

January 20, 1938

Mr. James H. Perkins
Chairman of the Board
The National City Bank of New York
New York, New York

Dear Mr. Perkins:

Although I am a bit late in mentioning it, I was glad to note that your annual report to the shareholders of the National City Bank of New York is outstanding in its enlightenment and fairness.

I was particularly gratified that you appreciate the significance of the very sudden switch in the government's net contribution to community expenditures from a plus of over three billion in 1936 to an actual minus in the last half of 1937. Like yourself, I regret that the budget cannot be balanced at this time or in the immediate future, but while budget balancing is desirable it is not for the moment essential, whereas the stimulation of community spending and the resultant creation of employment is essential. It would be fine if such spending could take the form of a vigorous resumption of capital investment, but I cannot bring myself to believe that industry will embark on an expansion of plant capacity when current consumption is well below present capacity. It seems to me we must first stimulate consumption until we again attain a situation where the upturn is self-generating. And when this fortunate state of affairs arrives, I hope that we can be intelligent enough to keep costs and prices in better balance.

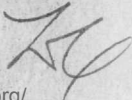
It was equally gratifying to me to note that you have a realistic conception of both the labor problem and the farm problem in their economic aspects.

In closing, may I add that, in my opinion, the task of bringing governmental and business policies into better mesh, each in its respective function, would be vastly easier if business and financial leaders showed the intelligence and temper reflected by your report.

Yours sincerely,

M. S. Eccles
Chairman

LC/fgr



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date January 20, 1938.To Mr. ClaytonSubject: Letter to Mr. James H. PerkinsFrom Lauchlin Currie*LC*

Dear Larry:

The first sentence in the second paragraph might be interpreted as being minus for the whole of 1937. You could avoid this misinterpretation by inserting before 1937 the words "in the last half of".

I think both the report and your letter are good. The only things I would question seriously in the report are the treatment of taxation and the statement on page 6 about the rise in the labor cost per unit of output. We have gone into this matter a bit and I am confident that data simply do not exist that would permit one to make the statement that in July 1937 the labor cost per unit of output was 19.3 per cent higher than one year earlier. I had some correspondence on this subject with Mordecai Ezekiel some time ago. I am enclosing a copy in case you are interested in the point. You might return the carbon to me.

THE NATIONAL CITY BANK OF NEW YORK

OFFICE OF
THE CHAIRMAN

January 24, 1938

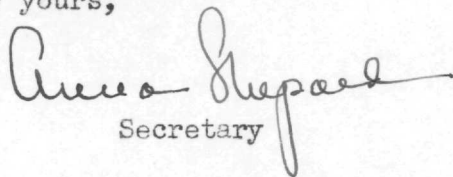
Hon. Marriner S. Eccles, Chairman,
Board of Governors of the Federal Reserve System,
Washington, D. C.

Dear Mr. Eccles:-

Mr. Perkins is away on a short trip,
from which he will return next week.

I have forwarded to him your very kind
letter of January 20th, as I know he will be greatly
pleased with your thought in writing as you did.

Very truly yours,


Secretary

THE NATIONAL CITY BANK OF NEW YORK

OFFICE OF
THE CHAIRMAN

March 9, 1938

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

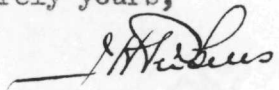
My dear Governor Eccles:-

I never answered your letter of January 20th. The reason I didn't was because I was fooling around with some thoughts that I was in hopes might be useful.

I don't feel that I have got them clearly in mind, but don't think anybody will do anything about them, any way. Some day I should like to try them out to see if there is any sense in them or not.

With many thanks for writing me as you did, I am

Sincerely yours,



James H. Perkins