

CHARTER 14200

# THE FIRST NATIONAL BANK

AT NEILLSVILLE

CAPITAL \$ 50,000.00

NEILLSVILLE, WIS.

Nov 13/42

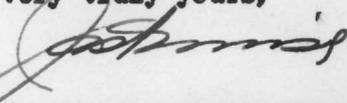
Mr. Marriner S. Eccles, Chairman,  
Board of Governors, Federal Reserve System  
Washington, D. C.

Dear Mr. Eccles:

Enclosed herewith is a copy of a resolution adopted by the Clark-Taylor County Bankers Association at a meeting held at Owen, Wisconsin, on Oct 30/42.

It is the opinion of the Clark-Taylor County Bankers Association that the competition of the PCA leading agencies with regularly established financial institutions in the agricultural communities has an element of unfairness to those institutions. While it may not be possible to eliminate them entirely, their activities should be curtailed in such a manner as to carry out the intention of the National Government at the time they were organized as temporary federal loaning agencies.

Very truly yours,

  
Jas. A. Musil, Cashier  
President, Clark-Taylor Bankers Ass'n

MEMBER OF FEDERAL RESERVE SYSTEM

The Clark-Taylor County Bankers Association of Wisconsin, at a recent meeting of the officers and directors of these banks, discussed ways and means whereby the banks could render the greatest assistance to the Government during the duration of the war and during the reconstruction period following.

It was the consensus of opinion at this meeting that it would be necessary for the banks to increase their earnings substantially in order to do this.

It was generally recognized that the earnings of most banks was low, too low in some banks even to assure their continuing in business. The reason for the low earnings was apparent, the banks have a large surplus of idle money with no opportunity to loan it in the localities they serve.

The banks were organized primarily to furnish necessary funds to farmers and business men in their communities and their resources prior to the depression were adequate for these purposes. Their earnings up to that time had been adequate to pay their stockholders a fair dividend after paying expenses and setting up reserves.

It had been the policy of the State of Wisconsin, and cooperated in by the National Government, to limit the number of banks to the requirements of the community in order that the banks that were chartered could exist and make adequate earnings.

The depression temporarily halted their ability to supply the credit needed in their communities. As a result thereof the National Government stepped into the gap and set up temporary Federal loaning agencies to supplement funds and meet the requirements of the communities, with the promise, or at least the implication, that these agencies would be discontinued as soon as the emergency ended.

The depression ended some time ago, but the Government has taken no steps to discontinue any of these agencies and return the field of investment to the community banks.

On the other hand these agencies have continued in business in active competition with the banks in securing loans, depriving the banks

We believe that the purpose of the Government in setting up these agencies was to supply the credits to the communities which the banks were not able to supply during the period of depression, and it was not the purpose to have these agencies continue as active competitors of the Banks after the depression was over.

However, if these agencies continue as active competitors of banks and take from them their principal source of income, many of the banks will have to discontinue.

We, therefore, respectfully request the Government to continue only those agencies that serve a clientele requiring long term loans and those borrowers whose financial standing disqualify them for bank loans.

Respectfully submitted,

CLARK-TAYLOR COUNTY BANKERS  
ASSOCIATION OF WISCONSIN

Citizens State Bank, Loyal, Wisconsin

Farmers & Merchants Bank, Greenwood, Wisconsin

Peoples Exchange Bank, Thorp, Wisconsin

Colby State Bank, Colby, Wisconsin

Curtiss State Bank, Curtiss, Wisconsin

The First National Bank at Neillsville, Wisconsin

State Bank of Gilman, Gilman, Wisconsin

Farmers State Bank, Stetsonville, Wisconsin

Security State Bank, Colby, Wisconsin

Spencer State Bank, Spencer, Wisconsin

State Bank of Withee, Withee, Wisconsin

Dorchester State Bank, Dorchester, Wisconsin

Neillsville Bank, Neillsville, Wisconsin

State Bank of Medford, Medford, Wisconsin

November 27, 1942.

Mr. Jas. A. Musil, President,  
Clark-Taylor County Bankers Association,  
The First National Bank,  
Neillsville, Wisconsin.

Dear Mr. Musil:

Your letter of November 13 enclosing a copy of the resolution adopted by the Clark-Taylor County Bankers Association raises questions which I have discussed informally with those who are more familiar than I am with the conditions of which the resolution complains.

It is not my understanding that the PCA lending agencies were originally established merely as temporary organizations. In any case, I would be very much surprised if the bankers who object to their activities will be successful in materially restricting, much less eliminating, them. In effect they are farmer managed and operated lending agencies which derive their funds almost entirely from the public, principally by the sale of debentures through the intermediate credit banks, rather than by drawing upon the Federal budget. Their rates appear to be determined by money market conditions, and if I correctly understand the complaints against them, they are based primarily upon the fact that these agencies are able to extend credit at interest rates which have been at the level of about 4-1/2 per cent, whereas those bankers who complain of competition feel that much higher rates should obtain.

As a western banker all my life, I am familiar and sympathetic with the problems of the smaller independent banks, particularly those serving agricultural regions. I would be less than candid, however, if I did not say to you frankly that I do not think the solution of the problems of these banks lies in attempting to curb or eliminate these agricultural lending agencies. For a good many years I have believed and I continue to believe that the ultimate solution lies in the direction of unification of the banking system and the development, possibly on a State or regional basis, of properly supervised branch banking such as has been evolved from long experience in England as well as in Canada. I recognize, of course, that this has long been a highly controversial battle ground and I do not feel that this is the appropriate time to revive these sharp issues.

Sincerely yours,

M. S. Eccles,  
Chairman.