

Draper

Statement of Mr. Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, at the Conference of Federal Reserve Officers, Service Procurement Officers, and Director of Small Business Activities, held at the Federal Reserve Building, Washington, D. C., November 12 - 13, 1940.

Governor Draper and members of the Board, Mr. Nelson, and representatives of the Reserve Banks, I believe this meeting will turn out to be rather an important occasion. I believe it will be the beginning of a service and a relationship that will mean a great deal to the Federal Reserve System as well as to the business, and particularly the small business, of the country as a whole.

A meeting of this size indicates the extent of the Federal Reserve System. Large as this group is, there is not more than one or two men present representing each bank or each branch of the System. Few people realize the extent or the size, coverage, and facilities of the Federal Reserve System.

The Board of Governors has felt for some time that the facilities of the System, its trained personnel, its strategic location, could be much more effectively used than has been the case for some time past.

In early June the following letter was addressed to the President of the United States:

"June 19, 1940

"As a means for advancing the defense program effectively the Board of Governors of the Federal Reserve System, with the cooperation of the officers and directors of the Federal Reserve Banks, wishes to offer you the facilities of the System. The offer covers both operating plant and the services of the System as a going organization.

"Included in the plant are the offices and equipment of the twelve Federal Reserve Banks and their twenty-four branches situated in thirty-six leading cities in various parts of the country. These cities are so distributed that they afford close contact with every part of the whole area of the country and its economic structure.

"As an illustration of the possible use the Advisory Commission to the Council of National Defense might desire to make of Federal Reserve facilities, office space could be provided in each or some of the Federal Reserve Bank and branch buildings throughout the country for a representative or representatives of the Commission. These representatives could have personal contact over the territory served by the Bank or branch, and might in many cases make it unnecessary for industrialists and others within the district to travel on to Washington.

"The System is connected by special telegraphic service centered at the Board's offices and already utilized daily by the United States Treasury in the transfer of Government funds and otherwise.

"The System collects and compiles currently information as to the productive and distributive activities of business in all fields--agriculture, manufacturing, mining, construction, distribution, finance--and as to employment and prices. This and other necessary information could be made available to the Advisory Commission to the Council of National Defense.

"In addition to the administrative and professional staff which the System can make available to the defense program, there is also available the assistance of Members of the Federal Advisory Council and the boards of directors of the twelve Federal Reserve Banks and their branches.

"Each of the twelve Federal Reserve Banks has a board of nine directors--three of these are bankers; six are business and professional men whose private interests and experience lie in manufacturing, transportation, merchandising, farming, publishing, education, and other important fields. The directors of the branches are similarly representative, not only of banking, but of commerce, agriculture and other industrial pursuits--a total of two hundred and sixty.

"The Federal Reserve Banks are already acting, as they have for years, as fiscal agents of the United States Government.

"During the last war the services performed by the Federal Reserve Banks in this capacity were, it is believed, of the utmost importance in facilitating the fiscal business of the Government.

"We hope that you will call these services and facilities to the attention of the members of the Advisory Commission to the Council of National Defense and that you and they will ask the Reserve System for any service it may perform through its plant and organization."

As a result of this letter being sent to the President and being brought by him to the attention of the Commission, there has been worked out by the Defense Commission, at least in general outline, a plan to take advantage of this offer.

The proposal seems to me to be an excellent thing for the War and Navy Departments, for the Defense Commission, for business, particularly small business, and for the Reserve System.

It should prove of value to the War Department, because they desire, as a matter of strategic importance, to have decentralized, so far as possible, the productive facilities for national defense. It is also desirable at a time when bottlenecks are in prospect and when capacities are being approached in many lines, that the complete and full utilization of the plant and facilities that can be furnished by little business should be brought into play.

The Defense Commission naturally is desirous of getting the defense program carried out as rapidly as possible and of avoiding bottlenecks or the building of additional unnecessary facilities.

It is desirable likewise from the standpoint of the housing of the labor supply to distribute, so far as possible, the defense business and avoid the shifting of labor throughout the country, to avoid the unnecessary construction of housing.

From the standpoint of small business, a great many of them during the period of the depression have operated at considerable disadvantage, and if their facilities can be used and they can be put upon a profitable basis, it will be a sound economic development.

The Reserve System has for some time been looked upon largely as a standby institution. As you know, its credit facilities and some of its officer personnel have not been utilized to the fullest extent possible. We are in hopes that this program will give us an opportunity to use to a fuller extent the Reserve Banks and branch facilities and the officers of the Reserve Banks and their branches. It should mean avoidance of trips to Washington by representatives of numerous small business organizations if such personnel are made thoroughly familiar with the program that it is expected the Reserve System, in conjunction with the Defense Commission, can carry out. If that can be done, it seems to me that the job is likely to be a dynamic rather than a static one.

There is no question that in a program of this sort changes are numerous. Many problems will arise. We should expect this and not be discouraged if delays and difficulties are encountered.

We have asked for this opportunity through the President of the United States. The Commission has been glad to accept this offer and to undertake the use of the facilities of the System. It would be most unfortunate for the System if we should fall down anywhere along

the line. I do not think that anything of that sort is likely to happen.

I do want to impress upon you, however, the great need for your putting forth your maximum effort in undertaking to facilitate in every possible way the business that we will have to do as representatives of the Defense Commission and the War and Navy Departments on the one hand and of little business in our territory on the other.

I thank you.