

2/24/33

INTRODUCTION

A. Opening statement

- 1. No sectionalism in program to be presented.
- 2. Ideas not theoretical, as they have been gained thru contact with large variety of businesses (Give list)
- 3. No deviation from sound money, in fact, program will strengthen and preserve gold standard and sound money policy.
- 4. Program designed to accomplish restoration of purchasing power of entire people, which is essential to balancing of budgets, national, state and individual, and proper standard of living.

B. Depression due to lack of leadership in dealing with money problem.

- 1. In real world, no cause for unemployment.
 - a. People want and need everything we can supply them.
 - b. Production solved.
- 2. Problem is purely one of distribution.
 - a. Must provide purchasing power to use up consumption goods produced.
- 3. If correction not brought about, revolution would ensue & any rebuilding, slow and difficult, would be under a new order.
- 4. Leadership has delayed & now first aid measures are necessary.
- 5. Old economic theory must go—it has ended. Present tech. & mach. age requires modified capitalism.

C. Why has money world failed to "serve" us and has been tyrant instead?

MONEY:

- 1. Inflation & deflation mean fluctuating dollar.
- 2. Fluctuation is harmful only because of debt structure.
- 3. Debt structure (and credit structure) are fundamental in capitalistic systems, but uncontrolled operation of system causes the fluctuations.
 - (1) Too much savings is one result of this uncontrolled system.
 - (a) Creates excess of capital goods at exp. of consumption goods.
- 4. Present high debt structure is result of unbalanced distribution of wealth production.
 - a. Too much wealth (product of labor) diverted into capital goods, resulting in inability to consume over-production except by increasing credit to consumers.

- b. When credit saturation was reached, debtors began curtailing consumption so as to have margin to apply on debts.
 - c. Curtailing consumption resulted in falling prices & unemployment.
 - d. Decreased earnings in all business required lowering of wages & time, completing circle of deflation, with national income reduced 50%
 - e. Fixed charges, remaining same in dollars, actually greater than ever, leaving too little of national income to support the population.
 - f. Pressure of debt structure requires economy on part of individuals, corporations, cities and states, leading to distress.
 - g. Debts cannot be supported under such conditions, hence delinquent taxes, foreclosures, receiverships, bankruptcies and moratoriums, all leading to break-down.
5. Government vs. non-government action.
- a. Individ. cannot resist need for economy without "going broke". Same with corporations, cities & states.
 - b. Fed. Government has power to resist thru functions not enjoyed by others, to wit:
 - (1) Controls gold reserve.
 - (2) Issue of money & credit, hence
 - (3) Controlling prices.
 - (4) Power to tax, hence
 - (5) Control of accumulation and distribution of wealth production.
 - (6) Mobilization of all resources of the nation for benefit of the people
 - (7) Example of government control of economic system shown during war, when
 - (a) Enormous production and consumption maintained in spite of war waste.
 - (b) Profit resulting evidenced by U.S. debt to its nationals & goods furnished Allies.
 - (c) No balancing of budget deemed essential.
 - (d) No unemployment.
 - (e) No lack of money.
6. Lack of confidence now not due to unbalanced budget, but revival of business & employment would restore confidence & increase profits & income so that the budget would be balanced, U.S., state, city & individual.
- a. Efforts of R. F. C. & F. R. B. not effective, in spite of magnitude, demonstrating futility of meeting present situation by extension of credit alone.
 - b. Scaling down debt structure to meet present price levels not desirable.
 - (1) Reduction of creditors' claims would reduce buying power, again forcing prices down.
 - (2) Practical difficulties enormous.
 - (a) Time required would indefinitely prolong the depression.

- (b) Would require further liquidation of banks, insurance companies and all other credit institutions, this bringing further hoarding and deflation, eventually forcing us off the gold standard & bringing uncontrolled inflation.
 - c. Present money is adequate to support a post-war price level.
 - (1) Shortage is only apparent, due to hoarding & lack of velocity. (Velocity defined: turnover of bank deposits)
 - (2) 1½ billion more of currency is now issued than at peak of 1929 business.
 - (3) Velocity in 1929 as vs. 1932 is 45 to 16, whereas deposits only off 22%.
 - d. Our money supply, tho adequate, is failing us because of
 - (1) Mal-distribution, being too abundant in creditor sections and too scarce in debtor sections, chiefly agricultural areas.
 - (a) This is result of unbalanced division of national income during years of prosperity.
 - (2) This mal-distribution prevents normal velocity of money and can only be corrected by government action.
 - (3) With 1/3 of entire population dependent on agriculture, it is impossible to attain national prosperity without restoring purchasing power of our agricultural population.
- D. SUMMARY OF INTRODUCTION: To bring about a revival of business to the average of the post-war period, a 5-point program is offered.
1. Immediate gift to states on per capita basis of \$500,000 to relieve destitute.
 2. Provide additional \$2,500,000,000, or more if necessary, for self-liquidating projects & loans to cities, counties & states for public works on liberal basis and at low rate of interest.
 3. Adoption of domestic allotment plan, or similar plan, designed to regulate production and raise prices.
 4. Refinancing of farm mortgages on a long-term basis at low interest.
 5. Permanent settlement of foreign government debts, upon a sound economic basis.