

M. L. BURSTEIN  
591 East Wisconsin Avenue  
Neenah, Wisconsin

February 6, 1951

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

Dear Sir:

While possessing a reasonable standard operating knowledge of money and finance, and understanding the general outlines of the open market pegging of long term governments and the affect of these operations on interest rates, the newspaper accounts of the more detailed controversies and arguments in this field have but confused me.

I read the reports of one of your recent speeches on the subject in which you discussed the relationship between the support of long-term obligations, short-term government paper, and the monetary nature of such paper. However, this report was garbled. Since I am especially interested in these matters, I am anxious to obtain a transcript of one or more of your addresses on the more detailed aspects of these problems. Failing that, I should like to briefly present what I have been able to gather of your argument. Naturally, I do so with great trepidation.

As I understand it, the inflationary consequences of excessive government borrowings from banks has caused banks to be ineligible for most long-term government paper. However, tremendous, continually renewed issues of short term paper bought by the banks through the "creation" of deposits has occurred. The government has <sup>in part</sup> used the proceeds of this short-term paper to finance the support operation. Thus, the net effect is the same as if the government borrowed from the banks to begin with. Even looking at this "version", I am sure its highly unsatisfactory. I would greatly appreciate enlightenment on this question.

Trusting in your indulgence, I remain

Yours very truly,

  
M. L. Burstein

*Copy  
of my statement  
to Com. of Statement  
of Chicago economists*

February 12, 1951.

Mr. M. L. Burstein,  
591 East Wisconsin Avenue,  
Neenah, Wisconsin.

Dear Mr. Burstein:

It was very thoughtful of you to take time to write me about my testimony on January 25, before the Joint Committee on the Economic Report in its hearings on the President's Economic Program. I always appreciate having the reactions of others, whether of approval or criticism, to my public utterances.

I am so terribly busy that I do not have time to give you any more help at this time than to send you the enclosures listed:

1. "Preparedness Against Both War and Inflation", my statement before the Joint Committee on the Economic Report on January 25, 1951.
2. "The Failure of the Present Monetary Policy", a statement by the Department of Economics of the University of Chicago.
3. "The Defense of the Dollar", an article which I wrote for the November issue of Fortune Magazine.

I hope these documents will clarify the newspaper accounts on the matters to which you refer.

Sincerely yours,

M. S. Eccles.

Enclosures.

VE:dls