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THE WHITE HOUSE

WASHINGTON

September 14, 1936

MEMORANDUM FOR

GOVERNOR ECCLES

FOR COMMENT

F. D. R.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

September 22, 1936

Mr. M. S. Eccles
Eccles Investment Company
Ogden, Utah

Dear Marriner:

The attached letter together with the memorandum from the White House was referred to Ronald who handed it to me a day or two later for my suggestion. It then went to Dr. Goldenweiser for the comments which are attached, the file coming back to me today. I called the White House to see whether the matter was urgent but Mac was in Hyde Park and Early had left for the day, but his assistant, Mr. Hazard, thought that in view of the President's absence for another week, there was no reason why the file should not be sent on to you. Will you advise whether the proposed comments are satisfactory. My feeling is that they are adequate except the last sentence which should be developed so as to show wherein the quotation from Keynes is misleading.

General Wood of Chicago was here last week and Ronald included me in the luncheon group. We had a stimulating discussion. Incidentally the General asked Ronald for the low-down on what he was supposed to do in his new job, stating that he had taken it because he "liked Eccles so darn much", that he would have taken any job you offered him and would have asked questions later. I think there are several points in connection with the Chicago situation that the General should hear directly from you and for that reason I believe it would be a fine thing if you could spend an hour or two with him when you come through Chicago. This would not necessarily require your visiting the bank. So far as I can see there is no reason for you to hurry back here.

Hope you had a pleasant time in California and that you tried out some of the golf courses.

Sincerely,

Larry

September 28, 1936

Mr. Lawrence Clayton
Federal Reserve Board
Washington, D. C.

Dear Larry:

I am returning herewith the file in regard to letter from Attorney Ross of Chicago. I have gone over this correspondence together with the statement prepared by Dr. Goldenweiser. Dr. Goldenweiser's reply is satisfactory to me and adequately meets the situation unless one wants to go into an exhaustive dissertation on the whole money question. I suggest that Dr. Goldenweiser's comments be embodied in a memorandum of reply to the President for my signature when I return next Monday. The correspondence should also be returned with the reply. Would suggest that you also have Elliott go over the reply. I think it also well to consider in drafting the reply your suggestion that the last sentence of Dr. Goldenweiser's memo be developed so as to show wherein the quotation from Keynes is misleading.

Clayton failed to make copies!

Will look forward to seeing you on Monday. However, I expect to get in Sunday morning on the 8 o'clock train and if it is good weather would like to have a golf game. I would not be able to make it as early as our usual Sunday morning foursome but should be able to leave the Shoreham around 9 o'clock. Will give you a ring as soon as I get in.

Had a fine time in California and will tell you about it when I get back.

Sincerely yours,

MSE:VH
Enc.

October 5, 1936.

The Honorable
The President of the United States
The White House
Washington, D. C.

Dear Mr. President:

I return herewith the correspondence between Mr. Walter W. Ross and Secretary Ickes, which was referred to me for comment.

Mr. Ross' statement reflects the common error of ascribing an exaggerated importance to a single factor in our complex economic system. He is right in his claim that the present Administration has accomplished a great deal by helping to restore the supply of money. He is in error, however, in stating that this supply is still $5,500,000,000 below the desirable level. Total bank deposits plus currency in the hands of the public are approximately as high as they were before the depression, and checking deposits are considerably higher. The supply of money is clearly sufficient to finance a much larger volume of business than prevails at present. Further recovery, therefore, hinges not on an increase in the supply of money but on a fuller utilization of the existing supply, which depends on many complex factors, including a better distribution between consumers and investors of income currently produced.

Incidentally, Mr. Ross' quotation from J. M. Keynes is out of its context and misrepresents his position. The statement from Mr. Keynes represents his summary of the quantity theory of money, which occurs on page 296 of his most recent book (The General Theory of Employment, Interest and Money). After stating this theory Mr. Keynes on subsequent pages proceeds to criticize it, so that it is clearly incorrect to quote this statement as representing Mr. Keynes' own position.

Very respectfully,

Chairman

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Enclosure
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