

February 19, 1951

My dear Mr. Eccles,

From what I read in the newspapers I judge that an army of housewives has been besieging the E SA with complaints over the agency's failure to control prices more effectively; I, too, am a housewife whose husband, as a professor has a fixed income of substantially less than \$5,000 per year on which four of us are trying hard to live and at the same time to contribute in large measure to the support of Mr. Jewell's mother now in her late 70's. We find the going pretty rough already.

Nevertheless, it is to you rather than to E SA I write because it seems better to attack inflation at its roots rather than at its leaves. To my mind, one of the most important places it starts is in the artificial money rate of the Treasury which makes borrowing for the government seem very easy to its legislators and administrators. When I mention to other housewives and even to my husband (whose

(over)

field is fine arts) the arbitrary requirement that the Open Market Committee support Gov. bonds at $2\frac{1}{2}\%$, my listeners look bored. They are almost always among those most severely hit by inflation, but an alarming number of them have never heard of the Federal Reserve System, though they hold college degrees and frequently, advanced ones.

Boy now you have doubtless guessed that I was not always just a housewife. It is true that my college major was economics, that I got my degree way back in 1928, served for one year as graduate assistant to the department and in July, 1929 plunged into a job in the financial field. A Boston investment counsel company, with some reluctance to hire a female to do research in their analytical department nevertheless, took me "on trial" for 6 months.

The financial history that followed July 1, 1929 is already an old story to you. The enormous field of railroad security analysis was handed me in 1931 when these securities were tumbling fast. But I was almost always called into the general discussions regarding the future of our economy, the future of interest

rates etc. So quite naturally, I know what you stood for in the thirties when the economy needed stimulation. It is, therefore, of particular interest to me that with conditions reversed you have had the courage not only to reverse your own stand but to assert your views firmly against the Treasury's and the President's arbitrary insistence on the 2½% rate.

However, I think it unfortunate that most laymen do not understand the functions of the Federal Reserve System and the current importance of the purchases of the Open Market Committee in its effect on the purchasing power of the dollar, and the tremendous potential evil in it over the longer term.

For example, my husband on a recent Sunday picked up the N. Y. Times magazine section, found an article by Sumner Slichter on the future of jobs & financing, read it (contrary to Mr. S's custom), then asked me, "How do you make any sense out of this stuff? How is

government borrowing 'anti-inflationary'?
Sounds like a contradiction in terms to me.
I thought you used to say Slichter
wrote lucidly on economic subjects.
I replied that "anti-inflationary
borrowing" by the Fed was a new
one to me. So I read the article
which was confusing, even to me, and
wondered why a man who could, on
occasion, be so clear-cut and readily
understandable to the layman should
suddenly set up this smoke screen
with respect to the problem of inflation.
Was he afraid to tell the truth, lead the
then more informed public back away
from dollars and Fed's funds?

So this letter is written not only
to inform you of one housewife who
approves of your courageous stand
against the Treasury, but also to
inquire why some means cannot be
found to inform the uninformed
group with respect to such matters as
the origin of the Fed's original functions,
the function of the Open Mkt. prior to
1933 and since and what the policy of low
Fed's fund rates means now. If someone

Mrs. WILLIAM JEWELL

37 DANA STREET

CAMBRIDGE, MASSACHUSETTS

If your stature could make clear to the Middle Class, especially to those on annuities, pensions etc., the serious crisis we face because of the arbitrary attitude of the Administration on this matter of money rates and if the necessary kindergarten work in money and banking could be written up by some anonymous person (who has the faculty of making these elements of economics seem both interesting and clear) I feel sure that the benefit to our economy would be most substantial.

The morning paper has come with news of the Vandenberg letter and Sen. Buckler's comment.

Sincerely yours,

Barbara D. Jewell

P. S. If anything in this letter is of any value to you in your efforts to free the open market Committee's tied hands, you may feel free to use it with or without my name.

March 9, 1951

Mrs. William Jewel,
37 Dana Street,
Cambridge, Massachusetts.

Dear Mrs. Jewel:

It is a pleasure to hear from informed people like yourself who have given much thought to the complex monetary problems with which we are presently faced.

I agree entirely with you that if the public could be informed about the real facts with respect to inflation and its control, we would be taking a big step in the right direction. The favorable and enlightening publicity given to the System's problems in its fight against inflation by such men as Lippman, Belair, Livingston, and Alsop is encouraging because it may perhaps offset, in part, the confused writings of other men in the public eye which you mention.

You might also recommend to some of your friends that they read the booklet, The Federal Reserve System--Its Purposes and Functions (Washington, 1947, second edition), which we think explains rather clearly the origin, growth, and basic functions of the System. It may be obtained without charge from our Publications Division.

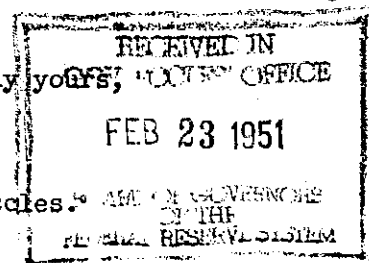
In addition, you will find enclosed a copy of the address which I recently gave in Chicago, Illinois, before the Executives' Club of Chicago and a copy of my article "The Defense of the Dollar" reprinted from the November, 1950, Fortune magazine.

As I have said many times recently, inflation is the most serious internal problem now facing this country. The dollar has already been permitted to fall too much in value. A continued depreciation of its purchasing power would imperil the very existence of the system that all our defense efforts are designed to protect.

My views may differ from yours slightly to the extent that I do not feel that artificially low money rates are alone the roots of inflation, but that excessive money demand relative to the supply of goods, instead, is the basic cause. The Federal Reserve System is not interested in higher rates as such, but only in higher rates as they may help to discourage the sale of Government securities to the Reserve System.

Thank you again for your kind letter, and for the support which you are giving to our efforts here to fight the difficult battle against inflation.

Very truly yours,



M. S. Eccles

Enclosures