

Miss Robert:

I have read this
& think it is all right
to go, as is. Patman
may say we refuse to
answer his questions,
but I think that is
preferable to getting
into a letter-debate
with him — & nobody
will pay much heed
to him in case he does
make that statement.



April 13, 1941

Honorable Wright Patman
House of Representatives
Washington, D. C.

Dear Mr. Patman:

Upon my return to Washington a short time ago I found yours of March 24 in which you acknowledged my letter of March 21 and advised that you expect to reply to it as soon as you have the time to do so. Meanwhile in your letter of March 24 you ask me to furnish answers to a series of twenty-four questions which you propound.

From a perusal of your questions it is evident that they are not directed to the fundamental issue which I discussed in my letter of March 21, namely the fallacy of your proposal to have the government finance its expenditures without paying interest. This issue I considered of sufficient importance to justify my answering your proposal publicly. On the other hand, it would serve no useful purpose to embark upon a correspondence which subjects me to a catechism covering a variety of matters which run the whole gamut of the problems of money, banking and public finance, but are scarcely relevant to the real issue. Again, many of your questions have the appearance of calling for factual answers, but such answers would not convey the correct meaning. For instance, your Question 21(a) asserts that all of the stock of the Federal Reserve banks is owned by private commercial banks and not one penny of it is owned by the government or the people. While this is technically true, a mere statement of it is misleading since this ownership is not of the character implied by the ordinary meaning of the term, particularly with reference to the matter of control. But as I pointed out in my letter of March 21, "This so-called stock ownership, however, is more in the nature of an enforced subscription to the capital of the Federal Reserve Banks than an ownership in the usual sense. The stock cannot be sold, transferred or hypothecated, nor can it be voted in accordance with the par value of the shares held. Thus the smallest member bank has an equal vote with the largest. Member banks have no right to participate in earnings above the statutory dividend, and upon liquidation any funds remaining after retirement of the stock revert to the government. You greatly exaggerate the significance of this so-called stock ownership."

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Honorable Wright Patman - 2

Again, many of your questions involve matters which are within the purview of the Wagner Questionnaire and which cannot be adequately dealt with except in full and open discussion such as will presumably be had before the Senate Banking and Currency Committee. However, should this or any other committee of Congress wish me to discuss a series of questions as far-reaching as those contained in your letter, I should be glad to respond as I have frequently done in the past. Such matters do not lend themselves to satisfactory discussion by correspondence.

In your Questions 3 and 4 you ask for the names of the members of the Federal Open Market Committee and the Federal Advisory Council. The composition of these two boards is printed monthly in the Federal Reserve Bulletin, and in the April 1941 issue will be found on page 378. For your convenience a copy of this Bulletin is enclosed herewith.

Yours sincerely,

(Signed) M. S. Eccles

M. S. Eccles
Chairman

enclosure

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