

SOMERVILLE NATIONAL BANK

UNION SQUARE

SOMERVILLE, MASSACHUSETTS

November 14, 1936

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

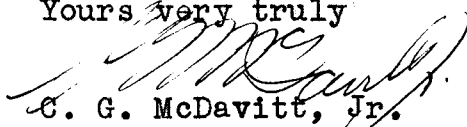
Dear Sir:

I wish to express to you my appreciation for the inspiring address which you delivered to the Bank Management Conference of the New England Council.

But for one question I believe I would indorse the program which you outlined, without reservation. That question deals with the human and political equation. We may grant that the part of the program which deals with reflation is relatively easy to operate and is bound to be popular. However, if I follow the plan correctly, after a period of rising prices, increasing commercial loans, and so forth, it would be necessary, first, to maintain relatively high taxes, secondly, to utilize the excess Federal income to pay-off Federal debts. Here I question whether the public could be educated to understand that such a program was for their eventual benefit. Perhaps they would, but I suspect they would turn against the individuals who try to inforce these measures.

However, this complaint is no augument that the plan should not be tried.

Yours very truly


C. G. McDavitt, Jr.
Executive Vice-President,

CGM:MS

November 16, 1936

Mr. C. G. McDavitt, Jr.
Executive Vice President
Somerville National Bank
Somerville, Massachusetts

Dear Mr. McDavitt:

It was very kind of you to write me last Saturday with reference to my address before the New England Council the day preceding and I appreciate your complimentary remarks.

I note that you are concerned over the human and political equation during that phase of the operation of fiscal and monetary policy which would require the maintenance of relatively high taxes and the utilization of excess Federal income to retire Federal debt. You feel that it would be difficult to educate the public to understand that such a program was for their eventual benefit. I admit this would require some education but it is at least comforting to note that during the 20's the huge Federal debt incurred in the World War was retired very rapidly without any serious political repercussions. I doubt that people will object seriously to the Federal taxes during prosperous periods, and of course the reduction of Federal debt cannot be undertaken except in such a period. I have often said that business men would have been worse off in 1934 and '32 with no Federal taxes to pay than they are now with the existing taxes.

While I believe in the effectiveness of governmental intervention to stabilize our economy, I do not minimize the political and technical difficulties of the problem. Like yourself, however, I feel that the plan should and must be tried in order to avoid the consequences of drastic swings toward deflation or inflation.

Yours sincerely,

M. S. Eccles
Chairman

LC/fgr