

COLORADO MINING ASSOCIATION

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WASHINGTON. NEW YORK. ALBUQUERQUE. BOISE.
BUTTE. LOS ANGELES. PHOENIX. RENO. SALT LAKE CITY
SAN FRANCISCO. SEATTLE. SPOKANE. PORTLAND.

MINING THE BASIC INDUSTRY OF THE WEST

204 STATE OFFICE BUILDING

Denver

April 3, 1942

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C. O. WITHROW, DENVER
W. S. WORCESTER, TELLURIDE

Mr. M. S. Eccles, Chairman
Federal Reserve System
Washington, D. C.

Dear Mr. Eccles:

Remarks such as yours regarding Silver cause us to wonder if you have the good of the country at heart. Are you the kind of a fellow who would wait until Senator Pittman is dead before making your attack, or are you deliberately taking advantage of the war situation to give the western part of this country an additional "blow below the belt"?

From the mining standpoint alone, none of our mines could operate if the price of Silver were one cent lower. This, of course, would mean that a State like Colorado would be an ideal spot for the Indians to take over. Possibly it might be used by the Japs, but it certainly would not be a place for decent-living citizens.

In a day when you are engaged in spending billions of dollars, to take a crack at the little miners who are trying to produce other metals in conjunction with their Silver, and are relying on their Silver to keep the production going, it seems it is high time that even a mining organization speak its mind.

What qualifies you to make such a statement? One might ask, impertinently, what business is it of yours? Are not executives of our government supposed to carry out the will and pleasure of congress, and is not this matter a matter of law enacted by congressional action? If the people want this law changed, they will say so, and we feel that it is no time for Bureaucrats such as you to mislead the public's mind.

Anytime you want to debate this subject in public, over the radio, or any place else it shall be my pleasure to give you a challenge right now, and I could name at least one thousand men who will take you on at any time. Many of these men claim to know more about our banking system than you evidently do.

If necessary, we in Colorado will start putting on the "heat", and you may be assured that we have plenty of friends throughout the

Mr. M. S. Eccles

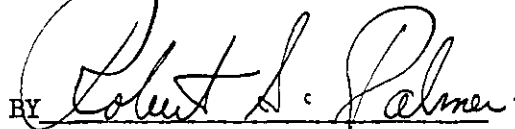
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April 3, 1942

United States who are interested in our cause; namely, the cause of "sound money", which is the cause of Gold and Silver.

Yours very truly

COLORADO MINING ASSOCIATION

BY 
SECRETARY

a.

April 9, 1942.

Mr. Robert S. Palmer, Secretary,
Colorado Mining Association,
204 State Office Building,
Denver, Colorado.

Dear Mr. Palmer:

But for the fact that you are secretary of a mining association and in that capacity should have a sense of responsibility, I would not care to reply to such an insulting and ignorant letter as you wrote to me under date of April 3. You do a grave disservice to the mining industry by any such communication or any such approach to the silver problem.

Since I grew up in the mining country and have been familiar with its problems all my life and have had a great deal to do with them in various ways, and since I have given a good deal of thought and study to the silver problem in particular during the past eight years and have testified repeatedly before committees of Congress, I am not speaking hastily or without knowledge. During Senator Pittman's lifetime, I testified at length before his special silver bloc committee. I did not await his death before expressing the opinion that I knew of nothing so calculated to destroy the domestic silver industry as the mistaken kind of legislation which you appear still to be sponsoring.

The subject is a question of facts, not of the invectives and personalities which you inject into your letter. The fact is that there is no military or monetary justification for the Government continuing to purchase silver at an artificial price and then to bury it at West Point. On the contrary, its purchase is purely inflationary at a time when every effort of the Government needs to be directed toward removing inflationary factors. If it is necessary at any time to pay a subsidy to the silver producers -- and by necessary I refer to the public interest and not to the private interests of any vested groups or stockholders -- then let us frankly recognize the payment as a subsidy. I never have been and I am not now in favor of trying to sustain the pretense that there is some monetary justification for any such course in a world in which we are the only purchasers of silver. These purchases cannot even be justified, as can the purchases of gold, on the ground that it is an international medium of exchange. If it is necessary to pay the producers of copper, lead and zinc a subsidy in order to procure those

Mr. Robert S. Palmer

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April 9, 1942

metals that are essential for war purposes, then let us frankly pay such a subsidy without pretending that the unneeded silver has to be subsidized in order to procure the needed copper, zinc and lead.

My own views are in accord with those of the Secretary of the Treasury and with the position taken unanimously by this Board, by the twelve presidents of the Federal Reserve Banks, and by the twelve members of the Federal Advisory Council, representing every section of this country, in the special report which we sent to Congress on December 31, 1940. The position taken by these officials and groups is based upon what they believe, after mature consideration, to be consistent with public - not private, personal, or partisan - interests.

Very truly yours,

(Signed) M. S. Eccles

M. S. Eccles,
Chairman.

 ET:b

Fraser

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April 14, 1942

Mr. M. S. Eccles, Chairman
Board of Governors
Federal Reserve System
Washington, D. C.

Dear Mr. Eccles:

My letter of April 3rd was written primarily for the purpose of obtaining first-hand your position on Silver. If there was any doubt as to your position before, there certainly is none now. May I thank you for so clearly stating your position and proving to us your hostility to the present Silver Law?

