



FEDERAL RESERVE BANK
OF DALLAS

R. R. GILBERT
PRESIDENT

May 30, 1947

Personal and Confidential

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

Dear Governor Eccles:

In response to your letter of March 20, I am enclosing a memorandum which summarizes the statements and comments made by Governor Vardaman at luncheons given in his honor in El Paso, San Antonio, and Houston during the early part of January, 1947. The memorandum is based upon the recollections of the various officers of the branches and others who attended the luncheons, and incorporates the substance of the more important comments made by Governor Vardaman at the meetings.

As indicated in my letter of March 29, his so-called "off-the-record" talks at El Paso, San Antonio, and Houston were along the same general lines as those he made elsewhere. I apologize for the delay in submitting this memorandum and hope that it has caused you no inconvenience.

With warm personal regards and all good wishes, I
am,

Sincerely yours,

R. R. Gilbert
President

Memorandum of statements and comments made by Governor Vardaman at luncheons in El Paso, San Antonio, and Houston during the early part of January, 1947.

Prior to Governor Vardaman's visit to this district last January, his secretary advised us of his contemplated trip and stated that the Governor would like for us to arrange luncheons for him so he would have an opportunity to meet and talk to some of the leading bankers and businessmen in Texas. Luncheons were arranged in his honor at each of our branch cities, and bankers and other business leaders were invited to attend them. The number present at the luncheons ranged from 25 in El Paso to 40 in Houston.

Governor Vardaman stated that the purpose of his tour of the country was to attempt to feel the pulse of the businessmen in different sections, which would enable him to represent them better in his capacity as a member of the Board of Governors. He stated that the greatest danger to this country is not the spread of communism but the development of government bureaucracies in Washington. He said that most bureaus are unduly influenced by staff members and that the situation in the office of the Board of Governors is no exception to the rule. He advised that many members of the Board's staff have a greatly exaggerated idea of their own importance, have a closed mind on a great many subjects, and do not want to receive information or facts which would tend to disturb or disprove their own pet theories. He stated that many members of the Board's staff are incompetent or have already served their period of usefulness and that as far as it was in his power to do so, he expected to replace them as quickly as possible. Although professing great admiration for Chairman Eccles, he stated that the Board of Governors is a one-man board and that the other members are completely dominated by the Chairman. He stated that as is customary in most Washington bureaus, the Board is constantly seeking more power for itself,

with the result that the importance of the Reserve banks and their boards of directors is rapidly diminishing. He stated that the Chairman is in favor of a unified banking system and that he is bitterly opposed to it, because he does not believe it is desirable to centralize too much power in any one agency, whether in the Board of Governors or some other body. He expressed the view that the dual banking system of the chartered banks should be preserved at all costs because it is the foundation of our system of free enterprise and is a great protection against the government ever taking over the banking system of the country.

He criticized the executive order authorizing the control of consumer credit, stating that in his opinion Congress should have been asked to pass legislation in that regard since it was in session at the time the executive order was issued. He stated that even if there had been some justification for the control of consumer credit as a war-time measure, the need for such control had passed and that he thought the control provisions of Regulation W should be terminated or substantially relaxed without delay. He suggested that it might be helpful if bankers and businessmen would express their views on the subject to their representatives in Congress.

He also stated that while the Federal Reserve Act provided for the regulation of loans secured by listed stocks and bonds, that neither the law nor the discussions which occurred during consideration of the legislation contemplated the strangulation of the stock market. He criticized the action of the Board in fixing a 100% margin requirement, saying that such action clearly went beyond the intent of the law and that the margin requirement should be reduced immediately. He also suggested to those present that they might register protests with their senators and congressmen if they agreed with his views.

He stated that there is considerable difference between a public servant and a Government official, explaining that a Government official is usually more interested in keeping his job and retaining his influence and power than in serving the public as an official of the Government. He stated that this tendency caused these officials to inject themselves into the business life of the country to a degree far beyond any necessity that might actually exist. He suggested that it would be advisable for his listeners to consult their representatives in Congress with the view of trying to eliminate unnecessary bureaus so that business would have an opportunity to operate under the system of free enterprise without being unduly hampered by government controls. He asked those in attendance to consider him as a public servant and urged them to consult him at any time with reference to matters over which the Board of Governors has jurisdiction.

It was quite obvious that his remarks were designed to appeal to the passions and prejudices of his listeners, and I am advised that Mr. Jesse Jones, who attended the luncheon in Houston, seemed very much pleased with Governor Vardaman's remarks and took occasion to so express himself at the conclusion of his talk. However, several who attended the luncheons expressed some disgust over Governor Vardaman's remarks, one remarking that he should be run out of town for making such a talk. He made that statement on what he termed the insincerity of his comments when compared with his past business and political history. One of the guests who attended a luncheon stated that he got the distinct impression from what he heard, that what Chairman Eccles is for, Governor Vardaman is against.

I did not attend the luncheons at El Paso or Houston, but did attend the one at San Antonio. Chairman Parten attended the one at Houston. This memorandum is based upon the composite views of officers of the branches and others who attended the luncheons.