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United States Senate

COMMITTEE ON FINANCE

May 17, 1938.

Honorable Marriner S. Eccles, Chairman
Board of Governors of the
Federal Reserve System,
Washington, D. C.

My dear Mr. Eccles:

Every depression produces an inevitable crop of agitators out in the country who have no trouble in whipping up a substantial attack upon the American monetary system. Our present experience is no exception to the rule. My part of the country is once more full of earnest souls who familiarly insist that we should rid ourselves of the Federal Reserve Banking System and - of course - substitute greenbacks for bonds. There are always two fundamental points that are stressed by agitators in this field.

I have my own answers for them; but I have often wondered whether the Federal Reserve Board itself should not undertake to make available some sort of an authentic statement which might contribute to a more rational state of public information on these related subjects. I think there is a real service to be rendered in this connection; and it seems to me that it ought to come from some authoritative source like the Federal Reserve Board. Needless to say, there is not a remote element of partisanship in this suggestion.

Here are the two constant propositions which these monetary agitators always persuasively stress and with which they always win a sympathetic popular hearing.

The first proposition is that the Constitution of the United States requires the Congress that it "shall coin money and regulate the value thereof", and that Congress abdicates this constitutional function under the existing Federal Reserve System.

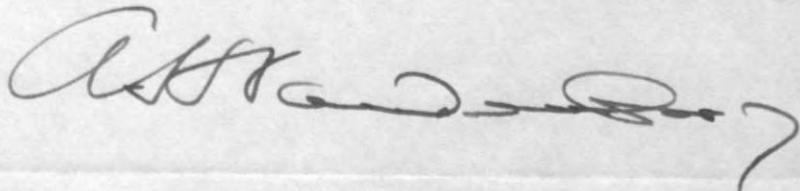
The second proposition is that as a result of this abdication, private banking - operating through the medium of the Federal Reserve System - is the actual controller of "coinage and values" and that private banking takes a profit to itself through the exercise of this public function.

I shall be greatly interested in seeing an authentic answer to these two propositions from the Federal Reserve Board in some form or other. I am not suggesting that you should take cognizance of all this agitation or that you should join issue with any of these agitators. But I should like to see the Federal Reserve System provide - abstractly - what it conceives to be the authentic answer to these attacks upon its own foundations and its own existence. Of course I am assuming that you can produce an answer. I have produced a great many answers in my own time and in my own way. But the misconceptions persist and multiply, and I think there is a distinct public service to be rendered in making the constitutional theory of the Federal Reserve System authentically plain to the American people in some fashion that brings the matter to the levels of popular understanding.

If anybody has the facilities to do this sort of a job, it is certainly your Board. At the very least - for the benefit of my own purposes - I should appreciate a letter discussing these two principal propositions from your point of view.

With warm personal regards and best wishes,

Cordially and faithfully,



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May 31, 1938.

My dear Senator:

It had been my hope that I could give you an adequate reply to your extremely interesting letter of May 17th before now, but I am hopeful that with a little more time we may be able to work out a simple statement which would be useful for you as well as for us and others who are hounded by the money cranks in exploding their propaganda. In the meantime, I wanted to assure you that I appreciate, as do other members of the Board, your interest in this subject and what we know to be your desire to serve the public interest by refuting ignorant and unjustified attacks on our banking and economic system. As soon as the material is in satisfactory shape, I shall forward it to you.

May I also take this occasion to send you a copy of a recent talk I gave before the New Jersey Bankers Association. You are swamped with oratory and reading matter, I know, and I would not venture to inflict this on you except that it undertakes to state in as detached and impartial a way as possible what seem to me to be the leading factors in the present economic situation and the practical remedies required. The problems are, of course, practical and not political ones, and I have undertaken to look at this picture without regard to political sensibilities, in the same spirit in which you approach the attacks on our banking and monetary system.

With kindest personal regards,

Sincerely yours,

M. S. Eccles,
Chairman.

Honorable Arthur H. Vandenberg,
United States Senate,
Washington, D. C.

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United States Senate

COMMITTEE ON FINANCE

June 3, 1938.

Hon. M. S. Eccles, Chairman,
Federal Reserve System,
Washington, D.C.

My dear Mr. Eccles:

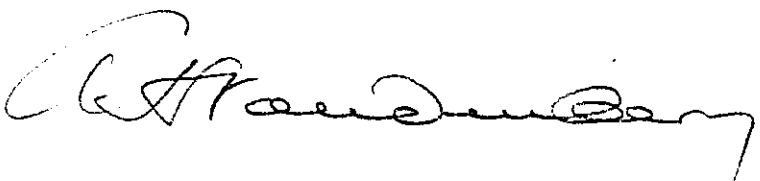
Thanks for your letter of May 31st.

I deeply appreciate the spirit in which it is written. Take all the time you wish in formulating the statement which I sought in my letter of May 17th. I only hope that it may be in my hands before the adjournment of Congress so that it may be placed in the Congressional Record for general distribution and use.

I am glad to see a copy of your New Jersey address. I am putting it one side for more intimate study at my first free opportunity.

With warm personal regards and best wishes,

Cordially and faithfully,



AHV-D