

February 4, 1939

Mr. Marriner S. Eccles, Chairman
Federal Reserve System
Washington, D. C.

Dear Mr. Eccles:

An editorial in Collier's magazine of February 11th has caught my eye. It is entitled "The Answer Is Yes, Mr. Eccles". I see no flaw in the argument but since many people, including myself, have confidence in your honesty, integrity and, above all, responsibility, I am venturing to ask you to explain to this deeply interested correspondent certain rather incredible deductions you seem to have made in the matter of federal finance in the recent past. I submit as my claim to a courteous reply the fact I have spent thirty years of my life as an executive and have been right successful in conducting business negotiations on the theory that indiscriminate borrowing with no plans for repayment is only resorted to when an enterprise is facing bankruptcy and its management is not too squeamish in its choice of plans to avoid that bankruptcy.

Have you found a way to take the curse off of such methods when borrowing by the taxpayer is going on? I do not believe you have and speaking as a holder of stocks and bonds I fear a period in the future when my property will lose most of its value either from inflation or repudiation.

But why Mr. Eccles, with a reputation to sustain, should embark on such a departure from sane business practices I can not see. Is there a rift in the clouds which I haven't observed, or is that rift yet to come when you, at your pleasure, will to have it come?

Your experience as a banker has, no doubt, brought you the certainty that, forgetting moral considerations, the citizens of this great Democracy may be divided into two distinct groups, meaning the responsables and the irresponsibles. Our President, your mentor, fine, jovial, magnetic man though he is may be termed the Prince of Irresponsibles. Why should you with your background knowing, as you must, that the glitter is spurious, blindly lay your talents at his feet and pursue a course with the American people which you must know you can not justify?

A lovely smile, a melodious voice and a kindly feeling for his neighbor may be characteristics of the "GREAT HUMANITARIAN", but those qualities are not, I think, those essential traits one likes to see in a friend but at the same time one looks to a greater degree for force, stability and the ability to make decisions.

Do you believe in confiscation by government without justification? Have the utilities which have bought and paid for their plants including, the riparian rights, the cost of dams and power stations, of transmission lines, of distribution and service lines and other structures no defense against the T.V.A. and similar projects erected and paid for by the taxpayers expecting no return?

The Government seems to have demonstrated its right to duplicate lines where no lines are needed, to build huge power stations at the public expense where no market for the power is accessible. Our President, I understand, having been told at one time the rates were too high at Warm Springs, has considered that so called fact a justification for an assault on all utilities to force reduction of rates or the acceptance of the competition of a government owned plant supported largely by the taxpayers' funds.

However, I am digressing. What I am most interested in ascertaining is whether you do think the national debt is nothing to worry about and can be disregarded by the middle class man who has something in his box. If you take this view and propose to make it a subject for distribution among the people at large, I accuse you of being unfit for your office, or, if it is a rubber stamp I am writing to, one of the unsavory politician type, who has no business occupying any position either commercial or political in this land of ours, you should hand your resignation in at an early date.

Yours very truly,



Henry S. Newton

HSN:s

February 11, 1939.

Mr. Henry S. Newton
P. O. Box 295
Easton, Maryland

My dear Mr. Newton:

Mr. Eccles has asked me to acknowledge your letter of February 4 referring to a recent editorial in Collier's magazine. Apparently you have not read any of Mr. Eccles' recent statements and you seem to feel that the Collier's editorial is the final answer. Hence I am enclosing herewith a copy of the Chairman's recent radio address and a copy of his open letter to Senator Byrd which may prove of interest to you.

Yours very truly,

Lawrence Clayton
Assistant to the Chairman

enclosures

LG:fg

Received in
Chairman's Office
FEB 7 - 1939
Board of Governors
of the
Federal Reserve System