

THE COUNCIL OF STATE GOVERNMENTS

1313 EAST SIXTIETH STREET, CHICAGO 37, ILLINOIS

October 30, 1943

Honorable Marriner S. Eccles
Chairman
Board of Governors of the Federal Reserve System
Washington, D. C.

Dear Mr. Eccles:

Would you kindly oblige us by sending me a copy of your suggestions for Federal Fiscal Policy which I note in the morning papers you presented to the Ways and Means Committee yesterday?

With kindest personal regards,

Sincerely yours,



Roy G. Blakey
Consultant

RGB:s

November 2, 1943.

Mr. Roy G. Blakey,
Consultant,
The Council of State Governments,
1313 East Sixtieth Street,
Chicago 37, Illinois.

Dear Mr. Blakey:

In response to your letter of October 30, I am enclosing a copy of a brief summary which I prepared after appearing before the Ways and Means Committee, and I am also enclosing a copy of a rather long memorandum I prepared last August in response to a request from the Joint Committee on Internal Revenue Taxation. I am also adding a memorandum emphasizing the inflationary dangers in the budgetary picture. The first of these three statements was prepared merely in order to have a simple statement for such use as the press or others might have for it, inasmuch as the newspaper accounts were in some cases inadequate or misleading. As I appeared before the Ways and Means Committee in executive session, I had not expected that anything would be made public.

Let me take this occasion to say again that I think the work that The Council of State Governments is doing is of the utmost importance and value, particularly from the standpoint of developing better reasoned and coordinated fiscal policy by the Federal Government and the State governments.

with kindest personal regards,

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosures 3

ET:b

Received in
Chairman's Office

NOV 1 1943

Board of Governors
of the
Federal Reserve System

JOHN CURTIS HAMM
MEMBER STATE BAR OF CALIFORNIA
TEMPLE CITY, CALIFORNIA
655 North Sultana Avenue,

November 1, 1943.

Honorable Mariner S. Eccles, Chairman,
Federal Reserve Board,
Washington, D. C.

Dear Mr. Eccles:

It is a long while since I troubled you with a letter, and you may have thought I had fallen along with the old oaks of long ago. But I am still here and if I remain until the 21st instant, will pass the eighty-fifth milepost.

And I still take a lively interest in the many vital affairs that are affecting our social and economic life, as you will observe from the enclosed copy of letter sent this day to Judge Vinson.

It is unlikely that what I have to say in calling attention to what I consider vital will have more consideration than did your suggestion for a tax program which I considered sensible, but which was summarily dismissed by those who have the right to speak with authority.

The only thing any of us can do whether in position of authority or only as plain oldfashioned progreswive citizens is to go on plugging for what we in all good conscience believe to be right, and let the verdict of history be the record of what ever good we may do.

Faithfully your friend,


Judge Hamm.

November 9, 1943.

My dear Judge Hamm:

It is always heartening and reassuring to hear from you, and I was glad to have your letter of November 1 with its enclosure, both betokening your unflagging interest in problems of the hour. And the philosophy in your letter is what I would expect from a sound and sturdy oak.

With kindest personal regards,

Sincerely yours,

M. S. Eccles,
Chairman.

Judge John Curtis Hamm,
655 North Sultana Avenue,
Temple City, California.

ET:b

**Received in
Chairman's Office**

NOV 6 1943

**Board of Governors
of the
Federal Reserve System**

655 North Sultana Avenue

November 1, 1943.

Honorable Fred M. Vinson,
Federal Reserve Building,
Washington, D. C.

Dear Judge Vinson:

The enclosed analysis of Report No. 19 of the Federal Deposit Insurance Corporation, under the title of Where Inflation Begins, may be of interest as bearing upon the question with which you are so much concerned.

It will be noted that the amount of deposits (bank-book currency issued by the banks) increased in two years by about 19 billions of dollars - just about the amount this morning's radio reports say you recommend as a reduction of the circulation, while the reports show that in the same two years, the amount of actual money (currency and coin) in the banks increased only a little over 200 millions - a rate of increase in "deposits" of about 30 per cent, to only about 16 per cent increase for currency and coin.

It would seem that you would not need look farther for the reason of the rapid increase of the dreaded inflation.

Very respectfully yours,

Judge Hamm.

WHERE INFLATION BEGINS.

By

John Curtis Hamm
Member State Bar of California

A war worker earning \$40 a week managed to get an unfurnished house. He needed furniture but had not enough saved to buy the \$150 worth of second hand goods.

