

February 17, 1943.

Dear Henry:

Because of your deep interest in the matter, I thought you might like to see the enclosed copy of a letter which Governor Evans of this Board has sent to Mr. Townsend, Director of Food Production Administration of the Department of Agriculture, with reference to the RACC. It embodies a suggestion in which I heartily concur, namely, that local bankers be designated to sit with the county boards to advise on loan policies and to see that the private banks are first given every opportunity to make loans before the RACC steps in.

I have been assured by Mr. Townsend in correspondence that I have had with him that it is the purpose of the RACC to supplement and not to compete with or supplant existing private credit agencies. I think the reasons for criticism would largely disappear if the procedure outlined in Mr. Evans' letter were adopted.

Sincerely yours,

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

Enclosure

T:b

COPY

February 15, 1943.

Mr. M. Clifford Townsend, Director,
Food Production Administration,
U. S. Department of Agriculture,
Washington, D. C.

Dear Governor Townsend:

I appreciate the spirit of cooperation set forth in your letter of February 11. Since you asked for suggestions to improve the program, I should like to call an existing condition to your attention and suggest a remedy which I think will work out to the best interest of your program and to the banks as well.

A committee from the American Bankers Association called here a few days ago and said their country bankers were complaining very bitterly about Government competition. They stated the Government was asking them to devote a portion of their time to selling war bonds without compensation while at the same time another agency of the Government was taking some of the loans they should make.

I have complete faith in the local committees and I am confident they will work out any problem presented to them if they have some general direction from Washington. I believe that the criticism to which I have referred would be wholly or largely obviated if you would suggest to the county war boards that they ask the local bankers association in each important agricultural county to designate a banker to sit with the county war board and advise on loan policies. If the local banks were willing to make the loan to the farmer at a reasonable rate of interest, this would ease your burden and give the local bankers an opportunity to use their existing funds. On the other hand, if the local banks do not wish to make the loan, certainly they could have no legitimate objection if the Department made the loan to secure the increased production you desire.

A program of this kind, if properly worked out, would give you just one more tool to make your job more successful. At the same time it would create a spirit among the country bankers that would be very favorable to aiding the Government in its bond sale program.

Sincerely yours,

(Signed) R. M. Evans.



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

MAR 4 1943

Dear Marriner:

The Secretary has asked me to thank you for your letter of February 17, 1943, enclosing copy of a letter which Governor Evans sent to Mr. Townsend, Director of Food Production Administration of the Department of Agriculture, suggesting a way in which local bankers could cooperate with that Department in connection with the RACC loan program.

This appears to be an excellent suggestion and, if adopted, would probably go far to remove the current criticism from country banks.

Sincerely yours,

A handwritten signature in cursive script, likely of the Under Secretary of the Treasury, appearing as "San".

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

