

THE PLAZA BANK OF ST. LOUIS  
TWELVE THIRTY OLIVE STREET  
SAINT LOUIS

F. R. VONWINDEGGER  
PRESIDENT

July 26, 1938.

Hon. Marriner S. Eccles,  
Chairman, Board of Governors,  
Federal Reserve System  
Washington, D. C.

My dear Mr. Eccles:

The two booklets received from the First Security Bank of Utah, giving reprints of your address before the New Jersey Bankers Association on May thirteenth and your answer to Senator Arthur H. Vandenberg on June fourteenth were extremely interesting.

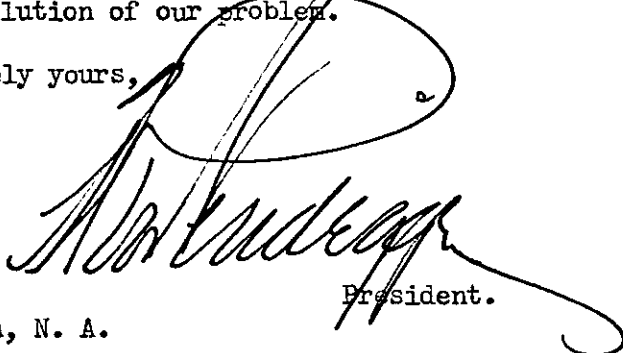
What particularly caught our attention was page eleven of the latter booklet in which you say, "There is no way in which any such deluge of excess reserves could be kept within control, etc." Of course such a system as proposed by Professor Irving Fisher in his book, "100% Money" and further elaborated by Professor Angell of Columbia and Professor Graham of Princeton is one, and in my humble opinion the soundest, method of control so far suggested.

In the same paragraph you speak of "the absurdity of the proposal to pay off the Government's debt in cash". Of course the real absurdity is the generally accepted necessity for wedding money to debt. There must be some plan whereby the volume of money could be controlled otherwise than by tying it to debt, and until such a plan is instituted, we are always going to be faced with the absurdity of fractional reserves.

Also, we are going to be continually faced, in times such as these, with many schemes which, unsound though some of them undoubtedly are, are evidence of the increasing desire of thinking men to find a solution for our monetary problems.

Granted that our only hope in finding such a solution is the overcoming of the selfish point of view of those who now profit by the wedding of money and debt and the present system of fractional reserves. With such opposition it is no wonder that it is almost impossible to find an acceptable solution of our problem.

Sincerely yours,



President.

FRvW:D

Cc to First Security Bank of Utah, N. A.  
Ogden, Utah

August 3, 1938.

Mr. F. R. vonWindegger, President,  
The Plaza Bank of St. Louis,  
1230 Olive Street,  
St. Louis, Missouri.

My dear Mr. vonWindegger:

This is to acknowledge receipt of your letter of July 26th commenting upon the two booklets received from the First Security Bank of Utah.

In discussing the question of controlling excess reserves, I was addressing myself to the methods that have existed always in this country as well as in others. While, of course, the 100% plan would have the effect that you point out, it is hardly within the realm of practical possibilities at this time, since I doubt very much whether it would be possible to persuade Congress to adopt anything as drastic as that, especially since it has never been tried out in practice.

Sincerely yours,

M. S. Eccles,  
Chairman.

ET:b

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Chairman's Office  
JUL 28 1938  
Board of Governors  
Federal Reserve System