

PAYSON W. LOOMIS  
235 EAST 22ND STREET  
NEW YORK 10, NEW YORK

February 5, 1951

Dear Mr. Eccles:

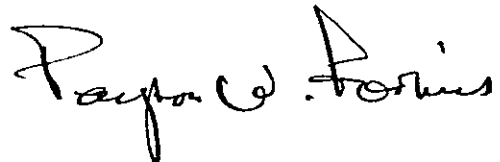
I am writing, as one American citizen, to congratulate you on the forthright public position you are taking on the question of maintaining low interest rates on Government securities through the operations of the Open Market Committee.

In the spring of 1946 I had the pleasure of a brief talk with you in connection with an article I was then writing for Fortune magazine, subsequently published under the title U.S. Debt 1946. I was impressed at that time by your ability and courage as a public servant. I am now impressed again.

I have written a letter to the President on this subject, and I earnestly hope that many other laymen are doing likewise. In my letter to the President I have written:

"To maintain low interest rates on Government securities at the price of accepting further inflation is a very big and dangerous mistake. I appreciate your solicitude for the confidence of the people in the Government's credit. Nevertheless, control of inflation is more important for all of us than low interest rates and stable markets for Government bonds. The people will understand this if it is clearly and simply explained to them. One mistake the National Administration has repeatedly made in our generation, both before your terms as President and during, is to underestimate the intelligence of the people.... Please heed the warnings of the men who have served us so ably as members of the Federal Reserve Board and consider very carefully."

Very sincerely yours,



Mr. Marriner S. Eccles  
Federal Reserve Board  
Washington, D. C.

February 23, 1951

Mr. Payson W. Loomis,  
235 East 22nd Street,  
New York 10, New York.

Dear Mr. Loomis:

I want to thank you for your letter of February 5 and for your expression of confidence in my views on current monetary policies. I fully agree with you that further inflation would be far more disastrous than flexible interest rates and Government security prices could possibly be.

In regard to the statement in your letter to the President that the intelligence of the people should not be underestimated, you may be interested to know that a large number of everyday citizens - housewives, wage earners, retired people - have written to me recently and their letters consistently indicate a clear realization that there is a direct connection between "cheap money" and the inflation which has made most of them its helpless victims. While they may not be aware of such technical matters as how our fractional reserve system intensifies the problem, they do understand that rigid support of the Government securities market has resulted in unhealthy credit expansion, that this expansion of the money supply has seriously reduced the value of the dollar, and, especially, that preserving our way of life includes defending the dollar.

Thank you again for your thoughtfulness in writing me. I remember our talk of several years ago and enjoyed reading your Fortune article.

Very truly yours,

M. S. Eccles