

HARMON V. SWART  
ASSOCIATES, INC.

INSURANCE - BONDING - FINANCE

84 WILLIAM STREET  
NEW YORK, N.Y.  
WHITEHALL 4-3146

November 27, 1939.

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

Dear Mr. Chairman:

I have read a limited press report of your talk on November 9th. to the bankers at St. Louis and commend you for the many pungent statements which you made.

You favor "increasing domestic purchasing power." That is fine. You favor doing this by decreasing consumption taxes. Unless these consumption taxes are replaced by other taxes, this decrease only results in lowering the total of domestic purchasing power or consumption.

Why is it that you and other leaders do not step right out in front of the parade to hammer home the real basic truth about our economic difficulties? You go a long way, and to the discerning reader it would seem fully evident that you are capable of stating the case in definite, if not startling terms.

The country's economic problem is dished up as unemployment. However, unemployment in itself is not the problem. Is it not rather how business and industry can sell their products? As long as business is able to find a buyer for what it has to offer, it is not in the least concerned as to whether the buyer is employed or unemployed.

Is it not true under our money-profit system, in the absence of other measures for distributing purchasing power that increase in employment only more rapidly hastens the building up of inventories and the necessity of again greatly increasing unemployment. The reason for this being that in the normal turnover of our system of production, business is unable to distribute enough purchasing power to buy the resulting products which are offered for sale. The only purchasing power available to move these goods into consumption being the insufficient amount of purchasing

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power distributed in the production of these same goods.

It is reported that at the end of your present term, you may not accept re-appointment but choose instead to run for the Senate. If you should do this with your mind set upon doing something about Monetary Reform, I think it would be wonderful.

Very truly yours,

  
HARMON V. SWART.

HVS:11

November 28, 1939.

Mr. Harmon V. Swart,  
84 William Street,  
New York City.

My dear Mr. Swart:

On behalf of the Chairman who is temporarily in the West, I wish to acknowledge receipt of your letter of November 27, in which I know he will be interested when he has an opportunity to read it upon his return.

You may be interested in seeing the complete text of the St. Louis address to which you refer and, accordingly, I am enclosing a copy.

Reports that the Chairman might run for the Senate are entirely unfounded.

Sincerely yours,

Elliott Thurston,  
Special Assistant  
to the Chairman.

enclosure

ET:b

HARMON V. SWART  
ASSOCIATES, INC.

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84 WILLIAM STREET  
NEW YORK, N.Y.  
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December 4, 1939.

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

Dear Mr. Chairman:

Your address to the bankers of St. Louis on November 9th. so kindly sent to me by Mr. Thurston, has been read with very much interest.

Particularly impressed was I by the second paragraph on page fifteen in which you gently -- oh so gently -- point out the possibilities of "taxation that will keep these funds, (savings) that are unused for plant or for dividend purposes moving in the income stream." You also say these funds "cannot be taken out of the income stream without reducing it and thus reducing employment and production."

Right here you have the whole kernel of the nation's economic problem -- "distribution of buying power."

This was most lucidly explained about twelve years ago by Foster and Catchings in the book "Profits" -- beginning on page 221. They describe it as "the dilemma of thrift."

I find that men in both banking and business are shocked with a sense of frustration when they "see" that thrift which is so essential to the individual, <sup>^</sup>devastating in its effect upon the nation as a whole -- under our present economic system.

However, that is the fact. I hope that you will continue to explain this fact to the full extent of your opportunities. The public must be made to realize that money must be made "unhoardable." When money fails to do its job of exchanging goods and services, it simply must be forced into activity. Conditions must be brought about or created which will make it more desirable to hoard goods than money.

Very truly yours,



Harmon V. Swart.

HVS:ll

December 11, 1939.

Mr. Harmon V. Swart,  
Harmon V. Swart Associates, Inc.,  
84 William Street,  
New York City.

Dear Mr. Swart:

Your letter of December 4 and your preceding one were particularly interesting to me and I want to express my appreciation of your comments and encouragement.

I think you have aptly expressed it when you point out that men in both banking and business are shocked with a sense of frustration when--and if--they grasp the fact that thrift, which is desirable for the individual, can be entirely undesirable from the standpoint of the economy as a whole. I agree with you that the essential problem is one of how business and industry can find a market for the increasing volume of production which is identical with a rising standard of living.

Sincerely yours,

M. S. Eccles,  
Chairman.

ET:b