

THE PLAZA BANK OF ST. LOUIS

TWELVE THIRTY OLIVE STREET

SAINT LOUIS

F. R. VONWINDEGGER
PRESIDENT

July 5, 1939

Hon. M. S. Eccles, Chairman
Board of Governors of the
Federal Reserve System
Washington, D. C.

My dear Mr. Eccles:

Your address before the Ninth Annual special meeting of the Harvard Business School Alumni in Boston on June sixteenth was extremely encouraging to me, for it made me feel that my thinking on these subjects was sound. After analysing each paragraph, I found that we here had already arrived at practically the same conclusion in each instance. The agreement is so complete that where there is any divergence of thought at all, I feel that I evidently had not thought it through.

As I told Mr. Nardin when I congratulated him on his courageous speech before the Arkansas Bankers Association, my thinking leads me around a circle that always brings me back to the necessity for divorcing money from debt. As you said in the second paragraph of your address, "our monetary and credit system has sufficient elasticity so that we can always create the funds necessary to expand production within the limits of our man power", yet it can only be done under the present system by increasing debt still further.

As I understand our capitalistic economy, when debt broke down in the past from its own weight, bankruptcy would automatically wipe it out to the extent that the banking system could and did put more money into circulation by monetizing new debt. Now, since the government was forced to take the place of business in creating "check-book money" by borrowing from the banks, when the debt gets to be too heavy a burden and the peoples' representatives refuse to vote, or the people themselves refuse to, or cannot, pay the necessary taxes, repudiation will be the only answer.

M/S
X
If the new lending program provided that the guaranteed obligations of the government issued to finance the program should be sold only to the public and not to the banks, would it not have the effect of creating new investment for idle funds? Handling the new borrowing in this way should not be as deflationary as Savings Bonds, for of course the new money would find its way back to the banks, where, unfortunately, it would

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Hon. M. S. Eccles

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create additional uncontrolled credit base. If, as you say, consumption taxes were eliminated and income taxes increased sufficiently to carry the debt; AND IF THE BANKS WERE REQUIRED TO CARRY 100% RESERVES BEHIND DEMAND DEPOSITS, we might, with increased income, see daylight ahead.

Because of your warning to Congress last winter that you did not have sufficient control, I believe you feel as I do that the present measures are merely stop gaps, and do not properly protect our system against the inevitable breakdown.

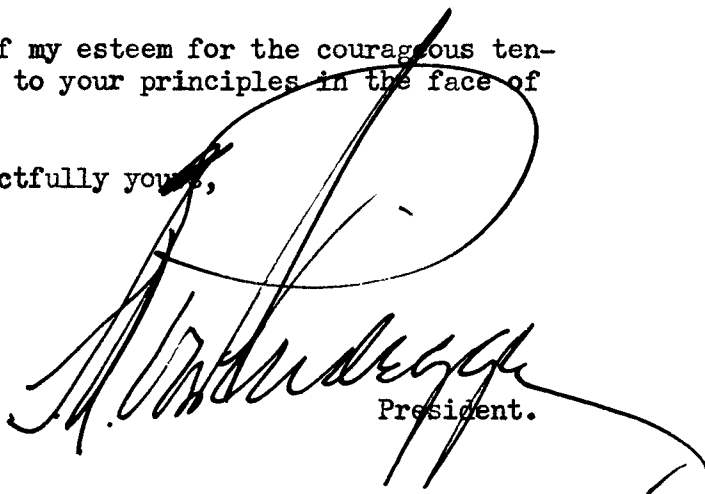
Since last Friday it is easier to see what you meant in your letter of August 3, 1938, in which you expressed doubt as to the possibility of persuading Congress to adopt the 100% reserve plan, which is the point on the circle to which my thinking always leads me back. With the banking system full of cash and governments now, this would seem to be the ideal time to install that plan rather than to encourage the banks to monetize long time paper which some day will have to be taken over by the F. D. I. C. When that day comes, there will be no more private banking in this country.

After all, my thinking is not entirely unselfish, but I am trying to plead "not guilty" to Mr. Nardin's justified indictment, and to offer something I believe to be constructive.

