

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date January 27, 1938.

To Dr. Currie

Subject: _____

From Mr. Thurston

The Chairman suggested that I send these data to you. If you can make anything out of them, please let us know. I can't.



Attachment.

COPY.

HARRISS AND VOSE
New York Cotton Exchange Bldg.,
New York City.

January 14, 1938.

General Robert E. Wood, Pres.,
Sears, Roebuck and Co.,
Chicago, Ill.

Dear General Wood:

In reference to the meeting in Washington of the Business Advisory Council on January 19th, may I submit the following for your good consideration:

1. The nation's fundamental trouble is a tax or money problem due to the inflated debt structure that had its origin in the War and post-War period.
2. In the final analysis this debt or tax structure will have to be paid or liquidated primarily through the production of commodities, raw materials and goods.
3. The lower the price level the more difficult or impossible it is to pay or liquidate this debt or tax structure. Conversely, the higher the price level the easier or more possible it is to liquidate this debt or tax structure.
4. When this debt or tax structure had its origin, the price level on the average was approximately 100 percent higher than today.
5. The records conclusively show the most constructive thing done since March 1933 was the monetary action taken by the Administration when they discarded the old gold standard and cheapened the dollar in terms of gold. This monetary action promptly brought about a substantial improvement in business because of an advance in the price level. Even those who at the time opposed this monetary action now concede should we attempt to return to the old gold standard of \$21.34 that immediately national and world chaos would follow.
6. However, we have received only a small part of the benefit of the gold revaluation because we did not make use of the gold profit but have actually sterilized the gold.
7. On December 29th, we had in the United States \$12,760,000,000 of gold besides more than \$1,250,000,000 in silver. Today we have outstanding only approximately \$6,500,000,000 of currency. In other words, we have in our country almost double the amount of gold that we have of outstanding currency.
8. As gold is the only recognized medium of exchange throughout the world, naturally the sterilization of this gold has not only a deflationary effect on our country but the world. In other words, the sterilization or hoarding of such a large portion of the world's gold is blocking recovery not only in our country but world recovery. What was the idea or purpose of revaluing the gold if it was not to be used?

9. Sound recovery in our country is impossible until we have the courage to face this fundamental trouble - the debt or tax problem - and take constructive monetary action necessary to restore the price level to approximately where the debts were created. Just so long as we delay taking action to restore the price level then just so long will the Administration be forced to continue making economic mistakes or blunders in attempting to control, regulate and regiment agriculture, industry, business and prices, and just so long will the debt structure mount and the drift will continue towards regimentation, price fixing, Government control and bureaucracy.

I know there are a number among your Business Advisory Council who are of similar opinion and agree that no sound recovery is possible until the Administration takes monetary action to restore the price level to where the taxes, interest and debts can be paid, the budget balanced and national solvency restored.

Therefore, I am taking the liberty of asking if you will consider and please ask your Committee to consider this paramount money question and in tendering your recommendations to the President, ask that he please take constructive monetary action that is so essential to national recovery.

Wishing your Committee every success, and with best wishes,

Yours very truly,

(signed) Robert M. Harriss.