

LAW OFFICE OF
H. H. HENDERSON
215 CENTRAL BUILDING
OGDEN, UTAH

FEBRUARY 2, 1940.

HON. MARRINER S. ECCLES,
Washington, D. C.

Dear Mr. Eccles:

This morning's Tribune carries the announcement that you have been re-appointed for four years to the Federal Reserve Board.

I wish to congratulate you upon this reappointment and your acceptance of the same.

The Board needs some man like yourself to keep it stirred up and to keep things moving. I have read your talks and speeches very carefully. While I do not agree with you in all matters, yet in the main I do, and if I were not satisfied with your re-appointment and glad of your acceptance, I would most certainly say so.

If you desire to stir up matters in the money world, persuade the United States Treasurer to issue two billions of dollars worth of money backed by the gold and silver that the United States already has in its treasury. According to reports, the treasury has about twenty-one billions of dollars in gold and silver in its vaults. We have in circulation less than eight billions of dollars. We have backing for our circulation of more than two and one-half times in gold and silver.

England has withdrawn its gold behind the pound sterling and says that it is using it in its equalization fund. It would appear to an outsider that our equalization fund is being used to keep up the pound sterling. Do you think for one minute that England would do this if we were in the same position? I do not.

Hon. Marriner S. Eccles -2-

The United States borrowing money and paying interest only creates a heavy burden upon our taxpayers.

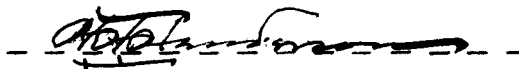
The only way that you can get these money changers to loosen up is to put some more money in competition with theirs. Borrowing from them only keeps the money going in a circle and all the time increases the burden upon our people.

When the President demonetized gold that book credit was never put into circulation, so demonetizing gold meant nothing as far as creating money for exchange purposes, so our Government kept on borrowing. Morganthau kept that for his equalization fund, and I understand that he never used more than three hundred million. The other billion and a half lies in the treasury buried and still Uncle Sam borrows money.

I may be wrong in my summary but that is the way it looks to an outsider. If you had a billion dollars in your safe and wanted to borrow a hundred thousand dollars, would you go out to the money changers and borrow it, or would you take it out of your safe? I think you would do the latter. Yet Uncle Sam is doing the former.

Wishing you success and with hopes that you will see your way clear to straighten out some of these financial problems, I remain,

Yours truly,



H. H. HENDERSON

HHH
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February 8, 1940

Mr. H. H. Henderson,
215 Central Building,
Ogden, Utah.

Dear Mr. Henderson:

I appreciate your letter of February 2 in which you congratulated me on my reappointment for a four year term on the Board of Governors of the Federal Reserve System. While this appointment has not yet been confirmed by the Senate, I am glad to have your felicitations.

In your letter you make the general suggestion that all the gold and silver in the United States Treasury which has not been monetized should be used as a basis for the issue of new money so as to reduce the amount of the government's borrowings proportionately. This idea has been suggested a good many times and some people even propose that without any relationship to the gold and silver possessed by the government currency should be issued in sufficient amount to pay off the entire government debt. I discussed this general line of thought in a letter to Senator Vandenberg of Michigan during 1938 when the subject was under discussion in Congress and I am sending you a copy herewith thinking you will find it interesting reading.

With best wishes, I am

Sincerely yours,

M. S. Eccles,
Chairman.

enclosure

LC/fgr

Received in
Chairman's Office
FEB 5 - 1940
Board of Governors
of the
Federal Reserve System