He went to the bank where he had his small deposit and had bought his war bond and had thus established a "credit" which the bank considered good. He asked for and received a loan of \$150.00. The bank took his note for that amount and entered \$150 in his bank book. By that act it increased the bank's deposits by \$150.00 without having received any money deposit at all.

Multiply this by ten millions - people doing the same thing and the banks of the country have increased their deposits one billion five hundred million dollars without having taken in a single dollar of what we commonly understand as money, that is currency and coin. That is, they have issued one and one-half billions check-book money.

Now the semi-annual Report No. 19 of the Federal Deposit Insurance Corporation for the six months ending June 30, 1943 is just out. This Report shows in one table the assets and liabilities of the insured banks of the country, and in successive tables the assets and liabilities of the several states separately.

For the country at large the Report shows that the demand deposits in the banks on that date were upwards of 66½ billions of dollars, and that the demand and time deposits were upwards of 94½ billions of dollars. It also shows that on the same date the total amount of currency and coin in those banks was slightly less than one and one half billion dollars. The ratio then of the coin and currency (money) in the banks was ONE DOLLAR with which to pay \$46.00 of demand deposits, or ONE DOLLAR in coin and currency to pay \$65.00 of all deposits.

Some of the states have a larger ratio than the general average and a few, smaller. Our state of California shows with a ratio of \$50.00 demand deposits for each dollar of coin and currency on hand and \$86.00 for all deposits to be paid for by one dollar in money.

New York as usual in the country's finances is the worst sinner. Demand deposits at \$112.00 for each dollar in currency and coin on hand and \$146.00 total deposits to be paid by one dollar currency and coin.

The total deposits in all banks rose from 65½ billions in 1941 to 94½ billions in 1943 - just about 19 billions of bank-created deposit money in two years - an increase of about thirty percent.

While Congress and public officials are hunting out the sources of inflation, would it not be well for them to take their eyes off the few dollars increase in wages of laboring men for an instant and look, at the billions of inflation created by the money changers who are granted the privilege of coining money - a prerogative given to Congress by the Constitution, but which they have surrendered and continue to surrender to the privately owned banks?

Temple City, California,
October 24, 1943.

November 2, 1943.

Mr. Barron K. Grier,
Clerk, Ways and Means Committee,
1102 New House Office Building,
Washington, D. C.

Dear Mr. Grier:

In accordance with our telephone conversation, I am sending to you herewith for distribution to members of the Committee several statements which Chairman Eccles was requested to submit. There are thirty copies of the following statements:

1. Summary of his tax suggestions.
2. A memorandum entitled, "Inflationary Dangers and the Budgetary Situation".
3. A table showing the interest-bearing Government debt.
4. A more detailed memorandum on his revenue program.

Sincerely yours,

(Signed) Elliott Thurston

Elliott Thurston,
Special Assistant
to the Chairman.

ET:b

Delivered by messenger 4:00 - 11/2/43.

DAVID M. FIGART
LULING, TEXAS

November 2, 1945

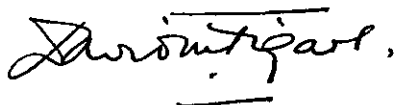
Mr. Marriner S. Eccles
Chairman
Federal Reserve Board
Washington, D. C.

Dear Mr. Eccles:

Without knowing the details of your proposed measure for raising revenue, I believe the program of increased taxation and enforced savings is absolutely sound.

The people of this country are away ahead of Congress and the Administration in their willingness to carry larger burdens at this time. Our leaders are holding us back.

Yours faithfully,

A handwritten signature in cursive script, reading "David M. Figart", with a horizontal line underneath the name.

November 8, 1943.

Mr. David M. Figart,
Luling, Texas.

Dear Mr. Figart:

In response to your letter of November 2, I am enclosing a summary of tax suggestions which I prepared after appearing, ostensibly in executive session, before the Ways and Means Committee. These suggestions summarize proposals which I furnished last August at the request of the Joint Committee on Internal Revenue Taxation.

I was glad to have your affirmation of what I believe to be a fact, namely, that the public is ahead of Congress and the Administration in its willingness to have higher taxes and submit to such additional restraints as are necessary to safeguard the economy. Because of your interest and encouragement I felt you might care to see the enclosed memorandum since it gives more accurately my views that were only briefly and not very accurately referred to in the press.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure

ET:b

Received in
Chairman's Office

NOV 5 1943

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of the
Federal Reserve System

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November 3, 1943.

