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January 28, 1949.

Honorable Wright Patman,  
House of Representatives,  
Washington, D. C.

Dear Wright:

While I think I understand after my many years in Washington some of the exigencies which confront those who have to run for public office, I am nevertheless still greatly disheartened when intelligent men like yourself go beyond the bounds of fact. It is certainly grossly unfair for you to ascribe to me, or to any member of this Board for that matter, such a monstrous misrepresentation as has appeared in some of your statements in the Congressional Record and in the public press in regard to Regulation W.

You know perfectly well that I never have advocated, and do not now advocate, a depression or recession. All of my energies ever since I have been in Washington, as you ought to know, have been devoted first to fighting a deflation and depression all through the thirties and then throughout the war and since to combating an inflation which could only culminate in severe economic readjustment -- to use no stronger word -- the longer the inflation continued and the worse it got.

There is such a close parallel between what you have been saying and what Henry Kaiser has been giving to the press and to me personally that I am enclosing, in confidence, a copy of his recent telegram to me and my reply. I do not care to debate this issue in the press because such a debate so often degenerates into exaggerated statements and misrepresentations. I cannot let pass, however, without vigorous protest, off the record at least, against some of the things that you and Kaiser say publicly. I enclose also and ask you to take note of the interview I recently gave to the U. S. News and World Report which states correctly my view that the sooner we have a correction of the serious maladjustments within the economic structure the less serious that readjustment will be. The more we let conditions get out of gear the worse it is bound to be. I have known Henry Kaiser for many, many years and have great admiration for his extraordinary accomplishments in the industrial field. I would like to see him succeed in his daring venture into the automotive field. Getting more and more people to go into debt at high prices for his cars is not the solution to Henry Kaiser's problem and he is intelligent enough to know it. The only real solution and the one thing that would be in the interest of the general public would be to lower prices for automobiles, not sustain higher prices and lower and ease our credit terms. Let's face this issue of Regulation W on its merits and not by misrepresentation of the facts. Far from being "tyrannical", as you allege, the Board's administration of this Regulation may have been too lenient rather than too harsh for all that the Regulation has been able to accomplish is to slow up the rate of growth of instalment credit but not to stop the steady expansion of this type of consumer debt. To put into effect a meaningless regulation that had no effect whatever would be worse than nothing at all.

Honorable Wright Patman

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In view of our long acquaintance I think I may be forgiven for saying to you very frankly how I feel about the recent statement of yours.

Sincerely yours,

M. S. Eccles

Enclosures

P. S. I have just received a letter from your home State, a copy of which I am enclosing because I am sure you will find it interesting.

CONGRESS OF THE UNITED STATES  
House of Representatives  
Washington, D. C.

January 30, 1949

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

Dear Marriner:

It is certainly unusual, if not unfair, for you to charge me with going beyond the bounds of fact and being guilty of misrepresentation without making specific charges. If you are attempting to make these serious assusations in a way that it would be almost impossible for me to answer, you have succeeded, since I have made so many statements concerning Regulation W., about which you have written to me, and have made many references to you, although not by name.

In fairness, I think you should be specific and state in what way I have misrepresented you and in what way I have gone beyond bounds of fact. Your charges are very general and, in fact, loose. Certainly you will not deny advocating a recession, although you prefer in some conversations to refer to it as a "re-adjustment".

In your statement appearing in the U. S. News & World Report, you are reported as stating:

"I believe that a deflationary adjustment coming now would not be of long duration or too severe and could be very salutary, whereas, if we now waste our elements of strength to sustain inflationary dislocations, the postponed deflation would be much more serious and of longer duration."

You have used the words "deflationary adjustment" instead of "recession", and you have also used the phrase "postponed deflation" instead of "postponed recession or depression". However, your arguments add up to one thing, and that is that you have advocated and worked toward a deflation. I am not questioning your sincerity of purpose and I am assuming that you honestly believe that if we do not have a depression now or recession that it will be postponed as you state and will be more serious later.

