1012 NORTH EUGENE STREET
GREENSBORO, NORTH CAROLINA

18 February 1951

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

Dear Mr. Eccles:

May I add a word of encouragement to you in your disagreement with Secretary Snyder and the President with regard to the policies to be followed in connection with government bonds.

The country has already suffered tremenduously from the artificially low interest rate and the large increase in the amount of bank credit.

Yours truly,

Joseph S. Lichty

Joseph S. Lichty

February 23, 1951

Mr. Joseph S. Lichty,
1012 North Eugene Street,
Greensboro, North Carolina,

Dear Mr. Lichty:

Thank you for your kind letter of February 18. It is very gratifying to hear from people like yourself who share my deep concern over our present monetary policies.

Uncontrolled bank credit expansion, in a period when the output of goods and services is already extremely large and can increase but slowly, can only lead to more and more serious inflation. At the same time, such bank credit expansion is inevitable so long as the Treasury rather than the market sets the going price for long-term marketable securities and the Federal Reserve is obligated to purchase from the banks any such securities for which the banks cannot find other buyers. As has often been pointed out, such Federal Reserve purchases supply the banks with additional reserves which permit a loan expansion at the rate of six dollars of new loans to each one dollar of new reserves.

This process has got to stop before we find ourselves in the grasp of an inflation so serious as to imperil the very existence of the system that all our defense efforts are designed to protect.

Very truly yours,

M. S. Eccles.

EJS:mf