

February 1, 1939

Mr. O. T. Hanson
645 West Spruce Street
Chippewa Falls
Wisconsin

Dear Mr. Hanson:

This will acknowledge your letter of January 25 addressed to Chairman Eccles in which you comment on his recent radio address.

It is noted that you have devoted considerable time to a consideration of the government's present fiscal problems. While some of your contentions do not coincide with those of Mr. Eccles, you have stated one proposition which Mr. Eccles will agree with, namely, "under the economic system as it now exists it (the national income) is too unevenly distributed to make distribution of our mass production industries' output of goods distributable." It is assumed by this that you mean that our potential capacity cannot be distributed since we are, of course, distributing what we produce. We should, however, be producing a great deal more and without any expansion of our productive plant we could achieve a considerable increase if there were purchasing power sufficient to absorb the increase.

From the foregoing premise you argue that deficit spending is not the cure and you propose that this lack of balance be corrected by "the government maintaining a balance through a public works program sufficiently elastic to absorb the possible idle at any one time and sufficiently paid for so that the individual worker thereon could absorb his particular share of the product etc." "A program sufficiently elastic" to absorb all the idle at any one time would be much more ambitious than the present program, since there are estimated to be some seven or eight million unemployed people who are not on the WPA rolls. An enlargement

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of the WPA program would, of course, only increase the present deficit which you seem to consider an evil. It seems to me that the employment of the idle assures purchasing power for a short period but if something else isn't done to correct the maldistribution of income, this purchasing power soon tapers off and we have depression again. What then is the proper means of equalizing income? It must be a combination of measures to create salaries, wages and profits, plus taxation of a kind which will redistribute enough of the total income so that purchasing power can be maintained and preferably steadily increased.

In Mr. Eccles' radio talk he did not have sufficient time to go into the problem of balance and the relationship of taxation to it. Therefore I thought you might be interested in reading the enclosed copy of his address before the New Jersey Bankers Association on May 13, 1938, which gives a brief discussion of this phase of the problem.

Yours very truly,

Lawrence Clayton
Assistant to the Chairman

enclosure

LC/fg

645 W. Spruce St.

Chippewa Falls, Wis.

Jan 25, 1939.

M. S. Eccles, G. P. B.,
Washington
D. C.

Dear Sir: In your recent radio talk you defend the policy of deficit spending as a way to recreate prosperity, or - we take it - national economic balance.

You can for a time of course stimulate production and distribution by means of government deficit spend-

ing, but in the long
run such a policy
only endangers the
future of the national
economy because it
can not be sustained.

We realize - in fact
know - there are many
people who take the
stand that all we need
to do is to get the various
economic functions
to operating again in
order to achieve a
lasting prosperity.
We know this to be
false, and can easily
point out the reasons.

Primarily the reason is that our national ability to produce has far out run our individual ability to desire to consume.

We know of course that national income is distributed, but under the economic system as it now exists it is too unevenly distributed to make distribution of our mass production industries' output of goods distributable.

This situation in turn makes the free

flow of money impossible. Thus our banking structure may be filled with money or credits which become unusable by industry, business and the individual. The profit motive here may not even have a bearing.

Let us have an example.

A person receives \$5000 per year as a salary. With all the hazzards of life existing for this person, as it naturally exist

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For all of us in a highly individualized economy, he spends \$3000 and lays aside \$2000 for future security. This \$2000 he takes to the bank and deposits it. Note now that the \$3000 he spends buys this person and his family all the material comforts and such luxuries as he desires or in reason will buy.

Another person, his neighbor, gets a wage of \$1000 per year. It is evident that this person could and would

use the \$2000 per year that the other person has banked, but it is also evident that his credit base is not sufficient for the bank to loan him the \$2000 nor even a fraction thereof. Nor can any industrialist or business man use the money for productive or distributive activities for this \$1000 a year man.

