

QUEENCREST DEVELOPMENT CORPORATION

JOHN B. REIMER, PRES.

BEECHURST MANOR, INC.

TEL. JAMAICA 6-6653

161-10 JAMAICA AVENUE, JAMAICA, N. Y.

February
Second
1939

Mr. Lawrence Clayton,
Assistant to the Chairman,
Board of Governors of the
Federal Reserve System,
Washington, D.C.

Dear Mr. Clayton:

Thank you for sending me copies of Mr. Eccles' able and interesting address at the A.I.B. and also a copy of his radio address. My Banking background and connections enabled me to appreciate his point of view.

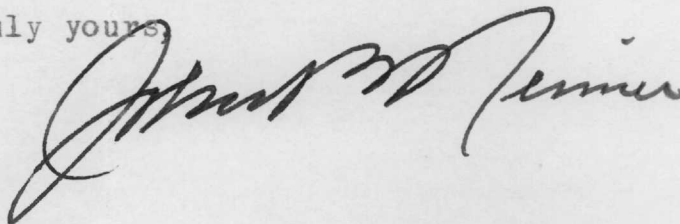
I was present at the A.I.B. dinner but the effectiveness of his address was lost through the stupidity of Benson who monopolized the time and wore out the audience.

A careful reading of both addresses satisfies me that Mr. Eccles' point of view is financially and economically sound but the process of educating the static mind of many Bankers to a new point of view is both a difficult and tedious one. Mr. Eccles' theories are predicated on and stress the absolute necessity of co-operation between Government and Industry.

It must be that I am unconsciously prejudiced but I simply cannot see that the Government through its Executive has given Industry or Mr. Eccles' policies that co-operation which is imperative. Reform before recovery seems to have been the predominant note.

However, I hope for the best as to financial and economic recovery.

Very truly yours



JBR:MVS

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JOHN B. REIMER, PRES.

BEECHURST MANOR, INC.

TEL. JAMAICA 6-6653

161-10 JAMAICA AVENUE, JAMAICA, N. Y.

JANUARY 25, 1939

January
Twenty-fifth
1939
Jamaica, New York

Mr. Marriner S. Eccles,
Comptroller of the Currency,
Washington, D.C.

Dear Sir:

As I mention your name in enclosed letter, I am
sending you a copy.

Yours very truly,

John B. Reimer

*Send copy
of New York
radio speech*

JBR:MVS
Enc.

QUEENCREST DEVELOPMENT CORPORATION
BERCHURST MANOR, INC.
161-10 JAMAICA AVENUE, JAMAICA, N. Y.
January 27, 1939

Mr. John B. Reimer, President
Queencrest Development Corporation
161 Jamaica Avenue
Jamaica, New York

Dear Mr. Reimer:

Mr. Eccles has asked me to acknowl-
edge your letter of January 25 to him, with which you
enclosed a copy of your letter of the same date to
Major L. L. B. Angas. Since it appears from your let-
ter to Major Angas that you have misunderstood in part
Mr. Eccles' position with reference to government
fiscal policies, I am enclosing herewith a copy of his
speech before the New York Chapter of the American
Institute of Banking on December 1, 1938, as well as
a copy of his recent radio address.

Yours very truly,

Lawrence Clayton
Assistant to the Chairman

enclosures

LC/fgf

Received in
Chairman's Office

JAN 26 1939

Board of Governors
of the
Federal Reserve System

January
Twenty-fifth
1939

Major L.L.B. Angas,
570 Lexington Ave.,
N.Y. City, N.Y.

Dear Major:

I read with interest your Digest No. 30.

I do wish to discuss individual statements made in this Digest. I both agree and disagree with many and present the following point of view.

Let us suppose there are ten Banks in New York City, each of which have deposits of \$1,000.00 each (or a total of \$10,000.00). The Banks lend the Government (through Bonds) \$5,000.00. Result is that their deposits remain the same, \$10,000.00. Government puts the \$5,000.00 loan into Federal Reserve Depositories. Government appropriates above \$5,000.00 for Relief or P.W.A., etc. Draws check on Federal Reserve Bank to P.W.A. who in turn distribute this money to the Workers, Supply Houses, etc. They in turn use the money for Rent, Groceries, etc. and eventually all of this \$5,000.00 dribbles back to the Banks, with the result that their deposits have increased from \$10,000.00 to \$15,000.00 -- a 50% increase. This increase, plus the idle money which Investors cannot or will not invest, explains the rise in Bank Deposits in recent years.

