

October 22, 1935.

Chairman Eccles

ABA speech.

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L.C.

Attached is my suggested draft for the ABA speech. My reasons for drafting this particular speech are as follows:

I think it is undesirable to engage in anything that might resemble a debate with Senator Glass. Therefore I would not talk specifically about the Banking Act. Moreover, I do not think the Banking Act needs further defense or elucidation, as the general impression is that the changes in the original bill made it acceptable to the banking profession. This may be irritating but it serves our purpose.

In general I think your speeches should be few but important, and should deal with principles rather than details. You are in the best position of anyone in the country to educate the profession on our objectives and necessities. You have the reputation of being able, courageous and outspoken, and that reputation is a most valuable asset. You are convinced that your views are in harmony with the best interests of the banking profession, so I see no reason why you should not discuss them.

The goodwill of the profession is desirable not as an end in itself, but as a means to the end of ensuring cooperation. We cannot expect real cooperation until the profession appreciates what we are trying to do and the necessity of doing it. I have, therefore, built the speech around this idea.

One of the difficulties in securing cooperation is the bankers' dislike of supervision and regulation. Instead of ignoring this, I think we should face it boldly and attempt to reconcile bankers to its necessity. We should show that the various types of regulation are made necessary by the public aspects of banking. We shall never get anywhere with cooperation until the profession generally recognizes its public responsibilities.

As far as I know, my handling of supervision and regulation in relation to the two public aspects of banking has not been done before. It has the merit, I think, of clarifying the whole subject and of making regulation appear more reasonable and less arbitrary.

The chief specific objective of the speech is to prepare bankers for the exercise of our reserve requirement powers. It is, I think, important that we should early stress the anti-inflationary aspects of this matter, in order to place bankers on the defensive and to forestall possible opposition. I also sought to pave the way for the proposed

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monthly bank statement. I also attempted to skotch the idea that you are an "inflationist" in the popular sense of the word.

There is another topic on which I have done a little work and which might be considered for the ABA speech. It is a discussion of the monetary and banking problems facing us today. The main difficulty with this topic is that it contains some dynamite, and must be treated very carefully.