

43 Stebbins Street
Springfield, Mass
Dec. 30. 1947.

Dear Mr. Eccles:

Have been following your latest moves regarding Government ^{bond} support policy and all its implications. I firmly believe government bond prices be supported at par, regardless of yield. This is us time to make money hard. There are a lot of items involved. A deflated economy is just as bad as an inflated one. Deflation is just as much a matter of repudiation as inflation. During our past economic history the successive waves of depression have been very much an act of repudiation. We are suffering today from a ten year period of repudiation. The depressed thirties have left us today in a very bad state. Many are blaming inflation and they are wrong. The trouble today is that money is not flowing back to people who need it.

For example: the house I am living in needs repairs and replacements costing at least \$1,000. I can get the necessary materials but I haven't got the money now, no more than I had in the thirties when the cost was 50% less. Multiply this by thousands and you have the story for today's demands for goods and services. Each depression we have passed through has left in its wake an accumulated backlog that has never been completed. I realize it is not your problem for the equitable distribution of our national income. If I am not mistaken, this matter was one of the

There is one point that is important, Our government must support & redeem bonds of U.S. at par, just the same as it used to redeem bank notes and others in gold. Even though this means continuation of monetizing the debt itself. It's then up to the people of these U.S. to set the value thereof themselves. Bankers must be made to realize that they can charge any interest rate they can legally collect but they have lost forever their right to tinker with the interest rate like they used to. As long as there is an ample supply of money interest rates should not rise too steeply. The way corporate and railway bonds are selling as low as 50 to 60¢ on the dollar smells fishy, especially since most of these outfits are solvent. What has become of our honor? Are we a nation of amateurs and poor sports when economic obligations are concerned? Has it become a fact that corporations accept ^{in reality} contributions from security holders ^{for a piece of paper}? Have they bowed so low as this?

corner stones of our New Deal President. If today's dollars are going to be made hard to get, it will mean that debts contracted with the easy money of late years will be that much more difficult to repay.

The purchasing power that is in the hands of people today is not being wasted nor spent for things and services people don't need. It is a result of many years of going without because of lack of cash. Even today my own personal wants for the things I really need would run into three or four thousand of dollars. My family needs new clothes, we need some new furniture, it is wearing out through normal use. My income is far from inflated and even if prices retreated 30 to 40% I still would not be able to catch up on deferred necessities. There are many in like situation. The chance of my income increasing over the coming years is practically nihil. And if we have another session of hard money my income will decrease just as sure as the sun rises.

It appears that the banking interests want hard money for no other reason than to lend it at higher interest rates. The bankers have had their day and failed the nation in the 1929 crisis. They have no right to a second chance. The banking interests will have to make legitimate charges for their banking services, not depending upon interest rates to pay their expenses.

There is a problem to this easy money that you rightly have cause for alarm: that is credit going

to overexpansion. That is a matter to be solved on the basis of easy money, not taking a negative step and backwards. These involve technicalities of which I am not versed. But you and the bankers should work it out on a positive and upward step and in manner that shows foresight, intelligence and leadership and responsibility.

I believe that it will take all the amount of circulating media we have and more to move the goods and services that we as a people are able to produce and consume in a normal manner. More people today are enjoying and eating more food today than ever. That is good. If it is all right for a man with a \$20,000 year income to provide his family with orange juice every morning why not then for the \$3,000 year man? That will take a lot of oranges. As long as we can produce why not consume? Why be afraid if every one had a \$20,000 year income?

Not so long ago, the insurance companies of this nation had a \$3,000,000,000 fund and begged you to provide bonds in this amount for safe investment. I now understand they are running back to you wanting the money to invest at a higher rate of interest. What gets me is: that money really belongs to the policyholders and if it is burning holes in their pockets why shouldn't it be distributed to the policyholders who could use it to much better advantage? It's the old problem of money piling up in warehouses where it's doing nobody any good.

Respectfully yours,
C. Has. C. Kelley

January 5, 1948.

Mr. Chas. C. Kelley,
43 Stebbins Street,
Springfield, Massachusetts.

Dear Mr. Kelley:

On behalf of Chairman Eccles who is temporarily in the West, I wish to acknowledge and thank you for your letter of December 30, which I am sure he will be interested to see upon his return. It reflects generally a viewpoint which he has long shared.

Sincerely yours,

Elliott Thurston,
Assistant to the Chairman.

ET:b