

^{1/2} Mr. Goldeneveiser

I don't think there's
any point in prolonging
this correspondence but
am sending this up
as the reply before was
prepared in your
digging's.

Thanks. I think
it should be
dropped.
Gall

6711 Avenue-J-Houston Texas.

January--16--1939.

Honorable M.S.Eccles,

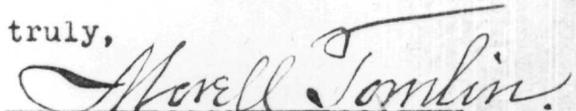
Washington D.C.

Dear Sir:

In considering your letter of Jan.11 I find you have SUBSTITUTED "GROSS INCOME" for my "RECEIPTS OF MONEY". You also fail to include the elimination of existing local levies upon the things which every family must use and consume and the INDIVIDUAL EXEMPTION to every INHABITANT, which would prevent their PAYING A CENT, UNDER the 5% TAX, until they had RESERVED up to the \$2,000.00 a year, FOR FAMILY NEEDS. How could the CONSUMER or the poor be MORE HEAVILY BURDENED by a LEVY which eliminated \$350.00 a year of their PRESENT BURDENS and also prevented the TAXING of their FARMS, HOMES or PROPERTIES and their "RECEIPTS OF MONEY" until those actual CASH RECEIPTS, EXCEEDED \$2,000.00 during the year? To leave out the DIVISION among the STATES would of COURSE be JUST ANOTHER BURDEN UPON CONSUMERS. The SOLE OBJECTIVE of the PLAN is to ELIMINATE EXISTING TAX BURDENS and INCREASE the PURCHASING POWER of the 60% of our FAMILIES who are not now able to buy the things they need. You write " What I am concerned with is to see that no funds withdrawn from the spending stream remain idle." That is the desire of every patriot. What I am trying to avoid, is the CONTINUED OFFERING OF TAX EXEMPT SECURITIES for the ABSORPTION of ACCUMULATIONS or WITHDRAWALS from that STREAM, leaving ONLY CONTINUED GOVERNMENT SPENDING to MAINTAIN THE ROTATING FUND which maintains our activities. Unless permanent withdrawals are BALANCED by INCREASES IN THE MATERIAL WEALTH of the NATION, some ELEMENT must lose that amount.

Thanking you for your consideration, I am,

Yours truly,



Morell Tomlin.

Mr. Thurston: -

Perhaps

this would do

Edg

Dear Mr. Tomlin:

I have your letter with regard to my reply to Senator Byrd, and I am much obliged to you for giving me your views. I see that your point of view and mine are in general accord, but there are a number of things on which we may not entirely agree. I should like particularly to say that I cannot agree with your proposal ~~that a taxation~~ ^{oh} ~~should be in the form of a~~ 5 percent tax on gross income. ~~I feel that~~ ^{would} taxes of this kind curtail the purchasing power of consumers, which is ^{at this time} ~~is~~ ^{would be} the most undesirable incidence of taxation. They also fall with greater force on the poor than on the ~~rich~~ ^{well-to-do}

I do not think you quite understand my position in regard to the Government's participation in the nation's expenditures. I ~~am~~ ^{was} not ~~con-~~ ^{attempting to discuss the question of} ~~cerned about~~ the Government offering opportunities for corporations to find investment outlets. What I am concerned with is to see that no funds withdrawn from the spending stream remain idle. Money withdrawn and held idle obstructs the flow of income and results in depressions. What I am suggesting is that, when investment by private concerns is not adequate to keep our resources employed, it should be Government policy to contribute to the stream.

I should also like to say that when you speak of the Government helping the banks and the insurance companies, ^{I think you should bear in mind} you do not seem to have ^{with the objective merely to save} ~~it clearly in mind~~ that this was done not ~~for the purpose of saving~~ the investors and the capital of these institutions, but for the purpose of saving the depositors and policy holders, who represent a large proportion of our people.

^{was interested to have your views and I wanted} I ~~want to thank you once more~~ for your letter, and remain ^{you to know that I appreciated your interest and} ^{Country in writing} Very truly yours,

January 11, 1939.

Captain Morell Tomlin,
6711 Avenue J,
Houston, Texas.

Dear Captain Tomlin:

I have your letter with regard to my reply to Senator Byrd, and I am much obliged to you for giving me your views. I see that your point of view and mine are in general accord, but there are a number of things on which we may not entirely agree. I should like particularly to say that I cannot agree with your proposal of a 5 per cent tax on gross income. Taxes of this kind would curtail the purchasing power of consumers, which at this time would be the most undesirable incidence of taxation. They also fall with greater force on the poor than on the well-to-do.

I do not think you quite understand my position in regard to the Government's participation in the Nation's expenditures. I was not attempting to discuss the question of the Government's offering opportunities for corporations to find investment outlets. What I am concerned with is to see that no funds withdrawn from the spending stream remain idle. Money withdrawn and held idle obstructs the flow of income and results in depressions. What I am suggesting is that, when investment by private concerns is not adequate to keep our resources employed, it should be government policy to contribute to the stream.

