

LAW OFFICES

WALTER W. ROSS

105 SOUTH LA SALLE STREET

TELEPHONE  
FRANKLIN 4229

ROBERT D. ROSS

CHICAGO

Randolph 3293

May 15, 1936.

Hon. Marriner S. Eccles,  
Chairman, Federal Reserve Board,  
Treasury Building,  
Washington, D. C.

Dear Mr. Eccles:

Early in the year 1933 I began sending to President Roosevelt the results of my study on the subject of money and banking, advocating the restoration of the Bank of the United States, and as I have continued my study I have from time to time sent the President additional memoranda on this subject.

I am sending you by express a typewritten copy of my manuscript entitled "Money and The Supreme Bank of the United States," which I am planning to have published.

On pages 156 and 157 of this manuscript I have quoted three paragraphs of statements said to have been made by you by one of our Chicago newspapers. I would be glad to learn from you whether you were quoted substantially correctly or not.

Sometime ago Senator Lewis from our State is said to have made the prediction that one of the issues in the Presidential campaign of 1936 would be whether or not Congress should establish a Bank of the United States. As you know, our first Congress created the Bank of the United States for a life of twenty years upon the recommendation of Alexander Hamilton, approved by President Washington. The second Bank of the United States was established by Congress in 1816, approved by President Madison. During the forty years these banks existed the people of that period enjoyed substantial prosperity. Toward the close of the life of the second Bank of the United States, Congress passed a bill, by a very substantial majority, to extend the life of the Bank of the United States, but President Jackson, acting under the advice of his then Attorney General Roger B. Taney, vetoed the bill and a hundred years ago the control of bank deposit currency passed into hands of private bankers, and by reason thereof the people of this country have suffered several unnecessary money panics and depressions.

During the past fifteen years over 14,000 of our private

Hon. Marriner S. Eccles - 2.

May 15, 1936.

banks have failed but it is my belief that many of these failures would have been avoided if there had been a Bank of the United States prepared to rediscount sound loans. I have been rather closely associated with private bankers all of my life, my step-father having been president of a national bank during my younger manhood and I have had a number of relatives who were presidents of banks and substantial stockholders therein. A number of years ago Secretary Ickes was a neighbor of mine in Evanston, and my youngest son is now employed in his Department as a lawyer or examiner.

I would be glad to have you glance through the manuscript which I am sending to you to see if it contains any thoughts or suggestions which might be of interest to President Roosevelt, and, if so, to call his attention to same.

Yours very sincerely,

A handwritten signature in cursive script, appearing to read "Walter D. Ross".

WWR:S

May 19, 1936.

Mr. Walter W. Ross,  
105 South LaSalle Street,  
Chicago, Illinois.

My dear Mr. Ross:

I am returning under separate cover the manuscript which accompanied your letter of May 15th. I appreciate your courtesy in giving me the opportunity to correct the quotations attributed to me on pages 156 and 157, which are very misleading and far from being an accurate representation of anything I have said. For your information and in case you care to include quotations of my views, I am enclosing a summary of testimony which I gave before the Banking and Currency Committee of the House in connection with the Banking Act of 1935.

While I regret that I do not have the time to give your manuscript the careful study which it deserves, I have noted with interest your review of monetary history and your proposals for a "Supreme Bank of the United States." That raises questions too difficult to be dealt with adequately in a letter, but I doubt if I could add much to my enclosed testimony in commenting on this and similar proposals which have been advanced frequently in the last few years.

Sincerely yours,

M. S. Eccles,  
Chairman.

enclosure

ET:b

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ROBERT D. ROSS

CHICAGO

May 22, 1936.

Hon. Marriner S. Eccles,  
Chairman, Federal Reserve System,  
Treasury Building,  
Washington, D. C.

My dear Mr. Eccles:

I shall strike out of my manuscript entitled "Money and The Supreme Bank of the United States" the quotation attributed to you by one of our Chicago newspapers and insert in place thereof, with your permission, quotations from the "Summary of Statements" by you.

I have read the pamphlet you sent me entitled "Summary of Statements" with deep interest and very great pleasure. Our country is indeed fortunate in having as Chairman of the Board of Governors of the Federal Reserve System a man who has grasped our financial problems with the soundness and ability disclosed by this summary. I think a copy of the summary should be in the hands of every banker in the United States and sent to many of the leading business men of the country, supplemented if possible by a more recent statement as to operations under the Bank Act of 1935.

A large part of our trouble is due to the lack of understanding by the business men of our country of the fundamental problems of our financial situation, and I think that men who have given great study to these questions should give others the benefit of such information. On page 33 of your Summary of Statements you say:

"If there were a demand for long-term credit for home construction or for other construction, and the facilities for providing it did not exist, that would be most unfortunate.

"I may say this: That an increase in private expenditures for equipment and construction wait upon increased demands for products of industry. The increased demand depends on increased incomes, as a whole. Increased incomes wait upon increased expenditures in construction. There is your circle.

