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STOCKS--BONDS

OILS
MINES
INDUSTRIALS

909 SECOND AVENUE
SEATTLE, WASH.

April 3rd, 1942

Mr. Marriner S. Eccles, Chairman,
Federal Reserve Board,
Washington, D. C.

Dear Mr. Eccles:

Regarding your letter to Senator Vandenberg favoring the repeal of the silver purchase legislation and advocating the sale to industry of the silver accumulated by the treasury during the past seven years, I would like to make the following comments.

Would you want the Treasury to sell their silver for which they paid the mines 71¢ and take a loss, for industry would not want to pay over the prevailing world price? Granted that industry needs silver badly, why would it not be possible for some agency of the Government such as the Import and Export Bank, resell to manufacturers some of the silver that is bought from Mexico, Canada or other silver producing nations at 35¢ an ounce?

There are strictly speaking, no straight silver mines in the U. S. Silver is always found associated with the base metals such as copper, zinc, lead and antimony. Take Anaconda Copper - It is a big copper producer but still it is the largest silver producer in the U. S. New Jersey Zinc is the third largest producer of silver but still it is a big zinc and lead mine. The Sunshine Mine is a famous silver producer - but it yields a pound of copper and three fourths of a pound of antimony with each three ounces of silver.

Anything that hampers or restricts the production of gold and silver naturally affects unfavorably the output of copper, lead, zinc and antimony which are so vital to our war effort. If the price of silver paid to the mines is reduced farther, they will simply have to close down as they can't pay the prevailing high tax rate and high wages and keep operating. Where is the Government going to get all the tax money they are calling for if they hurt private industry too much?

The following quotations are from the Congressional Record -
"Why are the bankers and the Federal Reserve System against silver? The answer is plain. As we get silver and issue Treasury certificates against it, the banks get no interest on that money. The silver is received by the Treasury. The treasury prints paper and circulates the paper. It doesnot necessarily go out through the Federal Reserve banks; and neither the Federal Reserve banks nor any other banks for that matter get any interest whatever on a silver certificate. The banks donot like that".

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"Mr. Eccles is the Chairman of the Board of Governors of the Federal Reserve System. Mr. Eccles testified in behalf of this bill. Mr. Eccles, speaking for the Federal Reserve Board for the Federal Reserve System, and for the big banks of the Nation, is for this bill, which means he is against silver".

"When silver is placed in circulation or silver certificates are placed in circulation they drive out other kinds of currency. When they are placed in circulation they drive out Federal Reserve notes, because that now is the only other kind of circulation we have. At the present time there is no gold or gold coin in circulation only silver and Federal Reserve notes and United States notes; that is true, but United States notes are not being redeemed."

"If Congress still further discredits silver, in my judgment, a bill will soon be prepared and introduced repealing the so-called subsidy upon domestically mined silver. We shall first discredit silver still further by the passage of this measure. We shall next discredit silver still further by stopping the so called subsidy to the domestic miners. Then we shall have silver about where we want it from the standpoint of the Federal Reserve System and the standpoint of the big bankers of the country. Still one more bill must be passed, however, and that is a bill that will stop the circulation of silver certificates - exactly as we stopped the circulation of gold certificates, but for another reason, at the beginning of this administration. If the bankers can call in the silver certificates and replace them with Federal Reserve notes, thus taking silver dollars out of circulation, as was done with regard to gold, then what kind of money will we have left? We will have but two kinds. Eight years ago we had 6,000 kinds of money. Now we have got down to about three kinds, that is silver, U. S. notes and Federal Reserve notes. So if the pending bill shall be enacted the movement will be on its way to get silver and silver certificates out of circulation. That will leave, then two kinds of money, United States notes and Federal Reserve notes". Congressional Record "Silver is Permanent Money- May 2,6 and 9,1940"

I also quote "If the banks are successful in their campaign to retire the interest free silver certificates and replace them with federal reserve notes in the amount now outstanding of approximately \$1,614,143,513 that will force business to pay the banks an annual interest yield computed at 3% of \$48,424,305.39 If the interest is figured at 6% then the Federal Reserve notes that would replace the silver certificates now in circulation would yield the banks \$96,848,610.78." Wallace Miner 1939.

Regarding inflation, it is a well established fact that no country that has tied its currency to gold or silver has ever had the kind of inflation experienced in Europe after the last world war.

To win the war we all have to work together for the good of the Country. Let's be real Americans and not do anything to hurt the mining industry as anything detrimental to silver would only result in a large percentage of our mines closing down just when our Nation is facing the greatest deficit of metals in its history.

Yours very truly



S. s
Copy - Senator Vandenberg
- Senator McCarran
- Senator Johnson

April 13, 1942.

Mr. T. Saxenmeyer,
909 Second Avenue,
Seattle, Washington.

Dear Mr. Saxenmeyer:

As Mr. Eccles is temporarily absent on a trip in the West, I wish to acknowledge receipt of your letter of April 3.

He has taken a position in favor of selling some of the silver hoard at market prices to industry, the Government absorbing the loss. He has also taken the position that if we are going to pay a subsidy, let's pay it for something needed in war production, such as copper, zinc, lead, etc., and not try to keep up the sham that there is any monetary justification in paying a subsidy on silver in order indirectly to procure something useful.

The quotation you cite from the Congressional Record does not make sense. Mr. Eccles is not "against silver", but has always contended that the present legislation is not in the interest of the silver industry in the United States. Quite a number of informed men who are interested as silver producers agree with him on this point. The idea that the Federal Reserve System or the banks are against silver certificates for any such reasons as given in this quotation is wholly fantastic.

Very truly yours,

(Signed) Elliott Thurston

Elliott Thurston,
Special Assistant
to the Chairman.

ET:b