I should also like to say that when you speak of the Government's helping the banks and the insurance companies, I think you should bear in mind that this was done not with the objective merely to save the investors and the capital of these institutions, but for the purpose of saving the depositors and policy holders, who represent a large proportion of our people.

I was interested to have your views and I wanted you to know that I appreciated your interest and courtesy in writing.

Sincerely yours,

M. S. Eccles,
Chairman.

Received in
Chairman's Office
JAN 7 - 1939
Board of Governors
of the
Federal Reserve System

ET:b

TO Dr. Goldenweiser

FROM Mr. Thurston

REMARKS:

1/9/39

Here's another one on which I would like to have your opinion as to how it might be answered.

E.T.

6711 Avenue-J-Houston Texas.

January 3 1939.

Honorable Marriner S. Eccles,
Washington D.C.

Dear Sir:

In reading your reply to Senator Byrd, it impressed me with the FAILURE by both of you to consider the ACTUAL CAUSES which made it necessary for the U.S. to replace PRIVATE SOURCES. The truth is not going to permanently establish PROSPERITY. What have we profited when neither the GOVERNMENT SPENDING or their AIDS to CORPORATIONS increases PURCHASING POWER to where PRODUCTIONS can be increased to where a larger proportion of our employables can be gain fully working? If it is BENEFICIAL to reduce INTEREST PAYMENTS, why should it not be MORE BENEFICIAL to eliminate them entirely? Is it the DUTY OF GOVERNMENT to provide profitable INVESTMENTS for those who have accumulations? Have we unconsciously substituted CORPORATION EARNINGS for FAMILY WELFARE? While recognizing the soundness of your statements, I can not help but realize existing conditions which most of our LEADERS appear to ignore. Should the welfare of the U.S. depend upon the ability of FINANCIERS to float loans? Is there a law which prohibits those having accumulations, from using them for improvements, industries, businesses and operations which would increase the wealth of the nation and provide employment and use raw material and commodities? Apparently our FINANCIAL and ECONOMICAL SYSTEMS now make it less profitable for them to do so. Insurance COMPANIES, Lifeinsurance alone has ACCUMULATED 110 billions from its policy holders, fire insurance may have more. Individuals can neither support their families or spend the EARNINGS they have turned over to insurance companies. If we figure that even 60% of these would have purchased commodities or made improvements, and that each dollar spent turned over 4 times before being IMPOUNDED by financial interests; there would have been no RECESSION, DEPRESSION or PANIC. We claim a desire for farm and home ownerships by the actual users and then PENALIZE every individual who attempts to own one. We desire PROPERLY RAISED

only LARGE CORPORATIONS to profitably use them. Those who profit from the use of any FACILITY, should pay the cost of its CREATION. ECONOMICALLY this is as true of PROVIDING EMPLOYEES as it is of other necessary equipments. Are we striving for PERMANENT PROSPERITY? IF SO, in VISIONING SUCH A CONDITION, it would INCLUDE PAYMENTS thru WAGES, SERVICES and payments for raw materials CASH TO BALANCE every tax and license borne by the employes and farmers, their home and farm maintainances and the ENTIRE COST of RAISING and EDUCATING THEIR CHILDREN and a SAVING to provide for old age.

OUR ECONOMIST agree that it would RUIN OUR ACTIVITIES to pay such a wage at the present time. This is the CONDITION which we must find a way to change. In studying this condition, we know that it was not a LACK OF FACILITIES, CAPITAL STOCKS, MACHINERY or even TAXATIONS, which caused our previous depressions. We know that the supporters of families gradually mortgaged their holdings to buy the SEMI LUXURIES which we PROUDLY CONSIDER AS OUR HIGH STANDARD OF LIVING. Having exhausted this source, they were induced by HIGH POWERED SALESMEN and EXCESSIVE ADVERTISEMENTS, to buy on the installment plan and PLEDGE THEIR FUTURE EARNINGS. Economically, this ACTUALLY REDUCED THE PURCHASING POWER, of our families, just as much as if their EARNINGS had been reduced the same amount as they had pledged their FUTURE EARNINGS. IN ADDITION to this, the STATES, LOCAL GOVERNMENTAL AGENCIES, CORPORATIONS and even individuals have INCREASED their OBLIGATIONS in order to co-operate with the NEW DEAL MEASURES. This spend to CREATE PROSPERITY, has caused PYRAMIDINGS of STATE and LOCAL TAXES and LICENSES, 670% in Texas within the last 30 years.

