February 6, 1951.

Dear Mr. Neville:

I have read with interest the statement in your paper, LABOR, of February 3 entitled "Eccles Would Take Cost of War Out of Workers' Hides". You further state that I have been considered a liberal and imply that my statement before the Joint Committee on the Economic Report on January 25 takesme out of that classification.

I believe if you will read carefully my entire statement and not portions taken out of the context you will not be able to come to that conclusion. I am, therefore, enclosing herewith a copy of my statement, which I hope you, or some of your economists, may find time to read carefully and objectively. I have no axes to grind with any group and there is no special group which I am interested in protecting. I am not a partisan. I have always tried, in accordance with my best judgment, to do what in the longer run would be in the best interest of the country as a whole. I am as anxious as anyone to preserve our capitalistic democracy. To do this, the defense of the dollar is as important as the defense of the country.

You may be interested in an article, entitled "The Defense of the Dollar", which I prepared last September for FORTUNE, which appeared in the November issue of that magazine.

Whether they may be adverse or favorable, I am glad to have your reactions to my views and I appreciate the interest you take in them. It is only by disagreement and debate that the essentials of democracy is preserved.

Sincerely yours,

M. S. Eccles.

Mr. William P. Neville,
Secretary-Treasurer,
LABOR,
10 Independence Avenue,
Washington, D. C.

Refer to File covering
Testimony Before Joint
Committee on Jan. 25, 1951,
for Mr. Eccles' letter of
Feb. 6 and Mr. Keating's
reply of Feb. 19.

February 23, 1951

Mr. Edward Keating, Manager,
LABOR,
10 Independence Avenue,
Washington 4, D. C.

Dear Mr. Keating:

I appreciate your letter of February 19, and hope that a reading of my statements in full will clarify any misconceptions as to where I stand on this vitally important issue of preserving the purchasing power of the dollar.

In one paragraph you mention the fact that you have been greatly perturbed over the possibility that something might be done to disturb the stability of the bond market, and of the workers' concern that there may be some repetition of the post World War I experience.

Most workers, I believe, have invested their savings in Series E bonds, rather than the marketable bonds which are held by banks and insurance companies. No matter what may finally be done about maintaining or lowering the support price for marketable bonds, the Series E bonds will not be affected--their value at any time prior to maturity is predetermined and set forth in tables of redemption values. Even in the event marketable bonds dropped below par, any worker who holds a Series E bond can claim the predetermined redemption value at any time, or the full face value upon maturity. There is no possibility, therefore, that a Series E bondholder could suffer any loss because the value of marketable long-term bonds were allowed to decline.

What is and should be of serious concern to each and every worker is the decline in the purchasing power of the dollar in his pay envelope and the dollars invested in Series E bonds. When you consider that today's dollar is worth only 56 cents in terms of what it would buy 10 years ago, you realize how serious the inflationary threat to the workers' standard of living has become. For responsible people to argue about the increased cost of servicing the public debt resulting from a drop in the price of marketable Government bonds that might serve to halt this inflationary credit expansion is to fiddle while Rome burns.

I think now, as never before, the time has come for all those who believe in sound monetary, credit, and fiscal policies directed toward defending the value of the dollar, to stand together and to present the really basic issues fairly, clearly and objectively to the public.

Sincerely,

M. S. Eccles.

February 27, 1951

The Editor,
Labor,
10 Independence Avenue,
Washington, D. C.

Dear Sir:

I have read with interest the article on Government security prices which appeared in the February 10 issue of Labor. I was particularly pleased to see your clear statement that Series E bonds do not enter the support picture, for this is a point which appears not to be generally recognized.

Also, I agree with you that, depending on whether the Federal Reserve follows a flexible or a rigid support policy, the "people will pay, either in taxes or price boosts." I should like to point out, however, that the cost of higher interest charges on the public debt would be far less than the cost of further inflation. As a matter of fact, the cost of higher interest charges would be quite moderate. For one thing, the higher interest rate would apply only to new debt or to refunding of present debt. For another, corporate income and excess profits taxes would return to the Treasury a large part of the increased interest paid on new and refunding issues.

Finally, although the current controversy over Federal Reserve open market policy is often stated in terms of higher interest rates, they are not really the heart of the problem. Our primary goal is to substitute a flexible open market policy for the present rigid one, to let the market set the price for long-term Government securities and thus stop, or greatly reduce, sales of such securities to the Federal Reserve.

Very truly yours,

M. S. Eccles

FILE COPY

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WASHINGTON 4, D. C.

EDWARD KEATING, *Manager*
W. P. NEVILLE, *Treasurer*

March 7, 1951

Hon. M. S. Eccles,
Federal Reserve System,
Washington 25, D. C.
PERSONAL

My dear Mr. Eccles:

The papers announce that the Federal Reserve Board and the Treasury Department have declared an armistice. The terms are not given.

I am still apprehensive about the effect on the price of bonds. I am afraid if the masses of the people become uneasy, it will be difficult for the Treasury Department to do the necessary financing. Of course, I may be wrong. I hope I am.

With a world of good wishes, I remain

Sincerely,

Edward Keating

Manager.

Official Washington Weekly Paper of the following Recognized Standard Railroad Labor Organizations:

Brotherhood of Locomotive Engineers, J. P. Shields, Grand Chief Engineer.

Brotherhood of Locomotive Firemen and Enginemen, D. B. Robertson, President.

Order of Railway Conductors, R. O. Hughes, President.

International Brotherhood of Blacksmiths, Drop Forgers and Helpers, John Pelkofer, General President.

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Brotherhood of Maintenance of Way Employes, T. C. Carroll, President.

Brotherhood of Railroad Signalmen of America, Jesse Clark, President.

International Brotherhood of Firemen and Oilers, Anthony Matz, President.

Railway Employes' Department, American Federation of Labor, Michael Fox, Acting President.

Mr Eccles' letter 3/27/51 on back of this letter

February 27, 1951.

The Editor,
Labor,
10 Independence Avenue,
Washington, D. C.

Dear Sir:

I have read with interest the article on Government security prices which appeared in the February 10 issue of Labor. I was particularly pleased to see your clear statement that Series E bonds do not enter the support picture, for this is a point which appears not to be generally recognized.

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Very truly yours,

M. S. Eccles