

COMMITTEES:  
BANKING AND CURRENCY  
ELECTIONS No. 3  
EXPENDITURES IN THE EXECUTIVE  
DEPARTMENTS

# Congress of the United States

House of Representatives

Washington, D. C.

Cotuit, Massachusetts

November 25, 1935

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

My dear Mr. Eccles:

I have read and re-read your address to the bankers at the New Orleans Convention. It must have been reassuring to them, and the facts given were so plainly stated that even a Congressman could understand.

However, in your portrayal of our remarkable recovery, I wish you could have taken more time in enlarging upon relief and especially commenting further on self-liquidating projects, such as TVA, etc. You seemed to bring up nothing which would criticize present activities of government.

I assume our gold profit in the stabilization fund is still intact, as you included it in our assets. The advantage of government borrowing at a low rate to finance RFC, HOLG, FCA, and so on, to be loaned at a much higher rate, will prevent serious losses to the government. However, this smacks of doing business for profit.

Our real estate men are somewhat frightened over housing schemes, satellite cities and many other projects regarded by many as downright competition and foolish government expense.

What a splendid picture you could have drawn of recovery, had there been less punishment inflicted upon business under cover of reform measures!

You doubtless realize other persuasive reasons for investment in the stock market at this time.

Acknowledging the great improvement in finance and the present safety of our institutions, we are still unadvised by anyone in authority as to why the number of the unemployed is still at such a peak.

Some of us are still a little skeptical about the principle of issuing U.S. bonds, taking the people's money therefor, that a great volume of credit may be available with the expectation that business will respond. With borrowed money, I purchase real estate and commodities, upon which I borrow more, then purchase more, until I wonder if it really is an endless chain and when my creditors will really demand that I transfer this property into cash to repay the loans. My creditors do not wish, and will refuse to take, my properties; but as long as credit facilities are available and everything guaranteed by the government or available for rediscount, I might carry on quite a business. Of course, I note that you think there is not an exact analogy with the individual and the government. I will try to take this view for a time.

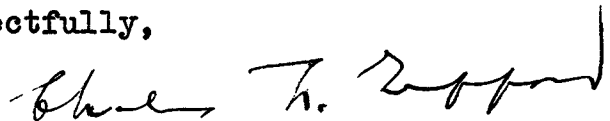
Your comparison of the United Kingdom and the United States, to the effect that total interest in England amounts to eight per cent as against three per cent with us, does not seem hardly fair. For instance, our New England towns have a horror of debt. Exceedingly few owe more than their average yearly income, and most of them, much less. The citizens, however, pay an average of \$30 per thousand on real estate, and actual taxes paid for local, state and national expense probably closely approach those of the United Kingdom. This comparison has been used altogether too much, as applied to income, and has lead to a very erroneous belief among our people, especially in Congress. There are so many phases to be considered in any such discussion that, of course, little can be said in a short letter like this.

Having listened to you for so many hours before our committee, I am extremely interested in your point of view, and am really trying to learn at least a little something, having about come to an agreement with Arthur Brisbane and General Johnson "that no one seems to know anything about money".

Summing up, I really desire to sincerely congratulate you on the very able presentation you made before that convention. I may be entirely won over to your ways of thinking.

With the very best and sincere good wishes, I am

Respectfully,



Charles L. Gifford, M.C.