

THE CITIZENS BANK AND TRUST COMPANY

*Decatur County's Friendly Bank*

BAINBRIDGE, GEORGIA

April 14, 1951

Mr. Marriner S. Eccles  
Member of the Board of Governors  
Federal Reserve System  
Washington, D.C.

Dear Mr. Eccles:

In reading the American Banker this morning I ran across a statement of yours to the effect that tighter credit controls were coming. Among those contemplated were requirements that member banks invest all of their idle cash in short term securities. Another one was that if a bank makes a new loan it must "salt away" an equivalent amount in reserve.

4/12  
Bullman  
advises

Of course I am the President of a small country member bank and I have not the facilities for observation that you have - nor do I have the ability to observe to the extent that you have if I had the facilities.

It occurs to me though that great care should be taken in the imposition of further credit controls. Of course regulations such as "X" and "W" can be imposed on all people who extend credit but the matter of impounding our reserves can only be applied to member banks, unless you have some remedial legislation which I doubt your being able to get. That would mean that State non-member banks could go right ahead on their "wild goose chase" making loans and you would be powerless to stop them.

Now, in our vicinity we have within a radius of about 75 miles several large non-member banks - larger than we are. In fact there is one large bank just 26 miles from us which is not even a member of the FDIC, but it is an old bank, with an outstanding record and was founded and operated for a long time by a very rich man who got in on Coca Cola when it first got out of the hands of the Candler's.

I am enclosing for your information a credit report which is taken from the public records of Decatur County, and I invite your attention to it. From this you will see that a small percentage of the credit that was extended in Decatur County was extended by the two member banks. Consequently, the re-

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quirements which you contemplate would work a hardship on us and would place us at a disadvantage in competition with our neighbors above referred to, and would not reach, effectively, the people who are really running "wild" in the extension of credit.

I realize the necessity of controlling inflation. I cannot help but realize it when I go to a restaurant and pay \$2.75 for a steak that I could get for 50¢ ten years ago. All of the things we have worked for in this country are about to go out of the window as a sacrifice to the god of inflation, and so I hope you will not consider me guilty of any lese majesty when I ask that you give serious thought to the problems that confront member banks as compared to the people whom you cannot reach under existing laws.

I remember meeting you personally at the Federal Reserve Bank of Atlanta many years ago at the opening of the remodeled building of that institution, and have always considered you a valuable member of the Board of Governors.

Incidentally, I am immediate past President of the Georgia Bankers Association.

Cordially yours



E.F. VICKERS  
President

EFV:M

May 11, 1951

Mr. E. F. Vickers, President,  
The Citizens Bank and Trust Company,  
Bainbridge, Georgia.

Dear Mr. Vickers:

Let me thank you for your letter of April 14. It is a pleasure to hear from people like yourself who recognize and understand the difficult problems which must be faced in fighting the battle against inflation and against further depreciation of the dollar.

As you know, the Board of Governors has for some time studied the problem of how best to curb inflationary bank credit expansion in the event that loans and investments of the banks should continue to increase in the future. There have been several proposals under consideration in dealing with this problem, including the loan reserve plan and the special reserve plan, which might be applied with or without an increase in primary reserve requirements of the commercial banks. You will find the special reserve proposal discussed more fully in my enclosed statement of November 25, 1947, before the Joint Committee on the Economic Report. There has been no decision as to which one of these various plans would be recommended by the Board to Congress at the present time.

It is the view of the Board that any new reserve plan should be applied to all commercial banks, and not to the member banks alone. I agree with you that to do otherwise would be discriminatory and would tend to drive member banks out of the Reserve System.

It is essential that the Government do everything possible at the present time to prevent further inflationary developments through dealing with their basic causes instead of their effects. These basic causes are largely monetary and fiscal. An effective

Mr. E. F. Vickers

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tax program designed to produce a balanced budget is therefore required under present inflationary conditions, supported in full by a restrictive credit policy.

I appreciate greatly your interest in this matter. Please do not hesitate to call upon us again if there is any further information with which we can furnish you.

Very truly yours,

M. S. Eccles

Enclosure.

ERH:dm