

November 8, 1937.

Mr. R. T. Stevens,
J. P. Stevens & Co., Inc.,
44 Leonard Street,
New York City.

Dear Bob:

Your letter of November 5th is by far the best comprehensive analysis of the situation which I have seen, and why you should have any misgivings about writing it, I do not know. Doubtless I think so highly of it because it coincides so closely with my own views. The more I have looked at this picture, the more confirmed I am that your diagnosis, and hence my own views, are essentially correct. Nothing reassures me more than to know that those in whose judgment I have confidence come out at about the same place I do. It is certainly gratifying that you are serving as a director of the New York bank and reflecting what I feel is a very broad and constructive attitude. I have taken the liberty of having your letter circulated, of course in confidence, to the other members of the Board, who I know will be as much interested in reading it as I was.

Incidentally, my mind has also been running in the same direction as yours with regard to current statistics, most of which, of course, are stale by the time we get to see them and fail to reflect not only what is happening at the moment, but what may be deduced from current policy of business in various lines in regard to new orders, inventories, prices, etc. With twelve Federal Reserve banks and twenty-seven branches it does seem to me that we ought to be able to tap more closely current business outlook, policies and expectations and have not only a much more up-to-date picture of what is actually happening, but what lies just ahead than we have ever derived from all the statistics and charts that we now accumulate.

Your letter echoes so completely my own views of the present situation and what needs to be done that there is no particular point in my rehashing the situation, especially within the space of this reply. If there is any point at which our minds do

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not meet on the problem, it is largely a question of emphasis; that is, I probably would put labor troubles ahead of the utility problem and possibly I would have some reservations with respect to the stimulative effect of materially changing the capital gains tax, though I feel that it might be well to permit, say, a three-year spread in computing gains rather than forcing them to be taken all in one taxable year. However, I do not profess to be expert on this particular tax and I certainly would not be reluctant to make some modifications even though the chief effect in my judgment would be psychological rather than practical. Likewise, I would probably place housing at the head of the list in the fields where stimulation is most urgently needed and as the largest prospect of results.

It is reassuring to have your commendation of the stemming of the too rapid price advance of last spring. My only regret is that it was not checked sooner.

As for my disagreeing wholly or even materially with the thoughts you have expressed, I can only say that if I were to attempt such a letter as yours, I would have wished to say just about what you did and in the emphatic way in which you have said it. Your "temerity" is pardoned only on the condition that you do not have a recurrence of such an unjustified inhibition.

With warmest personal regards,

Sincerely yours,

M. S. Eccles,
Chairman.

RT:b