

June 21, 1941.

Dear Chairman Eccles:

I enclose a statement which goes in some detail into the background and history of the use of direct obligations of the United States as collateral security for Federal Reserve notes. As a possible alternative I also enclose a much briefer statement which you may prefer to use before the Committee. With these statements is a table prepared by Mr. Smead giving certain figures on this subject. I trust that this will give you all the necessary information but if there is anything else that you may wish, please telephone me at Woodley 4293.

I am advised by Mr. Wyatt that the House Banking and Currency Committee held hearings on the bill on this subject on Saturday morning, June 21, at which the Undersecretary of the Treasury, Mr. Bell, testified. They cross-examined him at great length. Mr. Kit Williams was present and feels that it is important that you be informed as to what took place. Accordingly, he will endeavor to get in touch with you Sunday or you can reach him at Emerson 2134.

In addition, I enclose a little memorandum from Mr. Dreibelbis regarding Congressman Patman's usual questions on the rate of interest on outstanding Federal Reserve notes not covered by gold certificates. At present, of course, gold certificates more than cover outstanding notes, so that no interest would now be required in any event, but this may not prevent Congressman Patman from raising such questions.

*George B. Vest*

Enclosures 4