

MARTIN F. SMITH  
3d DIST. WASHINGTON

COMMITTEES:  
RIVERS AND HARBORS  
PENSIONS  
CLAIMS

Congress of the United States  
House of Representatives

Washington, D. C.

June 22, 1937

ROBERT A. LEROUX  
SECRETARY  
WASHINGTON, D. C., ADDRESS  
1034 NEW HOUSE OFFICE BUILDING  
HOME ADDRESS:  
HOQUIAM, WASHINGTON

Hon. Marriner S. Eccles,  
Chairman, Board of Governors,  
Federal Reserve System,  
Washington Bldg., 15th St. & N.Y. Ave.,  
Washington, D.C.

My dear Mr. Eccles:

I shall very much appreciate your cooperation in advising me as to the accuracy of the following figures, which I received a short time ago from unofficial sources:

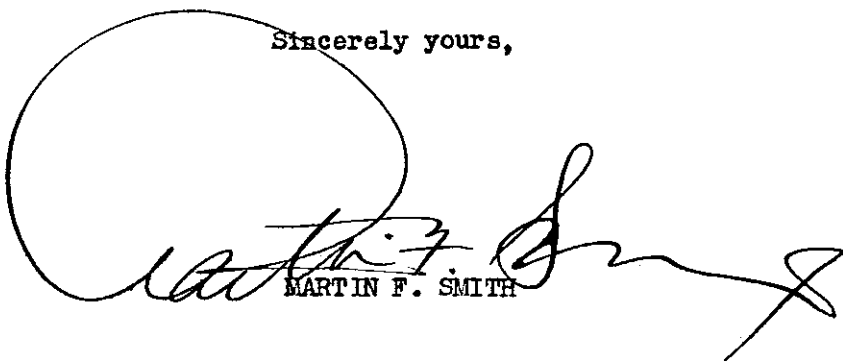
In 1929 the country held \$3,900,000,000 in gold, and based thereon, were \$58,474,000,000 in bank loans and investments. In other words, about \$15 in credit were based on each \$1 in gold at that time. Today nearly 11½ billions of gold support but 45 billions in loans and investments and the ratio that has been normally 15 to 1 between gold and credit is less than 5 to 1.

I am very eager to have definite information on this subject, particularly the amount of gold on hand now and the amount of loans and investments at the present time.

As I wish to use these figures in an address which I am now preparing, I shall be grateful to you for giving me a reply by return mail.

Thanking you, and with cordial personal regards,  
I am

Sincerely yours,



MARTIN F. SMITH

MFS:L

June 23, 1937.

My dear Mr. Smith:

I have your letter of June 22d in which you request reply by return mail. The figures which you give are approximately correct.

Loans and investments of all banks in the United States as of December 31, 1929, were \$58,417,000,000, as compared with \$49,524,000,000 as of December 31, 1936.

The monetary gold stock was \$3,997,000,000 at the end of 1929 and was \$11,799,000,000 as of April of this year.

As you are doubtless aware, the volume of loans and investments is not dependent upon the quantity of gold. It is dependent upon the amount of reserves available to the banks and upon the demand for bank funds. Until the Reserve Board took action to reduce the excess reserves of the member banks of this System, they had reached the unprecedented total of more than \$3,000,000,000. Even now they are between \$800,000,000 and \$900,000,000 and are capable of supporting an expansion in loans and investments by member banks alone of upwards of \$6,000,000,000.

The deposits, exclusive of inter-bank deposits, for all banks in the United States were \$55,289,000,000 as of December 31, 1929, and were \$53,701,000,000 as of December 31, 1936. In other words, if there were borrowers for the funds now available for lending, or if the idle funds of member banks were loaned or invested, the present volume of deposits would considerably exceed the peak of the boom period.

There is not space to go into this subject adequately in a letter, nor do I wish to burden you with the subject, but I felt I should point out that the total of loans and investments relates to the reserves available to the banking system and not to the monetary gold stock.

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If there is any further information which I am able to furnish, please do not hesitate to call upon me.

With kindest personal regards,

Sincerely yours,

M. S. Eccles,  
Chairman.

Honorable Martin F. Smith,  
House of Representatives,  
Washington, D. C.

 ET:b

MARTIN F. SMITH  
3D DIST. WASHINGTON

COMMITTEES:  
RIVERS AND HARBORS  
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Congress of the United States  
House of Representatives

Washington, D. C.

June 28, 1937

ROBERT A. LEROUX  
SECRETARY

WASHINGTON, D. C., ADDRESS  
1034 NEW HOUSE OFFICE BUILDING

HOME ADDRESS:  
HOQUIAM, WASHINGTON

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

My dear Mr. Eccles:

I am pleased to acknowledge receipt of  
your letter of the 23rd and have noted carefully  
your statements.

I wish to state that I very much appreciate  
this prompt cooperation on your part.

With cordial personal regards, I am

Sincerely yours,

  
MARTIN F. SMITH

MFS:L