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December 3, 1938

Mr. Marriner S. Eccles,
Federal Reserve,
Washington, D. C.

Dear Mr. Eccles:

I notice with interest the remarks credited to you in yesterday's press which you made to a group of bankers to the effect that the Government should not too abruptly discontinue spending in an effort to balance the budget until such time as our national income rises to the point where private industry can absorb the unemployed.

I am trying to analyze your remarks with those of Mr. Orval W. Adams when he addressed the American Banking Association at Houston, Texas last month at which time he complained of Government spending, stating that it was jeopardizing the security of policy holders and bank depositors throughout the country.

I am enclosing a copy of a letter that I addressed to Mr. Adams at that time.

Sincerely yours,


GEORGE LEVEY

GL:DS
Enc.

"THERE IS NO SUBSTITUTE FOR DEMOCRACY"

November 26th, 1938

(C O P Y)

Mr. Orval W. Adams,
Salt Lake City, Utah.

Dear Sir:

In keeping with the freedom of speech which has become an American institution I trust you will pardon me as a stranger addressing you as follows:

I note with particular interest your address as reported by the Press, given on November 15th at the American Bankers Association Convention in Houston, Texas. I particularly note your expression as to the bankers' duty to protect the savings of the American people and also your complaint on regimentation and the manner in which Government policies are injuring insurance policy holders and bank depositors.

Just how much did the banking fraternity protect us during the extravagance of the late 20's when they ran call money up 20 and 25% and when banks throughout the interior refused to loan money at 6% to business stating that they could get much higher rates on call money, and they actually did so. How much did the bankers protect American business during the early 30's when in a wild desire to save themselves from the results of their own greed they placed into effect the most ruthless, unwarranted liquidation the world has ever seen by dumping merchandise running into the hundreds of millions of dollars on a market unable to digest it, intensifying the depression, forcing thousands of manufacturers to close their doors being unable to meet such competition. Then the banking holiday came along, the bankers throwing up their hands ran away from the mess of their own creation being baled out at taxpayers and depositors expense by the same administration which is doing everything all wrong today. One of the first things done was to install service charges enabling them to pass on their entire cost of operation and at times I strongly suspect dividend requirements to the backs of depositors so that there is no longer any necessity for a bank to make loans in order to cover their overhead, with the result that banks are not making loans and today 99% of American business has geared itself to operating without bank credit and the bankers still complain of regimentation when they themselves are practising the most intense regimentation directed against small business as well as small depositors.

How much did bankers protect the American public when they caused railroads to issue hundreds of millions of dollars of bonds, the proceeds of which were primarily used to finance the acquisition of controlling stock in other units and when this controlling stock had accomplished its purpose, additional bonds were issued to resell same to other units and today we find the bankers blaming the condition of the railroads on greedy

November 26th, 1938

labor and unprincipled politicians. If bankers are in a position to know the deadening effects of misguided Government financing why aren't they in a position to realize the deadening effects of their own short-sighted policies, in their treatment of the small business man, their refusal to regard him as a desirable customer, while at the same time they bid against each other for the financing of the large bank controlled corporation at ridiculously low prices and at the same time their overhead is still being charged against depositors through service charges.

From the time of our national birth, business and industry has used politics whether it be through the councilman, mayor, governor, senator, or congressman whose election they have often influenced to create legislation favorable to themselves, than why should they complain if the masses of the people who have discovered their own power are attempting to do likewise. Would it not be far better if our industrial and financial leaders recognized their community of interest with the masses of our people who have suddenly become articulate and met around the table of Democracy to talk things over. After all these people are only asking our Government to do as much for them as they have done for you. We who are more fortunate and I may aptly say lucky in being temporarily at the top of the heap should lend a helping hand to the fellow below us inasmuch as pauperism does increase at a far greater rate than wealth and when we talk of our national wealth, national assets, let us give these people an opportunity to share in some part of these other, than our national debt.

Sincerely yours,

GL:DS

GEORGE LEVEY

December 7, 1938.

Mr. George Levey,
Box 61, Linwood Station,
Detroit, Michigan.

Dear Mr. Levey:

This is to thank you for your letter of December 3d enclosing a copy of your letter to Mr. Orval W. Adams commenting upon his address before the American Bankers Association at Houston.

My own complete disagreement with his point of view is evident from the text of the talk which I gave the other evening, a copy of which I am enclosing because I thought you might be interested in seeing the full text inasmuch as the newspapers could only give fragments of it.

It is encouraging to have letters like yours, and I appreciate your courtesy in writing to me.

Sincerely yours,

M. S. Eccles,
Chairman.

enclosure

ET:b