HUGH W. SANFORD,
FIDELITY BUILDING,
KNOXVILLE, TENN.

March 21, 1945

Mr. M. S. Eccles, Chairman
Board of Governors
Federal Reserve System
Washington 25, D. C.

Dear Mr. Eccles:

I enclose you herewith copy of a letter I have written to my college classmate, Mr. Gilbert H. Montague, who is a distinguished corporation lawyer in New York City, and I have suggested to him that he should send you one of his pamphlets that he sent to me. I should also like very much for you to send him copies of the addresses you were kind enough to send me.

I hope this letter is not distasteful to you, but I feel very strongly on these matters, and do think that there is more incorrect economic thinking going on in Washington to-day than ever before perhaps. No, I would not say ~~that~~ quite that, because we haven't had a single President since George Washington who understood political economy, even with the help of his cabinet, etc.

I read at one time Raymond Moley's book about his association with Mr. Roosevelt for seven years, and he stated that Mr. Roosevelt was advised by the Federal Reserve Board in Washington that if he devalued the doller 40%, prices and wages in the United States would go up 40% the next day. He was also given this same advice by Professors Warren and Pearson, of Cornell University. He believed this advice because he was not an economist. It took him about thirty days to find out what a fallacy this opinion was. Meanwhile I had written Professors Warren and Pearson myself, and told them that it was ridiculous to think that this would happen, and I have the correspondence in my files from Cornell telling me that I was utterly wrong and that they were right. Obviously, if the members of the Federal Reserve Board has understood economics they would not have given Mr. Roosevelt such advice. Not that I am arguing that it was a mistake to devalue the dollar. In fact, I am not at all certain but what it will have to be devalued more if we are going to keep the national dollar income up to a point where we can retire the national debt without having our wage scales go above the limitation fixed by that gold standard principle which you say is no longer in existence.

Mr. Eugene Black was also one of my great friends, and he was a fine gentleman and no doubt an excellent lawyer, but he did not understand economy; nor did Mr. James, of Memphis, whom I knew. Moreover, much could be said in criticism of the economic views of Mr. Ogden Mills, and also those of Mr. Jesse Jones, who was a great technocrat in 1932 or '33 and thought there was no possibility of labor ever being fully employed in the United States again - that machinery was displacing men to this end. Mr. Miller, a banker from New York who was at one time president of the RFC, also held the same views and no argument would get them out of his head, because they were fixed there solidly.

Yours very truly,

H W Sanford

Hugh W. Sanford

HWS:R

March 26, 1945.

Mr. Hugh W. Sanford,
Fidelity Building,
Knoxville, Tennessee.

Dear Mr. Sanford:

As Mr. Eccles is temporarily out of the city, I am acknowledging your letter of March 21 enclosing a copy of your letter to Mr. Montague.

You have been misinformed with regard to the advice you say the Reserve Board gave to Mr. Roosevelt. I checked this matter, and the Board never advised him that a 40 per cent devaluation of the dollar would immediately increase prices and wages by the same amount.

Sincerely yours,

Elliott Thurston,
Assistant to the Chairman.

ET:b

HUGH W. SANFORD,
FIDELITY BUILDING,
KNOXVILLE, TENN.

March 28, 1945

Mr. Elliott Thurston
Assistant to the Chairman
Board of Governors of the
Federal Reserve System
Washington 25, D. C.

Dear Mr. Thurston:

I have your letter of March 26, and the information that I quoted was given in Raymond Moley's book which I think bears the title "Seven Years". He was advisor to the President at the time that the devaluation of the dollar took place, and he states what I said very definitely, although perhaps he himself was mistaken.

Yours very truly,

Hugh W. Sanford

HWS:R

March 31, 1945.

Mr. Hugh W. Sanford,
Fidelity Building,
Knoxville, Tennessee.

Dear Mr. Sanford:

In regard to your letter of March 28, let me say that I have searched without success to find the reference in Ray Moley's book to your statement that the Federal Reserve Board had advised the President that the Warren scheme would increase prices and wages by the amount of the devaluation of the dollar in terms of gold. I have known Ray Moley for a good many years and saw him daily during the London Economic Conference and followed this particular matter very closely, so I am particularly surprised by your statement.

In any case, it is not a fact that the Board gave the President any such advice.

Sincerely yours,

Elliott Thurston,
Assistant to the Chairman.

ET:b

HUGH W. SANFORD,
FIDELITY BUILDING,
KNOXVILLE, TENN.

April 2, 1945

Mr. Elliott Thurston
Assistant to the Chairman
Board of Governors
Federal Reserve System
Washington 25, D. C.

Dear Mr. Thurston:

I have your letter of March 31.

The book by Mr. Moley is not in my library, but I felt positive that my memory was correct in what I said, but if it is incorrect, I apologize for same. I will check it up next time I see the book.

You will remember probably that Hugh S. Johnson came out in his column with the statement that he and Mr. Roosevelt and others in the Government thought the devaluation of the dollar would increase wages and prices the next day, and were very much surprised when this did not happen. The point I was trying to make was that whether the advice was given by the Federal Reserve Board or some other agency, they weren't very well versed in economics; but I certainly do not wish to do any injustice to the economic acumen of the Federal Reserve Board.

Yours very truly,

Hugh W. Sanford

HWS:R

April 9, 1945.

Mr. Hugh W. Sanford,
Fidelity Building,
Knoxville, Tennessee.

Dear Mr. Sanford:

In any case, I thoroughly agree with you that whoever gave the advice about the change in gold price was naive, to say the least. Professor Warren was the chief proponent of the device and after trying it, no one was more disillusioned about it than the President.

Sincerely yours,

Elliott Thurston,
Assistant to the Chairman.

ET:b