

FEDERAL RESERVE BANK OF ST. LOUIS

ST. LOUIS 2, MISSOURI

OFFICE OF
THE PRESIDENT

April 8, 1947

Personal

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

Dear Marriner:

Since Mr. French was good enough to
ask me to comment on his Columbia speech, I did
so, and thought you would be interested in read-
ing my reply.

Sincerely yours

A handwritten signature in cursive script, reading "Chester C. Davis".

Chester C. Davis
President

April 14, 1947.

Dear Chester:

The letter you sent to Walter French,
copy of which you mailed to me, is absolutely
first-rate. I was very much pleased with it.

With best regards,

Sincerely yours,

Mr. Chester C. Davis, President,
Federal Reserve Bank of St. Louis,
St. Louis 2, Missouri.

ET:b

April 7, 1947

Mr. Walter B. French, Deputy Manager
The American Bankers Association
Twelve East Thirty-Sixth Street
New York 16, New York

Dear Walter:

I appreciate your courtesy in sending me the copy of your talk at Columbia before the Missouri Bankers Conference on March 19.

You ask for my comment. I disagree with nearly everything you said in your discussion of S-408 (pages 3 - 7). Frankly, I thought your statement was extraordinarily short-sighted and intemperate, and not truly representative of rank-and-file banker sentiment. Your effort to present this legislation as an attack on the dual system of banking astonished me. Nothing of the sort is in this bill, and I think you would be hard put to it to find a single instance in the long history of administration by the twelve Federal Reserve Banks of their many functions affecting non-member banks where any prejudice against, or lack of sympathy with, the dual banking system, was shown. Everyone in the Federal Reserve System will resent this as a type of special pleading unworthy of the American Bankers Association.

Let's be realistic about this legislation. You know, I am sure, that authority to make guarantees of bank loans, or commitments to purchase such loans, or even to make loans direct under certain conditions, by some Federal agency, is going to be continued. Some type of legislation will be adopted sooner or later to supplement the credit facilities offered by banks.

Facing that prospect, which I believe to be a certainty, I favor enactment of S-408, where the authority is continued under a permanent agency already charged by law with certain responsibility for credit policy. The bill, as Chairman Eccles stated in his comment on your letter, does not place the Reserve Banks in competition with the private banking system. Loans guaranteed would originate with local banks dealing with local people whom they know and with whose character, capability and

Mr. Walter B. French

capacity they would be familiar.

I have made a detailed study of the other points in your speech, but they seem to me to be overshadowed by this basic question: Assuming that this supplemental authority is going to be continued in some form, by whom shall it be administered? In my opinion, your speech in effect leaves the American Bankers Association in position where its silence on alternative measures in Congress implies its preference for the continuation of a government-owned, financed and operated agency with power to make direct loans, operating in this field.

Sincerely yours

Chester C. Davis
President

CCD:VR