I have heard you referred to on many occasions as a "traitor to the West", and a man who was much impressed with the wisdom of his own opinion. I didn't think that the statements I had heard were true until I received your recent letter.

Your reference to private interests of vested groups or stockholders bespeaks the false accusations which are so often made by those in Washington, who are now on the government payroll. If speaking the minds of our people, who largely are trying to make a living, is asserting the rights of the special interest group, then count me as one who prefers to speak for the "Sons of Toil" than for the theorists who prevail in our Capitol City.

I knew Senator Pittman well; he and I were good friends. I admired him because his experiences in life had taught him wisdom. He did not resort to the kind of platitudes of which you have been guilty. He was a great man and did more for the West than any other one man I know. He had the support of men such as Senator Adams, Senator Borah, and others too numerous to mention. Evidently you feel that those who desire to carry forward the thoughts and public expressions of these great men are "ignorant".

The question is one of facts and not of invectives and personalities. The facts are that there is every military and monetary justification for the continuing of the present policy of purchasing silver, which justifies not only the silver producers in producing a metal which has been recognized as a monetary metal since before the birth of Christ, but it is further justified on the ground that it enables many a small miner to produce the metals which are now so badly

needed by our government if we are to win the present conflict. The fact that you do not seem to realize that this price of silver enables these men to produce the other metals shows, in my judgment, your lack of understanding of the mining situation of this western country.

Yes, we Westerners are just as much interested in winning this war as any Bureaucrat in Washington. Some of us have enjoyed a rather liberal education and possibly could dangle before your eyes as many Phi Beta Kappa keys and college degrees as you possess. We probably could qualify in any court as experts just as well as you can qualify, but again we will have to admit that when it comes to the kind of economics you propose we are probably "ignorant", as you say. In fact anybody who is in the mining business today, trying to mine metals for his government, is probably ignorant. If he had any brains at all he would go to Washington and get on the federal payroll.

When it comes to subsidies, there are just a few questions which present themselves now. Do you favor a subsidy for the farmers? Do you favor a subsidy for the livestockmen? Do you favor a subsidy for the manufacturers of the East? All of these groups are now receiving subsidies far in excess of the alleged subsidy received by the Silver producers. Is your enthusiasm for the mining West so great that you could deny the right to mine to these western mines?

Every Colorado legislature for the past twenty-five sessions has passed a resolution expressing the will and pleasure of our people, urging Congress to remonetize silver, to place a price of \$1.29 on it so that the miner would realize the price he deserves for his metal. A great many of the western states have done the same. Many of our governors have proclaimed in their inaugural addresses the right of our people to obtain the proper price for this metal. The far-reaching effect of such a price for silver must be apparent to many who oppose silver.

It is true that at the present time many of the miners are being attracted to Arms' Plants and other government plants, where higher wage scales are paid, which in our way of thinking are but subsidies paid from federal taxes extracted from the "dear taxpayers" under the guise of Re-Armament.

It does seem to us, as we analyze the situation, that you and your friend Morgenthau and the others you mention in your letter are more set on destroying the West than you are in winning the war. Why, with the other problems we have before us, do you not give your efforts to them instead of attacking the only stable thing left? Why are the people in the East hoarding Silver? Why are the mints called upon night and day to coin new silver coins? Why, during the last war, did our soldiers insist on Silver, and why did the price of Silver rise and the British Government pay a price to our government far in excess of the amount paid to the miners if this Silver has no real monetary value?

Secretary Ickes has recently announced that he is concerned about the post-war industrial program for the West. We have an industry known as the Silver Industry. Some of your prominent government officials have compared it to the peanut industry and to the button industry. In other words, you have tried to poke fun at it and to show that it is a very minor industry. If this be true, why do you concern yourself so much about it? Why don't you allow us to continue undisturbed? Surely you are quite interested in maintaining friendly relations with Mexico, and while you pay less for the silver from Mexico you are paying a much greater total for the metal produced South of the Border. Is there not an equal justification for maintaining friendly relations with the West?

April 14, 1942

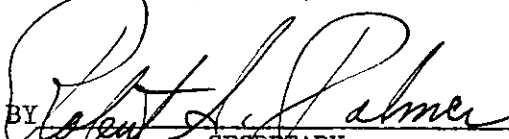
We feel that managed currency would do much to destroy confidence, undermine morale and do away with the American system which, in our opinion, is the very thing we are fighting for in this war.

The writer is very much concerned with the cause of Silver, for he is a Westerner at heart and an American citizen who has given a great deal of study and time to this and other questions. If, in gaining your position on this question your hostility has been aroused, then perhaps it is just as well; but in any event it shall be the privilege of this office and those connected with it, and practically all of the people of our State with whom I have come in contact, to oppose your announced program and do everything within our power to see that you are not successful in your plans. We have understood the position of other bankers for sometime, and seldom do we find a liberal among them.

May I express to you my personal sincere thanks for your delightful letter of April 9th? It is the kind of letter that I thoroughly enjoy receiving. Whenever you are so inclined to write a similar letter, please feel free to do so. In fact all of the boys who come into the office, who have been privileged to read your letter, have enjoyed it very much. You evidently aren't a bad fellow at heart. If you were only on the right side instead of the wrong side you would have a lot of supporters in Colorado.

Yours very truly

COLORADO MINING ASSOCIATION

BY 
SECRETARY

a.