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May 17, 1935.

Mr. George L. Harrison, Governor,
Federal Reserve Bank of New York,
New York, New York.

Dear Governor Harrison:

See letter 5/14/35


As you correctly surmised, press reports of my testimony before the Senate Banking and Currency Committee were both incomplete and incorrect. I was unexpectedly asked the question with reference to the effect of putting out "the Patman money". My reply had to be extemporaneous. Had I been prepared for the question no doubt I could have answered more adequately. However, I did not cover the subject as badly as press reports would indicate, and I did undertake to bring out the very important point which you mentioned in your letter, that the Patman bill would add roughly an equivalent amount to excess reserves.

For your information, I enclose a copy of the stenographic transcript of that part of my testimony in this connection from which you will see that I undertook simply to contrast the different effects from the issue of currency as provided in the Patman bill and the raising of funds through Government bonds, emphasizing that in the former case there would be a direct addition to excess reserves, while in the latter case there would be a reduction.

I do not need to tell you that I agree entirely with you about those provisions in the Patman bill relating to restrictions on the volume of currency, including Federal Reserve notes, in case the price level should exceed the 1921-1929 average. They are, as you emphasize, another vital reason for opposing this measure.

Sincerely yours,

M. S. Eccles,
Governor.


Enclosure.

ELT:sb