

Austin, Texas

Feb 1, 1957.

PO Box 417

The Hon. Mariner Eccles  
Federal Reserve Board  
New York City.

Dear Sir:

Your efforts to keep our economy on an even keel are certainly noticed by the general public; and we certainly are giving thanks that men like yourself, who place the general welfare above political considerations still exist in this land!

The impression prevails that the current crop of economic advisers to the President are little else than a bunch of idiots.

Stock of money in the U.S.A. from 1920-1932 was fairly steady at 8 billion dollars. With the advent of the new deal a sudden change was made in 1932. The Federal reserve laws permitted inflation and stock of money jumped to 28 billion in 1940, 52 billion in 48 and if the figure quoted in the press is correct, in the last 2 years jumped to 117 billion! The so-called "new" deal took up a very ancient device indeed, that of flooding the country with paper money. Of this Daniel Webster already said: "The most effective way to fool the people is to flood the country with paper money".

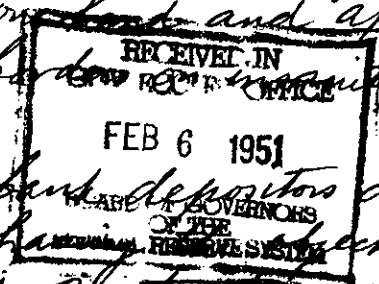
Apparently then in the last 2 years as much paper has been printed as in the previous 16 years!

The astonishing fact is that we witness government spokesmen solemnly declaring that we are "facing the grave danger of inflation". Since the governments policies alone are causing this inflation, we are forced to wonder whether these spokesmen are unaware of the facts or deliberately intent on misinforming the public. They certainly should know all about it, for I have read in the Fort Worth Press an interview given by you pointing out that the governments monetary policies are an engine of inflation itself.

It seems further astonishing that in the face of the paper money flood the government should get into the rationing mess, knowing full well all the time that to quit printing more money is what is needed. Are they deliberately intent on fooling the public, as Daniel Webster said?

Equally curious does it seem to us that economists who should fully be acquainted with the fact that this ancient device always has ended in the same way: stark chaos, followed by an abrupt end of inflation due to a change in government, somehow seem to think that by some miracle, this time the results will be different. The doubling of money stock inside 2 years, ~~or less~~ and applying peering and control on the other ~~border~~ <sup>side</sup>, it would seem.

I have heard that savings bank depositors are now forming a nationwide union ~~having~~ <sup>aiming</sup> to stage a simultaneous run on the banks all over the Country to emphasize the folly of this government, which is bound to ruin the man who saves for a rainy day. Yours sincerely, *J. Straff*



A. STREIFF  
*Consulting Engineer*  
308 WEST 10TH ST.  
AUSTIN, TEXAS

P.O.Box 417  
Feb. 25, 1951.

The Hon. Mariner S. Eccles, Governor  
Federal Reserve system  
Washington, D.C.

Dear Mr. Eccles:-

We thank you greatly for the information you so kindly supplied. As in the beginning of the Republic, so are these still times "that try men's souls". Perhaps more so.

In the long view, it is not at all inconceivable that- as you point out - our capitalistic system might be destroyed. It certainly is trying awfully hard to destroy itself.

The Federal Reserve laws were created in 1933 to provide "fiscal elasticity" to a system which suffered from occasional breakdowns - say once in 19 years. But it MUST be admitted that after 17 years of Federal Reserve THE AVERAGE MAN FINDS HIMSELF NO BETTER PROTECTED THAN HE WAS BEFORE.

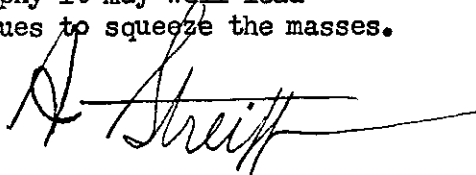
Insurance paid for in gold dollars is returned in Truman nickels (the current name for our dollarettes.) Bank accounts are worth less than half in terms of living cost, property etc.

These losses are just as real, as huge and as universal as occasionally before Federal Reserve. We lived here in 1907 when banker Morse went to prison. Normalcy was back in less than two years. But we are now wallowing in an interminable mess and muddle, and tens of millions with us have, in addition to huge taxes - which were very small prior to 32- sustained losses NO LESS REAL than during a depression. Instead of being a "New Deal, a very ancient remedy was tried, which heretofore has always terminated the same way- and WITHOUT DOUBT WILL AGAIN: a printing press orgy. The fatal companion of this policy is that the politicians can not quit once it is started; and it runs to the bitter end which is ruin of the masses and a new government. Inflation is then stopped overnight.

You have already stated that the law itself creates an engine of inflation. We have in addition always wondered why interest should be paid on government loans which are merely an exchange of one bit of paper for another, as long as they are not passed on to the public? Why pay interest on water? But the capitalistic system is full of holes, and inflation is but one of them. "Prosperity through scarcity" (burning potatoes, killing pigs, etc.etc.) is another, and now that we face a formidable opponent with a new philosophy it may well lead to the destruction of our own system if it continues to squeeze the masses.

AS/m

Yours sincerely



February 19, 1951.

Mr. A. Streiff,  
P. O. Box 417,  
Austin, Texas.

Dear Mr. Streiff:

It was very thoughtful of you to take time to write me about my testimony on January 25 before the Joint Committee on the Economic Report in its hearings on the President's Economic Program.

It is true, as you say, that the money supply has been expanding rapidly since last June. The total of time and demand deposits and currency held by the public increased over 7 billion dollars in the last half of 1950. The figures you quoted are not correct, however. There was no expansion in the money supply from December 1947 through June 1950 as is shown in the checked column on the enclosed table from the Federal Reserve Bulletin for January.

Thinking you might find them interesting I am taking the liberty of enclosing a copy of the full text of my statement before the Joint Committee and also a reprint of an article entitled, "The Defense of the Dollar", which appeared in the November issue of Fortune Magazine.

Sincerely yours,

M. S. Eccles.

Enclosures.

VE:dls