

Sears, Roebuck and Co.

Executive Offices

Chicago

R. E. Wood
President

February 18, 1938.

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

My dear Governor Eccles:

I have been on a ten-day tour of inspection through the state of Texas; so have just had a chance to read your letter of February 7th.

I quote the following from your letter: "From your testimony before the Byrnes Committee, I assume that you favor complete desterilization and spending all impounded gold, and that you also favor drastic reduction of reserve requirements." I told the Committee that I was in favor of complete desterilization of the gold and spending all the impounded gold. I said I had thought the second raise in reserve requirements was a mistake but that I did not believe it advisable to change the reserve requirements now.

I think we are writing and talking a little at cross purposes. I agree with your view that there is a disproportion between some prices and I agree with you that as far as we can do so that unbalanced relationship should be corrected. But I also believe that we should try to get the price level back to approximately what it was in 1926. It stands now at about 20% less than that level. I believe the price level itself is more important than the disproportions in it, though those should be corrected as far as possible.

As I wrote you, I am certainly not 100% in accord with Mr. Harriss' letter, possibly not even 50%, but I think what he says about the price level, at least in so far as it affects getting it back to the 1926 level, is sound.

I have avoided making any public statement of my views beyond the testimony before the Byrnes Committee, which was forced upon me. I have carefully avoided any discussion of the monetary problem or anything that pertains to the Federal Reserve Board.

One thing more, even though we may disagree, please be assured that I have never wavered in my belief in your sincerity, integrity and ability. We were discussing matters yesterday at the meeting of the Executive Committee of the Federal Reserve Board of Chicago, and we unanimously agreed that you are the one man in the country fitted for the job and that the country is exceedingly fortunate to have you there. Do not get disillusioned or discouraged.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "R. V. ...", is written in dark ink below the typed text.

February 28, 1938.

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

My dear General Wood:

Your letter of February 18th is heartening and I, of course, appreciate your generous personal references.

I had not seen the actual text of your testimony before the Byrnes Committee. The newspaper reports conveyed, as they so often do, an incorrect impression. I am glad to know that you do not think it advisable to change reserve requirements now.

With regard to a higher general price level, it may be desirable, as you believe, though I agree with what the President had to say in the course of his press conference the other day to the effect that we must consider the possibility of doing an injustice in connection with the great volume of contractual obligations entered into in the last few years. I would not agree that the price level itself is more important than the proportions within the structure. However, we are not so far apart, and I know that we are both seeking the same broad objectives, even though we may not always see exactly alike about the various steps ahead.

Let me say again what you already know, that I am always glad to have your views fully and frankly, especially because I know how few men there are in the country who have either your grasp of affairs or your public spirited viewpoint.

With kind regards,

Sincerely yours,

M. S. Eccles,
Chairman.

 ET:b