



DEPARTMENT OF AGRICULTURE
WASHINGTON

June 4, 1936.

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

Dear Governor Eccles:

I am delighted with the tone of your letter of June 1. Your presentation, I believe, to be substantially accurate. My only fear is that when the building boom starts, it will be carried to excess with the result that within a few years we may be producing ten times as many houses per year as during the average of the past five years. Of course, we don't have to go to excess and with the experience we have gained during the past ten years, there is much reason for thinking that we will not; nevertheless, all of us in positions of responsibility should be to some extent on our guard.

I agree with you that the progress in new industries may be extraordinarily surprising within another two or three years.

Sincerely yours,

HAWALAN

Secretary.

The enclosed may interest you in view of the misleading story in the Baltimore Sun today.

Some press reports of Thursday morning indicate considerable misunderstanding of my position on the farm problem.

In my press conference on Wednesday I made the point that good weather might bring down on us again in serious form the problem of overproduction, but that we hoped the pickup in business and increase in international trade would take care of this until the states, co-operating with the federal government as provided in the Soil Conservation and Domestic Allotment Act, will be able to shoulder the burden of facing over-production problems after January 1, 1938.

This was interpreted as indicating that I believe the necessity for production control has passed, and that my position on this point is in conflict with that which has been expressed by Chester Davis on several occasions.

I think that Mr. Davis and I are in thorough agreement. I feel strongly that the mechanism of production control should be available in case of need, but I hope that returning prosperity and continuous common sense application of our foreign trade policy will, barring the possibility of armed conflict abroad, diminish the need for production control. A return to normal weather conditions after three years of abnormal weather may precipitate upon us most serious problems. I think it is essential that the farmers of the United States should be in a position to meet to the advantage of themselves and the whole people sudden serious shifts in weather and trade.

My statement of Wednesday on the possible effect of a return of world prosperity and United States prosperity on increased exports out of the United States and increased imports into the United States is similar to statements in Mr. Davis' St. Paul speech, to be delivered on June 5, which I had read already with much interest.

I am in complete accord with Mr. Davis' estimate that American agriculture's main hope of regaining world trade rests upon continuing our reciprocal trade agreement policy and in avoiding the danger of mistaken exclusionist policy, and that the resort to exclusionism and export subsidies without production control would involve risk of another agricultural disaster.

I am sure that Chester Davis and I see eye to eye on all phases of the farm problem. No two men have more continuously thought alike on the farm problem than we have.

June 1, 1936.

My dear Mr. Secretary:

Thank you for your letter of May 22d commenting upon the talk which I gave in New York. I quite agree that with the present prospect for continued recovery, including the revival in housing, the budget should balance about the time you say, but I think it could and should be balanced by 1938 through an adequate tax bill based on ability to pay and designed to force out idle funds accumulating to a large extent in the hands of the bigger corporations. It seems to me that as surplus revenue increases, we should eliminate all forms of sales taxes and thus increase consumer buying power, and that we should not reduce taxes as was done in the '20's or pay down the public debt too fast. I see no reason why we should go into an exaggerated boom which would have to be tapered off into another slump.

As for housing alone, we now have a deficit of not less than 2,000,000 units, and we would have to build 750,000 new dwelling units a year for the next ten years to take care of normal needs and to overcome the accumulated deficit. If we were to build at the British rate in proportion to our larger population, we would have to produce 3,500,000 houses during the next five years, or five times as many as we actually produced during the past five years.

The amount of modernization needed throughout the country in housing is staggering. I am advised that according to one study just being completed, there are 60,000 houses in New York in which 2,000,000 persons are living, these 60,000 houses being far below the minimum standards of decent habitation. You are well aware of the replacements and modernization needed in railroads and in industry. Moreover, there is every reason, I think, to expect great progress from now on in development of new industries.

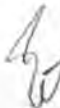
With proper monetary, credit and fiscal policy and with provision made for a long range public works program, so that the government could step in to offset a slackening in private spending, I think we can have a fairly stable and orderly eco-

conomic development indefinitely. We must also provide adequate old age pensions and a comprehensive farm program which we are counting on you to take care of. To my way of thinking, the key to orderly progressive development is the restoration, expansion and better distribution of purchasing power.

Sincerely yours,

M. S. Eccles,
Chairman.

The Honorable
The Secretary of Agriculture,
Washington, D. C.

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DEPARTMENT OF AGRICULTURE
WASHINGTON

May 22, 1936.

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

Dear Governor Eccles:

I have read your talk of May 8 as enclosed in your letter to me of May 19 and I think that you did a splendid job.

If housing really picks up as it should during the next two or three years, don't you think there is a chance that we will have a balanced budget and perhaps a surplus by 1939 or 1940? But what will happen when our housing begins to taper off again sometime during the early or middle 40's?

Sincerely yours,

H. A. Wallace

Secretary.

May 19, 1936.

My dear Mr. Secretary:

I am enclosing a copy of a talk I gave in New York on May 8th, extracts from which appeared in the press. I thought that some of my friends might care to see the complete text, and I am, therefore, taking the liberty of sending you a copy since this is an effort to outline briefly what I conceive to be the theory of the government's monetary and spending program and how it is working out toward a balanced budget and full restoration.

Sincerely yours,

M. S. Eccles,
Chairman.

Honorable Henry A. Wallace,
Secretary of Agriculture,
Washington, D. C.

enclosure

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