

# SOMERVILLE NATIONAL BANK

UNION SQUARE

SOMERVILLE, MASSACHUSETTS

CLARENCE G. McDAVITT, JR.  
EXECUTIVE VICE-PRESIDENT

May 23, 1938

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

Dear Sir:

I have just had the pleasure of reading the complete address which you delivered to the New Jersey Bankers Convention. As previously stated, I have always been in almost complete accord with your program.

It must be quite discouraging to have the program so frequently condemned as unsound because it apparently did not work in its initial trial. Your explanation seems to me very excellent although not complete as you omitted, for obvious reasons, to direct attention to certain ill-timed and possibly stupid congressional action.

I have endeavored to develop some specific suggestion which might be of help, and I beg to submit the following:

Education-a very broad program of education among legislators, bankers, business men, and workers showing how the plan will work, particularly emphasizing how easy it should be to determine what the Federal Reserve Board may be expected to do at almost any future date under given conditions. It seems impossible to legislate out over-production, speculative buying of commodities and so forth, thus it would seem best to endeavor to demonstrate the futility of these actions because of what the Federal Reserve Board may be expected to do.

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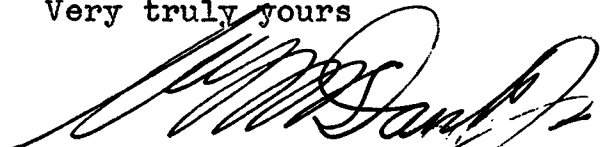
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Honorable Marriner S. Eccles, Chairman - 2 -

Change in Method of Appointment of Governors-in a program such as you advocate, it seems essential to eliminate, even more than as present provided, any political control of the Board of Governors. The point is, that it must be possible for the Board of Governors to "apply breaks" when economically necessary and absolutely independent of whether or not this timing coincided with either congressional or presidential election years.

Very truly yours



Executive Vice-President

CGM:MS

May 26, 1938.

Mr. Clarence G. McDavitt, Jr.,  
Executive Vice President,  
Somerville National Bank,  
Somerville, Massachusetts.

Dear Mr. McDavitt:

This is to thank you for your letter of May 23d and for your suggestions. I agree that we need a very broad program of education among banking, business, labor and political leaders not merely with regard to the Federal Reserve System, but also with respect to some first principles of economic law and the workings of our economic system. Only then can we hope for less misunderstanding and frustration of constructive efforts to deal with the complex problems confronting all of us today.

As for political control of the banking system, I have always advocated its independence and freedom alike from private or partisan domination in order that it may be operated in the public interest. As these questions lay outside the field which I was endeavoring to cover when I addressed the New Jersey Bankers, I did not undertake to include them.

Your sympathetic approach and your suggestions are very much appreciated.

Sincerely yours,

M. S. Eccles,  
Chairman.

ET:b