

L. A. LIESCH, PRESIDENT
JOHN W. KREUL, VICE PRES.
A. KENNETH KERN, CASHIER
CLEO RAMBOUR, ASST. CASHIER

The First State Bank

IN FENNIMORE

DIRECTORS:
R. J. CAMPBELL
GEO. F. FRANTZ
A. KENNETH KERN
JOHN N. KRAMER
JOHN W. KREUL
L. A. LIESCH
HAROLD PLATTNER

FENNIMORE, WISCONSIN

December 3rd, 1947

Mr. Marriner S. Eccles
Chairman Federal Reserve Board
Washington, D. C.

Dear Sir:

I read with interest the report you recently made before the Joint Committee on the economic condition of the United States on November 25th, 1947. It appears that every ten or fifteen years a new financial genius appears on the horizon and with a lot of flag raising claims that he has all of the answers and that his program can save the economic situation of our Country.

When we think back to the period of 1929-33 we remember of a similar situation. We again had a similar situation in 1937 when somebody with a crackpot idea wished to try out some new type of control. We can also go back to 1921 and remember the bad effects of controls imposed of the Federal Reserve System at that date.

You know and I know that if the Federal Reserve System had made just the opposite decision in each case the Country would have been much further ahead. Usually, when you have something go wrong in your own personal situation you go to the source of this trouble for your correction and that is the only way you can ever correct any wrong. It is amusing to read in your report that the Government must practice rigid economy. I am wondering when anybody in high Government Offices today has ever learned the meaning of the word "economy". You mentioned in your report that production is lacking and for that reason inflation is continuing on its spiral. Why don't you recommend to the Congress requiring longer work days for the factory workers with overtime pay, if necessary, in order to speed up production,



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and in that way defeat the inflational spiral in which we are caught today. It is also amusing in one paragraph on Page 6 wherein you state that if the reserve requirement of the banks are all increased all banks would be on the same equal basis. I haven't noticed anywhere in your report where you made any reference to any other lending agencies. What good is it going to do to curtail the banks lending activities and then the Government will come along and set up a lending agency to take care of the people who are clamoring for loans.

I would like to take you back to the period of 1929-33 wherein the banks were unable to make loans to people who were entitled to receive a loan. At that time the Government stepped into the picture and set up loaning agencies which were to be on a temporary basis. You know as well as I know that all those loaning agencies that were created at that time of stress are still in operation today financed by the taxpayers of the United and in direct competition with the banks.

You made no mention whatsoever of the curtailment of the Federal Land Banks and their loaning activities. You made no mention of the curtailment of the loaning activities of Finance Companies and why a financial genius, like yourself, can pick out one type of business and figure that you are going to cure the inflationary spiral is something that is hard to explain. Sometimes I wonder how these men get their jobs because when we look back and see the terrific errors made in judgment which has not only effected one bank but many banks, we wonder where it will all end.

It is very nice to come out with a sweet sounding cure-all giving it to the bankers in a form of a chocolate coated pill but thinking as many think today that this is the first step taken by the Federal Reserve Board to try to force all of the Banks into the Federal Reserve System. Your one statement points very clearly to this matter wherein you state that if these reserve



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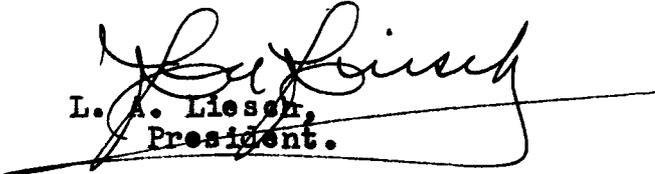
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requirements were placed all banks should come under the same classification. From that statement alone it is very evident what you are driving at and it is your way of getting your foot into the door with further controls and regulations to come later on. It is my desire and wish that the Congress will think of this matter very seriously before they make any fatal steps.

I will appreciate very much receiving an answer to this letter.

Yours very truly,


L. A. Liesch,
President.

LAL:MEH



December 15, 1947.

Mr. L. A. Liesch, President,
The First State Bank in Fennimore,
Fennimore, Wisconsin.

Dear Mr. Liesch:

I regret that because of the necessity of almost daily appearances before Congressional committees I have been unable to acknowledge at an earlier date the receipt of your very interesting letter of December 3, 1947. I was actively engaged in the banking business in the West during the whole period of the 20's which you mention in your letter and up to the time of my entrance into the public service in 1934, and through my personal experience and my business associations I know about the situations that you describe. That background has led me to the conclusion that the do nothing attitude of many bankers on new proposals does not meet our economic problems. I therefore have endeavored to bring to bear on present day problems in the fiscal, monetary and banking field all that I have learned in my practical experience as well as what I have been able to learn in studying these problems here. I believe also that there is developing a growing appreciation among bankers of the necessity of looking ahead and trying to find out how to do something to avoid repetitions of the recurring booms and busts of the past. It is a healthy sign that there are differences of opinion among bankers, who do not all think alike as they have very largely in the past. I have received letters from all parts of the United States, including those as widely separated as Texas, California, Ohio and New York, approving my presentation of the problem, and, for example, I have received a letter from the president of a bank in your own State, Wisconsin, from which I quote as follows:

"With the thought that even one small voice raised in your behalf might be a source of encouragement to you, I should like to take this means of expressing my admiration for the intellectual honesty and downright courage with which you reported to the Joint Committee of the Congress on the Economic Report.

Mr. L. A. Liesch, President

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"How the leaders in banking and their powerful friends in the nation's press can so widely miss the mark in their reactions to the case you so clearly make is a source of continuing bewilderment to me. All of the lessons of our banking history in the last forty years are apparently forgotten by those who so blandly insist that control over the quantity of money and credit in the world's only remaining solvent nation be left in the hands of the several hundred thousand bankers who manage our some fifteen thousand banks--each according to his own view of the picture."

Since your letter was written with reference to my statement before the Joint Committee on the Economic Report on November 25, 1947, I take the liberty of enclosing a copy of a second statement before the same committee on December 10, 1947, which I would like to have you read in its entirety, but especially I would call your attention to my reference on page 2 to the fact that in December 1940 the Federal Advisory Council (composed of twelve leading bankers from all parts of the United States) joined with the presidents of the Federal Reserve Banks and the Board of Governors in recommending to Congress a plan for increasing reserve requirements which would have been more onerous and drastic than the plan which I have currently proposed.

As I said before the Joint Committee on the Economic Report, I realize that instinctively and naturally bankers do not relish restrictions on their activities anymore than labor likes wage controls or agriculture likes price ceilings, and while I believe that the special reserve proposal is a sound one, it is only a part of any effective anti-inflationary program and if a better alternative can be devised we would all welcome it.

Very sincerely yours,

M. S. Eccles,
Chairman.

Enclosure