

Culbertson, Mont.

Dec. 8 1947

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

Dear Sir:- On page 23, First Column, of TIME for Dec. 8, appears the following. I quote.....

"The trouble said Eccles was simple. There was too much money in circulation. It had been pumped out by the Government's war time borrowing (and such easy post war credits as G.I. loans for houses at inflated prices.) Between 1940 and 1946 the hard cash in the nation's pocket had increased from \$40 to \$106 billion. In the same period production had levelled off at only 186% of the 1935-1939 average. The result when controls came off, was a tremendous new demand, which sent prices soaring".

I take exception to your base years 1936-1939.

The Federal Reserve System brought on a recession in 1938. That is it reached us here in eastern Montana in October that year. Cattle went down to \$3.50. In August the quoted sales price was \$7.00. Industry was on a strike. Instead of absorbing the 1,400,000 WPA worker, these men were left idle. Our newspapers here began a lot of talk about President Roosevelt's lending and spending was a failure.

Wheat in 1938 here in our market town was 56 cents. Cost to grow, without figuring depreciation on machinery, repairs, replacements and a profit of 6%, was \$1.04 a bushel.

I sold five head of cattle at \$4.00 a hundred. I should have sold the bunch for at least \$7.00 a hundred. I got something like \$120. I should have gotten twice that sum.

As a result I couldn't buy anything.

A demand set prices soaring. Where that was is not visible here. A grocer would have a mighty small sale of sugar if because one man bought 100 pounds for \$7.00. He charged the next buyer \$8.00 for the same amount. News like that would travel so fast he wouldn't sell ten pounds the next six months.

Then the same article goes on: "Reduce the money in circulation". I was born in 1866. In 1873-4 I had to wear a pair of wooden shoes that father made from basswood blocks, cut in his own woods. This was in Carver county Minn. 24 miles from Minneapolis. He said that it took so much wheat to buy a pair of boots, that he'd be reduced to pauperism if he should have bought leather footwear for the boys. Two boys older than I.

In 1901, studying Finance in the University of Minnesota, I looked up laws, and speeches in the Congressional Globe.

Hugh McCullough, the Secretary of The Treasury said in effect There was too much money in circulation, it should be the policy of Congress to reduce the volume of the currency. I found that carping request in several copies.

Congress heeded the advice. The result. The 6-30 paper money- notes- were called in and converted into interest bearing bonds. \$900,000,000. of currency destroyed, and set to drawing interest. The silver was demonitized. The Government had no Gold.

I note Mr. Eccles remedies for inflation.

"Reduce the reserve requirements. Only Congress can do so. But increase the interest rates. That is a killer pure and simple. An Alabama bank that tried to save its customers in 1921 was charged 87½% on some loans

Government support to farm prices. In 1938 the Government paid me the stupendous sum of \$47. in support of a price of 58¢ wheat and 3½ cen tattle.

As I see it the Government will have to wipe out the Federal Reserve System. Root, stem, branches and leaves. I remember that President Wilson announced in 1914 that he had a Christmas present for the people of the United States. He had signed the Federal Reserve Act.

That Ct caused a loss to me of \$300. I sold wheat that cost me \$2.15 to produce for \$1.34 a bushel.

Every farmer here knows who has boosted the price of farm grains, cattle, hogs, eggs, butter fat etc.

A little over one year ago, when the farmers had sold their flax for \$6.00 a bushel to the grain trade. The grain dealers upped the price to \$8.00 a bushel, and sold flax to the government at the price.

Sidney, Richland county, Montana, has a Live stock Commission firm, and sales ring.

A year ago I took in some of those sales in order to see why cattle were priced so high that the OPA could not work. Buyers from Chicago, Sioux City, Omaha, were there, and bid on the cattle. These people knew what the freight was on cattle to the rendering establishments. They knew the total costs to put the meat on the retail dealers blocks.

These people did not give a damn for the people, it was to kill the OPA. The NAM stood by, and patted these men on the back. Said the NAM do away with the OPA and we'll bring prices down. Has any organization failed, more signally than that organization did. ???

Byron's "Where may the weary eye repose, when gazing on the great,

Where neither guilty glory glows, or despicable state"?

They are not to be found in our economic leaders,
In finance. The less said the better.

What must be done. Stabilize prices at a level so that every wage earner in the United States, has a wage and a buying power. Wheat can be sold today for \$1.90 a bushel. Cattle must not go below 12¢ for grass fed. nor 18¢ for grain fed.

Flax \$3.00 a bushel. Oats 60c. barley 80¢.

Interest rates on money 3%.

The swollen salary gentry must have their emoluments cur in half. The President of the U.S. gets only \$125,000 a year.

The guys drawing more than the President earns not more than half as much.

Who am I? A retired farmer. Put in 32 years on an eastern Mont. homestead. Writing up my experience. Been at it now for two years. Just about half done at the present writing.

Wm A Alexander

December 17, 1947.

Mr. William A. Alexander,
Culbertson, Montana.

Dear Mr. Alexander:

This is to acknowledge your letter of December 8. I suppose the myth that the Reserve System caused the agricultural deflation after World War I and the equally fantastic notion that it brought on the recession in 1938 will never die, regardless of cold, hard facts. It would be interesting to know from you, as a retired and experienced farmer, why you think so, or rather just how you think the Reserve System could have caused these recessions. I strongly suspect that you are echoing what you have heard and have not studied the facts of the matter yourself.

As for the current situation, in view of your interest I am enclosing a copy of a statement I presented before the Joint Committee on the Economic Report on November 25.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure

ET:b