

C O P Y

August 12, 1947.

Following is a brief resumé of Governor Vardaman's remarks after luncheon today, dictated from memory only without the benefit of any written notes:

I am honored to have this privilege and opportunity to speak here today to you men. I think what I have to say will interest not only bankers but also men in business generally. You know that the Board of Governors represents not only bankers but also industry and agriculture.

I want you to understand that we members of the Board of Governors have certain individual responsibilities entirely apart from our official responsibilities as a board. As you know, there is a chairman and a vice-chairman of the Board. The chairman is appointed for fourteen years. The chairman as such hasn't a bit more responsibility or authority to speak for the whole Board than any other individual member of the Board. His sole function as chairman is to preside at meetings of the Board.

As you know, I am a new man at an old job. Since my appointment and for some time in the future much of my time has been and will be devoted to learning about things. I have already visited several of the Reserve Banks and banks in the Middle Western part of States. I expect to go to the Far West and then return here. I am familiar with New England, and it is a godsend that New England remains intact.

The various spheres of functioning of the Board are divided up among the individual members. For example, I am primarily responsible for bank examinations. Much of the determinations by the Board are made in this manner: the matter pertaining to examinations comes to my desk; I look it over and recommend a disposition of the matter. It goes around to all of the other members of the Board, who, if they approve, so indicate by initialing. If any member disapproves, he indicates that the matter should be put on the docket and it is then heard before the full meeting of the Board. Conversely, if I don't wish to take the full responsibility in the first instance, I can put the matter on the docket for full discussion. In either case, the recommendation of the member with the approval of the other members, or the disposition after formal discussion by the full Board, is the final determination by the Board.

I want you to know that what I am going to say to you now, I say to you entirely as an individual and not in any official capacity either as a member of or for the Board of Governors of the Federal Reserve System.

I started out my business life as a lawyer and was then in the investment securities business, and in 1926 I entered the commercial banking field and had experience in practically every phase of it. I was head of the R.F.C. in St. Louis. Then I was out of the banking business for the four years of the war. Coming back to it seems like "coming home". I want to say to you that I was shocked by what I found on my return: a disposition of men in banking and men in business to acquiesce in what amounts to a large degree of dictatorship from Washington. In my opinion, if free enterprise is to survive in this country, then bankers and businessmen must become articulate and speak against this bureaucratic encroachment upon the rights of private enterprise.

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Now I am a member of the Board of Governors and I will exert every effort to carry out the mandate of Congress as clearly expressed by the law. But I am opposed to an extension of the authority of the Board by rules and regulations in the areas where provisions of the law are fuzzy. In cases like that we should either go to the courts and get a declaratory judgment or we should go to Congress and have the law made clear.

I think it is most important to our economy that we preserve the private banking system if we are to preserve private enterprise, but unless something happens, the small banker is on the way out. I think it would be too bad if we should lose the banker from our communities just because Government or bureaucracy has taken away from him the opportunity for a fair profit in the banking business.

I am in favor of the dual banking system; I think we ought to preserve it — bank examinations by the Reserve Banks; by the National Bank Examiner; by the F.D.I.C.; and by that very important group, the State banking supervisory authorities. If and when all bank examination is under control from a push-button in Washington, then banking in this country will have succumbed to what amounts to dictatorship. From there it won't be far to the same thing in other fields.

I remember when we were at Potsdam. Winny Churchill and his daughter flew back to London to listen to the election returns. They were so sure that this was just a temporary absence from Potsdam that they didn't even take with them their clothing and baggage. You know what happened: Churchill was defeated by an avalanche of Labor votes. It came as a complete surprise and shock to Churchill.

The first thing they did in England was to nationalize the banks — and then other industries. The same thing can happen here.

Ever since the Government bailed the banks out in the first Roosevelt Administration, bankers in this country have seemed to feel ashamed to speak out. They have let much of the lending and credit functions of banking be appropriated by bureaucratic organizations which were created only for emergency purposes. These organizations have become enlarged and expanded and are functioning for the purpose of ordinary business and commercial transactions. In my opinion most of them should be put on a program for early liquidation.

I am in favor of emphasizing the local importance of the twelve Federal Reserve Banks and of encouraging the private banking system to carry on the business of banking.

If you gentlemen in banking and in business want to stop this tendency toward bureaucracy and what is in substance dictatorship from Washington, then you should speak up, communicate with your Senator, and let your Representatives in Government know that you want to pass along to the next generation not Government-owned and controlled banks and coal mines and railroads and natural resources and

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basic industries, but the system of free enterprise which was your rich inheritance from your ancestors.

Now I want to say a word about my boss — the President: I have known him for twenty-six years. He is not a superman — far from it. He is not an exceptionally able man or a man of very wide experience. He is just an average man and he is the first such man who has ever been President of the United States. Coolidge was probably the only other man who came nearest being an average-man President.

The President has made up his mind that he wants to be a constitutional President. Of course he has power to be otherwise: the war is still on technically and by executive order he can in substance govern by dictatorship. But he wants to give the Government back where it belongs: to the people and to the Congress. He has guts — he has guts enough to do nothing when everybody all around him is clamoring to take over the railroads, to take over the mines, to take over this and that — while businessmen are abdicating their responsibilities. Of course he will exercise his extraordinary powers to prevent utter chaos.

He wanted to keep the Government out of labor-management controversies. He suggested calling the first labor-management conference. They wanted him to suggest a program and he said, "No, this is your meeting, not mine. If I make the agenda, then it would be my meeting. You settle it yourselves."

The President is determined to be a constitutional President and he doesn't give a damn how the next Presidential election comes out.

I very much appreciate your coming here so that I could meet you. I feel that the only way I can be a good public servant is to know you better, to meet with you, talk with you and discuss these views I have about my responsibilities as a member of the Board of Governors.

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