

FIRST NATIONAL BANK AT PITTSBURGH

PITTSBURGH, PA.

FRANK F. BROOKS
PRESIDENT

June 17, 1938

Honorable Marriner S. Eccles
Federal Reserve Board
Washington, D. C.

My dear Governor Eccles:

I want to congratulate you on the decidedly forward step you have taken, in my opinion, as disclosed in your recent letter to Senator Vandenburg, which is published to-day in the leading papers across the country.


For the past two or three years' time I have constantly felt that the restrictions imposed upon the commercial banks of the country under the various types of reform bank legislation have proven to be too severe in order to enable the banks to properly function and assist industry in doing its part towards the restoration of business to a level sufficiently high to absorb the millions of unemployed throughout the nation.

There is one more idea I have in mind, and I have no doubt it is not new to you, and that is along the lines of removing marginal requirements on small loans, say up to \$10,000. In my opinion, if loans up to this amount were left to the judgment of officers of banks as to the collateral taken and the margin required, it would possibly open a market for a large number of small borrowers who I believe up to the present time do not come to banks on account largely of the excessive margin requirements under the present day ruling. Kindly give this last thought of mine some consideration.

Your friend, George Ladd, happens to be coming to my desk just as I am dictating this note to you, and he tells me to give you his love.

With kind regards, I am

Very truly yours


President

E/ms

June 24, 1938

Mr. Frank F. Brooks, President
First National Bank
Pittsburgh, Pennsylvania

My dear Mr. Brooks:

This is to thank you for your letter of June 17 in regard to my recent letter to Senator Vandenberg. It is reassuring to have your approval, especially since the publicity attendant upon this subject has frequently beclouded the real objectives sought by the Board here and made it appear as if our only purpose were to substitute lax for sound banking practices. As is evident from your letter, you have a clear understanding of what the situation has been and of the necessity for lifting these restrictions which, in my judgment, have done much to accentuate contraction of bank credit and add to deflationary forces.

I am aware of the pros and cons of the proposal to remove margin requirements on small loans. I shall not undertake in the limited space of a letter to give you all the reasons why I feel that this would not be advisable from the standpoint of public policy. In general, so far as I am concerned, I do not think this Board should take a position which would inevitably be construed as inviting the little fellow into the stock market.

If you see George Ladd, I would appreciate it if you would reciprocate his affectionate greetings.

With kindest regards, I am

Very truly yours,

M. S. Eccles,
Chairman.

ET:ead

Received in
Chairman's Office
JUN 20 1938
Board of Governors
of the
Federal Reserve System