

LAW OFFICES
A. A. TISCORNIA
436 KEARNY STREET
SAN FRANCISCO, CALIF.
TELEPHONE SUTTER 3314

February 21, 1939

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

My dear Mr. Eccles:

I read in the newspaper an account of your address to the Detroit Economic Club, and I want to say that I am in accord with your reported statement that Government spending itself is not necessarily a deterrent to private investment in productive enterprises, if it is within reasonable limits; and if not, undoubtedly extreme inflation, and consequent cheaper money, would have to occur to enable the Government to collect sufficient money through taxation to pay its debts.

I am one hundred per cent. in accord with you in your statement that the most effective deterrents to recovery are monopolistic practices of industry and labor. I think it is particularly true of labor. But in spite of almost all economists and analysts believing as we do, still nothing is done to prevent labor from stifling industrial and commercial activity on account of the shortsighted monopolistic practices of the comparatively few who are the beneficiaries thereof. Yet the existing administration has done nothing but foster and encourage these practices, even though men like you and others in the administration believe it hurts recovery. I believe the President also believes this, but it is a difficult problem from a political standpoint, in a democracy, to fight union labor when there are so many laboring people, organized as well as unorganized, who are not in a position to understand the effect of the practices of union labor upon labor generally.

For this reason, it is obvious that the Government should take care of matters of Government and leave business to private industry. In a democracy, politics will always play an important part in determining management or course of action, if the Government is involved. Hence, unsound practices are going to be injected into any business run by the Government. The present labor monopoly, fostered by the Government, is an example of this.

Your statement as to there being no evidence of inflation at the present time, since the buying power of a dollar is higher today than it was before, notwithstanding the lower gold content of the dollar, is true, if you mean actual inflation as distinguished from potential inflation. In my opinion, potential inflation is here, and as soon as there is sufficient confidence in the economic structure to warrant it, actual inflation will be

February 21, 1939

here, unless offset by some other circumstance, such as the Government taking all the profit of private industry and investment.

If we don't control inflation, although I believe we can, it will be a break for the debtor class. Inflation has the effect of repudiating the dollar pro tanto, but it is a necessary evil in permitting the capitalistic system, in an orderly manner, to adjust itself to processes that tend toward industrial activity and the greater production of wealth, and thus it circumvents the evils of concentrated credit and cash, as distinguished from productive wealth; and this result is attained without the foolish subsidies that have been handed out to different groups, which practice is not only unsound economically, but has hurt the whole country, the recipients as well as the others.

The price level, of course, may zig-zag radically up and down, if a future administration, after inflation takes effect, attempts to adopt a stringent deflationary practice of exchange advantages. Even if we could live unto ourselves without foreign trade, that would not be a solution. If foreign commodity prices are lower than ours because of monetary advantages, it nevertheless has a depressing effect on our commodity prices, whether protective tariff barriers could protect our prices or not. A protective tariff barrier is an artificial restraint of trade, and like every other artificial restraint makes for uncertainty in business and stops industrial and commercial activity.

Yours very truly,


A. A. TISCORNIA

AAT:C

March 14, 1939.

Mr. A. A. Tiscornia,
436 Kearny Street,
San Francisco, California.

My dear Mr. Tiscornia:

This is to thank you for your letter of February 21, 1939, with regard to the brief statement I gave out in Detroit in connection with my talk to the Economic Club of that city.

I am glad to know of your general agreement with the viewpoint expressed and I was interested to read your observations on labor and other policies.

I appreciate your interest and your courtesy in writing to me.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b