

# Baltimore Bank

1014 BALTIMORE AVENUE  
KANSAS CITY, Mo.

September 20, 1943

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

Dear Mr. Eccles:

Today's Kansas City Star quotes you as follows: "The Dual Banking System as now constituted is outmoded and economic forces not mere debate will compel its adaptation to the financial needs of modern economic life."

Now, Mr. Eccles, I respect your opinion but on the other hand the composite opinion of all the people is what helps to mold the thoughts of the leaders of our democracy. My opinion, Mr. Eccles, is just the reverse of yours. In the banking field I am very much adverse to too much centralization of power in the federal government.

I believe the country has advanced greatly under the dual system. I don't quite understand what you mean when you use the term, "economic forces" but I have my own opinion about "economic forces" after the war. Speaking of "economic forces" and speaking of helping to rehabilitate the whole world, a very fine line had better be drawn as to what extent we, the United States, can put up the funds to finance this program. A certain amount of spending is okay but too much could mean dangerous credit inflation. Let's take plenty of time to consider all the term "economic forces" implies before we change the nation's banking machinery. Why not realize that this good old United States has advanced to the leading nation of the world under the dual system. Perhaps the dual system could be improved upon but I say to suspend it is being a trifle too hasty. I also am firmly against any extension of branch or chain banking.

Again, I say I respect your opinions but in my case I am helping to operate a State bank; a bank for twenty years well managed; and a bank that has made fine progress under the supervision of the State Department.

Very truly yours,

  
George H. Buecking.

October 15, 1943.

Mr. George H. Buecking, President,  
Baltimore Bank,  
1014 Baltimore Avenue,  
Kansas City, Missouri.

Dear Mr. Buecking:

As you took the trouble to write me in regard to my talk before the State Bank Supervisors, I am venturing to send you a copy of the entire address. While I may not have made the point emphatic enough, I tried to make clear that the proposals I was advancing and have long advocated would be a better protection for the smaller independent banks than they now enjoy or have had in the past. It is the mortality among them which concerns me. Even today under war-time boom conditions, the smaller unit banks are finding it increasingly difficult to make a living.

I am quite as opposed to overcentralization of power as you are, but under a unified system such as I have in mind, with properly regulated trade-area branch banking, it is hardly conceivable that monopolistic conditions could develop in the credit field or that so-called bureaucracy would be as extensive as it is right now. It may well be that the dual system was well suited to earlier times, but it would be difficult to prove that the credit for the development of the country is attributable to the dual banking system. Rather, it was due to many other factors, notably our vast natural resources and the vigor and enterprise of our people.

Under modern conditions, continued progress is likely to come about not because but in spite of a banking system that has lagged far behind the procession in adaptation to present day credit needs. Aside from our shocking record of bank failures in the past, what concerns me is the fact that as the banking system fails to adapt itself, Government steps in to supply the credit needs which the banking system is unable to meet or is prohibited from meeting. That is why we have so many governmental credit agencies. We should have not merely a fair-weather banking system, but one that can stand up under adverse economic conditions. It hasn't stood up under such conditions in the past, and we have not yet remedied its structural defects to enable it to weather economic adversities in the future.

Mr. George H. Buecking - (2)

October 15, 1943

The economic forces I had in mind are those which have brought about mergers and consolidations in almost every field, the railroads, industry, the chain stores -- that is, in every field except banking. American business does not stop at State lines. Its credit needs are often far greater than the small unit bank can supply. That has been and will continue, I think, to be the trend. The basic questions which I have had in mind in thinking of the future of American banking are how it may best serve the public interest and at the same time continue to make a living, and how it can best be fortified to meet changing economic conditions without further Government encroachment upon its field. I should, of course, like to see a bank such as yours continue to flourish in the future as it has in the past.

I recognize what a highly controversial subject this is and always has been. I know that many like yourself who hold views very different from my own are entirely sincere, and I appreciate the temperateness with which you write.

Sincerely yours,

M. S. Eccles,  
Chairman.

Enclosure

 ET:b

*Re: Evans*

# Baltimore Bank

1014 BALTIMORE AVENUE  
KANSAS CITY, Mo.

October 22, 1943

CONFIDENTIAL

Mr. Marriner S. Eccles, Chairman,  
Federal Reserve Bank,  
New York City, New York.

Dear Mr. Eccles:

Perhaps your very nice letter of October 15, 1943 does not require an answer. However, I should like to discuss one point with you since reading an article in the Kansas City Times this morning headed "GIVES BANKS NEW ROLE, Harvard Professor Favors More Risk-Taking".

In this article the Harvard Professor, whose name is J. Franklin Ebersole, professor of banking and finance at Harvard business school, asks, "Are bankers too timid to welcome greater risks at fair rates of compensation?" I have not yet made up my mind, Mr. Eccles, whether it is the type of risk we are supposed to assume that is important, or whether it is the caliber of the banker who is taking the risk. Here at our bank even during the years 1933 to the present we have loaned considerable sums on an unsecured basis. We have endeavored to loan money to individuals and to concerns who have proven they are money makers. Sometimes their financial statements did not show quite the two to one ratio we always speak of in banking terms, but we have tried to size up our man, use a bit of psychology, and have taken the individual's character into consideration as well as his financial statement. Whether banks should terminate such a policy and welcome greater risks is a matter of conjecture. Our bank has just been examined by the Federal Deposit Insurance Corporation. We were very fortunate in that the examiner found only three small notes he considered doubtful and they averaged only \$50.00 each. However, had he found a large loan in our portfolio that he considered doubtful he is the first one of the three sets of examiners who would have told us to charge it off.

