

Port Hope Mich. July 3

Marriner S. Eccles

Dear Mr. Eccles;

I have read some of your letters about the money question and I think that they are the most sensible of any that I have read. It seems to me that there can be no doubt that it is the circulation of money that makes business and employment. If consumers have money to spend business will find a way to supply them with what they want.

The only way to make business and employment is to spend money. What one man spends others earn. As a nation we earn just what we spend. The more we spend the more we earn. If we spend less than our national income our national income will be reduced because we can not earn more than we spend. The only way to increase our national income is to spend more than our national income.

What business needs is not more investment money but more consumer buying power. We have more productive investments now than our consumers can support. It would be folly to invest more money in productive enterprise when our consumers are unable to support the investments that we have. The idle money in the banks represents the savings of the people. The people will not spend their savings for consumer goods. If they did they would not be savings. This money would be spent for investments but we do not need more investments.

The problem is to get this idle money out of the banks and into the hands of consumers. The only way is for the government to invest the surplus savings of the people in public works that will serve the people and conserve our natural resources; but not compete with private investments in productive enterprises. The trouble with the selfliquidating loans is that they take money from consumers and thus compete with private investments.

Prosperity is nothing but inflation due to an increase in credit. A depression is nothing but deflation due to a decrease in credit. Credit is created by debts. The more debts we have the more credit money there is in circulation and the more business and employment and income we have. The higher wages and prices are the more money it takes to support the same amount of business and employment.

Debts make prosperity by increasing the circulation of money. Savings make depressions by decreasing the circulation of money. If our savings increase more than our debts the circulation of money is reduced and we have a depression. If our debts increase more than our savings the circulation of money is increased and we have prosperity. When we have prosperity we increase our savings and pay up our debts. Then the circulation of money is reduced and we have another depression. The problem is to maintain a proper balance between savings and debts and thus maintain permanent prosperity. The purpose of the national debt is to provide investment for the surplus savings of the people and return this idle money into circulation. There is no danger of too much inflation; because there is no reason that we should increase our debts more than our need for money. Before we would have enough debts to cause inflation the national income would be increased so that it would be easy to balance the budget.

Verry sincerely yours

Geo. B. Johnson

Port Hope Mich.

July 6, 1939.

Mr. George B. Johnson,
Port Hope, Michigan.

Dear Mr. Johnson:

This is to thank you for your letter of July 3, which I have read with much interest.

I think you have stated the fundamentals of our economic system clearly and admirably. I am always heartened on the too rare occasions when I receive a letter such as yours which reflects an understanding of our economic processes. It is the lack of that understanding which holds back further recovery.

I wanted you to know that I very much appreciated your interest and your courtesy in writing to me.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b