With renewed expression of my esteem for the courageous tenacity with which you cling to your principles in the face of such tremendous criticism,

Respectfully yours,

FRvW:DF


President.

July 18, 1939.

Mr. F. R. Von Windegger, President
The Plaza Bank of St. Louis
St. Louis, Missouri

Dear Mr. VonWindegger:

This will acknowledge yours of July 5 in which you comment on my address before the Harvard Business School alumni at Boston on June 16 last. I appreciate your commendations.

As to your reference to my letter of August 3, 1938, it would appear that you lay great stress on the necessity of putting into effect "the 100% reserve plan" and assume that I feel the same way. While I am ready to admit that this plan has much merit from the point of view of logic and monetary theory, its imposition upon our present banking structure would require some very far reaching and disquieting changes in practice. Furthermore, I believe that the necessary control by public authority over the expansion and contraction of bank credit can be achieved through processes within the present general framework of our commercial banking system. One thing we seem to be agreed upon in particular and that is that the continued increase in the supply of money through government deficits will not bring about any permanent solution of the economic maladjustments with which we are struggling today.

Yours sincerely,

M. S. Eccles
Chairman

LC/fgf

THE PLAZA BANK OF ST. LOUIS
TWELVE THIRTY OLIVE STREET
SAINT LOUIS

F. R. VONWINDEGGER
PRESIDENT

July 26, 1939

Hon. M. S. Eccles, Chairman
Board of Governors of the
Federal Reserve System
Washington, D. C.

Dear Mr. Eccles:

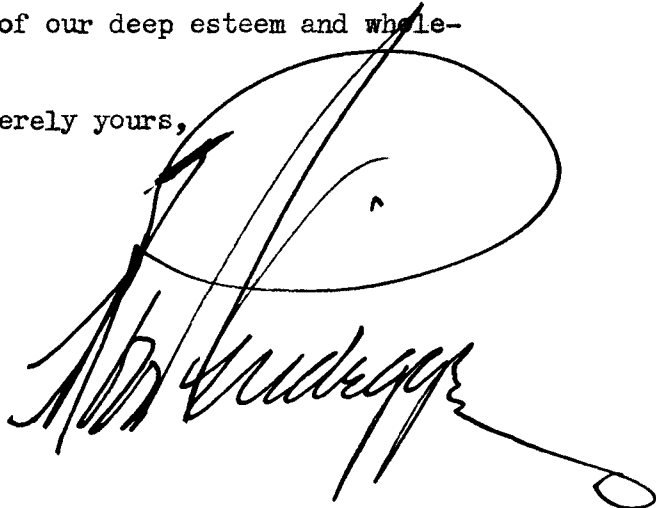
Please believe I appreciate the kindly tone of your letter of July eighteenth. I humbly accept your correction of my assumption that you also felt the necessity for installing the 100% reserve plan.

Over 82% of our deposits being payable on demand (the balance being savings which are to all practical purposes now demand deposits), I would be stupid indeed if I did not realize what effect the institution of the 100% reserve plan might have upon the individual banks. Nevertheless, I still feel that the benefit of the plan to the economy of our country as a whole would be so great that the effect on the individual bank should not be considered.

It would be encouraging to know that you are still pressing for a complete and immediate study of monetary and banking questions, in order that our systems may both be placed on a scientific and modern basis.

Again assuring you of our deep esteem and whole-hearted support,

Sincerely yours,

A large, stylized handwritten signature in black ink, appearing to read 'F. R. VonWiddegger'. The signature is written over a large, hand-drawn oval shape that encompasses the words 'Sincerely yours,'.

FRvW:DF

C
O
P
Y

August 3, 1938.

Dear Mr. VonWindegger:

This is to acknowledge receipt of your letter of July 26 commenting upon the two booklets received from the First Security Bank of Utah.

In discussing the question of controlling excess reserves, I was addressing myself to the methods that have existed always in this country as well as in others. While, of course, the 100% plan would have the effect that you point out, it is hardly within the realm of practical possibilities at this time since I doubt very much whether it would be possible to persuade Congress to adopt anything as drastic as that, especially since it has never been tried out in practice.

