

Sears, Roebuck and Co.

Executive Offices

Chicago

R. E. Wood
President

May 24, 1937.

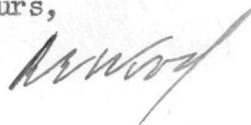
Hon. Marriner S. Eccles,
Chairman, Board of Governors,
Federal Reserve System,
Washington, D. C.

My dear Mr. Eccles:

I thought you might be interested in a letter I have just received from South Africa.

The writer has been a customer of this Company for thirty years. He is a Dane but has been living in South Africa for many years, and is a very able and intelligent man.

Very truly yours,



RECEIVED
MAY 25 1937
FEDERAL RESERVE BANK
ST. LOUIS, MISSOURI

DURBAN

3rd May, 1937

General R.E. Wood,
President,
Messrs. Sears, Roebuck & Co.,
Chicago, U.S.A.

Dear General Wood:

Many thanks for your letter of March 30th.

Why does your country discredit gold as a monetary medium? Some three or four weeks ago, a rumour was circulated to the effect that the U.S. Government intended to reduce the price of gold. This precipitated a slump in gold mining shares in all gold producing countries, particularly in South Africa. In denying this rumour, Mr. Morgenthau stated that there was no intention of lowering the price of gold "right now". This qualified denial merely lent substance to the rumour and caused a fresh wave of selling, which President Roosevelt's subsequent statement did little to arrest.

The slump was not confined to gold mining shares. On all the important exchanges, including New York, London and Paris, all kinds of shares and commodities slumped badly, as a result of this rumour and the manner in which it was denied. This is not surprising, because a reduction of the gold price would bring about a deflation the consequences of which would be difficult to predict.

As if the Democrats in power had not done enough harm, your Republican congressman Hamilton Fish must come along with a resolution urging that the price of imported gold be reduced to \$25.00 an ounce. This caused a further outbreak of selling with heavy price recessions, which were by no means confined to gold shares, but extended to copper, tin, rubber, wheat and practically all other commodities.

Prior to the end of 1929, American exports were, to a large extent, financed by the sale of foreign bonds. American bankers, mostly of Republican persuasion, sold the American public foreign bonds to the tune of hundreds of millions of dollars, a large proportion of which are now worthless.

During the last few years, American exports and the interest due on foreign loans have been largely paid in gold. Your Republican friends, being definitely committed to high tariffs, are not prepared to accept payment in goods. Now that they are also turning down gold, I am wondering how they expect you to be paid.

One can only assume that your Republicans want America to shut herself off from the rest of this wicked world and build up some kind of lop-sided economy, based on self-sufficiency.

It is difficult to fathom the intentions of your Republicans; but it seems equally difficult to fathom your Democrats. Between them, they have succeeded in throwing a monkey wrench into the economic machinery, thereby causing a minor panic, which may develop into a major one.

I realise that "hot money" has a great deal to do with the heavy gold imports. The chances are that this problem will solve itself in due course; but even if it were necessary to deal with it now, it could, surely, be done without causing a world wide panic.

With kind regards,

Yours sincerely

(Signed) Henrik Hansen

June 1, 1937.

PERSONAL AND CONFIDENTIAL

Mr. R. E. Wood, President,
Sears, Roebuck and Co.,
Chicago, Illinois.

Dear General Wood:

I have your note of May 24th and the enclosure with reference to gold. Of course the flaw in this argument is that we should be losing, not taking gold because our trade balance is adverse. Therefore, gold is not coming here in exchange for goods and services, but is arriving as part of a large capital movement that is reflected in huge foreign balances on this side. It would appear that there is a marked preference for holding American dollar balances instead of gold. In other words, it is not as simple as your correspondent suggests, nor do the facts support his notion that instead of taking goods we are taking gold in furtherance of general trade relations.

As you know, I am always gratified to hear from you and I very much appreciate your great interest in these important matters and having your views thereon.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b
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Sears, Roebuck and Co.

Executive Offices

Chicago

R. E. Wood
President

June 4, 1937

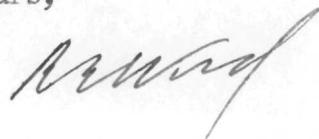
Hon. M. S. Eccles,
Chairman, Board of Governors,
Federal Reserve System,
Washington, D. C.

My dear Mr. Eccles:

Thank you for your letter of June 1st.

I expect to be in Washington on the
10th and 11th of June and hope to have a chance
of seeing you on either one of those days.

Sincerely yours,



Received in
Chairman's Office
JUN 5 1937
Board of Governors
of the
Federal Reserve System