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United States Senate

COMMITTEE ON FINANCE

Washington, D. C.
October 24, 1939.

FELTON M. JOHNSTON, CLERK

Call Senate

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

Dear Chairman Eccles:

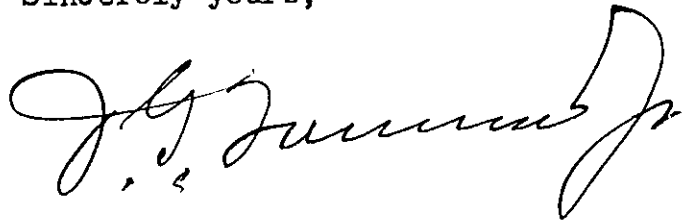
The newspapers currently report another large Russian gold shipment destined for the purchase of American commodities. This is just one of a multitude of similar shipments of gold which have come here from abroad in recent months and years.

In the last annual report of the Board of Governors of the Federal Reserve System reference was made to the great inflow of gold and resultant increase in bank reserves since 1933, and to the inadequacy of the Board's limited powers to cope with "an injurious credit expansion," should our surplus gold pass into active use. Has not this problem grown progressively worse since that report was submitted to Congress?

I would particularly appreciate your views as to what you think should be our national policy in the matter of further acquisitions of gold. Do you think we should keep on buying gold at \$35 an ounce until we own not just three-fifths of the world total, as we do today, but an even large fraction? Or do you think we should stop buying gold altogether, and attempt to get rid of some of our surplus, as opportunity offers?

Since this is a problem Congress must deal with sooner or later, your views will be welcome.

Sincerely yours,



JGT/h.

November 8, 1939.

My dear Senator:

Your letter of October 24 raises some highly important questions that I would like to discuss with you at your convenience when you get back to Washington. I called your office several times, but was unable to get in touch with you before you left for Wilmington.

I am going out of town to attend a meeting at the Federal Reserve Bank of St. Louis in observance of its twenty-fifth anniversary and hope to have a belated visit to the West before returning to Washington. However, I expect to be back here early next month, and I wish, if it fits in with your plans, that we could get together at luncheon, or possibly some evening, for a discussion of this subject in which I am, of course, particularly interested because of its relationship to the primary responsibilities of the Reserve System.

Needless to add, I have always been appreciative of your interest in and broad approach to banking and monetary problems, and I shall look forward with pleasure to the opportunity to talk with you on the specific questions raised by your letter as soon as we are both back in Washington.

With kindest personal regards,

Sincerely yours,

M. S. Eccles,
Chairman.

Honorable J. G. Townsend, Jr.,
Selbyville, Delaware.

 ET:b