

ALDEN A. POTTER

R. F. D. 3, BETHESDA, MARYLAND

Governor Marriner S. Eccles,
Federal Reserve Board,
Washington, D.C.

My Dear Governor,-

You have contributed, despite what seem to me serious mistakes at times, more to public understanding of our financial system than any previous Governor of the Board.

I write this to express my most earnest approval of the procedure in bringing about a publicized discussion of present exigent problems in finance between yourself and Congressman Patman. I hope you will press the matter, with full publicity, to a fairly and reasonably developed conclusion as rapidly as possible. Nothing is more sorely needed for national unity and economic efficiency in time of need.

Specifically I trust you will preserve the spirit of open-minded fairness with which you entered the discussion rather than the spirit of prejudice elicited in the enclosed editorial in the Washington Post, and will urge the press, specifically the Post, to present the whole discussion as it develops, to the public and not just your side of the argument euphemized by interpolations. Specifically I feel that it is significant that Mr. Patman did not propose to dispense with any taxation. While I agree that the matter of ownership of the Reserve System and payment of interest is relatively unimportant, still I do not think interest should be paid by government and I venture that Mr. Patman would propose specifically that a large part of the present borrowing program be displaced by taxation, specifically that part which, if borrowed, should not be borrowed

from the banks nor be permitted to serve as a part of banking portfolios either directly or indirectly, but which should be drawn continually from private cash balances to restrain private spending.

I venture that such a set-up would eliminate inflation whereas retention of fractional reserves will render its control infeasible. Stolper has shown convincingly that the German inflation was caused, not by government deficits and printing of currency, but by private extensions of bank credit.

Hopefully yours,

Alden A. Potter
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April 4, 1941.

P.S. Nor is Germany out of the inflation woods today, despite -- or rather because of -- the orthodox procedure which you allege has been her unregarded objective.

April 7, 1941.

Mr. Alden A. Potter,
R. F. D. 3,
Bethesda, Maryland.

Dear Mr. Potter:

Chairman Eccles is temporarily absent on a visit to the West and I wish to acknowledge receipt of your letter to him of April 4 in connection with his recent letter to Mr. Patman.

As you may not have had the full text of this letter, I am enclosing a copy.

Sincerely yours,

(Signed) Elliott Thurston

Elliott Thurston,
Special Assistant
to the Chairman.

enclosure

ET:b

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APR 5 1941
FEDERAL RESERVE BANK
OF ST. LOUIS
ST. LOUIS, MISSOURI