

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date January 7, 1937To Mr. EcclesFrom J. M. DaigerSubject: Letter to McDonald as related
to Board matters and President's message
to Congress.

G P O 16-852

(Copy to Mr. Thurston)

*attach to
copy*

There are two points regarding your letter to Mr. McDonald that go beyond any use he may wish to make of it, but that you may wish to consider.

The first is that the statement in this letter of your views on the housing situation would provide the members of the Board with a clear and concise introduction to matters which you will probably wish to take up with the Board more fully during the next few weeks. I shall have some copies of the letter made in mimeographed form if you wish to use them for this purpose. I think that there are also several members of the staff who would be interested in knowing your views on the matters dealt with in the letter.

The second point is more far-reaching. It is that the letter would be front-page news, and would throw an entirely new and much-needed light on the whole housing situation from a broad economic and financial point of view, if you were to release it for publication. I think it would command thoughtful consideration, not only editorially in the leading newspapers of the country, but, more forcibly than would be possible in any other manner, on the part of the President and of Administration leaders both in Congress and in the executive departments.

In other words, this is something quite different from Mr. McDonald's suggestion that you go to the White House with him, and quite different also from your assent to his using the letter in his discussions with the President and various Senators and Congressmen.

The letter is directed toward a serious national problem in which the Board and the whole banking community have a real and very direct concern. The tone and substance of the letter are such as to remove any suggestion that you are injecting yourself into the petty quarrels and jealousies of the housing agencies. On the contrary, the letter shows plainly that the essential considerations of the housing

problem are of much bigger consequence than considerations which govern the agencies in their activities and pronouncements.

This seems to me to be the opportune time to put the discussion of housing legislation on higher and more practical ground than was attainable in the emotional atmosphere which surrounded the conferences and controversies of the first six months of last year. The housing "mess," as the President aptly termed it, came about then for the very reason that the discussion of legislation lacked leadership or direction. There was no one to prime the pump of discussion, so to say; no one to establish the plane of discussion.

My own view of the matter is that the housing mess of 1936 was unwittingly precipitated by the President himself; for he brought into a situation already complicated by the animosities and ambitions of Mr. Fahey a "coordinator" utterly unfamiliar with the background of that complicated situation, and utterly unfamiliar with the housing problem except from the superficial and limited viewpoint of a New York City real-estate man.

If during this new session of Congress the discussion of housing legislation is not to degenerate into a crude brawl, again aired in the press as mere internal bickering and controversy, then it seems to me that the essential problems which you have touched on in your letter to McDonald must be brought into clear focus, so that the President himself and the Administration leaders generally will not be willing to tolerate the kind of discussion that does not seriously and earnestly take those problems into consideration.

The plane of discussion, that is to say, must be on a level with the large social and economic objectives of the President—not with the aims of business and financial groups promoting their particular interests through governmental agencies.

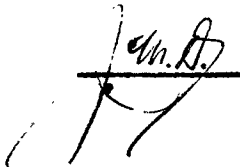
You will no doubt have noticed that, in his message to Congress yesterday, the President cited housing first in relating examples of "far-reaching problems still with us for which democracy must find solutions if it is to consider itself successful." There can be no question, then, that the President

is aware of the importance and magnitude of the housing problem, and is eager to grapple with it.

Yet I ask you: Where is he to turn within the Administration for informed and objective leadership in the formulation of a housing policy? There is no leadership now. There is no policy and no program. The problem itself is so urgent, however, both in its social and its economic aspects, that the confusion and delay which would result from a shifting or revamping of the existing agency set-up would be little short of fatal.

What is plainly called for, as I see it, is (1) a policy and program adapted to this existing set-up and (2) a strict injunction upon the agency heads to go their separate ways and avoid meddlesome and mischievous interference with one another. If that course is followed, the reorganization committees and experts may then in time be able to find out what the functions of the agencies really are and what contribution they are actually making toward a solution of the housing problem. But the housing problem, not the housing agencies, is the ball that the reorganizers should keep their eye on.

Since any policy and program designed to deal with that problem must necessarily look to the available supply of capital for implementation, I think you would be doing the President, the Congress, and the country a great favor if you chose the present time to state the problem in the concrete practical terms that most of the persons concerned will readily understand.

A handwritten signature, likely "John D. Fraser", is written over a horizontal line. The signature is in cursive and includes a large, stylized initial "F".