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THE A. V. CARROLL MACHINE TOOL CO.

Station "H" CINCINNATI, OHIO

June 21, 1938

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

Dear Sir:

According to newspaper and radio reports, you are fighting for liberalization of bank loans to business and this is a matter on which you should be supported by the entire nation. To present views on the matter, a lengthy message is a necessity but I feel same will be granted full consideration.

In order that you have a foundation for my views, the following is presented.

This business was started in April, 1932, the heart of the depression. Money was invested in machinery, patterns, tools, jigs, etc. and the product developed. When ready to market, the original capital was all absorbed. It was a hard fight to keep afloat. The year 1937 showed the first profits, even though extremely small. Just when things looked bright, along comes another slump, called a "recession" but better labeled "repression".

Even though this is a very small manufacturing business, we have not only traded well throughout this country but have done nicely in South Africa, Mexico, Canada, New Zealand, Philippines, Holland, Belgium, Ireland and parts of South America.

Due to funds being available only from goods sold and building up from nothing, we never had money enough to take on more help and obtain extra materials to get machines ahead. Always late on delivery.

The above picture, while personal and with an axe to grind, is never the less true and presents one case of many thousands establishing a need of assistance from banks. Credit, if available, would enable us and many, many more to immediately order materials and put more people to work.

With the above foundation given, allow us to continue as follows.

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There is no argument against the fact that money is not wealth but merely a medium of exchange or a receipted value for services rendered. The receipt given to anyone is acceptable by any other person at any time for other services. The word service is used as all material things are merely a combination of services that produced a finished product, the value of which is based on the services necessary to produce the article. When the exchange of service receipts or money is continuous there is prosperity. When the exchange is retarded we have depression.

Today the banks are overloaded with service receipts, packed away with no chance of being exchanged. Packed away at the order of a few persons with entire lack of foresight and common sense who say the depositors of banks must be protected. Protected from what? Why, protected from prosperity and release from excessive taxes. If this so called protection continues, where will the Government have any source of taxes with all available means of earning money finally cut off entirely?

There can be no counteracting of the fact that the market crash of 1929 brought on the depression. Likewise there can be no argument against the fact that the market crash was due to stock prices advancing far, far above their actual value. Again, this rise to abnormal values, was due to many purchasing stocks who had best left it alone, small investors who borrowed from banks for the purpose. The crash thus caused slapped back at the banks.

In other words, such loans by banks was bad and always will be and any sensible person can well understand the necessity of banking laws to protect depositors against loans made to allow speculation but why should a check be made on loans for business purposes, loans that will, directly or indirectly be used to pay for services of our many people who are absolutely entitled to the privilege of earning a living.

Can anyone name any business that was not started on a loan? Someone had to put in money to start, or in other words, make a loan. It is most likely that the few individuals responsible for the strangle hold on credit, never were directly in business, especially a producing one. They may have invested but never took active part. It is to wonder if these few, getting their income in the form of a government check written on money squeezed from the hundreds of taxes, realize that money cannot always be available merely on a demand to the people. Individuals and business must have earning power to pay taxes but evidently the government is not familiar with this fact.

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Why should the Treasury Department lay such great stress on protection for depositors? Is the FDIC of no value? If this branch of the government is for the purpose of insuring depositors why the restriction on deposits? If this money or service receipts is held in storage, how can it pass in exchange from one to another for services that produce wealth? Is this great country, now stagnant, the result of walled in money or the result of moving money? Why was this progressive nation so unfortunate as to be saddled with money controllers lacking entirely in vision and common sense?

When the government wants (not necessarily needs) money it simply demands it by instituting more taxes. If taxes are not paid the government takes the value in the form of homes, sales from assets of a disrupted business, etc.

