



OFFICE OF THE
GOVERNOR

NATIONAL HOUSING AGENCY
FEDERAL HOME LOAN BANK SYSTEM

101 INDIANA AVENUE, N. W.

WASHINGTON 25, D. C.



FEDERAL HOME LOAN BANK ADMINISTRATION
FEDERAL HOME LOAN BANK SYSTEM
FEDERAL SAVINGS AND LOAN
INSURANCE CORPORATION
HOME OWNERS' LOAN CORPORATION
UNITED STATES HOUSING CORPORATION

December 5, 1944

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

Dear Marriner:

Your address before the National Industrial Conference Board in New York, on November 16, is the best thing of yours I have read. Its diagnosis of the post-war economic problem and its prescriptions for meeting it are what the country has a right to expect from the head of the Federal Reserve System - clear, realistic, and unflinching. I am thrilled by it.

I must say that I am not persuaded to the point of assurance that a compensatory system of tax and credit control, centralized in Washington, will work as planned. This, of course, is no part of the current privateering philosophy which would adapt Jeffersonian procedures of Government to the modern industrial complexities. I have no truck with such runaway capitalists, nor yet with the mole-blind defeatists whom you treat so effectively in your remarks.

My trouble of mind has to do with human nature. There is such a native resistance to the horse-collar and to harness makers who are too heavy-handed, that no planned economy, even as a measure of safety, is sure of acceptance by our people. Their extra-economic aspirations and beliefs, and their instinctive conviction that power too heavily centralized corrupts the powerful and leads to tyranny, can never be discounted. These are the X factors in your algebraic formula which can throw it sharply out of equation.

To name these factors does not constitute, I hope, a doleful defeatism of its own. Your program need not be so rigid as to form a kind of economic determinism; it can be balanced, I am convinced, with flexible tolerances and checks which will make it acceptable, and yet not destructive of your sound mathematics. That, however, is a long story if translated to particulars from the general, and certainly not suited to a note of applause, which this is intended to be.

Sincerely yours

James Twombly
Governor

December 9, 1944.

Dear Jim:

Your commentaries on my occasional speeches are always particularly appreciated, not only because I respect your judgment but also because I so admire your felicitous use of words.

Like you, I am not at all confident that a compensatory system can be carried out, and such hopes as I have are certainly demolished by resolutions like those unanimously adopted at the recent meeting of the National Association of Manufacturers. These business leaders are so enlightened that they think the answer to today's problems is to go back to the gold standard, with currency convertible into gold, and to use taxes for revenue only, relying heavily on sales and excises to balance the budget. What you so aptly term the "privateering philosophy" runs throughout these resolutions.

Likewise, I agree with you about human nature, of course. Yet one can only keep hammering away at it, however dim the hope.

with best regards,

Sincerely yours,

Honorable James Twohy,
Governor,
Federal Home Loan Bank System,
101 Indiana Avenue, Northwest,
Washington 25, D. C.

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