"The impasse can be broken, I believe, only by the various

May 22, 1936.

## Government activities, etc."

I am somewhat familiar with this situation in our locality because my eldest son has for a number of years been engaged in designing and building attractive homes. A little over two years ago the architectural business being practically dead, he decided to utilize his time by building a house for sale or rent. When he had finished the house he found that he needed about \$3,500.00 to complete the payments. He spent several weeks interviewing bankers in Chicago and the suburbs and men who had formerly been engaged in making such loans, but it was impossible for him to borrow the \$3,500.00 on a first mortgage on the house. However, he finally located a woman in California who was willing to make the loan. Within a few months he sold the house for \$15,500.00 cash and then started to build another house about twice as expensive as the one he had just sold, and when he had finished it last year he wanted a loan of about \$12,500.00 on a \$30,000.00 property. He went to the FHA and submitted the proposition to them and they in turn sent him to various banks in this locality, none of whom, however, would make the loan. He finally found a lender in Minneapolis. He has not as yet sold the house but it is rented for over \$200.00 a month at the present time.

There are great numbers of young men who are just getting established in their life work who need to utilize credit, and although many of them are well entitled to the credit they are at this time having great difficulty in obtaining money. Here are several instances which have recently come under my personal observation:

There is a young man who is a tenant of mine who pays me \$1,500.00 a year for the house in which he lives. He is at the head of a department of one of the largest stores in Chicago, of which his father is a partner, and he has been negotiating with me for the purchase of a lot upon which to build a home. His uncle is a director of one of the largest banks in Chicago, and he went to this bank to see if he could borrow money for the purpose of building a home, but the reply was that the bank did not care to bother with such loans. This particular bank has approximately two hundred million dollars invested in Government bonds. Why should it bother to make loans of this kind, when it can invest its depositors' money in Government bonds which it can convert into cash on a moment's notice and yet earn profits which enables it to pay very handsome dividends to the stockholders?

I observe that the Government is about to issue another billion dollars of bonds, and the bank referred to above will undoubtedly invest further surplus deposits in those bonds, and so it will continue undoubtedly as long as the Government is issuing bonds at frequent intervals, and the question arises as to how is that circle to be broken.

Hon. Marriner S. Eccles - 3.

May 22, 1936.

Prior to the War, our Government had outstanding only a little over a billion dollars of bonds, most of which were owned by national banks and used as a basis for their currency, so that the banks at that period were compelled to make loans of many kinds in order to operate at a profit. At the present time, as you know, the Government is borrowing the money from the banks and loaning it through one loaning agency or another to the citizens of our country, and, as I see it, this will have to continue until the circle above mentioned is broken.

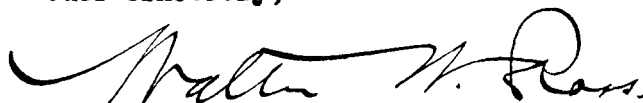
Here is another illustration which has come under my observation: This young man's father is the president of one of our large manufacturing companies, the son is a vice-president of the same company, is well established, married and has two children, and wants to build a house but he has not yet found a way to finance the operation.

My second son is a young lawyer here in Chicago, married. He too wants to build a house. He is well established with an income of several thousand dollars a year, owns his own lot which is worth approximately \$8,000.00, has had the plans drawn for his house and has made his application for a loan. He does not know yet whether he will be able to borrow the money. I have been told that one of the largest banks in Chicago has on hand several thousand applications for loans approved by the FHA but up to the present time has made only a very few of such loans.

These conditions exist no doubt in nearly all parts of our country today. It is through the individual initiative of great numbers of our citizens that our country has prospered and progressed when they have utilized their credit by borrowing money necessary for their purposes. We have experimented during the past hundred years with depending entirely upon credit furnished by private banks. In March 1933 this system entirely collapsed temporarily and we found it necessary to have our Government provide credit for millions of our citizens who could not be accommodated by the private banks. It is my belief that a central bank is necessary to perpetuate our constitutional form of government.

You have before you the greatest problem of the centuries for solution and my prayer is that you will succeed.

Yours sincerely,



WWR:S

May 27, 1936.

Mr. Walter W. Ross,  
105 South LaSalle Street,  
Chicago, Illinois.

My dear Mr. Ross:

I wish to thank you for your letter of May 22d. I am glad to know that you will substitute in your manuscript a quotation from the summary of my testimony on the Banking Act of 1935.

I am so much interested in the situation which you describe with reference to lack of credit that I have taken the liberty of referring to the Housing Administration and to a friend of mine who is a Chicago banker those paragraphs in your letter which cite cases within your own knowledge. I quite agree that if such instances are typical of the country generally, the bankers will have only themselves to blame if the government is compelled to furnish the type of credit which they fail to provide.

Sincerely yours,

M. S. Eccles,  
Chairman.

ET:b