

Little Rock, Arkansas,
March 24, 1936.

Miss Marguerite A. Le Hand,
Private Secretary to President Roosevelt,
White House,
Washington, D. C.

My dear Miss Le Hand:

The enclosed letter to the president is the result of much thought on my part and I feel that it would probably interest him as being the viewpoint of a layman on the tremendous problem of the depression that is gripping the country today.

If you think that he might get something from it of value, I shall deeply appreciate your bringing it to his attention.

Thanking you for your many kindnesses of the past, I am

Yours sincerely,

(sgd.) Arthur J. Jones
814 Scott Street.

(copy-b)

STATE OF ARKANSAS
HOUSE OF REPRESENTATIVES

46th General Assembly.

Little Rock, Arkansas,
March 24, 1936.

Hon. Franklin D. Roosevelt,
President of the United States,
White House,
Washington, D. C.

My dear Mr. President:

The only way to recovery, as I see it, is the making available, as was formerly the case, of credit. I think that this can only be accomplished by the loosening of the requirements of the Federal Reserve System. As it is the requirements of the Federal Reserve System are too rigid to permit the extension of credit on collateral which is reasonably good.

For instances it was possible 10 years ago for a person to walk into a bank with a piece of real estate as collateral and without any delay a loan of at least 50 per cent of its value was made upon it. As long as the interest was paid this loan was carried. There is no estimating of the amount of capital that this furnished for the business of the nation. Suddenly and over night in fact, credit facilities were closed; money that was on loan was demanded by the lender and chaos resulted. Does it not seem reasonable then that the solution of the depression is in the extension of credit to people who would use that credit to start new businesses or expand old ones? It does to me.

All business is based on a certain element of risk, yet the Federal Reserve System would make only what it calls air-tight loans. People who need credit cannot give air-tight collateral and those who have air-tight collateral do not need credit.

I feel that it would be far better for the government to go into the direct lending business--but this is not necessary if the Federal Reserve System is made to function--if necessary to supply credit to a nation that must have it if it is to ever see prosperity again. Banks will not make any loans to amount to anything and in a way you cannot blame the bankers. They cannot be expected to loan money and then be thrown into jail for not having the cash in the bank in case of a run. Banks have in fact become nothing but depositories for the safe-keeping of cash, they are not longer reservoirs of credit.

The country has tried doling out money to end the depression and it has done no good except increase the public debt. The Reconstruction Finance Corporation has been a life-saver to certain forms of business such as the railroads and insurance companies and the HOLC has saved the homes of thousands, but there has been no avenue that would provide credit to the little man in business who is so vitally necessary to put people to work.

I commend this advice to your attention. It is not the rantings of a rattle-brained fool but sober thought of one who has the welfare of his country at heart. I ask you—would it not be better business to lend a man money and take a chance on getting it back than to give it to him as is now being done by the W.P.A. and never even expect to get it back. Under the Federal Reserve System no actual cash comes from the treasury. Every Federal Reserve System note is backed by commodities and I maintain that real estate is just as much a commodity as stocks and bonds or wheat or cotton.

In no sense is this letter a criticism of your efforts, but only a suggestion to use or not as you see fit.

With cordial good wishes, I am

Faithfully yours,

(sgd.) Arthur J. Jones

814 Scott Street,
Little Rock, Arkansas.

(copy-b)

THE WHITE HOUSE

WASHINGTON

April 20, 1936

MEMORANDUM FOR GOVERNOR ECCLES:
Federal Reserve Board

Will you send me a memorandum
that I can send to Mr. Jones.

F.D.R.

April 28, 1936.

The President
The White House
Washington, D. C.

My dear Mr. President:

In accordance with your request, I am sending you a memorandum in reply to a letter from Mr. Arthur J. Jones, of Little Rock, Arkansas.

Yours respectfully,

M. S. Eccles
Chairman

Enclosure

A handwritten signature in cursive ink, appearing to read "Eccles".

April 25, 1936.

FEDERAL RESERVE REQUIREMENTS FOR LOANS

Mr. Arthur J. Jones in his letter addressed to the President states that "the requirements of the Federal Reserve System are too rigid to permit the extension of credit on collateral which is reasonably good" and that this is regarding recovery.

It is apparent that Mr. Jones is not familiar with recent laws on the subject. As early as February 1932 a law was passed authorizing the Reserve banks to make advances to member banks in an emergency on any acceptable assets. By the terms of the Banking Act of 1935 such advances are no longer restricted to emergencies but can be made at any time, the only requirement being that they must bear a rate of interest one-half per cent above the regular discount rate.

Furthermore, in 1934 the Federal Reserve banks were authorized to make direct loans to industry for working capital purposes for a period up to five years in cases where the industrial concerns are not able to obtain such loans from commercial banks or other financial institutions. Under this section of the law, applications for loans to the amount of \$140,000,000 have been approved by the Federal Reserve banks up to April 15, 1936.

The Banking Act of 1935 also made more liberal the rules under which national banks can make loans on real estate, and since real estate loans can now serve as a basis of advances by the Federal Reserve banks, there is no reason why national banks need to hesitate about making sound loans on real estate for construction or other purposes.

It is clear, therefore, that there is nothing in Federal Reserve requirements that would in any way prevent the member banks from making all the loans that are needed for financing a healthy recovery. The slowness with which the total of banks loans has increased has been due in part to the fact that old loans have been continuously paid off in an amount nearly sufficient to offset new loans made. It has also been due to the fact that abundance of funds in the hands of business concerns has made the demand for loans much smaller than it would otherwise have been. Another retarding influence has been that both borrowers and lenders, having gone through a terrible experience in recent years, are reluctant to make commitments. This attitude will no doubt disappear as recovery makes further progress.