Sincerely yours,

M. S. Eccles,
Chairman.

ET: b

THE PLAZA BANK OF ST. LOUIS
TWELVE THIRTY OLIVE STREET
SAINT LOUIS

W. L. GREGORY
VICE PRESIDENT & CASHIER

July 31, 1939

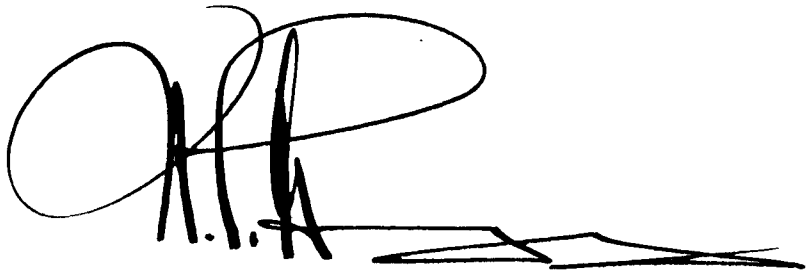
Board of Governors
Federal Reserve System
Washington, D. C.

Gentlemen:

Recently I have seen the copy of Mr. Eccles' speech delivered in Boston on June 16, 1939, which has been multigraphed by the Board under your reference number Z-172. I would appreciate it very much if you would send me a copy of this speech. I would like to have it for my permanent file.

If there is any cost in connection with it, I shall be glad to remit.

Yours very truly,

A large, stylized handwritten signature in black ink, appearing to be 'W. L. Gregory', with a long horizontal flourish extending to the right.

WLG:DF

*sent 8/2/39
med*

Statement
of
THE
PLAZA BANK
OF ST. LOUIS



Missouri Pacific Building
1230 Olive Street
St. Louis

BANKING HOURS

9:00 a. m. to 3:00 p. m. daily, Saturday to 12 noon

SAFE DEPOSIT DEPARTMENT

9:00 a. m. to 4:00 p. m. daily, Saturday to 1:00 p. m.

OFFICERS

President

F. R. VON WINDEGGER

Vice-President & Cashier

W. L. GREGORY

Assistant Cashiers

R. M. FOX

A. E. MOORE

GLENN HALEY

DIRECTORS

CLAXTON E. ALLEN

Southwestern District Manager

Westinghouse Electric & Manufacturing Co.

H. B. DEAL

President, H. B. Deal & Co., Inc., Builders

W. L. GREGORY

Vice-President & Cashier

CHAS. H. HEMPEL

Treasurer, General American Life Insurance Co.

JAMES LEE JOHNSON

Director, International Shoe Company

HENRY G. KEELER

President, Keeler-Murray Printing Co., Inc.

H. H. LARIMORE

General Attorney and I. C. C. Counsel, Missouri Pacific Railroad Co.

SILAS B. MCKINLEY

Capitalist

JOHN J. NANGLE

Counsel

J. F. OBERWINDER

Vice-President, D'Arcy Advertising Co.

WM. P. ROWAN

President, Elder Manufacturing Co.

W. N. SITTON

Assistant Treasurer, International Shoe Co.

HAMPDEN M. SWIFT

Treasurer, John S. Swift Company, Inc.

F. R. VON WINDEGGER

President

C. L. WHITTEMORE, JR.

*Special Representative Socony-Vacuum Oil Co., Inc.
Lubrite Division*

THE PLAZA BANK

MISSOURI PACIFIC BUILDING, SAINT LOUIS, MISSOURI

Member Federal Reserve System - - - - Member Federal Deposit Insurance Corporation

On June 30, 1939

Owed to Its Depositors **\$4,006,744.36**

This sum is made up of (A) *Checking Accounts* of Banks, Corporations and Individuals.

(B) *Check Master Accounts*. ("Pay-As-You-Go")

(C) *Savings Accounts* on which 1½% interest is compounded on June 1st and December 1st.

(D) *Time Certificates* on which we pay 1% interest for six months or 1½% if issued for twelve months.

(E) U. S. Government and other deposits.

A conservative bank never forgets that the depositor may need his funds at any time; it therefore invests that part of the deposits the law allows it to use, in such a way that it may be able to meet any request for payment.

