

Dr. Wedenweiser:

Seems to me this is
one on which your able
staff should operate.

The Chairman suggested
saying that while he
recognizes the desirability
of getting velocity, this
would not solve the
problem — but would
get back again to the
relationship between
investment & consumption.

E.S.

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United States Senate

COMMITTEE ON APPROPRIATIONS

June 26, 1939

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

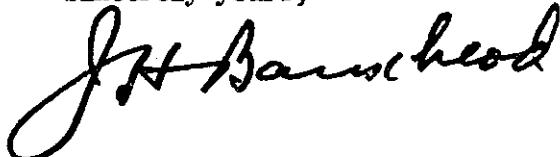
Dear Mr. Eccles:

I am enclosing you copy of a letter from Mr. Jesse A. La Rue, of 1320 Princeton Avenue, Birmingham, Alabama.

I know Mr. La Rue and have had a protracted correspondence with him and also have had personal conferences with him. He is a very bright minded man and has given a great deal of thought to our monetary policy. He is under the impression that you are favorable to the plan which he has been sponsoring to stimulate velocity of circulation.

If you desire to have it, I will send you copy of a bill that Mr. La Rue referred to and sent to me sometime ago. I should like to have your reaction to his program if you are willing to let me have the benefit of your views.

Sincerely yours,



JHB:P

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June 8, 1939

Hon. John H. Bankhead,
U. S. Senator,
Washington, D. C.

Dear Senator Bankhead:

Mr. Eccles appeared on Tuesday before a subcommittee of the Senate committee on Banking and Currency, of which you are a member, and told that subcommittee that "no lending device would provide the primary motive power to full recovery." Senators Tobey and Townsend then asked him what, "in your judgment we could do" to spur recovery. Eccles asked to be excused from answering that, saying that it would take him into a controversial field. Pressed, he said that he had some pretty definite ideas, and agreed to set down his recovery theories and appear again before the committee.

Now, considering the warm commendation that he gave to my economic proposals in 1935, I feel that the thing he has in mind as a real recovery measure is that very money impellent that I have been writing to you about so long - a tax against demand bank deposits of about $1\frac{1}{2}\%$ each quarter, together with a new currency that depreciates in buying and debt paying value at the same rate and at the same time that the bank deposit tax is applied - quarterly. Mr. Eccles at that time expressed agreement with me that this measure would permanently overcome the business cycle.

You may not be a member of that subcommittee, but I would respectfully urge that you attend its meeting at which Mr. Eccles shall appear, and ask him particularly the effect of such a measure upon employment and general business activity. He tried to sell the idea to the president in 1935, but failed. In 1936 he tried to obtain funds out of the spring appropriation of \$4,880,000,000, to finance an analysis of idle bank deposits in the country, but wrote me the president would not let him have the money. If we can get Mr. Eccles to come out into the open with a recommendation of such a measure, and an explanation of how it would operate to bring about recovery, it may be possible that the president can be induced to accept it. In that event it could be enacted at this session of Congress. I suggest that you take with you to that meeting the bill that I gave you, and ask his comments on it. He already has a copy of it in his files. This idea badly needs publicity, and it seems to me that this is an excellent opportunity to get it, if we play our cards right.

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If the President could be induced to sponsor this measure, and it should be enacted at this session, he would thereby make himself certain of reelection, in the event he should decide to break the third term tradition. This is the most vital issue before the country and the most easily explained to the people, since it is right in line with the experience of all men that IDLE MONEY MEANS IDLE MEN. No other question before the country is worth a hoot in comparison. What the people of all parties want is full employment at good wages, with security in their jobs. This measure would assure them of that, and the rest of the world would soon follow suit, because other countries would be compelled to do so, in order to meet the lower cost of goods production resulting from it - and yet wages would increase.

Please advise me what progress is made.

With kindest regards, I am

Yours very truly,

JESSE A. LA RUE

JAL/b