

(From the Ogden Standard-Examiner, June 19, 1932)

Because of the marked interest the public is taking in Marrison Eccles' views on the cause of the depression and remedies for it, The Standard-Examiner presents herewith an authentic and complete abstract of the address made by the Ogden banker to the Utah Bankers' association convention in Salt Lake on Friday.

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"The present world depression is due to international debts, both reparations and interallied debts, and the maldistribution of gold. As the only means of meeting international obligations consists of goods, services, gold or credit, the cessation of international credit and the introduction of high tariffs paralyzed international trade.

"Due to chaotic world conditions and the failure of leading nations to get together and agree on a world economic program, it seems to me that the United States, at least for the present, must look to its own domestic economy. This country is in a better position than any other nation of the world to enjoy some degree of normality because we are more independent and self-contained.

#### MASS CONSUMPTION NEEDED

"I believe that we are following antiquated economic doctrine. Orthodox economies are out of date because they were meant for a situation in which famine and scarcity were normal conditions—mankind's struggle against the forces of nature. They were meant more for a debtor nation than for a creditor nation. The need now is to spend, consume and thereby use up the overflowing abundance which we can produce. Mass production must be accompanied by mass consumption.

"Therefore, the doctrine of thrift, economy, efficiency, the laying off of men to increase the production of those who are unemployed without balancing the power of consumption is unsound and can only lead to destruction. We must realize that the economic process by which society is held together is the exchange of services.

"The end of production must be consumption. Capital accumulation as represented in capital goods must increase no faster than is required to meet the needs of an increasing population or provide for an increasing standard of living by the great mass of consumers.

#### EXTRAVAGANCE NOT TO BLAME

"The depression has not been brought about by extravagance as a nation, as evidenced by the fact that we did not consume as a country more than a part of what we produced. We consumed far less than we produced, otherwise we could not have increased our gold supply one billion dollars up until last summer and extended credit as represented

by our exportable surplus.

"Extravagance as a nation is measured by the use and consumption of productive goods. A great portion of the production is represented by our vast accumulation of capital goods. This is shown by tremendous increases in plants and facilities of all kinds--new roads, commercial buildings--all of which added to our capital wealth as a nation. The great volume of credit which was extended in this country is due in no small measure to our capital accumulations.

#### CREDIT CYCLE TRACED

"To make our capital accumulations productive a great volume of instalment, foreign and other credit became necessary to utilize our great volume of production. This could not go on indefinitely without a breaking down of the credit structure through its reaching the point of saturation. This in turn compelled a curtailment of consumption on the part of debtors and as this condition continued it brought about what appeared to be overproduction and a breaking down of price levels.

"Thus in turn came unemployment and as the cycle of depression slid further, consumption decreased and employment decreased, and the burden of debt, measured by ability to pay, was greatly accentuated.

"Credit today is not, in my opinion, the most direct and ideal solution of our problems. We already have too many debts, based on present values, and consumption ability. Few, if any, want credit to put people back to work; credit is wanted largely to pay pressing debts or wanted where there is no basis for credit because of depressed values.

"What is needed is a revival of business. This can only be caused by a revival and increase of consumption, which is largely dependent on employment.

#### UP TO GOVERNMENT

"In my opinion, the government is the only agency that has the power to bring this about readily on a national scale because it has the power of control, the power to issue money and create credit. If we should be involved in war there would be no argument advanced as to the government's ability to meet the emergency and there would be no question as to the government's credit and nothing would be said about the need of balancing the budget.

"Are we not more justified in spending on enterprises of peace what the financial axioms of the past would only allow us to spend on

the devastations of war? Is it not more important that the government take positive position of reviving business by large expenditures, giving employment or an unemployment wage, than to take the negative position of rigid economy, which means less expenditure and more unemployment? Is not the measure of the loss of wealth through unemployment sufficiently great to justify large expenditure by the government in order to start the processes of reflation by giving purchasing power on a national scale to those who today have none?

#### STARTS WITH PAYROLL

"The production of wealth and consumers' ability to buy starts with the payroll and the individual producer of raw material, the agriculturist. We are losing today close to two billion dollars a month in national income, due to unemployment and depression. Is there anything more important than to stop this great loss and all the attendant human suffering and devastation and destruction of what was once our beautiful machine?

"I believe this can be done by the government appropriating and spending, not loaning, from two to five billion dollars. This should be done rapidly, without red tape, on a per capita basis throughout the states, each state receiving its per capita proportion over a period of months. Administration should be handled by a civilian commission in each state. The money should be spent to give employment on roads, parks, and other public works, and to supply an unemployment wage or necessities of life through community service agencies only where employment is not possible. This would immediately put into circulation a large amount of money, increasing purchasing power, which, due to present low prices and low inventories, would soon raise prices and increase demand for consumption of goods. In turn, the demand would increase factory production, railroad tonnage, wholesale and retail volume, all of which would result in putting people back to work in private business, raise the farmers' prices, increasing his purchasing power and demand for manufactured goods, and soon those people using government appropriations would be back in private industry.

#### BALL STARTED ROLLING

"Thus the process of wealth production would be started and therefore the ability to pay taxes and meet debts would be increased, the budget would balance and the government debt incurred to start the upward cycle could be met by a revival of business, creating profits and income on the part of corporations and individuals; whereas today all

this is difficult, if not impossible, due to losses of operations on the part of corporations and the great reduction of income on the part of individuals. Even those paying government taxes in the amount necessary over a period of years, to pay off the government debt incurred, would be far better off than they are under present conditions because after their proportion of taxes were paid they would have far more remaining than is possible under present conditions.

"I do not wish to convey the idea that we will have reached the solution of our difficulties and can maintain prosperity by the simple plan suggested. That would only temporarily relieve our present distressed domestic economy. For a more permanent solution we will have to recognize the important place we occupy as the world's great creditor nation in world affairs and in that connection we must meet and cooperate with leading world powers in the solution of reparations and interallied debts, unsound tariff barriers, the stability of national currency of all countries through an improvement in our international money system. The consideration of a five-day week in this country may be advisable, and there is necessity for the organization of an economic council for the more intelligent planning of our production facilities in direct relationship to our consumption.

#### EXPRESSES FAITH

"I have great faith in the ultimate solution of our many intricate national and international problems. We will emerge from the present cataclysm with happier, healthier better citizenship than ever before. To assume otherwise would be to believe that mankind or society has passed its zenith, will be engulfed by the panic of the present time, and will repeat the mistakes of other great major depressions.

"Mankind is still too young and still too recently liberated from the elementary life of primitive economy to be justified in concluding that it is near the end of its road. After such great advances as ours in education, scientific development and production, if a mere substance level is to be the limit of our development, then we need an entirely new economic system less than we do able leadership to control the system. For certainly the present facilities in the world and particularly in America are unexcelled in the possibilities which they hold forth."