

CHARLES COLEMAN MILLER  
COUNSELOR AT LAW  
39 BROADWAY  
NEW YORK

May 12, 1936.

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

Dear Sir:

In the newspaper reports of your address to the Wharton  
Institute, you are reported as presenting this crucial question:

"Will the disbursements of private business and in-  
dividuals increase sufficiently to warrant a lessen-  
ing of the Government's contribution to the growth  
in the national income?"

This question is followed by the statement that

"The Federal Government cannot and should not decrease  
its expenditures on recovery faster than private in-  
dustry is able profitably to take over the load. To  
do so would reduce consumer buying power and thus re-  
tard if not reverse the progress of recovery".

As a plain, everyday citizen, affected by the policies of  
the Government, let me say to you that, in my judgment, you have  
put the cart before the horse. This can unanswerably be supported  
by common experience, which I can illustrate by my own case.

With the money I will pay to the Federal and State Govern-  
ments this year in income taxes, I could do any of the following:

1. buy a medium priced car and a good sized motor boat;
2. double my apartment rent and hire an additional clerk  
at \$15. per week;
3. take three people for a five weeks trip throughout  
the West;
4. triple the size of my present law library and sub-  
scribe to a dozen additional law publications.

All these things are absolutely prohibited by the payment  
of taxes. If I could make the above expenditures, it is easy  
to see how many industries would be favorably affected. Multiply  
this by the tens of thousands of people in like situation and  
you can see what the effect on industry would be. This increase  
of industry is prevented by the Government taking that money

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Hon. M. S. E.

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away from me and not permitting me to spend it. It is impossible for me to make any of the above group of expenditures and pay the taxes at the same time; hence the only solution is for the Government to let me alone and permit me to assist industry. This will result in a temporary lessening of the spending power of the Government and hence a temporary let up in the industries which Government spending is now assisting, until the readjustment is effected, but there is no other way by which "the disbursements of private business and individuals" can "increase sufficiently to warrant a lessening of the Government's contribution to the growth in the national income".

Yours respectfully,

A handwritten signature in cursive script, appearing to read "F. C. McDonald".

May 13, 1936.

Mr. Charles Coleman Miller,  
Counselor at Law,  
39 Broadway,  
New York City.

My dear Mr. Miller:

In reply to your letter of May 12th, I am enclosing the complete text of the necessarily brief talk which I gave before the Wharton Institute and from which you quote one or two extracts. I undertook to outline what I conceived to be the theory of the monetary and spending policies which the government has pursued during the past three years to bring about recovery, and I think you may gather from the complete context the answer to the specific question you raise.

The subject is too broad to be covered in the space of a letter, but I know of no evidence to support your theory that remission of taxes to the relatively few large income receivers, in the hope that they would spend the money productively, would be of any substantial benefit to the economy as a whole. On the contrary, all of the dependable available evidence, as well as our experience in the late '20's, seems to me to point conclusively in the opposite direction.

Very truly yours,

M. S. Eccles,  
Chairman.

enclosure

ET:b