Is this policy of Government borrowing good for "Business"? -- Yes, because the money which the Government borrows is spent and flows into the channels of trade.

Now, supposing the Banks instead of lending to Government lends it to Industry. Industry also spends it and the money will again come back to the Banks. Is this good for Business? -- Yes. Therefore, what is the difference to Business if the Government borrows the money or Industry borrows it?-- Answer: None.

Where, then, lies the objection to Government borrowing?

Industry borrows the \$5,000.00 and makes a profit on it of, let us say, 20% or \$1,000.00 and pays back \$4,000.00 of the original money plus the \$1,000.00 profit which it did not have before. Therefore, Industry is richer to the extent of \$1,000.00.

gold & silver

January 25, 1939.

The question may be asked: "Who pays Industry the profit of \$1,000.00?" The answer is, of course, the Consumer or Citizen. He does not mind doing it, however, because his own income is increased (he has work where he had none before) and having increased income, he does not mind, know or care if someone makes a profit on his expenditures and the making of this profit by someone does not hurt him but benefits him.

The Government, on the contrary, uses its \$5,000.00 not to make a profit, but spends it all and none of it ever comes back to the Government. When the time comes to paying back the loan the Government gets the money by taxing its citizens.

You and Eccles say that there is nothing the matter with this policy of the Government in borrowing money and that it should keep right on doing it even if it has already done so for the past eight years.

Now, wherein lies the difference between the two systems -- that of Government borrowing the money or Industry borrowing the money? My answer is that the latter is "legitimate" and the former is "illegitimate".

That brings us down to the question -- "Who shall determine what is legitimate and what is illegitimate?"

The answer can be found in the distinction which exists between a legitimate child and an illegitimate child. There is no difference, as far as the child is concerned -- it is a reality -- it is here - likewise the fact of the public spending the \$5,000.00 whether borrowed by Government or Industry. There is, however, a big difference in the mind of the public. The illegitimate child is a bastard, the parents have transgressed social laws and the result is bad for the child, the parents and Society.

It is therefore personal, public and social opinion which determines the question of legitimacy and illegitimacy both as to aforesaid child and to the policy of Government borrowing. When the prevailing opinion is on the side of legitimacy, it makes for personal, public and social happiness both materially, socially, mentally and spiritually. None of these qualities can flow from a transgression of generally accepted moral and financial laws, one of which is covered by Ben Franklin's maxim: "Avoid debt as you would the devil". This maxim is fundamentally applicable to one hundred million people as well as to an individual (subject to proper exceptions).

The New Deal has disturbed the moral values, the financial conceptions and greatest of all, the trust and confidence of the American People and when those elements are disturbed, trouble and chaos result -- and that is where we are now. Their effect materially, if continued, is bound to be ultimate bankruptcy and the ruin of the best middle-class element in the United States.

January 25, 1939.

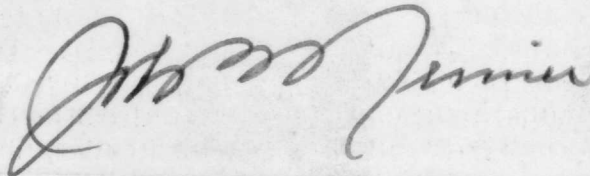
I do not wish to impeach either your or Eccles intelligence by assuming that you uphold borrowing forever, as a principle. I do contend, however, that if you uphold it as a temporary measure you have lamentably failed in not expressing your alarm at what the Government has already done and insist that borrowing must stop and that simultaneously, the Government must adopt constructive measures that will enable the borrowing to be stopped. These measures can only take one form and that is a recognition of the fact that only Industry can stop the necessity of borrowing provided Government assists Industry in so doing and restores the confidence of Capital in the financial morality of Governmental financing.

The appointment of Hopkins seems to indicate a recognition by the Government of the necessity of restoring the entente cordiale between the Government on one side and Capital and Business on the other. Upon the success of his efforts and policies depends the immediate future prosperity of the United States and the contentment of its people.

If he fails, we might as well ring down the curtain as far as the business life of the existing generation of individuals and corporations are concerned. We will be ~~be~~ deep in the hole that it will take twenty-five years to crawl out.

*and
in
city* Unless Industry and Business are restored to a normal, healthy condition and the confidence of the people in the financial soundness of the Government's fiscal policies are restored, Eccles hopes for an eighty billion national income has no chance whatsoever for fulfillment.

Yours very truly,



JBR MVS

Received in
Chairman's Office

JAN 26 1939

Board of Governors
of the
Federal Reserve System