

Ferdinand, Idaho, March 4th. 1951.

Hon. Marriner C. Eccles,
Member Board of Governors Federal Reserve Board,
Washington, D.C.

I see by the papers that Your Board are in quite a squabble about issuing more money to bankers, which the president favors and the Board opposes.

I wish You success, and I believe too that, if You "stick to Your guns" the president will eventually give in. I doubt very much that He will risk firing board members and take the chance of having the senate approve the new members which He may appoint.

Bankers have enuf money to loan. Even enuf to overload borrowers with debts as it is. Why should they loan billions more?

The president can see all right that it would safe interest to the government. But He cannot see the ^{con} ~~XXXX~~sequences of overloading the people with debts.

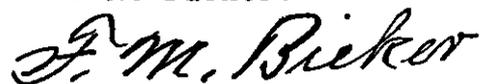
He is no banker.

I have run a small bank in this small wheat and farm community for 25 years. It was closed early in 1933, but paid out in full.

Several times it seemed to me that the Fed. Reserve Poard made big mistakes. And if the Board now give in, that will be another big one.

Very respectfully,

F.M. Bieker.



March 9, 1951

Mr. F. M. Bieker,
Ferdinand, Idaho.

Dear Mr. Bieker:

Thank you for your letter of March 4 and for your expression of confidence in the Board's efforts to halt the expansion of credit and the money supply.

This expansion of credit has an undesirable effect not only on borrowers but on all the rest of us as well. In a situation like the present, uncontrolled credit expansion can only lead to higher and higher prices and more and more serious inflation--for everybody. This is so because our productive facilities and our labor supply are now being used to near capacity and can be increased only slowly, and when you have a much larger volume of dollars competing for a very slightly larger volume of goods and services, higher prices are practically inevitable. Moreover, as inflationary pressures become more serious, more and more individuals and businesses will try to supplement their incomes by borrowing.

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

Very truly yours,

M. S. Eccles.