. He stated Governor Eccles and Governor Evans are both advocates of centralization; that Governor Draper follows the Chairman; that he repeats continuously the words "inflationary spiral" learned from the Chairman; that Vice Chairman Ransom has been ill for some time and may be unable to resume his duties; that Governor Szymczak is abroad; and he again referred to the vacancy on the Board which existed at that time.

He stated that he told Chairman Eccles he was going to visit the Banks and Branches so that he might see and learn what was going on. He said he told Mr. Eccles he would do some talking and he would be glad to reduce to writing what he proposed to say for approval by the Board if the Chairman would do the same. He said that the Chairman refused to agree to that, and he stated he felt that there was no obligation on his part to submit his talks for review prior to their delivery. He stated that after his talk at the dinner in Cleveland, at the National Association of State Supervisors' meeting, and his speech in Virginia, before the Morris Plan Bankers' group, Mr. Eccles was critical of what he had said in each instance.

LIST OF GUESTS AT THE INFORMAL LUNCHEON  
HELD IN THE OFFICERS' DINING ROOM AT  
THE FEDERAL RESERVE BANK OF ATLANTA  
HONORING GOVERNOR JAMES K. VARDAMAN, JR.

January 17, 1947

Governor James K. Vardaman, Jr.,	
President W. S. McLarin, Jr.,	President of the Bank,
Mr. L. M. Clark,	First Vice President
Mr. Malcolm Bryan,	Vice Chairman, Trust Company of Georgia
Mr. H. Lane Young	Vice Chairman, Citizens & Southern National Bank
Mr. Freeman Strickland	Vice President, First National Bank of Atlanta
Admiral Sidney Sowers	
Mr. Richard W. Courts	Courts & Company

The memorandum of recollections regarding Governor Vardeman's visit to Atlanta seems to me to be accurate. It coincides with my own recollections, though, of course, I was not present at the meeting of the Directors of the Federal Reserve Bank.

The point that impressed me especially and that I would emphasize was not so much what was said as the spirit and tone and way in which it was said. The statements made, while accompanied by protestations of regard for Mr. Eccles, were sharp in tone and, to me at least, evidently malevolent in character and self-seeking in inspiration. It seemed to me that the impression sought to be conveyed was of a dictatorial Chairman engaged in the vigorous pursuit of highly dangerous policies, refusing a hearing to opponents and critics, and followed by the rest of the Board of Governors in a spirit of childlike acquiescence. The tone of the meeting was to build up the speaker as the white hope of decent, solid Americanism and to reduce the other members of the Board to the status of scoundrels and boneheads. X X X

That my impression was not my own exclusively is illustrated by a conversation with a close associate as we left the Capital City Club after the luncheon there. I said to him, 'Well, what did you think of the Governor's speech?' He replied, 'Mr. Eccles must either shut that man up or the Governor will run Mr. Eccles clear out of Washington - which he fully intends to do!'

The foregoing impressions, which were clear enough to me at the luncheon at the Capital City Club, were strongly reenforced the following day at the small luncheon at the Federal Reserve Bank's dining room. The Governor there continued in his same vein, but he seemed to be in a great itch to get telegrams and letters of protest written to the Senators and to the White House. He continually affirmed and urged such procedure and came forward with what I regarded, as you recall, as a very vicious attack on the Research Department of the Board of Governors and of the other governmental agencies.

In leaving the bank, the Governor stopped me a few feet from the front door to say good by. His parting remarks were, 'Now, we'll just get the letters and telegrams started. You boys out in the field must get the ball rolling.'