

The First National Bank No. 29
of the City of New York

LEON FRASER, President

New York, December 11, 1940

Dear Marriner:

I have read your address and hope you will forgive me for saying that I thought it was excellent in practically every respect. There are, of course, some details on which an independent mind would differ.

For example, I find it hard to bookkeep an economically non-productive arsenal as a capital asset in the same way as a private corporation carries a productive steel plant. However, this is a trifle. I also am not yet sold on the thought of exempting from the F.D.I.C. sums held at the Federal, because I would greatly prefer to attack the problem of excess reserves frontally and frankly by the method of increasing the percentages rather than to attack it by side-swiping, so to speak. You have doubtless heard that the reserve city bankers, by a vote of approximately 70%, adopted some resolution recommending the increase of reserves 50% above the present legal maximum, such power to be vested in the Open Market Committee.

I really think it would be fine if you would send a copy of your remarks to each member of the Council, or at any rate, to each member of the special committee - Evans, Loeb, Hanes, and Brown ex officio. It was my fear that there was going to be something in your remarks which might make it harder to get an agreed statement, but I am glad to report that I did not find anything except, possibly, the F.D.I.C. matter, and I take it for granted that it is not contemplated that this particular proposal would appear in any general statement of principles.

With best regards,

Faithfully yours,

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

Leon Fraser