

J. L. DRISCOLL
P. O. BOX 830
BOISE, IDAHO

April 7, 1951

Mr. Marriner S. Eccles
Board of Governors
Federal Reserve System
Washington, D.C.

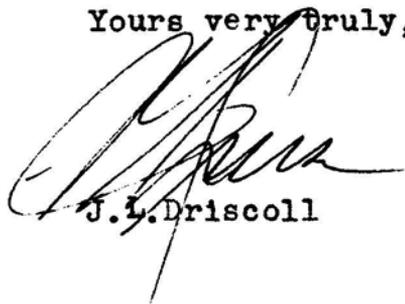
Dear Marriner:

I certainly enjoyed the trip to Lewiston, Pullman and Spokane with you and your talks. They were very educational and thought inspiring, Marriner.

On my return home yesterday I telephoned Harry Emerson to express to him on your behalf and my own our appreciation of his hospitality and many courtesies. In the process of doing so I made inquiry of what happened to him in Pullman. It seems that Triplett with whom we rode to Spokane had three fellows hanging on to him that he asked Harry to take over to another cocktail party in one of the dormitories as Triplett for some reason didn't want them to go to Dr. Compton's home. Harry did that and when he finally succeeded in getting loose, it was too late to come down to Dr. Compton's so much to his regret he failed to see us again.

As per our discussion I enclose herewith copy of letter that I sent to Senator Welker last week in answer to a telegram that I had received from him stating that he "would appreciate my views on the continuance of RFC."

Yours very truly,



J. L. Driscoll

JLD/c

COPY

April 3, 1951

Honorable Herman Welker
United States Senate
Senate Office Building
Washington, D.C.

Dear Herman:

After my rather strenuous Washington visit, I have returned to my desk to try to catch up on some of the accumulation so first of all I want to address you on the subject of the RFC.

As you know the RFC was originally created by Mr. Hoover as an emergency organization to assist in handling the conditions resulting in the 1932 depression. In my opinion its formation and activities incident to its purposes were entirely justified. At that time conditions had so developed that business in America had practically come to a standstill with the result that there was no monetary value to anything simply because no one had any money with which to buy things. While the public has never generally realized it, the immediate reason for Mr. Roosevelt declaring the bank holiday was the fact that the public and in that I include big business as well as little, had become so frightened that they had withdrawn money from the Treasury, Sub-treasuries and the banks of America and I mean cash, not checks, at such a rapid rate that there was no longer any currency available anywhere to pay withdrawals. I haven't forgotten that when the holiday was about to end I telephoned the Federal Reserve Bank in Salt Lake to ask them to charge our account, where we had well over a million dollar balance, to ship us a half million in currency and was advised by the Federal Reserve Bank that they had no currency, that they expected a shipment from the Treasury Department fresh off the printing press within the next twenty-four hours at which time they hoped to be able to ship us the actual currency.

Neither have I forgotten the hour and a half telephone conversation I had with all the members of the Board of the RFC on extension lines in Washington debating what we could loan on livestock through the Regional

Honorable Herman Welker

April 3, 1951

Agricultural Office in Boise. The Congressional Act required that we loan on good and adequate security. I was insistent at that time that this office make loans of \$4.00 per head on sheep, that nothing else would accomplish the desired purpose. The members of the board called my attention to the fact that the sheep couldn't be sold at \$4.00 per head and debated whether making such loans was securing good and adequate security. Of course, the sheep couldn't be sold at \$4.00 a head; they couldn't be sold at all under the existing conditions so we proceeded to make those loans to good outfits such as Andy Little, Archabal and other equally substantial layouts notwithstanding the protest of some members of the RFC Board. The final outcome of that type of lending was that this office of the RACC returned to the Treasury after paying interest on the money used and after paying all expenses and absorbing all losses a net profit of over half million dollars.

Such was the background of the country at the time the RFC was established to offset it. The incidents I have outlined above were just one phase of the whole economic problem existing. They are typical of what was going on in all lines of endeavor throughout the country. I think it goes without saying that I thoroughly approved the formation of the RFC and think the results accomplished fully justified the Government's sponsorship under such emergency conditions.

Since then, however, the RFC like all Government agencies once they are created, has tried to justify its continued existence with the result that it has spread out into a lot of fields of activity that were never contemplated at the time of its creation. That it has gone far astray in its operation and management has, I think, been amply demonstrated within the last few months and continuation of its present activities and methods is wholly unjustified.

