



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

August 19, 1936.

Honorable M. S. Eccles,
Ogden, Utah.

Dear Governor:

I handed those two memoranda to Steve Early, the one on your preference for the more factual speech and the other on the letter with reference to DuBois and the independent bankers. I also gave Steve the suggested insert for the speech. He is transmitting all three matters to the President.

I also reminded him of the Talley matter and he said he would mention it to the President if necessary, which he doubts.

I also told him that you were not planning to go to the A.B.A. Convention and he at once asked me to tell you that while in Houston, the President had discussed the Adams matter with Law, a former A.B.A. president, and said that he thought Law ought to answer Adams in the convention on behalf of the Administration. Steve thought it would be very helpful if you could "stick a pin in Law" in some way by reminding him of this and letting him know that you are aware of the President's conversation with him. Steve also thought it would be helpful if you could get Giannini to back up Law and to talk with him about this. I said that I felt it would be best if the President personally would telephone to Giannini and Steve said that he would make that suggestion directly, but that in the meantime it would be all to the good if you could find some way of communicating with both of them in this connection.

I, of course, am very dubious about the propriety of your getting involved in any way and anything you did would have to be decidedly on the side. However, I am passing this along to you because Steve asked me to, for whatever you think is appropriate.

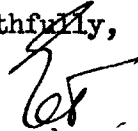
Honorable M. S. Eccles - (2)

He does not yet know when the President plans to speak on spending, but feels generally that it would be preferable if the opposition spoke first on this subject. I agree with that. At the same time I told Steve that I thought this material, or rather the arguments, should be worked up so that they can be quickly disseminated, particularly in the farm regions, and he agreed with that. He agrees with your judgment about the material which the President should use and he remarked that this is the best ammunition they have.

I also took occasion to tell him on my own initiative that you had been more upset than I had ever seen you over the position that you had been put in as a result of E.G.'s activities. Steve remarked that any idea that you were playing both sides of the political street was too absurd to be given serious consideration. However, I was glad to let him know on my own how you felt about it.

He is going to stay here to hold down the lid because so much business routes through Washington and unless the President or one of his secretaries is here, people on the outside seem to think that they are adrift.

Faithfully,



August 18, 1936.

MEMORANDUM FOR MR. EARLY:

When Mr. Eccles talked recently with the President at Hyde Park, he left with the President two suggested copies of material for a speech on the budget and the public debt.

In a telephone conversation with me this morning, Mr. Eccles asked me to tell you that he has since tested out this material in conversation with two of his most intimate friends who are prominent in banking and business in the west—men who are Republicans by tradition, but more or less independent. However, they are disturbed by the debt and taxation outlook. Both were most favorably impressed by the arguments contained in the suggested draft which deals more factually and dispassionately with the situation. The other draft, which is of a blood and thunder type, seems to Mr. Eccles to be undesirable and he hopes that you will get the President to discard it.

Mr. Eccles makes the point that this speech should not attempt to reach the mass of average men and women who, for the most part, are with the Administration anyway, but should be addressed to that large group of business men and bankers who are more or less independent, who are genuinely worried and to whom a factual, dispassionate recital of the facts will be far more appealing than a political attack. Mr. Eccles, accordingly, asked me to tell you that in his judgment the President should use the material which I have indicated and discard the other draft. I understand you have copies of both.

ET:b

No nation can impoverish itself by borrowing from itself, paying interest to itself and, finally, paying off a debt to itself. The government has done its financing, not by greenbacks, or fiat money, not by resort to the printing presses, but by the orthodox methods of issuing bonds. Thus it is paying interest to those citizens who are fortunate enough to be able to buy those bonds, and it is paying interest to the banks, insurance companies and the other institutional investors who have purchased these bonds. This, in turn, has enabled these institutions to make earnings, to pay interest to the investors and savers whose money is invested in them or with them. When the debt is paid, it will not be paid to aliens; it will not go into thin air, but the money will be paid to our own people, to individuals, to banks, insurance companies and the other investors.