In order to secure INDUSTRIES and BUSINESSES, many sections have FAVORED THEM in their TAXATIONS. CORPORATIONS now dominate the LEGISLATURES of most states and are usually the ones which are heard before our CONGRESSIONAL COMMITTEES. The average sized family which secures sufficient to properly feed, house and clothe its members, now pays DIRECTLY AND INDIRECTLY for taxes and licenses \$450.00 a year. TECHNICALLY, NO CORPORATION now pays any TAXES. That is

their payments must be BALANCED at the EXPENSE of some individuals in the

final analysis. We can not FORCE the PAYMENT of the \$4,000.00 annual wage, which the AFL now considers a LIVING WAGE. CONGRESS can provide a saving for every family which will AFFECT their WELFARE and increase the TOTAL PURCHASING POWER of the U.S. by adopting a NEW TAX BASE, adequate for all PURPOSES and thru prorations to STATES, enable the elimination of at least \$350.00 of the taxed now paid by the average sized family. We know that AN AUTOMOBILE used for pleasure does not PROVIDE FUNDS to pay LICENSE OR GASOLINE TAX. We know that a BUILDING USED FOR A HOME, brings in no revenue. We know that it is not the speculative value of a FARM which CREATES ITS FUNDS but the actual "RECEIPT OF MONEY" thru sales of its products. The EMPLOYEES salary or wages pays all his expenditures, and his ABILITY TO PAY, depends SOLELY UPON his RECEIPTS EXCEEDING LIVING COSTS. We claim a DESIRE to tax in proportion to ability to pay. THERE IS ONLY ONE SOURCE OF CONTINUED ABILITY TO PAY, and that is ACTUAL RECEIPTS OF MONEY. We can never have an EQUITABLE and ADE UATE TAX SYSTEM until we SHIFT OUR TAX BASE to "RECEIPTS OF MONEY" in excess of family needs. ONLY CONGRESS can now adequately and equitably tax our CENTRALIZED ACTIVITIES. A LEVY which requires payments, without regard to RECEIPTS OF MONEY, creates inequalities among our LEGITIMATE ACTIVITIES. When every raw material and commodity used, processed, manufactured or distributed by an activity increases 5% no one is injured. We even hail it as an indication of prosperity. If we can eliminate our DISCRIMINATORY LEVIES and substitute a single 5% LEVY upon "RECEIPTS OF MONEY" regardless of how secured, by whom, for what purposes or thru what agencies, our ACTIVITIES will be on an even FOOTING so far as taxes are concerned. GOVERNMENTAL MEASURES increased values 100 billion and the GOVERNMENT secure no part of the increase. The U.S. saved the INSURANCE COMPANIES and the BANKS from ruin and received no part of the INCREASES IN THEIR ASSETS. If the U.S. TREASURY had bought the stocks and bonds in the open market and spent half of the amount of our BOND INCREASES, it would have restored their value and CREATED A NET PROFIT of 50 billions instead of a DEBT

Having obligated the INHABITANTS of the ENTIRE NATION, to MAINTAIN OUR LARGE INSTITUTIONS, it is now necessary to go to the aid of our FAMILIES. We have everything necessary except an EQUITABLE SYSTEM of TAXATION and a COMPLETE CONTROL of the EXPLOITATIONS. It takes no more to operate the NATION, STATES, COUNTIES and SCHOOLS, thru a SINGLE CONGRESSIONAL LEVY than under our MULTIPLICITY OF UNJUST, OVERLAPPING and DISCRIMINATORY TAXES and LICENSES. Those now securing less than living costs, can not pay any part of it. We must provide employment at wages which will enable them to HAVE AN ABILITY TO PAY. WAGES, PRICES and LIVING STANDARDS are comparative. If we can not FORCE WAGE INCREASES to BALANCE OUR LIVING STANDARDS, we can eliminate the LEVIES which makes our LIVING STANDARDS cost so much. We have been led to consider it NONE OF OUR BUSINESS, how the CORPORATIONS waste their FUNDS. CONSIDERED COLLECTIVELY, every USELESS EXPENDITURE in any ACTIVITY, affects the LIVING COST just as much as if it were a tax by a governmental agency. ONLY CONGRESS can not REGULATE OUR CORPORATIONS. The States now oppose many measures for FEAR of having ASSESSED VALUES REDUCED. Only by providing the states with ample CASH for all STATE, COUNTY and SCHOOL PURPOSES, can this OPPOSITION be changed to co-operation. The division of 40% of a 5% TAX upon RECEIPTS OF MONEY would provide the STATES with ample funds to care for their own aged, destitute and afflicted and thru pro-rata eliminate all the existing levies upon the things which every family must use or consume. The 60% retained by CONGRESS or the U.S. would ACTUALLY BALANCE the BUDGET and leave ample CASH to continue the PROJECTS now deemed worthy and provide employment at LIVING WAGES for all surplus employables. If there is a LEGITIMATELY COMPETITIVE ACTIVITY which would be injured by this SUBSTITUTION, I have been unable to locate it.

Yours truly,



MORELL TOMLIN,
Capt. U.S.F.A. (retired)

6711 Ave-J-Houston Texas.