

July 9, 1936.

Why Tom failed to take & enjoy

My dear Mr. President:

I have read the enclosed communication from Senator Thomas and find nothing new in it. He wants to issue more currency and to set up a monetary authority.

It is a pity that Senator Thomas cannot understand that we are in effect doing the things he advocates. Since 1933 we have expanded the supply of money in the form of deposit currency by over \$7,000,000,000, and the supply is now in excess of 1929. At one place in his enclosed speech he speaks of "deposit money," which indicates that at times at least he recognizes the essential similarity of checking accounts to currency. In fact, his proposed issue of currency could only have the effect of increasing deposits, since the currency would be immediately deposited in the banks.

Moreover, a recognition of this essential similarity should likewise lead in turn to a recognition that the Board of Governors is in effect a monetary authority already. As for the more specific objective of policy Senator Thomas proposes, we ourselves had proposed a more specific objective in the Banking Bill of 1935, but it was rejected by the Senate.

Respectfully,

M. S. Eccles,
Chairman.

The Honorable,
The President of the United States,
The White House.

LC:em