At the present time we are facing an entirely different set of circumstances from what existed at the time the RFC was formed. Now we have an inflated economy as compared to a totally deflated economy at the time of its formation. We also at this time have a war situation facing us and it is in connection with that activity that continuation of the RFC in some form is justified if it is justified at all. At the present time there are some businesses which turn to the RFC for capital loans which commercial banks cannot handle to advantage. Some of

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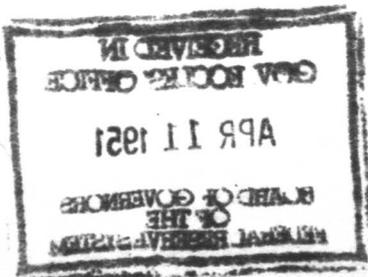
these are small, some of them are large and to the extent that these are of importance in connection with the development of our defense effort, probably the continuation of the RFC in some form may have some justification. On the other hand in my opinion making easy government credit for capital investment available to businesses or enterprises which are not of importance in connection with our defense effort is simply adding fuel to the inflationary fire. If a business or enterprise cannot under present monetary conditions secure adequate capital from private sources to finance its operations or if it has such poor management that it hasn't of itself built up the necessary capital to successfully run its business, then what justification is there for the Government to furnish the capital. Such financing, as I see it, simply increases the inflationary pressures as stated above. Whether or not there is a sufficient amount of demand for capital loans to businesses from government agencies that cannot otherwise be advanced for the purpose of financing the defense effort, I am not in a position to say because I do not have the necessary information on the overall picture, but in my opinion that is the only justification for the continuation of the RFC.

My thinking is, Herman, that it will be continued regardless because I think the Southerners and the Administration want it continued so I believe there are sufficient votes to keep it going but if it is continued, certainly it should be entirely revamped and re-oriented in its operations.

Yours very truly,

J. L. Driscoll

JLD/c



May 3, 1951.

Dear Lynn:

I returned to Washington on Thursday, April 12, to find your letter of April 7, enclosing copy of letter to Senator Welker, arrived at my office shortly before my return. I have been so busy that I have not had an opportunity to reply before now.

I think your letter to Senator Welker, relative to the R.F.C., is a very good short analysis of the history of the R.F.C. and the reasons why it should be liquidated. I saw Welker the other night and he said he had received your letter and was in favor of liquidation of the R.F.C. He said he had also received a letter from Harry Emerson favoring its continuance -- he was surprised and could not understand why Harry would take that position in view of your attitude and mine.

You know by now that I had an opportunity last Friday to appear before the Senate Banking & Currency Committee and give my reasons why the R.F.C. should be abolished at this time. I sent you a copy of my prepared statement. I got a very good press covering my testimony. I agree with you that the Administration, politically, will keep the R.F.C. alive in some form. However, they are not much different from the Republicans in that regard because the life of the R.F.C. expired in 1948 during the Republican Congress and they had an opportunity to abolish it just by not taking positive action to extend its life until 1954. The way things looked in 1948 they expected to win the election that fall and no doubt thought it desirable to have the R.F.C. in existence. It seems that both political parties have certain similarities, which is unfortunate for the country.

With kind regards,

Sincerely yours,

M. S. Eccles.

Mr. Lynn Driscoll, President,
First Security Bank of Idaho, N.A.,
Boise, Idaho.

J. L. DRISCOLL
P. O. BOX 830
BOISE, IDAHO

May 31, 1951

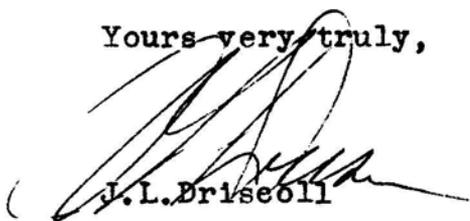
Mr. M. S. Eccles
Board of Governors
Federal Reserve System
Washington, D.C.

Dear Marriner:

On my return to the office after some weeks' absence on a trip to Honolulu, I found your letter of May 3 and copy of your statement made before the Senate Banking and Currency Committee on RFC legislation. I have read both with a great deal of interest.

I note with a smile the comments in the latter part of your letter that unfortunately the Democratic and Republican parties have too much in common. In that statement I certainly concur. As I see it that has been one of the troubles of the Republican party. The Republican politicians haven't been willing as a whole to take a stand based on principles. They spend most of the time trying to figure out minor political questions that get a few votes or avoid losing a few votes rather than taking a proper stand on what is fundamentally sound and what is good government.

Yours very truly,


J. L. Driscoll

JLD/c