

February 28, 1955

Internal Memorandum

Conversation with Dr. Walter Stewart on Southern banking

This conversation concerns the regional character of the Federal Reserve. The conversation arose out of my saying that I had been to Atlanta and had been very much interested in knowing more about the development of Southern banking. Dr. Stewart said that the American historians had been very lacking in imagination. Economic historians and monetary men wrote volume after volume on the greenbacks, but no one said that the greenback period was one in which only half the country was engaged.

His interpretation is that after the Civil War, the South reverted to an economy in which there was almost no money. It was an agricultural economy and, to a certain extent, a barter economy. He said that the sharecropper (the growth of the sharecropper) and the development of that phase was, to a certain extent, to be explained in terms of this lack of cash. The sharecropper could not be paid regular wages because there was not cash enough in the South to handle matters in this way, nor were there banks enough. He said that real "honest money" went into the South with the New Deal and that to a certain extent this constituted a second abolition. The first was the abolition of slavery, the second was the abolition of extreme poverty.

Speaking of Southern finance, he said that before the Civil War, private finance in the South was active and well organized. A sheet called Hunt's Merchants' Magazine carried the Clearing House statements of Southern banks up to the Civil War. At that point, banking statistics in the South disappeared, and no one has picked up this thread, seen its implications or carried it forward. The pre-Civil War center of banking in the South was Baltimore, but after the Civil War cut this off, there was practically no banking in the South of any consequence.

This analysis, if it stands up, would go far to explain the casual way in which banks seem to open, to take in business and then to fail. This progression was

characteristic of Florida in the days of the great Florida boom. It may be a clue to the way that banks were conducted during the 1920's. Certainly, I think that this project could well include a monograph on Southern banking, but it would have to be carefully set and most carefully done. It might, however, lead to far more work in this field and would be very useful if the paucity of information on the subject is as great as Dr. Stewart implied.

I asked him whether anybody had done a good history of Southern banking, and it was in that connection that much of this came to light.

MA:IB