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444 East 142 Street,
New York 54, N.Y.
February 20, 1945.

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

Dear Sir,

I see by tonight's World Telegram that you are advocating a reduction in the Gold Reserve Ratio.

Would'nt this move our Currency further away from the stabilizing influence of Gold, moving it in the direction of greater inconvertability, and thus be an influence toward inflation?

Very respectfully submitted.
David A. Curry.

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Federal Reserve Bank of St. Louis

February 23, 1945.

Mr. David A. Curry,
444 East 142d Street,
New York 54, New York.

Dear Mr. Curry:

This is to acknowledge your letter of February 20 in regard to the measure for reducing the gold reserve ratio to 25 per cent. I enclose a copy of a statement I made to the Committee which gives all the relevant facts.

It should be borne in mind that this is merely a permissible minimum. We may never reach it. At various times in the past we have had 100 per cent gold cover, though the permissible gold minimum was only 40 per cent in regard to Federal Reserve notes. Whatever gold or gold certificates there are will continue to be pledged as collateral, but, of course, nothing could be more ridiculous than to let some arbitrary and no longer important collateral requirement stand in the way of financing the war.

This move would not affect one way or the other the stabilizing influence on our currency and would not add one particle to inflation. Inflation is not prevented by any arbitrary gold reserve ratio behind the currency. We have had the 40 per cent ratio for more than a quarter of a century and in that period we have had about as inflationary and deflationary swings as it would be possible to have. What causes the inflationary danger now is the way in which the Congress has proceeded in financing the war. The presence or absence of a reserve ratio does not have the remotest bearing on the matter.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure

ET:b

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