

Clarence V. Smazel
1716 Alpha Street
Lansing, Michigan
December 11, 1940.

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

My dear Mr. Eccles:

For some time I have been observing statements by economists, economic writers, columnists, and others to the effect that if the owners of idle money now piled up in the banks were suddenly to decide to spend or invest that money, unemployment would immediately end, we would enjoy prosperity far greater even than that of 1929, enough taxes could be collected from current income to put the defense program on a pay-as-you-go basis, etc.

I do not expect miracles to happen, nor that you can foresee them, but I should like to secure the best official confirmation possible of the suggested possibilities or probabilities. If defense expenditures or some other factor should break the log jam that has held up investment and caused money to pile up in banks, would such optimistic statements be within the realm of reality?

A quotation from any recent address or writing on the subject would satisfactorily answer my query; or if none such is available, a brief statement of what you think would happen under such circumstances would be greatly appreciated.

Sincerely,



December 16, 1940.

Mr. Clarence V. Smazel,
1716 Alpha Street,
Lansing, Michigan.

Dear Mr. Smazel:

Chairman Eccles requested me to acknowledge receipt of your letter of December 11 and, in reply to your question, to enclose a copy of his recent address before the National Industrial Conference Board.

Accordingly, I enclose a copy of this address which, while not a direct reply to your inquiry, should indicate what the answers are.

Sincerely yours,

Elliott Thurston,
Special Assistant
to the Chairman.

enclosure

ET:b