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November 26, 1937

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

Dear Mr. Thurston:

Thank you for your letter of the 24th. I shall be glad to arrange the material so as to put the source as a footnote. I didn't know just how to give credit for material from the Board of Governors which had not been made public.

For your own information, you may be interested in knowing the status of our cooperative project at the present moment. Since first receipt of the material on the behavior of deposits I have been becoming more and more impressed with the idea that there are times at least when velocity is of more importance than volume. My two associates in the enterprise, my friends Leeds and Dennison, while recognizing the abnormality of the present situation, feel that the remedy is continued governmental expenditure in the face of remaining unemployment and increasing drastic taxes to force velocity by the tax route.

To date I have been unwilling to bring myself to this conclusion. As income taxes get higher and higher, it seems to me that their use for forcing velocity becomes more and more dubious unless they are specialized in form for that particular purpose, as would be the case if a tax could be placed on bank balances, for instance, or on the unspent portion of the annual income. While both of these expedients bring a lot of complications in their train (such as hoarding of currency in the case of the taxation of bank balances), they would have the advantage, if they could be applied, of being more discriminating in that they would not burden the incomes which were adding velocity to the same extent as they do those which are obstructing velocity. I feel sure that it is important to be discriminating, rather than to use the

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Mr. Elliott Thurston

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blunderbuss as an instrument to be used specifically for increasing velocity.

I cannot, however, avoid the feeling that high-pressure controls, such as this, are only to be used as a last resort. It seems better to try in the first instance controls for restraining excesses if that can be arranged.

If for some reason we cannot produce the conditions which lead to a return of a normal velocity of deposits or if under our new permanent conditions normal velocities can definitely be seen to be too low, we may then consider high-tension forms of control, but not until then.

If there is delay in bringing our opus to the point of publication, it is due to the difficulties we have run into on this question. The three of us really ought to meet together before some good arbiter. I am not suggesting that such a one be found in the Federal Reserve Board, because it has no business mixing itself up, even unofficially, in our private undertaking, but if you or Dr. Goldenweiser have any personal suggestions as to an arbiter with whom we might meet, I would appreciate the suggestion.

I am ashamed of not having before this expressed to Mrs. Thurston my gratitude for the exceedingly pleasant and valuable evening I spent at her home with the MacLeods. I am belatedly doing so in a note in the enclosed envelope.

Sincerely yours,

Harold E. Flanders
President

REF:M
Encl.

This article is protected by copyright and has been removed.

The citation for the original is:

New York Times, "Hits Labor Policy of Administration," November 20, 1937.

November 24, 1937.

Mr. Ralph E. Flanders,
Springfield, Vermont.

Dear Mr. Flanders:

The Chairman requested me to acknowledge receipt of your letter of November 18th enclosing a revised copy of your manuscript and to say that there is no objection whatever to your referring to the material furnished by Dr. Currie and used in condensed form in Table II of Chapter XII. Possibly it would be more convenient for you simply to acknowledge the origin of the figures by a footnote stating that the source is the Board of Governors of the Federal Reserve System, rather than mentioning it in the text. You are, of course, at liberty to make such use of the material as you desire, but the Chairman would not feel that it was appropriate for him to undertake to sanction your material.

Mr. Eccles asked me to thank you again for your courtesy in giving us an opportunity to see the manuscript. While your conclusions and his might not entirely coincide, I know that he regards what you are striving to do as a highly important contribution to practical understanding and solution of our economic problems.

It was a great pleasure for me to have the opportunity to meet you when you were here with Norman MacLeod, and I hope that privilege may be renewed at an early date.

Sincerely yours,

Elliott Thurston,
Special Assistant
to the Chairman.

ET:b

RALPH E. FLANDERS
BOX 477
SPRINGFIELD, VERMONT

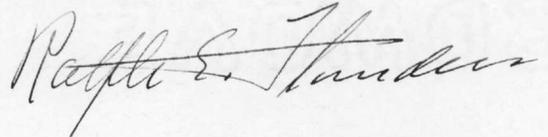
November 18, 1937

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

Dear Governor Eccles:

I enclose a revised copy of the manuscript submitted to you on July 1st. The principal changes are in Chapters VII, and IX to XII, inclusive. I wish particularly to inquire whether I may have permission to refer to material furnished me by Dr. Currie and used in very condensed form in Table II at the foot of page XII - 5. You will, of course, want to read the accompanying text in order to determine whether or not my use of the material is one which you are willing to sanction.

Sincerely yours,



REF:M
Encl.