

September 1, 1943.

Dear Judge Vinson:

Thinking you may be interested, I am enclosing for your confidential information a mimeographed copy of the statement on Controlling the Inflation of Capital Values which I read at the conference called by you on August 26. This memorandum has been supplemented by the comments I made at that meeting.

Sincerely yours,

Honorable Fred M. Vinson, Director,
Office of Economic Stabilization,
Federal Reserve Building,
Washington 25, D. C.

Enclosure

MSE:b

September 1, 1943.

Dear Dan:

In accordance with our telephone conversation of last week, I am enclosing for your confidential information a mimeographed copy of the statement on Controlling the Inflation of Capital Values which I read at the conference called by Judge Vinson on August 26. This memorandum has been supplemented by the comments I made at that meeting.

I am also enclosing memoranda prepared by members of the Board's staff on the war housing program.

Sincerely yours,

Honorable D. W. Bell,
Under Secretary of the Treasury,
Washington, D. C.

Enclosures

MSE:b

September 1, 1943.

Dear Harold:

In accordance with our telephone conversation of last Friday, I am enclosing for your confidential information a mimeographed copy of the statement on Controlling the Inflation of Capital Values which I read at the conference called by Judge Vinson on August 26. This memorandum has been supplemented by the comments I made at that meeting.

I am also enclosing memoranda prepared by members of the Board's staff on the war housing program.

Sincerely yours,

Honorable Harold D. Smith, Director,
Bureau of the Budget,
Washington 25, D. C.

Enclosures

MSE:b

September 1, 1943.

Dear Mr. Blanford:

Thinking you may be interested, I am enclosing for your confidential information a mimeographed copy of the statement on Controlling the Inflation of Capital Values which I read at the conference called by Judge Vinson on August 26. This memorandum has been supplemented by the comments I made at that meeting.

Sincerely yours,

Hon. John B. Blanford, Jr.,
Administrator, National Housing
Agency,
Washington, D. C.

Enclosure

Identical letter sent to the following:

Judge Vinson	George C. Haas
Daniel W. Bell	Ganson Purcell
James F. Brownley	Harold D. Smith
Ben Cohen	James Twohy
Leo T. Crowley	Claude W. Wickard

FEDERAL HOME LOAN BANK ADMINISTRATION
WASHINGTON

September 2, 1943

OFFICE OF THE GOVERNOR
FEDERAL HOME LOAN BANK SYSTEM

PERSONAL

Honorable Marriner S. Eccles
Chairman, Board of Governors
Federal Reserve System
Washington, D. C.

Dear Marriner:

Many thanks for the copy of your statement on "Controlling the Inflation of Capital Values". A reading of it confirms and even heightens the opinion I formed of its thoughtful balance when I heard you read it at Judge Vinson's conference on the twenty-sixth.

I said nothing at that meeting because the assembled minds seemed to converge so rapidly into agreement that I thought any expression of mine would be a waste of words and time. Otherwise, I might have added, in extension of Mr. Blandford's remarks, that we in the Home Loan Bank System, among our membership, find in a lesser degree the same anxieties which alarmed Secretary Wickard, - I mean the natural tendency to follow appraisals upward in urban real estate trading, with the consequent signs of an inflationary spiral. So far, the problem in our own System is a kind of low-grade infection which we are struggling to control with Mr. Blandford's excellent help, by collaboration with the FHA through the supervisory medium. We recognize, of course, that the infection might flair up and become acute because of the enormous distortion of the national economy inherent in 140 billions of annual income. I don't wish to minimize the dangers, therefore, in expressing the opinion that the proposed Executive Order should not be issued.

I agreed then, and do now, with you and Leo Crowley (of itself something of a phenomenon, if not a record!) that the issuance of the proposed Executive Order by the President at this time would be a mistake. My reasons are:

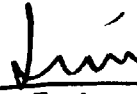
1. As your statement so wisely pointed out, the powers which the Order would impose upon the Federal Reserve Board would probably be inadequate to accomplish the end sought without an accompanying tax program which would reach the inflationary profits accruing from speculation in farm or urban real estate. The Order, therefore, would not be the "long-barrelled squirrel-gun" which Judge Vinson is properly seeking, but rather a kind of "bow-and-arrow" which would of itself be ineffective, and very likely might be embarrassing to your Board in its employment.

2. I agree with Leo that the sudden issuance of this Order, with the country so unconditioned for it, so unaware of any real need and so thoroughly skeptical, if not hostile, to government by decree, would be a psychological shock with bad consequences. This fact, as you remarked, should not deter us if the Order were provably necessary and effective. With the present doubt surrounding both points, however, it would seem to me a gratuitous invitation to trouble. While I, like Leo, disclaim any authority as an economist, I am something of a specialist, I believe, in public psychology and I think I know how the mind of the people throughout the country is running. Entirely outside that class of whom Judge Vinson spoke, who are so "ag'in" the Administration that they will condemn anything and everything it does, the great mass of our people are very honestly and anxiously dubious, as you know, about the trend toward what they broadly and indiscriminately call bureaucracy. These people are the salt of the Republic, and they are going to determine its long-range policies. It is no part of reprehensible politics, so-called, but rather of wise statesmanship to follow the slower and more patient Democratic process of enlightened discussion and debate before "popping-off" with sweeping orders for which they are unprepared. Broadly speaking, these folks by the million, I believe, are persuaded that the President is a wise, patriotic and providential leader, raised up at a critical time to head the country. They are equally convinced, however rightly or wrongly, that he is surrounded and frequently victimized by "totalitarians" of one kind or another, who are eager to use the emergency for destroying their traditions and their rights. I don't argue for or against this belief as here loosely put, but state it as a fact to be reckoned with. Certainly should such an order as this be promulgated, it would exasperate the public temper and invoke a very lively resentment among the quiet millions who will be very vigorously heard from before long.

3. I am wondering whether this order, even if the arguments against it, numbers one and two as above, were resolved, would go to the heart of the trouble. As Secretary Wickard said, and as we know in our shop, these speculative and inflationary tendencies are not arising so much in credit as in cash, and even if you could lay an iron hand of control on credit, you might miss most of the abuses as your own memorandum, of course, points out.

The whole matter needs further study, as you said.

As ever yours

A handwritten signature in dark ink, appearing to read 'James Twohy', written over a horizontal line that ends in an arrowhead pointing to the right.

James Twohy
Governor



FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON

OFFICE OF THE CHAIRMAN

25

September 6, 1943

My dear Marriner:

I appreciate your thoughtfulness in sending me a copy of your statement on Controlling the Inflation of Capital Values which you presented at the recent conference called by Judge Vinson.

Sincerely yours,

LEO T. CROWLEY,
Chairman.

The Honorable Marriner S. Eccles, Chairman
Board of Governors of the Federal Reserve System
Washington 25, D. C.