Hon. Marriner S. Eccles,
Governor - Federal Reserve Board,
Washington, D. C.

Dear Mr. Eccles:

I understand that you have recently issued a statement on your testimony regarding taxes and inflation before a closed session of Ways and Means Committee.

If you have a printed or mimeo copy available, I would appreciate it if you would send it to me.

Yours sincerely,

Benjamin C. Marsh
Executive Secretary.

BCM/EH
STB&AU 11773

*Sent 11/4/43
me*

"NEW DEAL" DECADE INCREASES PROPERTY INCOME FOURFOLD LABOR'S INCREASE IN INCOME

Despite the claims of "New Dealers" to be a "labor government," the increase in income from ownership or control of property, was four times greater than increase in salaries and wages, in private industry, in the "New Deal" decade ending in 1942.

The "New Deal" decade was a killing for,—not of,—economic royalists.

The Department of Commerce (Survey of Current Business, March, 1943) analysis of "National Income by Distributive Shares," shows who have been the real beneficiaries of non-productive employment at public expense, of parity and conservation payments to farmers, of relief, of subsidies, and of taxes upon consumption instead of upon property income.

In 1932 national income was in round figures, \$39.9 billion; in 1942, \$119.8 billion,—an increase of 200%.

In 1932 wages and salaries in private industry were \$26.1 billion; in 1942, \$66.7 billion,—an increase of 156%.

PROPERTY INCOME SOARS

In 1932, income from ownership or control of property,—net income of incorporated business and of proprietors, and from interest and net rents and royalties,—was \$4.3 billion; in 1942, \$32.7 billion,—an increase of \$28.4 billion or 661%—which was *over four times* the increase in income from salaries and wages in private industry.

The *increase* in income from net rents and royalties was, in the decade, \$1,600 million, or more than *six times greater* than the \$250 million *decrease* in interest payments, on government and non-government debt.

The increase in net income of all proprietors (net corporations), was \$15.2 billion, or 319%.

The increase in net income of agricultural proprietors was \$8.2 billion or 555%, and this increase gave strength to the "Farm Bloc" of speculators in farm lands, seeking to serfize producers on farms, and to create a Wall Street for Agriculture.

It is true many farmers operated at a loss in 1932, but many unemployed were hungry and ragged.

The Bureau of Internal Revenue reports that in 1941, 339 persons had net incomes of \$300,000 to \$500,000; 146 of \$500,000 to \$1,000,000, and 44 of over \$1,000,000. From 85% to 90% or more, of such incomes is from property.

The increase in salaries and wages in civil government agencies, is carefully concealed by including non-civil agencies,—the entire armed forces of the nation.

CIVIL PAYROLL RISES

In 1932, salaries and wages in all governmental agencies were \$4,971 million, in 1942 \$13,536 million, an increase of \$8,565 million, or 173%.

In neither year do the figures include subsistence of the armed forces, and salaries and

wages thereof could not have much exceeded \$500 million in 1932, or \$3.5 billion in 1942.

Even geniuses in our armed forces, and there are many, would have to get a huge increase in salary, before they would be affected by a \$25,000 limit on salaries!

Salaries and wages in civil government agencies probably increased about three-quarters in this decade.

The monthly Federal Executive payroll jumped from \$141.5 million in September 1939, to \$470.3 million in December 1942. In March 1943, it was \$552.7 million.

During this decade, supplements to salaries and wages increased from \$634 million to \$3,375 million,—by \$2,741 million or 432%.

Of this increase, a new item, "social security contributions of employers" accounted for \$2,039 million,—almost three-quarters.

PRODUCERS' SHARE FALLS

In 1932 salaries and wages in private industry were about 66% of national income; in 1942 only 56%.

In 1932 total compensation of employees was almost 80% of national income; in 1942 only 70%.

These Department of Commerce figures of "National Income by Distributive Shares," do not indicate the maldistribution of such income, by classes.

That is shown by the reports of the Commissioner of Internal Revenue in giving the number of persons in income brackets above the minimum health standard, and even those figures are not satisfactory, since the *family* income is not reported.

HOW PENSIONERS FARE

The Office of Price Administration reports the average *monthly* income in the second half of 1942, of various classes on fixed incomes:—

2,230,000 with old age assistance.....	\$22.80
460,000 on general relief.....	27.40
62,000 getting old age insurance, etc.....	20.40
860,000 getting veterans' pensions (Dec. '42) ..	42.90

A footnote states—"Excluding interest, rents, and military pay," but this would not materially affect the figures.

