

ARTHUR M. CHURCHILL
2491 S. W. SHERWOOD DRIVE
PORTLAND 1, OREGON

Nov 28, 1947.

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

Dear Sir:

I have before me Wednesday's Wall Street Journal, on the front page of which is a brief note of your statement to the House-Senate economic committee, recommending that

"Congress fight high prices by deflating the nation's money and credit supplies"

It is incomprehensible to me that it should not be universally obvious that anything other than that is simply stirring the surface of the pool. Essentially we had pre-war some \$300 or \$400 billions in tangible property. Against that we had full value outstanding in ownership certificates, stocks, deeds, mortgages, bonds, etc. Then, during the war we added, as outstanding paper against that some property another \$300 billions, more or less, in Government bonds. The rest is simple arithmetic. Prices are bound to double, or the dollar be cheapened to half, according to our terminology.

At present we are not only wrecking our own economy by these vicious prices, but the economy of the world, even cutting in two the effect of our "Marshall plan" aid to Europe, by our silly blaming the price level on corporate profits, the farmers, or otherwise. It is just as after the first World War, when 95% of American business men could not see the simple arithmetic of the fact that we could not go on exporting and exporting, without importing an equivalent. My good friend, the late Congressman Hawley, is immortalized in the Smoot-Hawley tariff to that end.

However, you have forgotten more about this than we ordinary mortals can ever know. What I want to ask is this: I am a modest, lay member of the American Economic Association. For some time I received from the late Irving Fisher, publicity re his plan to take away the money possibilities of the swollen bank deposits. A large majority of the American Economic Association members seemed to have expressed approval of the plan. Congressman Jerry Voorhis of California introduced a bill to the end proposed. But I never seemed to hear anything more about it. It seemed to me to go direct to the heart of the problem.

Without taking from your pricelessly valuable time to answer such inquiries as mine, I should really like to know why something like the Fisher plan is not of the essence of the problem. In my small way I shall be glad to help. Senator Wayne L. Morse knows me well, if you choose to inquire. He himself does a lot of real thinking in these matters.

More power to your efforts,

Arthur M. Churchill

December 8, 1947.

Mr. Arthur M. Churchill,
2491 S. W. Sherwood Drive,,
Portland 1, Oregon.

Dear Mr. Churchill:

This is to acknowledge your letter of November 28. The 100 per cent reserve plan, of course, would be a drastic departure in our economic system. It would have to be voted by Congress and would require a good deal more study than Congress has yet given to it.,

I think that this plan, like so many others, suffers from the fact that its proponents are apt to claim too much for it. It would impose a degree of monetary rigidity now lacking but it would not by itself put an end to violent swings in the economic cycle, which are so often generated by forces outside the monetary system.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b