

FEDERAL RESERVE BANK  
OF  
KANSAS CITY

May 16, 1944

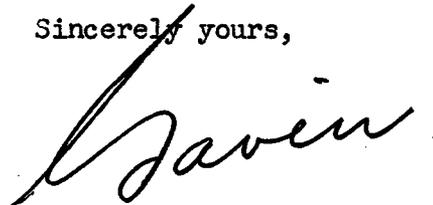
Mr. Marriner S. Eccles, Chairman  
Board of Governors of the  
Federal Reserve System  
Washington 25, D. C.

Dear Marriner:

I hand you herewith photostatic copy of letter of D. J. Arnold, President of the Georgia Bankers Association, to J. H. Peters, President of the First National Bank, Loveland, Colorado, dated May 5 and copy of Mr. Peters' reply of May 11.

So far as I know Mr. Peters has not seen your speech to which reference is made but whatever the case may be it seems to me that he has made a very good answer to the charges contained in Mr. Arnold's letter.

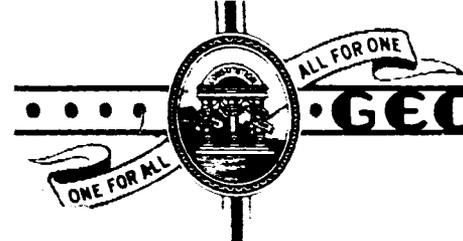
Sincerely yours,



H. G. Leedy  
President

HGL:SMF





# GEORGIA BANKERS ASSOCIATION

OFFICE OF PRESIDENT

GRIFFIN

May 5, 1944

Mr. J. H. Peters, Pres.  
First National Bank  
Loveland, Colo.

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Dear Sir:

The American Banker of April 29 published a letter which you addressed to Mr. Leo T. Crowley, Chairman of the FDIC. In this letter you stated as follows: "Your hints about 'those who advocate a single, Federally-controlled banking system with branch banking extended beyond State lines, or the elimination of private correspondent bank relationships', and 'an administrative ruling to bring about universal or par clearance under the guise of interest regulation'.....". You have suggested that this should be supported by proof or retracted.

If you will permit me, I would like to furnish this proof, though I have not been requested by anyone to do so. I would like to call your attention to the following:

The chairman of the Board of Governors of the Federal Reserve System is quoted in the Congressional record as stating in a speech to State bank supervisors on September 17, 1943, the following words: "The dual banking system as now constituted is outmoded." This is proof that he seeks a single, Federalized system of banking. He is further quoted as stating, "I have long felt that limited branch banking is the practical solution of the banking problems confronting those areas where unit banks cannot succeed." This is proof that he favors branch banking.

Last week the Federal Reserve Bank got out a letter to customers of non-par banks enclosing a circular dealing with Regulation Q, stating that said circular reached conclusions which seemed sound. The circular was vicious, poorly and cheaply phrased, and was unworthy of any consideration from such an organization as the Federal Reserve System. This contemptible procedure is proof that the Federal Reserve Board is attempting to force universal par clearance through their directive.

It is reasonable to believe that when the above enumerated objectives are reached, private correspondent bank relationships will be eliminated.

Yours very truly,

President  
GEORGIA BANKERS ASSOCIATION

C O P Y

FIRST NATIONAL BANK

Loveland, Colorado

May 11th, 1944.

Mr. D. J. Arnold, President,  
Georgia Bankers Association,  
c/o Commercial Bank & Trust Company,  
Griffin, Georgia.

Dear Mr. Arnold:

I am very glad to have your letter of May 5th.

Your quotations from the speech of the Chairman of the Board of Governors of the Federal Reserve System, it seems to me, do an altogether inadequate job of supporting Mr. Crowley's implications that that Board "seeks a single, Federalized system of banking," or that it "favors branch banking."

I would point out that you first quote Mr. Eccles as saying, "The dual banking system as now constituted is outmoded," and not "The dual banking system is outmoded." With reference to your second quotation, "I have long felt that limited branch banking is the practical solution of the banking problems confronting those areas where unit banks cannot succeed," that is just another way of saying that limited branch banking is better than none at all. That is perfectly true as regards communities for which banking facilities can be provided in no other way, and I see nothing particularly reprehensible about that view, whether held by Mr. Eccles or anybody else. My own feeling, however, is that limited branch banking might readily become extended branch banking, and I am opposed to any extension of branch banking privileges for that reason.

I would invite your attention to the recommendation that legislation be enacted preventing further expansion of existing bank holding companies or the creation of new bank holding companies, in the Board's annual report to Congress, and to the following statement in that report:

"Moreover, the device (bank holding companies) lends itself readily to the amassing of vast resources obtained largely from the public which can be controlled and used by a few people and which give to them, when they choose to so use them, an unfair and overwhelming advantage in acquiring properties and in carrying out an unlimited program of expansion."

Since pretty much the same objections could be raised to the expansion of branch banking, this statement would seem to indicate pretty clearly the Federal Reserve Board's position with reference to that.

Your conclusion that the Federal Reserve Board is out to eliminate correspondent bank relationships is just a conjecture, and I'm offering one that holds precisely the contrary, so perhaps we had better just call that a draw.

I haven't seen a copy of the circular which you mention, and would appreciate it very much if you would send me one. I am sure that if it is all of the things you say it is, it is indeed unworthy of "any consideration from such an organization as the Federal Reserve System."

It is a matter of extreme regret to me that the bankers of the country are divided on the question of nonpar clearance, which division seems to me to have given rise to most of our other differences. I've tried to do a thorough job of informing myself on the subject and thinking it through, and my present very strong conviction is that nonpar clearance is absolutely devoid of any moral or ethical status or justification. You see it differently from where you sit and think I'm a bum. It's a great life!

With kindest regards and best wishes, I am

Yours very truly,-

J. H. Peters

President.

May 18, 1944.

Mr. H. G. Leedy, President,  
Federal Reserve Bank of Kansas City,  
Kansas City, Missouri.

Dear Gavin:

The Chairman will be interested in seeing Mr. Peters' excellent reply to Mr. Arnold. As you know, Mr. Eccles is on a trip to the West. I shall see that he gets these letters, and meantime want to thank you for them on his behalf.

Mr. Peters quotes accurately from the speech to the National Association of State Supervisors of State Banks. I enclose, however, a copy of that address which sought, basically, to answer the central theme set by the Association, and to suggest what was in the interest of the smaller unit banks. I think the restrictions he would put around branch banking, as explained on page 7--as marked--are well worth noting.

With best regards,

Elliott Thurston,  
Special Assistant  
to the Chairman.

ET:bjd

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