

Philadelphia Nov. 29, 1935

Mr Marriner Eccles,  
Care of Federal Reserve Bank Board,  
Washington, D. C.

Dear Sir:

I was very much surprised to read your statement the other day, in which you stated that the present sharp rise in the stock market was not due to CREDIT, but that the buying was being done for CASH.

Is this statement of yours just plain New Deal ballyhoo or is it sheer ignorance on your part. If the latter, you should resign the job you hold, as certainly you are not a fit man to hold any responsible position in the Federal Reserve system.

Are you not aware that "pyramided equities" in securities, largely written up during the past two years, is the REAL BASIS of the present buying wave?

Would you call that cash or credit inflation?

Did not the same thing run the gigantic boom, which culminated in 1929?

Was the Florida Real Estate boom of a few years ago run on a basis of cash, or was it run on a basis of inflated and constantly "written-up" equities, which changed hands by the many thousands daily, in the form of contracts, transferred from one buyer to another, UNTIL?

Did this system of wild speculation, because it was largely run with CREDIT, instead of cash, prevent the final BUST? NO. You know it did not.

While on the subject of cash and credit, what about the so-called CASH or rather a very large part of the so-called CASH being used today or being carried by our banks as RESERVES? Isn't it largely CREDIT, with nothing in back of it but huge public debts, as represented by our government bonds, with which our banks today are saturated?

Where even this CREDIT cash is being used, would you call it buying for cash, strictly speaking, or would you call it buying with public debt obligations? Can you answer that?

You must admit that the public is PAYING plenty in the form of interest and the enormous overhead of running this gigantic credit racket, which sooner or later always wipes them out, as the interest, compounding itself sooner or later shows up the fallacy of a medium of exchange of this sort.

As an experienced banker, which I presume you are, you certainly must know that CREDIT should be a sacred thing; not a football of politics, or a RACKET of any political party. You certainly must also know, if you have had any real experience with the human race, that CREDIT ruins a big majority of people, just like it ruins nations, because most people cannot be safely trusted with credit. Those entitled to it, usually are

the last ones to ever ask for it. You probably know that also.

Our banks are supposed to be better off today than they were several years ago. Maybe they are, but God help them, if and when TAXATION to meet their Public Debt MONEY ASSETS, fails, as it must sooner or later, notwithstanding the philosophy of the New Deal.

No Government in history was ever able to manufacture money successfully; all they ever were able to do was to inflate their good money, and in that was deliberately destroy the wealth and savings of their best citizens.

A nation is no better economically than its masses. You can believe that or not. I know that much and I am not a banker.

In 1915, when the Federal Reserve Banking system was first put over on the public, I wrote an article and PREDICTED then that within a decade, the biggest panic in our history MUST FOLLOW. WHY? Because I even up to that time, had enough experience to know what ELASTIC CREDIT was going to mean to our country; a system that deliberately "hocked" the excess credit of one section for the benefit of other sections, that might at times run wild in speculation and gambling. Was I right? You know I was. And I am not a banker.

And in its final effects, the whole nation, engulfed in this unsound business of CREDIT abuse, wondered what it was all about; even our bankers in many cases, not even up until now realizing it.

Yet when the Federal Reserve System was first put over, THEORETICALLY, it was going to make hard times, panics, etc., a thing of the past. Remember the predictions of the original Idealistic Brain Trusters? Certainly you do.

And now what do we find? A government doing EXACTLY in a national way, with the credit of the nation, exactly what the people themselves did before the collapse in 1929. And using the same system of finance to do it. Ye Gods, have we no clear headed men left in the nation?

And our president today, giving the people hell, for living in a so-called fool's paradise in 1929, while in his next breath, he tries to tell them that they can spend their future and hock their children's future, through the government, and GET AWAY WITH IT.

Show him this letter and tell him to wake up.

Yours very truly,

M C Sours

# FEDERAL RESERVE BOARD

WASHINGTON

Chairman  
OFFICE OF THE GOVERNOR

December 2, 1935.

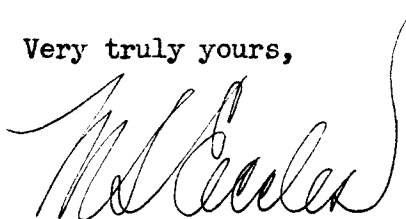
Mr. M. C. Sours,  
Philadelphia, Pennsylvania.

My dear Mr. Sours:

I acknowledge receipt of your letter of November 29th and am glad to have your views relative to the matter of credit. In view of your interest in the subject, I am enclosing a stenographic transcript of the address which I made before the American Bankers Association in New Orleans on November 14th, and also a copy of the statement to the press of November 22d.

I suggest particularly that you obtain and read a copy of a book recently published by David Cushman Coyle entitled "Brass Tacks". The cost of the book is twenty-five cents. I feel sure you will find it not only very instructive but intensely interesting as well, and it may tend to clarify some of your views.

Very truly yours,



M. S. Eccles,  
Chairman.

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