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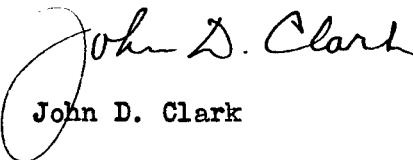
Dear Mr. Eccles:

You handled the presentation of your proposal to contract bank credit so admirably in your appearance before the Joint Committee on the Economic Report that I apologize at once for suggesting one change in your approach upon your next appearance.

The discussion on Monday circled around the degree of responsibility of bankers for the inflationary situation. This is really an irrelevant question. The real problem is not what is responsible for the inflation but what means are available to curb it. As a matter of fact, there is general agreement that the great expansion of currency and bank deposits during the war years is the real villain, and, of course, there is no way to do anything about that at this time.

The bankers may be wholly innocent, although I do not think so, of contributing to the inflationary forces. The important fact is that it is their bad luck that it is in the banking system where we find it practicable to apply government pressure in order to induce the contraction of credit, which will cool down the economic temperature and hold the price-wage spiral which we do not know how to break through. I hope you will develop this angle in your next round with the Committee.

Cordially yours,

  
John D. Clark

Honorable M. S. Eccles  
Federal Reserve System  
Washington, D. C.