Personally speaking, I am glad this is true because in my opinion the men sent here by the Federal Deposit Insurance Corporation during the past few years have been able men, good examiners, and have had plenty of courage to tell you about the condition of your bank.

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I think you will agree with Mr. Eccles, that starting with about the year 1917 there were too many banks organized in this country manned by men who were not bankers. I believe that if in the future we hold down the organization of new banks, and continue to have strict supervision over banks, the financial problem as far as they are concerned, will take care of itself.

If you will consider my letter in a confidential manner and will not think I am talking politically I should like to say to you that in the past, so far as I can learn from the history of these United States, we have always come out of our depressions, we have always expanded, the banks have loaned money, the corporations have built new plants and taken on new equipment and have spent money and put labor to work when the businessmen of the country have had confidence in their administration in Washington and in their Congress.

You will remember before the war the deficit financing which continued for years, even though it had a sincere purpose and was done to try to keep people working, in my opinion, made a great many businessmen wonder about the stability of their dollar. When this war ends if this tremendous increase of debt could be stopped and then gradually reduced, I naturally would, personally speaking, feel more at ease as to the future financial condition of the United States. I think our financial picture could be put in order either under a Democratic or Republican administration, but above all I think the businessmen, especially those who spend the money for expansion, should have the confidence they need, then business would expand and become staple once more.

Bear in mind please, Mr. Eccles, that I realize the mistakes made by the big businessmen in the 1920's, but it is an old saying of mine that about every twenty years some of them have to have their ears knocked down so as to make them profit by their mistakes and start again.

I am now coming to the subject of branch banking. Before answering your letter I talked to a few bankers and several businessmen about the future of the small bank in the country town and the small bank in the city. They all seemed to think that this small bank in the country town had a great deal to do with the development and expansion of our vast farming system in this country. They also seemed to think that the small bank in the city had a great deal to do with the development of the small enterprise in the city. In the case of our bank we particularly financed a great many small factories engaged in the manufacture of ladies "ready to wear". We feel, Mr. Eccles, that if branch banking was in progress in Kansas City and one of the large banks was allowed to start a branch next door to us with none of the costs of operation such as taxes, dividends on stock, etc, the opening of the branch bank would

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be very unfair to the operation of the Baltimore Bank.

Although we respect your opinion in the matter of regulated branch banking we will tell you the same as we told Mr. Aldrich of the Chase National Bank a few years ago, we are very much opposed to any further extension of branch banking.

I wish to take this time before closing to compliment you on the very intelligent and courteous way you have written to me and I appreciate your letter.

Thanks once again for the time you have given me.

Very truly yours,

  
George H. Buecking.

GHB:MB

CONFIDENTIAL

October 28, 1943.

Mr. George H. Buecking, President,  
Baltimore Bank,  
1014 Baltimore Avenue,  
Kansas City, Missouri.

Dear Mr. Buecking:

Your letter of October 22 tempts this reply not only because of our common interest in these problems and your temperate and courteous discussion of them, but because I feel that I ought to comment briefly on one or two points that you bring up so that my own viewpoint will at least be clear.

It seems to me that the way in which you have operated your own bank is the best answer to the question you raise in connection with Professor Ebersole's statements. What concerns me beyond the judgment and discrimination of the individual banker is that too often the private banking system, primarily because of its vulnerability under its present set-up, has failed to provide the type of credit or has been prohibited from providing the type of credit required under modern business conditions. In other words, as I sought to point out in my recent speech, I would like to see the banking system made so strong that it could weather financial stresses, and I would like to see it so organized through branch banking that its risks would be sufficiently diversified and spread to make its operation successful and profitable. While I agree that we have had far more banks than bankers, it is the fundamental defects in the banking system, rather than the deficiencies of individual bankers, which are responsible for most of the disastrous record of the past. Under the proposal I have in mind the threat to your bank could not occur and no large bank would be permitted to open a branch in competition where a unit bank was rendering the service to the community that your bank has apparently rendered.

However, what I more particularly wanted to stress was my view that the deficit financing period, badly as I think it was managed, nevertheless did put an end to the deflation, replenished bank deposits, put idle money and hence idle men and facilities to work, increased the national income by far more than the accumulated deficits, and made the main contribution to restoring the economic health of the country.

Mr. George H. Buecking - (2)

October 28, 1943

Business confidence, in my opinion, depended upon this restoration and not upon the technical balance or unbalance of the budget. However, I agree fully that upon the termination of the war, the tax structure should be retained in order to put an end to continued deficits, to which I am quite as much opposed as anyone could be. Deficit financing is at best a desperate remedy. If we managed our economy wisely, we would not permit it to reach the disastrous depths to which we fell in the early '30's. There would be no need to incur any such deficits.

I am venturing to enclose a copy of an open letter I wrote some years ago to Senator Byrd when we discussed this subject because I felt that he did not have in proper focus some of these matters, which are quite as vital for the post-war world as they have been in the past. You and I are both busy and I hesitate to suggest that you take the time and trouble to read over the paragraphs I have marked in red pencil. Nevertheless, if you have the opportunity, they will, I think, indicate why I do not see the Government financing picture in quite the light that you do.

Again let me say that I appreciate the sincerity and spirit of your letters to me.

Sincerely yours,

M. S. Eccles,  
Chairman.

Enclosure

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