For this purpose we have:

1 * Cash	In currency in vault, or with Federal Reserve Bank or other strong banks approved by the State of Missouri.	1,439,417.25
2 * U. S. Government Bonds (Direct and Guaranteed) .	Includes Federal Reserve Bank Stock.	1,619,971.01
3 * Other Bonds	Well diversified, as all investments should be. Carried at less than present market price.	220,302.95
4 * Demand Loans	Loans which are payable when we ask for them, all secured by collateral of greater value than the amount loaned.	392,418.45
5 * Time Loans	Payable mostly within 90 days. Good loans to solvent makers or secured by collateral with adequate margin.	316,752.42
6 * Real Estate Loans	Nearly all insured under Title II Federal Housing Act.	315,074.39
7 * Banking Room	Includes the Safe Deposit Vault, adding and bookkeeping machines, etc., necessary to accurate and efficient service and the safekeeping of funds and securities intrusted to our care. OUR SAFE DEPOSIT BOXES rent for \$5.00 per year or upward, according to size. They are conveniently located in a modern burglar-proof vault.	42,899.47
8 * Interest Due Us on Investments		10,805.80
9 * Other Assets	Prepaid insurance and other items.	2,894.05

Total to Protect Depositors **\$4,360,565.79**

The difference being — CAPITAL.....\$200,000.00
 SURPLUS..... 120,000.00
 PROFITS AND RESERVES. 33,821.43

This represents the investment of our stockholders, and is a guarantee fund to further protect our depositors and upon which **\$ 353,821.43**

WE SOLICIT YOUR ENTIRE BANKING BUSINESS

OPEN UNTIL 3 O'CLOCK EVERY BUSINESS DAY EXCEPT SATURDAY
 SAFE DEPOSIT DEPARTMENT OPEN UNTIL 4 O'CLOCK DAILY AND 1 O'CLOCK SATURDAY.

INQUIRE ABOUT OUR NEW PAY-AS-YOU-GO CHECK MASTER PLAN

"SAFETY, CONVENIENCE AND COURTESY"

THINK

"When our industrialists and bankers can evolve a plan for the future that gives reasonable promise of efficient and continuous operation of industry, the confidence for which we have so much longed will be speedily restored and we shall be on our way out of the wilderness."

"There may be, in these trying times, those who doubt that any plan could be devised which could accomplish the recovery and stable prosperity which all of us desire. To admit such a conviction is indeed to confess descent into a philosophy of despair. Of course it can be done! It must be done! When the initiative and ingenuity which developed our present industrial order are turned to the task of making it a more efficiently functioning order; when a positive, constructive attitude is substituted for the complaining, protesting policy heretofore followed, we shall find the way to better accomplishment and better prosperity, for more people, than we have ever before known."

HON. WM. T. NARDIN, Chairman of
the Board
Federal Reserve Bank of St. Louis
and
Vice-President and General Manager
Pet Milk Company

THINK

"SAFETY, CONVENIENCE AND COURTESY"

July 6, 1939

Hon. Robert F. Wagner
Senate Office Building
Washington, D. C.

My dear Mr. Wagner:

First we want to congratulate you on your final victory in the monetary bill.

You may be interested in the enclosed copies of correspondence on monetary subjects. We confess extreme anxiety over the lack of control now available to the monetary managers. You may gather from our letter to Mr. Eccles that our thinking along these lines is not quite parallel with that of our orthodox brother bankers. Therefore, our worries arise from the fact that we do not believe the money managers have sufficient authority, rather than too much. We repeat that authority must go with responsibility.

It is very evident from the liberal legislation you have sponsored (may I take this opportunity as a thinking American to thank you for this sponsorship?) that you are thoroughly aware of the changes that have taken place in the economic field in the last two decades. We hope that you will soon have time to recognize the necessity for bringing our monetary and banking systems up to date. In our humble opinion the best plan which has been proposed for doing just this is embodied in Professor Irving Fisher's book, "100% Money", which we commend to your serious study.

Respectfully yours,

FRvW:DF
Encs.

F. R. von Windegger,