

770 PARK AVENUE

New York  
March 29<sup>th</sup> 1935

Hon. Marriner S. Eccles  
Washington  
D.C.

Dear Sir:-

On March 20<sup>th</sup> I wrote you from the University Club in respect of a passage from your testimony before the House Committee. I wish to thank you for your courteous letter of explanation in reply, dated March 25<sup>th</sup>.

Your letter clarifies the question which your testimony raised in my mind. I have discussed it with my friends at the Club - bankers, accountants and others - and I think we all understand the program, and the financial mechanics of the program, which you have in mind much better than we did before. I am glad to have my

apprehensions that the plan contemplated  
an actual appropriation of depositors  
money, removed. Let me thank you  
again for the trouble you have taken to  
quiet them.

But you have not allayed my  
apprehensions as to the ultimate results  
of the plan itself. You will not convince  
me, and I will not convince you. So  
I will not take up your time by discuss-  
ing it.

But you may be interested in a very  
brief summary of what I believe to be  
an obstacle which your plan, of rais-  
ing the national income by Government  
expenditure of borrowed money, fails to  
take sufficiently into account. It is  
this: I know people who have money  
to invest and I hear of others. So far  
as I know none of them are making  
any investments. Of course, none of them  
is borrowing money, - also so far as I  
know. The reason is that there appear  
to them to be no safe investments, - in-  
dustrial securities, are highly speculative;  
utilities are the victims of an intense  
emotional attack by the Government; rail-  
roads are down and out; and govern-

ment bonds are speculative because they can be paid off in what is, in fact, an irredeemable paper dollar, the future value of which is highly problematical and because the staggering and apparently uncontrollable Government deficit makes heavy taxation and currency inflation ultimately quite probable. This applies, of course, to all bonds but is the argument employed particularly against Government bonds because there is no security behind them except the credit of the United States, at the moment that is not highly regarded. There are, of course, several reasons for this which you understood quite clearly.

I am told that the buying of U.S. bonds is "distress buying", i.e. buying by Insurance Companies, Trusts and so on which must sleep their funds invested and think that legally they will be less open to attack if they invest in U.S. bonds than in other securities.

If the psychology which I see around me is at all general or at all sound it would seem to me that the more you try to meet it by piling up the deficit and loading the banks up with what are considered speculative bonds is

ruined by a concern (the U. S. Government) operating at a loss and with no prospect of a balanced budget, to say nothing of a profit, in sight, the more you are going to aggravate it. The inevitable result would appear to me to be a creeping paralysis of the flow of capital into industry and a steady - and not so creeping - increase in the Government's debt and deficit - until Government bonds sag to a point which will make a radical change of plan necessary.

You hope, as I understood it, that business will be back on its feet before that point is reached. There is, of course, a good deal of basis for this hope. But the best it is a hope and not a certainty. It is the speculative way - not the careful way - out of the morass. If it succeeds, the President and you will be great men; if it fails - where are we?

Very Truly Yours  
Edward Boies

4-4-1932