The increase in the national income,—of which total compensation of employees constituted a smaller proportion most years from 1932 to 1942, was in large measure due to "deficitteering,"—that is increasing the national debt rapidly, and interest charges gradually, as national debt piles up.

This record has an important bearing on our foreign policy, starting in Spain, and can be more candidly discussed after we defeat the Fascist Axis, abroad, and can turn major attention to the Fascist Axis—at home.

The United Nations know that unless America practices the "Four Freedoms" at home, during the war, it won't export any of them after the war.

(over)

THREE GREAT LABOR UNIONS URGE PUBLIC OWNERSHIP

Three large labor unions—Electrical Workers and Operators (AFL), and the Textile Workers Union of America, and United Automobile Workers,—the largest labor union,—both CIO,—have within the past few months denounced the profit system, and asked public ownership of basic industries.

This is the most encouraging fact on the home front,—with deep significance for the maintenance of post-war peace.

ELECTRICAL WORKERS

Advocating public ownership of the American Telegraph and Telephone Co., early this year, the Electrical Workers state:—

“Only the uninformed and the right-wing extremists, the ‘materialists,’ believe that the profit motive is, or should be, the exclusive standard of social ethics.

“These are the unrealistic theorists who willfully or otherwise play into the hands of economic and political dictatorship.”

“The public ownership of the A. T. & T. monopoly, so out of accord with democratic ideals, would add insurance to the continued public ownership of government itself.”

“Nor is there any merit in the objection that this remedy would ‘inject politics into business.’ Politics has long and inevitably been an important element in the business of A. T. & T.”

TEXTILE WORKERS

The Textile Workers Union, at its Annual Convention, late this spring, warned:—

“After the war, an attempt will be made to throw off all social controls on the theory that it is un-American for the people, through their own government, to plan for a successful prosecution of the peace.”

“We dissent.

“The members of our Union are of the firm belief that, after the war, such public controls over industry should be continued as may be necessary to prevent inflation and assure the full use of our human, technical and mechanical resources for the common good. If it is necessary for us as a nation to plan for the effective conduct of the war, it is no less needful for us as a nation to plan democratically for the effective prosecution of the peace.”

Citing the Reconstruction Finance Corporation loans, etc., of “more than 18¼ billions of dollars” for war plants and war purposes, the Textile Workers declare:—

“These plants are our plants. They must be made to serve the purposes of the people of America, despite the hue and cry already being raised by private interests that they must be turned over to private industry, which is now operating many of them on a lease-or management contract plan, immediately after the war.

“The Textile Workers Union of America demands that this huge government-owned industrial empire be put to work for the common man, so that the welfare of all the people may be served. This can be accomplished, and should be accomplished, through a federal authority such as the TVA.”

They advocated popular control of big public utilities, and of natural resources, and specifically:—

“Outside of the fields of transportation, communications, light and power and natural resources there are numerous industries in which monopolistic practices exist and which, in private hands, lead to irresponsible concentration of power, to high and rigid prices, to low purchasing power on the part of workers, and to unemployment and hard times.

“The Textile Workers Union of America believes in the extension of community control over these and other industries whenever the safety, the security, the health, the general welfare and the freedom of the nation demand such extension.”

The basic land problem is recognized in the recommendation:—

“In the cities, unimproved and underimproved lands should be taxed more heavily than improved lands.”

AUTO WORKERS

The Automobile Workers, through their Executive Board, recently demanded national or municipal ownership of “monopolistic industries, strategically necessary to the national safety.”

In addition to such government ownership, in order to give every able bodied person in America the opportunity for useful work, the auto workers ask government control and operation of other industries,—“to prevent the abuses of monopoly, and to assure production in the public interest.”

On the farm angle the auto workers recommended:—

“Governmental control of distribution of farm produce to avoid ‘surpluses’ and ‘shortages’ with participation by farmer cooperatives, both in policy making and distribution.”

The very progressive President of the Auto Workers, R. J. Thomas, is also National Vice-President of the Congress of Industrial Organizations.

It is highly significant that labor unions with about one fourth of the total membership of organized labor in the United States, have declared for major socialization.

The Brotherhood of Railroad Trainmen, also, have repeatedly urged government ownership of the Railroads.

Reprinted from People's Lobby Bulletin, August, 1943—Maryland Bldg., Washington, D. C.

(over)

LEX GREEN
CONGRESSMAN AT LARGE
FLORIDA
HOME ADDRESS: STARKE, FLA.

