

New York City, December 26th 1938.

Mr. M. S. Eccles,
Chairman, Fed. Reserve System,
Washington, D. C.

Dear Sir:-

I see where you and Senator Byrd are having quite a disagreement concerning the financial policies of the government. I am not going into what the Senator has to say but I certainly don't hesitate in saying that the monetary policies of the Fed. Reserve Banks and the Treasury dept. are the bunk as far as putting men, and money to work, and take the people off relief, I sometimes think that the politicians now in power - like their job so well that by keeping sufficient voters in the poorhouse and paying them for loafing, they will continue to buy their votes, and artificial popularity for themselves, and thus perpetuate themselves, and their relatives in office. (A rotten state of affairs but a fact.)

Ever since the administration accepted that nonsensical "gold price" theory of that chicken professor from Cornell, I have said that if that was the kind of financial intelligence we had to run the country, I felt sorry for the people, and I have had plenty of reason not to change my mind.

In the first place - it is not the price of gold that makes commodity values -- but it is the use of the gold in international commerce ---- the actual amount of gold used in the ~~the~~ international credit system which regulates the value of commodities (outside supply and demand of course)-----and since you gold-hoarders in Washington have taken out of use, and circulation, Billions of \$ worth of gold that rightfully should be used in the worlds commerce, you have forced world commodity values down in value in a corresponding relation to the gold weight you have withdrawn from its rightful purpose (of being receipts for values or services rendered, and possessed, entitling the holder, whoever it be, to new services and merchandise.)

By your crazy gold hoarding policies you have destroyed the market value of such international merchandise as cotton and wheat, you have lowered the international values of products of the ground in relation the volume of gold you have withdrawn from international circulation, and after doing such a foolish thing, you turn around and put the producer of ~~the~~ commodities on relief, you tax poor people to pay the farmer to loaf, you tax the workers boss, and their payroll, so that more people are put out of work, and still more on relief, and you tax business still more; you take productive capital away from manufacturers who could use it to increase their business with more employment following, and you turn that over to millions of loafers - and drunks - for coffee and buns, and whisky. No wonder the head man is so popular with people who don't believe in hard work or saving their money.

You tax the workers payroll, and put him out of work, and on relief, --- when you should put the tax on the productive horse powers in the factories, to put the men in a preferred position in the shop, give him a better competitive position in relation to the machine, and women labor. -- There is no more sensible tax in an over-industrialized situation than a stiff tax on productive electric horse powers (and other forms of mechanical power) in the factory where machines are ever putting men out of

a job and throwing them on the government and thereby the taxpayer. The payroll tax should be eliminated altogether for the benefit of re-employment.

Unemployment and old age pension taxes should come out of the mechanical horse power tax in industry, and no other place, if we want to put people back to work.

An electric horse power tax on all manufacturing plants would reach the big manufacturers who make their own electric power,-----

It would make possible a shift in taxes from the electric power producer, to the motor power consumer, and make possible a lower rate of electric power for the home.-----

This lower electric rate to the residential user would stimulate the sale of more electric appliances for the home.

Shifting the tax from the power producer to the industrial user, would then make it possible to reduce the tax on the utility, and thus make lower cost possible for the residential consumer. It could also be used to but taxes on real estate, and thus bring lower rents to the poorer people.

Taxes should be used to create economic balances, and stimulate employment of the greatest number of people. That is certainly not being done by taxing a mans payroll,--- but - it certainly would put men to work if we shifted the tax to the automatic machine thru such a simple means as taxing the total horse power in a factory, leaving out horse power used for sanitary purposes. --- This horse power tax should be used to reduce utility taxes, real estate taxes, payroll and old age and unemployment taxes, and as said before, it would reach the large manufaxturers who now make their own electric power, and thus, I believe, escapes the tax on Utilities.

As an example I will take a furniture manufacturer who makes a million \$ worth a year with 200 men (and woman, I am sorry to say) and has about 500 electric horse powers for his automatic high speed machines,---- he is responsible for at least 50 men being out out of a job because of his highly mechanized factory. Let him pay \$ 10 to \$ 20 per year per productive horse pover of whatever kind, and he will soon find work for 10 Or twenty men more.--- The cost of the tax will be absorbed by the consumer but he will not feel it when he is working.

An industrial horse power tax would be the most stimulating to re-employment, and the least felt by the consumer, and be most evenly distributed in the final stages.

And, back to the gold situation, --- the government should let lose several billions off gold, it should use it to pay bills with and stop borrowing, there is no excuse for this wild plunge into debt. Commodity prices would go up quick, and you should stop relief to the farmer, and the processing taxes. Our dollars would be cheaper quickly in the foreign market, and promote our exports, and again increase employment of many people. There would be more cash in circulation and that is just what we need to get still more people to spend and buy and produce. ----- And then ---- there would be an awful yelling about --- INFLATION ---- seems everybody is getting used to the Poor house for which Hoover (poor fellow) is supposed to have laid the foundation, --- and, which is certain -- Roosevelt put the roof on, and now they are afraid of prosperity. ---- Of course, I realize that there can be no prosperity, no re-employment, no stability, no happy homes, as long as the present money (mis) managers let the international gold speculators, mortgage speculators, (these profiteers in misery) bankers and money lenders, and other selfish interest keeping them from their duty to the mass of the people.

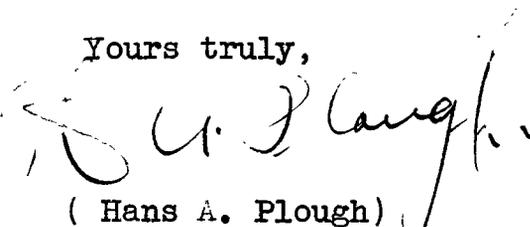
It will be a sorry day soon enough when the foreign gold experts begin taking back their gold -- at their own price -- with a great loss to Uncle sap, as they call us, for we must be blind idiots if we can not see that handwriting on the wall already.

Many years ago, when the english negotiated their debt settlement with our government after the world war, an english economist when he saw that it was impossible to reach a sane agreement on the settlement of the debt because our stupid negotiators coul'nt look ahead farther than to their nose tip, said: " We will drown the Americans in gold if they are so crazy about it!" --- and even though it took ten years more than he expected --- they have done it now.

Ten or twelve years ago I said that for the benefit of our working people, and in the interest of employment, the war debt should be canceled or cut down to a small percentage of the total. That too has been proven, --- the Germans, because the allies forced them to keep up war debt payments which were physically impossible, almost killed our export trade because they had to get exchange by any and all means. And who were the final losers ? -- the shylocks who tried to collect.

But, I am straying far and wide from my subject, which is a request for more sanity in our monetary affairs, and our fiscal affairs; this administration has been in office long enough to show some results it should not try to hide its failures at home with an effort to stir up hate toward other nations, and create a situation that can only lead to a new war, -- maybe we have promises to the munition makers that must be fulfilled too, especially these poor munition makers in Delaware. ---- What this country needs today more than relief and a good five cent cigar is: " A better gentile government for better gentile Americans"

Yours truly,



(Hans A. Plough)
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