

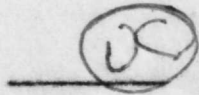
Geo. Eccles

June 14, 1949

Members of the Board

Mr. Vardaman

Attached are copies of a telegram addressed to me by Chairman Dearmont of the St. Louis Federal Reserve Bank and of my letter replying thereto, both of which are self-explanatory.



Attachments (2)

June 14, 1949

PERSONAL AND CONFIDENTIAL

Dear Russell:

Thanks for your telegram of the 30th from White Sulphur Springs. It was a thoughtful gesture, and I appreciated it. To my mind, the Chairmen's Conference and the Federal Advisory Council are the two most helpful and important groups the Board has in promulgating its regulations and policies, and through which the Board can be kept advised constantly of the reactions to its policies in banking and business circles. Frequent, friendly and informal meetings between the Chairmen and the Board are not only advisable but essential if the Board and the Banks are to function effectively. Personally, I look forward to my contacts with the Chairmen individually and collectively with a great deal of pleasure, and have never yet failed to benefit in some way from the discussions I have had with them.

However, I decided not to attend this meeting at White Sulphur and feel that you and the other Chairmen might be interested in my reason. No one appreciates more than I, or places a higher value upon the services of the Chairmen, who give their time and energies without compensation. It has been inferred that meetings, such as the last two at White Sulphur, are necessary to the maintenance of good will, interest and active participation of the Chairmen in the System's affairs. Personally, I question that contention, because it seems to me to reflect upon the public spirit and the intelligence of the Chairmen. You gentlemen well know, as do we, the value of the service which you are rendering; and your reward is, at least partially, in your knowledge of the patriotic contribution you are making. I am sure that you would be the last to suggest that meetings of this sort at public expense are necessary to your morale or continued interest in the System.

It is this question of public expense, as well as that of policy, which troubles me in the circumstances. I feel that the Board, in view of its public obligations, its specific responsibility for System expenditures and its accountability as an agent of the Congress, should be meticulously scrupulous in the use of System funds which are, as a practical matter, public funds. I cannot justify to myself expenditures, even if they be quite nominal, for meetings such as the last two at White Sulphur Springs. I do not know of any Government Department or Agency, operating with appropriated funds and accountable under the Budget and to the General Accounting Office, which could legally expend public funds for meetings at expensive resort hotels, away from Washington, particularly when the business at hand could

quite as well be transacted in the usual way at an established office of the Department or Agency, either in Washington or in the field.

It is of some significance, I think, that the Federal Reserve Act specifies that the Federal Advisory Council shall meet four times annually in Washington. Similarly the Act requires that meetings of the Federal Open Market Committee "shall be held in Washington" and nowhere else. It is reasonable to assume that if the Act also provided for meetings of the Chairmen there would be a like requirement that the regular meetings be held in Washington.

In view of these aspects of the matter, and after giving the question careful consideration, I concluded prior to the 1948 Conference at White Sulphur that such meetings in that or similar localities were of doubtful legality and definitely in poor taste; and I protested to the Board the holding of that meeting away from Washington. I finally consented to attend with considerable mental reservation about the proprieties; and stated to the Board then that I did not intend to be present at such meetings in the future.

I earnestly hope that future meetings with the Chairmen will be held either in Washington; or, if it meets better the convenience of the majority of the Chairmen, then at one of the twelve Federal Reserve Banks. I also hope to be present at all future meetings, as long as I am a member of the Board; but, whether I am there or not in person, you may be sure of my friendly desire to be helpful to the Chairmen and the Board in carrying out the actual and implied obligations of our offices.

Since your telegram was sent in behalf of the Chairmen, I am sending a copy of this letter under confidential cover to each of them.

With best wishes, I am

Sincerely,

s/ James K. Vardaman, Jr.

Mr. Russell L. Dearmont,
Chief Counsel for Trustee,
Missouri-Pacific Lines,
705 Olive Street,
St. Louis, Missouri

C
O
P
Y

WESTERN UNION
White Sulphur Springs

May 30, 1949

JAMES K. VARDAMAN, JR.
1069 THOMAS JEFFERSON STREET, NORTHWEST
WASHINGTON, D. C.

CONFERENCE OF CHAIRMEN HAS JUST CONCLUDED ENJOYABLE AND WORTHWHILE
SERIES OF MEETINGS. WE MISSED YOU AND YOUR GOOD COUNSEL AND HOPE YOU
CAN BE WITH US THE NEXT TIME.

RUSSELL L. DEARMONT