SECRETARIES:
SIE O. COLEMAN
ARLINE MANN
JLA LAURSEN

Congress of the United States
House of Representatives

Washington, D. C.

November 3, 1943

COMMITTEES:
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WAR CLAIMS
INVALID PENSIONS
INDIAN AFFAIRS
CLAIMS

ASSISTANT DEMOCRATIC WHIP

Honorable Marriner S. Eccles
Chairman, Federal Reserve System
Washington, D. C.

Dear Mr. Eccles:

Mr. Charles H. Ross, Attorney, 608 Tampa Street,
Tampa, Florida, has requested a copy of recommendations
which were submitted to the House on October 29, 1943.

I shall appreciate it if you can send him such
copy.

Sincerely yours,



Lex Green
Member of Congress

November 4, 1943.

Honorable Lex Green,
House of Representatives,
Washington 25, D. C.

Dear Mr. Green:

In accordance with the request in your letter to me of November 3, I am mailing to Mr. Charles H. Ross, 608 Tampa Street, Tampa, Florida, copies of memoranda which I furnished to members of the Ways and Means Committee of the House at the suggestion of the Committee following my appearance on October 29. I have advised Mr. Ross that I am sending these documents to him at your suggestion.

I am returning Mr. Ross' postal of October 30 in case you wish to keep it in your files.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure

ET:b

**Received in
Chairman's Office**

NOV 4 1943

**Board of Governors
of the
Federal Reserve System**

November 4, 1943.

Mr. Charles H. Ross,
608 Tampa Street,
Tampa, Florida.

Dear Mr. Ross:

At the request of Congressman Lex Green, I am sending to you herewith copies of memoranda which I furnished to the members of the Ways and Means Committee at the suggestion of the Committee following my appearance before it in executive session on October 29.

Because the tax memorandum which was prepared last August, at the request of the Joint Committee on Internal Revenue Taxation, is long and possibly difficult to analyze, I prepared a summary of its principal points and this is also enclosed. I trust this material is what you wished to have.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosures 4

 ET:b

THE COUNCIL OF STATE GOVERNMENTS

1313 EAST SIXTIETH STREET. CHICAGO 37. ILLINOIS

November 8, 1943

Honorable M. S. Eccles, Chairman
Board of Governors of the Federal
Reserve System
Washington 25, D. C.


Dear Mr. Eccles:

Thank you very much for your letter of November 2nd and for the inclosures relative to federal finance. I am certain I shall profit from them.

Thank you especially for your very kind comments relative to the Council of State Governments.

With personal regards,

Sincerely yours,


Roy G. Blakey
Consultant

RGB:s

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Chairman Eccles:

Attached is a letter to Mr. Ostrander which I have prepared for your signature. His discussion contains repeated reference to your program and follows it rather closely, with the exception that more emphasis is placed upon the general sales tax, and refund arrangements under the personal income tax are rejected. I have kept the memorandum for my files.

R.A.M. *ingram*

Mr. Mesgrove

PITTSBURGH
PLATE GLASS COMPANY
GENERAL OFFICES - GRANT BUILDING

F. TAYLOR OSTRANDER
ECONOMIC CONSULTANT

PITTSBURGH, PA.

December 4, 1943

Marriner S. Eccles, Esq.,
Chairman, Board of Governors of the Federal
Reserve System,
Washington, D.C.

Dear Sir:

There is enclosed a copy of a memorandum which I recently prepared on the subject of "Inflationary Potentials and Taxation". The recommendations which I make were heavily influenced by those which you made to the House Ways and Means Committee last August.

I should like to express my appreciation of your outstanding and courageous position on the tax policy. I hope you will have an opportunity to place your programme before the Senate Finance Committee, and that it will receive wide publicity and open discussion.

The recommendations contained in the memorandum represent my own personal views only, and are in no way to be considered an expression of the views of this Company. I am sending the memorandum to a few economists and others who are interested in the subject.

Very truly yours,

F. Taylor Ostrander

Washington Address;
Barr Building
910 17th St. NW

December 15, 1943.

Mr. F. Taylor Ostrander,
Economic Consultant,
Barr Building,
910 17th Street, N. W.,
Washington, D. C.

Dear Mr. Ostrander:

I appreciate receiving your interesting memorandum on the Revenue Program. I have passed it on to some members of my staff who are working in that field and am sure that they will find it very useful.

Very truly yours,

M. S. Eccles,
Chairman.

KAM:vmr

Received in
Chairman's Office
DEC 6 1943
Board of Governors
of the
Federal Reserve System