

February 17, 1944.

My dear Mr. President:

Your letter of February 9 came as a great surprise as well as a disappointment to me. I regret that you got the impression that the three Federal banking agencies duplicated examinations -- they never have, though the law permits it -- or that the saving to be accomplished by eliminating duplication was the primary reason for a consolidation. The more important points which I tried to make in our luncheon discussion were:

1. The need to have one agency, instead of three, speaking for the Government in all banking matters. This will make for unified policy, for greater efficiency and avoidance of delays, friction and cross-purposes inherent in divided but closely related functions.

2. All the reasons given for the reorganizations you have brought about in other fields of Federal operation are present in this case, namely, to unify, simplify and otherwise improve Government administration.

3. The Federal Reserve cannot be as effective as it should be in carrying out national credit and monetary policies in the banking field so long as supervisory and regulatory powers are divided with two other Federal banking agencies. All these interrelated powers should be under one control if they are to have their full influence in helping to combat either inflation or deflation.

4. Substantial economies in manpower and facilities would result from merging administrative, legal, statistical, examination and other functions of the three agencies in one headquarters in Washington (the Federal Reserve Building is already available) instead of in several scattered offices, and by having 12 regional headquarters instead of 36 as at present. I believe a saving of at least 25 per cent in personnel, or more than 1000 people, and of fully four million dollars can be effected.

5. If the Federal banking organization is to be improved, it must be done now by Executive Order; it would be difficult, if not impossible, to accomplish it through the legislative mill because of political pressures from the agencies concerned and from banking groups which seek to benefit through divided authority.

6. The personal problem is minimized at this time; Leo is so overburdened because of his many other new and important duties as to necessitate his leaving FDIC; Henry is increasingly occupied with his heavy and growing responsibilities; on the other hand, the work of the Board of Governors has not increased and it has ample time to assume additional duties.

As you will recall, I strongly urged the need for consolidation of the Federal banking agencies, regardless of whether it was under the Federal Reserve or some other set-up, and said that I would gladly step out of the picture if it would help to bring about this result. My term was expiring, it was an appropriate time to withdraw, and it seemed best for me to do so in view of the way I felt. You generously said, however, that you wished me to stay, that you agreed there was need for improvement, and that you would do something about the situation.

I delayed sending this reply to your letter until I could talk with Jimmy Byrnes. We have just had a long, frank discussion, and recognizing his feeling about the matter, I suggested a much simpler alternative which I think would overcome the principal objections. You have already given much of your valuable time to this matter. I greatly appreciate it and hesitate to ask for more, but I feel that the question could be disposed of best if you would permit Jimmy Byrnes and me to meet with you.

Respectfully yours,

M. S. Eccles,
Chairman.

The President,
The White House.

ET:b