Would it not be better for all if the millions spent for relief and W.P.A. was used as capital for the FDIC? The money loaned to business would not only return interest but return much, if not all of the principal. Money given out on relief and W.P.A. pays no interest and will never return in principal. What the government may be forced to pay on bad loans through the FDIC would only be a fraction, extremely small at that, of what it dumps in the two 100%, non-returnable projects of relief and W.P.A.

Business, the very foundation of prosperity, is denied the privilege of receiving financial assistance. Government, the wildest dissipator of money has the privilege of practically demanding money from banks and stuffing the vaults with government bonds as security. Where on earth is the security of a government bond with no earning power of business to pay taxes and produce wealth, these two being the sole backing of any government bond? What protection please, for the depositor's money if he has no job and must eventually absorb his deposits to live and pay taxes? Does the government get any taxes from relief money or from the W.P.A. projects? The government certainly cannot earn money (collect taxes) if business and individuals do not earn.

It is very evident to many now, that bankers hum and haw but give nothing definite as a reply when a loan is solicited by business. We cannot blame the bankers who can have only government bonds or real estate mortgages as security for money loaned, otherwise the bank examiners raise Cain. Of course, you can, without trouble, borrow one hundred dollars in green backs by giving security in the form of five hundred dollars in gold.

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Another thing.

If loans were eased over what they are today, the security would most likely be as demanded by RFC, vis., bonds, stocks, etc. How really dumb this is. If a business man had bonds or securities he would sell them and help himself. If bonds, etc., are not at hand, the RFC demands real estate or mortgage on machinery and equipment. Why all the distrust? Business made this country and keeps it going so why can it not get reasonable help on its own standing and ability?

Big business can, in most cases, stand up awhile on its reserves. Little business cannot; yet little business is the real root of prosperity. Big business can obtain funds by floating its paper but no matter how far this is carried there can be no prosperity without the bigness of combined little business activity.

Liberalize loans to the little businesses, not merely a dab here and there, but throughout the country and in as short a period as possible. Give assistance to purchase materials and pay for labor and prosperity will be driven from its hide out in a very short time.

If our short sighted money controllers want to protect the depositors, let them confine the restrictions to loans for speculative or kindred purposes. That certainly should be but there should be no restriction of loans for productive purposes. Money is a medium of exchange to provide for production.

The above discussion is tendered in a feeble effort to assist in your fight for release from the chains that bind business, chains applied by a few short sighted individuals who happen to have control because of their office in our government. It is most likely that every point mentioned in the above is already your knowledge and conviction and if so this message can be no more than a little to back you up in your fight. On the other hand, if one or more points present a new version, you are most welcome to any idea expressed.

May it be hoped, and most sincerely so, that those responsible for our national well being, may soon, very soon, see the light of reason by attacking the germs of misery and idleness diptheria with the injection of usable money anti-toxin. If these government officials, with dollar bills pasted over their

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eyes cannot see, cannot some effort be launched to gather a combined force of little business to drive these few in a corner and tear the blinders off their eyes?

Let us all hope that something will be done not soon, but at once.

Yours very truly,

Chas. H. Partington

chp/ep

CC/President of the
United States.
CC/President, First
Nat'l Bank, Norwood,
Ohio.

June 28, 1938

Mr. Charles H. Partington
c/o Partington, Incorporated
2780 Highland Avenue
Norwood, Ohio

Dear Mr. Partington:

This will acknowledge your letter of June 21, in which you comment on the recent changes in bank examination policy and the revision of the Comptroller's regulation on investment securities.

Since you relate the above matter to the problem of business activity in general, I found your letter interesting and gratifying. You correctly point out that it is better for the existing money supply to be set in motion through the medium of an expansion of bank credit than for the Government to rely upon expenditures for relief, under which procedure the banks purchase Government bonds instead of extending credit directly to the various segments of the business structure.

It is my hope that the bankers of the country will realize their new opportunities and take a more active part in the financing of American business and thus obviate the necessity of further extension of credit to business by the Government itself.

Yours sincerely,

M. S. Eccles,
Chairman.

LC:ead