Concerning Mr. Henry J. Kaiser, you seem to think there is something sinister in my activities against Regulation W and Mr. Henry J. Kaiser, in view of the fact that Mr. Kaiser is advocating the taking off of Regulation W and I am advocating the same thing. I assure you that I am very glad to be on the same side with Mr. Kaiser, a man who has demonstrated his civic-mindedness, patriotism and ability both in time of peace and war.

Honorable Marriner S. Eccles  
January 30, 1949  
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You make the unequivocal statement in your letter that automobile prices should be lowered. I would like to inquire why should you as a member of the Board of Governors of the Federal Reserve Banks be insisting that automobiles or anything else be lowered in price? It has never been my conception of the Federal Reserve Board that it should be a glorified OPA.

If the Board takes the side of the big three in automobile manufacturing and actually succeeds in crushing and destroying Mr. Kaiser and the other smaller manufacturers, you will postpone the day when a lower priced car will be possible.

It is true that most of the people, who are protesting against Regulation W, want it eliminated entirely. I believe that a majority and practically all of them would be satisfied if you changed the Regulation as to automobiles, so that a purchaser will have twenty-four months to pay the remainder due on a car after one-third down instead of eighteen months as at present. It occurs to me that this comparatively small change is too little for the great Federal Reserve Board to seriously argue about

Again I express the hope that the Board will view this matter without prejudice or bias and make the small change that will satisfy most of those, who are protesting against Regulation W.

Sincerely yours,

Wright Patman

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February 16, 1949.

PERSONAL AND CONFIDENTIAL

Honorable Wright Patman,  
House of Representatives,  
Washington, D. C.

Dear Wright:

You and I have been friends despite our occasional disagreements for too many years to fall out over the highly controversial subject of Regulation W. I do think, however, it ought to be judged on its merits -- or demerits in your eyes -- and not by injecting personalities. Whether you intended it or not the press has singled me out as the object of your attacks and particularly in ascribing to me, because of your words, statements to the effect that I favor a depression. Now that is so absolutely contrary to the facts that I naturally regard it as unfair. I certainly will deny that I ever advocated a "recession". I have sought on all occasions for some years now to emphasize that the inevitable consequence of inflation is deflation and I have stressed the point that the greater the inflation the more difficult and severe will be the inevitable aftermath, whether you call it deflation, depression, recession, readjustment, or some other word. To say that I have advocated it, however, when I have devoted all my energies to the extent of my abilities in trying to avoid it is just beyond the bounds of fact. The uninformed public can easily be misled if they are told that I, or any other member of this Board, "favors depression".

Let me correct one other point. Of course I do not think that there is anything sinister in your being on the same side with Henry Kaiser whom I have known for a great many more years than you and for whose enterprise and abilities I have very high regard. I have told him, and I mean it, that I want to see him succeed. He faces, as you know, an extremely difficult competitive situation and essentially it is a price competition. That is the only reason why I have mentioned prices. The Senate Banking and Currency Committee in recommending enactment of consumer credit legislation said that one of its purposes should be "in directing competition along the line of decreasing prices rather than extending excessive credit terms." Such a purpose seems a reasonable one, since it tends to benefit especially the person of moderate or low income in addition to helping all consumers and the country generally. After all, the Congress authorized the Regulation and the President in his economic report has recommended that it be continued. You will agree, I am sure, that the Board must use its best judgment in setting terms and in deciding when to make changes in the terms. There is no "prejudice or bias" so far as I can discover on the part of any member of this Board.

As you know from your long experience and knowledge of the situation this subject is relatively unimportant as compared with the need for arming the Reserve System with adequate usable authority to deal with bank credit at the source.

Honorable Wright Patman

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Let me say again that we have been friends far too long to get overheated about whether 18 months or 24 months is the more appropriate maturity for automobile credits at this time. Anyway, that is the sort of question that can hardly be settled by writing letters.

Best regards.

Sincerely yours,

M. S. Eccles