File

attention of Mr Thurston

November 23, 1935.

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

Mr. Chairman:

The enclosed letter of even date addressed to you, commenting on your atatements to the press November 22, 1935, points out the besetting sin of leaders of American finance namely "pursuing an ostrich like policy in monetary matters"

Are we to continue this stupid policy or will we take the steps necessary to erect a banking "structure" and establish banking "practices" which will effect recovery and restore economic order?

No legislation is required: The New York Clearing House, followed by all clearing house organizations in the United States, through rules and regulations established, will install the correctives, without disturbance to business or finance. Business and finance will be immemediately revived and animated by substantially increasing "the turnover of deposits"

Faithfully yours,

W. J. Duggan

W. J. DUGGAN, FINANCIAL ECONOMIST,
6009 Etzel Ave.,
St. Louis, Mo.

Same letter with copies enclosed to-

President Roosevelt
Hon.Henry Morgenthau Jr.
Hon Ogden L. Mills
Editor Associated Press
Editor Financial Chronicle
Editor St. Louis Globe Democrat.

November 23, 1935.

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

Mr. Chairman:

The news reports of the Associated Press of Nov. 22nd quote you as saying "security purchases are being financed out of cash without increased use of bank credit".

This statement you must know or should know is not true, being directly contrary to the facts, which are apparent to every competent observer. The statement ignores the fact, obvious to every recognized authority, that the cash utilized by speculators to bull the stock market is the inflated cash assets of member banks created "out of nothing" by manipulating the "excess bank reserve" figures of Reserve banks.

Your statement that "There is no evidence of accumulation of inventories, of frantic bidding for a limited amount of goods", is explained when it is understood that legitimate purchasing power in the form of "advances" and merchants and bankers bills of exchange, have practically been debarred from the banking system by the absence of technique on the part of Federal Reserve bank supervisors.

The restrictions and barriers on bonafide credit were referred to by the Hon. Carter Glass when he said: "we already have more deflation than may be remedied in the next ten or twenty years". This deflation of genuine credit in the form of "advances" and merchants and bankers bills of exchange must be recognized as bonafide purchasing power which is indispensable to any money and credit system managed along rational lines.

To confirm this viewpoint your attention is directed to the following excerpt from editorial "The Financial Situation" from the Financial Chronicle of March 15, 1930, New York City. "Those who argue that business can be legitimately and permanently stimu;ated by the injection of banking credit or currency issues -- those who talk along such lines are simply repeating the arguments of the greenbackers and those who at the close of the nineteenth century demanded so insistently the free coinage of silver. If the Reserve authorities imagine that the old exploded device can be worked a second time in the same way after the recent eyeopening experience, they are doomed to a sad awakening".

Why follow the "exploded device" of your predecessors when the way is open to set up a banking "structure" and establish banking "practices" which will redound to your credit, the credit of your associates and the permanent glory and prestige of the incumbent administration?

No visionary, be he a "social credit" or a "managed money" theorist, can change the immutable truth declared by John Stuart Mill when saying: "Credit has a great, but not, as many people seem to suppose, a magical power: it can not make something out of nothing."

Faithfully yours,