

Springfield, Ill Jan. 11 - 48

Mr. Harriner S. Eccles, Governor
○ Federal Reserve System

Dear Sir

REC'D IN FILES SECTION

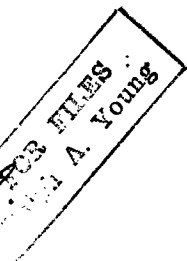
FEB 17 1948

I have just been reading your article "Special Reserve" in the Thursday Dec 18-47 issue of "The Commercial and Financial Chronicle" I agree with the article in general for we are undoubtedly moving into the overoptimistic after war time in which ~~large~~ loans will be made by Banks and individuals there will make trouble later on. In your article and in the others I have so far read in the same issue on inflation all mention the inflationary effect of Bank credit this I have never been able to understand, for if what the Bank gives the Gov through the

Federal Reserve for its bonds is nothing why do the Fed go to the banks, and what difference does it make to the Bank if the money was never paid back, as all it has in this way of looking at it, cost them is a little bookkeeping expence. I have as far as I know a money theory of my own which is the opposit of the usevalue theory. It is in short this, before I get a dollar I must put a dollarworth of goods on the market either by direct or indirect production and that's what give the dollar its exchanged value, if no currency is involved but all written paper, then I have deposited in the bank paper there prove that I put goods on the market equal to the amount of my account and therefore a check written by me within the amount of the account has exchangevalue, from this comes credit

is money now in existence used
 by others than its owner and clear
 new money; money coming into
 being through commercial paper
 against production done but as
 yet not paid for. Now I know
 you are far too an important
 and busy person to answer.
 Every Tom Dick or Harry there
 with you; but could you not
 get some young economist or clerk
 there understand bank credit in
 the sense used in the article
 to explain it to me, perfectly
 as there would delight in
 hearing my contention against
 it apart, something in a small
 way beneficial to our economy
 might turn up.

Yours truly
 J. A. Sorensen,
 614 W. Carpenter,
 Springfield, Ill.



January 15, 1948.

Mr. J. A. Sorensen,
614 W. Carpenter,
Springfield, Illinois.

Dear Mr. Sorensen:

Your letter of January 11 raises a question which is very little comprehended by the overwhelming majority of businessmen or even bankers.

Because of your interest, I am sending you a copy of our System booklet, which has just been revised and come off the presses, which undertakes to explain how banks create or extinguish money. It is not a simple subject but if you have time to study this booklet, I think you will find the answers to your questions. I would be interested to know whether you find the booklet helpful.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure

ET:b