

TELEGRAM

**Marriner S. Eccles, Chairman**

**Board of Governors Federal Reserve System.**

**Win, lose, or draw, I admire your courage.**

**W. Randolph Burgess.**

W. RANDOLPH BURGESS  
55 Wall Street  
New York 15, N. Y.

December 5, 1947

Dear Marriner:

Thanks for yours of December 3. Sorry I missed you at lunch, but I was working on our memorandum.

No one can object to your driving hard for your proposal, but I did think that your attack on the motives of the people who oppose you was quite uncalled for.

What I hope is that after the shooting dies down on this we can all keep hammering on some of the other things that must be done if we really are to make a dent on this inflation.

In the meantime I am not sure you realize how great a change has taken place in the money situation. By even relatively modest action a great deal has already been done to change the trend. I doubt if it is yet enough, but it at least is a good start.

Sincerely yours,

(Signed) Randolph.

Honorable Marriner S. Eccles  
Chairman, Board of Governors  
of the Federal Reserve System  
Washington, D. C.

December 17, 1947.

Dear Randy:

As I have been very busy these days, I have not had an opportunity until now to acknowledge your letter of December 5. Actually, I thought I was most restrained in commenting on the attitude of some of the bankers, fortunately not all of them. They all have to suffer, however, for the mistakes of bad leadership. I did not attack their motives but went out of my way to indicate that they were not to be blamed for the inflation which has taken place so far. They were willing victims, however, of the expansion of bank credit but I refrained from saying so.

There is plenty of room for honest differences of opinion over the Board's proposal. To stigmatize it as socialization of banking comes about as close to demagoguery as anything I can think of. I was sorry to see that sort of thing in the Council's statement. It was all the more ridiculous in view of the fact that the Council had unanimously joined in the Special Report to Congress at the end of 1940 which recommended doubling what were then the maximum reserve requirements permitted by law; that is, 26, 20 and 14 per cent on demand deposits of the respective classes of banks. That was far stronger medicine than the Board's proposal, as I think would be clear to anyone who examined it unemotionally and without the innuendoes which were introduced into the discussion.

The weasel words in the Council's statement hardly dispose me to feel very kindly. For instance, the statement suggested "that the System and the Treasury already have large powers without new legislation to place credit under broad restraints," and then listed the relatively innocuous discount rate, reserve requirements at central reserve cities, coupled with the statement that "by open market operations the System can control the reserves of the member banks and limit their lending power." If that means anything, it means that the Open Market Committee should abandon market support. When he testified, Ned Brown was careful to say that he did not favor any such course.

That sort of double-talk in the statement goes against my grain. It is all a piece with the increased gold reserve requirements which somebody sold to Mr. Wolcott. If it had survived in Congress it might have embarrassed the Reserve Banks somewhat in their day to day operations. Otherwise it was meaningless or, as Collins of the New York Times put it, "a hoax, pure and simple." It did help to muddy the waters and add to the confusion.

It had all the earmarks of an attempt to do by indirection what its proponents were afraid to come out openly and advocate, the more so because it was put forward in the House in such an extraordinary manner, without any prior notice to the System or any opportunity to be heard. I disagree one hundred per cent with Stewart Baker, but at least he was frank enough to say he wanted the Reserve System to stop support of the market. There is nothing devious about that. I am not so naive as to expect that the opposition will always be open and aboveboard, and I am not so simple as to be entirely unaware as to what is going on behind the scenes.

While I am on this subject, I want to say that I was sorry that your bank descended from its usual high level of discussion to a paragraph in the December Letter that appears under the sub-heading, "A Dangerous Principle," and tries to make it appear that the Board's proposal would place "the citizens of the country under legal compulsion to buy its (the Government's) bonds." That kind of thing is hardly worthy of comment.

You have known me long enough to know that I do not bear grudges, but I would not be entirely frank if I did not say that three members of the Board, after the discussion with the Council, spoke with a great deal of resentment about your supercilious attitude, particularly towards me. In view of your all too apparent contempt for the Board's proposal and what I had to say about it at the meeting, and in view of some of the testimony by Council members, it is gratuitous, to say the least, for you to write that you think my "attack on the motives of the people who oppose (me) was quite uncalled for." Considering the provocation, my prepared statements and my testimony under questioning have been very restrained indeed.

Having gotten this off my chest, I feel better. Perhaps it's the approaching Christmas spirit. In any case, I am looking ahead, not backwards, to a new and better year for all of us.

Sincerely yours,

(Signed) Marriner.

Mr. W. Randolph Burgess,  
55 Wall Street,  
New York 15, New York.