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G. W. JACKSON, TRUSTEE
618 ~~XXX~~ SYMES BUILDING
DENVER, COLO.

April 21, 1942.

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

Dear Sir:

I have been advised you are to appear before the Silver Committee in the Senate in Washington on May 5, 1942, objecting to the present price on silver which you claim is a subsidy.

The present price on silver is the only thing that makes it possible for the miners of Colorado and other western states who produce lead, zinc and copper to continue operations of their properties.

The United States mints are working day and night to supply the demands for silver. A man in your position should be well aware of this fact.

Recently while making a deposit in a local bank I saw a lady, whom I would judge to be in the neighborhood of seventy years of age, withdrawing from her bank account \$3,000.00 and asking that it be paid in silver. The teller tried to persuade her to take currency, advising her he believed she would not be able to carry that amount of money in silver. She insisted on having the silver. Evidently this particular party looked upon silver as a medium of exchange and did not have confidence in the paper money. In my mind there is no question but what this lady was taking this money home to bury it or put it in some place she felt was a safe place to keep the silver and that she considers the silver dollar legal tender.

When you refer to a "subsidy" I wonder if you have considered that there is no industry in the United States today that is not enjoying the benefit of a subsidy, particularly the farmers.

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I have no particular quarrel with the farmers receiving the subsidy when he is a farmer but the parties who are receiving the real subsidy are men owning or leasing large tracts of land, maintaining an office in some large city and very seldom, if ever, visiting their farming property. They receive large amounts in subsidy every year from farming land which could be profitably farmed by the small farmer who would be glad to farm the property.

Farmers in the State of Colorado receive more subsidy on farm land than is paid in the form of subsidy to all the silver mines in the western states.

I also wish to call your attention to the profit made by the United States Government on the silver bought by Great Britain after the last war.

I am informed that you, as the head of the banking institutions in the United States, are responsible for the subsidy the banks receive on all checks written on banks of the United States.

As Chairman of the Board of Governors of the Federal Reserve System it would seem to me your duty is to administer the law not to oppose it.

If you want to make laws why not resign your present position as Chairman of the Board of Governors of the Federal Reserve System and run for the Senate or House of Representatives where you will be entitled to your individual views but as Chairman of the Board of Governors of the Federal Reserve System it is your duty to follow the law and not to obstruct it.

Very truly yours,


G. W. JACKSON

April 28, 1942.

Mr. G. W. Jackson, Trustee,
618 Symes Building,
Denver, Colorado.

Dear Mr. Jackson:

This is to acknowledge your letter of April 21 in regard to silver. You have the advantage of me, for so far as I am aware, I have not been requested to appear before the so-called Silver Committee in the Senate on May 5 or any other date, though I have been summoned to testify from time to time in the past. Members of the committee have requested my opinion and I have expressed it as sincerely and honestly as I knew how. Hence, your conclusion that I have been volunteering my individual views as Chairman of this Board is groundless, as is your implication that I am undertaking to obstruct the law. I had supposed that it was the right of all citizens and that it was the duty of those in public office, when asked by members of Congress, to express their honest convictions.

The Federal Reserve System has nothing to do with administering the law, though its effects upon the banking system are and have been highly adverse for the simple reason that the buying particularly of foreign silver at an artificial price has added to bank deposits and excess reserves needlessly. The silver has been buried at West Point. It has served no useful purpose either commercially or from a monetary standpoint. About its only justification is that it has been a device for giving good dollars to foreigners with which to purchase our goods.

I have said before when questioned by committees of Congress that I thought the silver legislation was well calculated to destroy the domestic silver industry. I have contended and I still feel that if we are to pay a subsidy for silver, then let's frankly recognize it as a subsidy. I have never seen any real justification for the legislation that is on the statute books, but there is even less justification today in maintaining this inflationary and superfluous purchasing program. If it is necessary to pay a subsidy to procure copper, lead, etc., then I favor paying it. I do not see any sense in paying a subsidy on the silver, which we do not need, in order to procure the metals that we do need for war purposes.

These are my honest convictions. I can do no other than express them when my opinion is requested by responsible committees of Congress or by responsible members of the Congress who have a right to ask a man in my position for his views. I am just as much opposed as

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you are to the abuse of the subsidy principle in the case of farmers.

I cannot imagine what you are talking about when you refer to my being responsible "for the subsidy the banks receive on all checks written on banks of the United States". I have fought for years for the par clearance system established throughout the Federal Reserve System and do not know of anything that could possibly be construed as a subsidy on checks.

Very truly yours,

M. S. Eccles,
Chairman.

 ET:b