This example should prove to any thinking person that we have

our economic structure that must be remedied before we can fully use our great productive machine, ^{and} before a continued full production of our economic machine can be maintained.

If our government continued to throw in billions of dollars each year as purchasing power for those who otherwise would have no purchasing power, on a subsistence base and charge it

to future generations
it should be evident
that we will not only
hand them a debt but
also a largely reduced
productive machine
with which to repay
it?

An economic policy
by our government
that will do that to
the next generation,
will in a measure do
it to this generation.

Thus it will be seen
that it were better if
the federal govern-
ment employed itself
in a restoration of

a balance in purchasing ^{power} as between individuals rather than deficit spending for deficit spending can get us only poverty to-day and poverty in the future.

The unbalance of our economic structure is evident wherever you look. We have thousands of retail establishments which can pay no more than \$50. per month to the needed hired attendants, although the attendants

should receive at least \$50 per month in order to enable them to buy their share of the possible national economic products.

These two illustrations are but two of hundreds that could be given. The faults are inherent in the workings of the individual system obtaining and can be remedied only by a change in that system, or the government maintaining a

balance through a public works program sufficiently elastic to absorb the possible idle at any one time and sufficiently paid for so that the individual worker thereon could absorb his particular share of the product capable of production, or at least such amount as he or she might desire. Anything short of this merely breed further maladjustments in the national ^{economy} rather

than eliminating them. And deficit spending, rather than adequate taxation of the surplus products for public ^{works}, is not the way out of our economic difficulties.

Respectfully
O. J. Hanson
(Carpenter)

P.S. Why this letter?
We are sick and tired of the frustration brought about in our economy, which makes it impossible

for us to produce
and to trade the
product, at an equi-
table price, for the
products the other
people produce.

We are sick and
tired of the govern-
ment's policy of for-
cing upon us a
works program and
other programs in-
adquate in scope
to meet its declared
objectives.

We are sick and
tired of idling 50%
of our time away and
seeing this idleness

result in the taking away of our homes and robbing us of a full life for which we have labored for years to achieve and which we had achieved and made possible, only to find that a government refuses to force such action on the few who has taken and hold, the natural resource from us through such holding so that we can no longer be allowed to produce or have

the product, our hands and minds are willing and able to produce.

With 40 billions of unused and unusable money and credits in our banks and an inadequate credit base, because of the failure of the government to maintain such equality of opportunities for the individual as the constitution guarantees, is a condition that is unthinkable, un-

unfair and unjust
in a democracy.

To see a government
put on a work pro-
gram and a money
program that further
destroys the credit
base for our people
and pushes them
into abject poverty,
makes a person feel
like taking up with
any foreign ism
that comes along of-
fering any old change.

If we are to con-
tinue the capital or
profit system it
will be necessary to

install in that system a permanent balance wheel. We know that private industry can not and will not do this. Hence it must be left to the government to do so. Let all public work then be co-ordinated under a national state and local set up, the national government paying the bill. On this public work let any person desiring work thereon at any time be given work

at a wage the government estimates these workers should receive in order to maintain a decent american standard of living.

To pay for this program let the government lay a productive or product tax.

Let such public work as has generally been done under private contracts be so performed, the government setting the minimum wage to be paid the worker

and the maximum hours these men are to work.

Such a program would force the necessary adjustments in private employment as to wages as would make possible the full use of our national economy.

On such a program, farmers whose income is not sufficient, because their farms are not sufficiently productive could be employed for additional income.

to share in the ^{greater} national output of goods that should result.

Under this program interference with private industry could be minimized, the jobs for workers made secure, and a base for credits be established to the extent that construction of durable goods both consumer and productive, could again be made possible. And last but not least public

works cut to such proportions as would make the expenditures therefore conform to our needs and ability to pay for.

The present works program is destructive of recovery, destructive of private confidence, destructive of credits, and leads to nothing but national poverty if not to actual national bankruptcy.

O. J. F.