

March 6, 1933

My dear John:

Well, it looks as if you are going to make a longer stay in Washington than you expected when you left home. Roosevelt's inauguration address was a knock-out, I think. It only remains to carry out his program. I am enclosing herewith two newspaper clippings of interest, one from the Leader in regard to you, and one from today's Enquirer in regard to re-valuation of the gold content of the dollar, which has been one of Coughlin's pet schemes. It is hard to imagine Vanderlip and that crowd living up for inflation - or deflation (of money) maybe more nearly the correct term - but such is the case. I thoroughly agree with the Committee's recommendation that the Government guarantee bank deposits, because unless this is done business will quickly fall off to nothing. This thing of clearing-house certificates, scrip, and so forth will not do any good. Take the banks here in Lexington. They are all in good shape and it is not right that they - as well as all other Kentucky banks - should remain closed just because a couple of banks in Detroit got in the hole. Why didn't the Federal Reserve take care of the Detroit situation when it came up? Looks to me as if the Governors of the Federal Reserve System lack "guts" or judgment. The argument is advanced that the Government cannot guarantee all bank deposits 100 % because of the many State banks over which it has had no control or supervision. This objection could easily be met in this way: Let the Government order all National Banks to open on an unrestricted basis and guarantee all deposits therein, thereby preventing any "runs" when the opening takes place. Now, as to the State banks, Congress could pass a bill permitting State banks to take out National charters upon any after inspection by the Federal Bank examiners. This last to prevent any State bank that is in bad shape from operating and no doubt there are some of these. Of course this provision could be liberally interpreted and action could be quickly had by putting extra examiners to work. In the meantime, the President, possibly working in conjunction with the various Governors of the several States could keep all State Banks closed and until they were passed by the examiners and re-opened, the National Banks could take ^{care} of the situation throughout the country, with the backing of the Federal Reserve and the Treasury Department. The longer this present situation exists the worse the effects will be and all business here is feeling it now. However, from reports I have, conditions are worse in Cincinnati