

February 12, 1945.

Mr. Marriner S. Eccles
Federal Reserve Board
Washington, D. C.

Dear Sir:

"Deflation Main Danger for Postwar Economy" appearing in the St. Louis Post-Dispatch is very interesting. I would like to refer especially to the paragraph commencing, "The larger the unused savings etc." and the following one, "A more direct approach than deficit financing etc. " Has the Board of Governors of the Federal Reserve ever considered requesting a demurrage tax directly against money itself to equate overall demand with total supply of goods? This proposed tax would fall on demand accounts also but not on savings accounts which presumably would be kept invested by the banker acting in his capacity as broker.

Provided the expansion and contraction of money and/or credit became a monopoly of the federal government itself, with the stabilization of the purchasing power of the dollar as the objective, (or to put it another way, with the general price index as the indicator of need for expansion or contraction) would not a demurrage tax that would act as a sort of pumping station so regulate the pulsating flow of "demand" that we could always buy back all that we could produce? And is not this the path to that Age of Plenty that our scientists and technicians tell us is ours for the intelligent seeking?

There are technical details to such an approach to our employment problem but they do not seem unsurmountable to me. I like the plan that would fix the tax at 3.65% because it offers fewer accountancy difficulties. Since rationing would soon be unnecessary with stabilized prices, we certainly would not object to replacing our red and blue ration "change" with mills and tenth mills necessary to the keeping of the tax on circulating currency up to date. The tax on bank demand accounts would be on average balances and would be a comparatively simple book-keeping process.

2. Mr. Marriner S. Eccles.

Would not some of the alternatives suggested in your article ultimately result in a top-heavy government of bureaus and agencies with too many persons looking to Washington for their livelihood, giving us in the final analysis that type of state-ism that we have learned to abhor -in Europe?

Very respectfully yours,

Daisy Wingfield

Mrs. William H. Wingfield, Jr.
308 Parkwood, Kirkwood, 22, Mo.

February 17, 1945.

Mrs. William H. Wingfield, Jr.,
308 Parkwood,
Kirkwood 22, Missouri.

Dear Mrs. Wingfield:

This is to acknowledge your very interesting letter of February 12, prompted by the extracts that appeared in the St. Louis Post-Dispatch from my address of last November before the National Industrial Conference Board. I am taking the liberty of enclosing a copy of the entire text because I have not seen the abbreviated form in which it appeared in the Post-Dispatch, and the full text represents my own best judgment as to the most practical means of obtaining and maintaining substantially full employment in the postwar world.

Accordingly, as you would surmise, I would not favor the various devices, such as the one you mention, which in effect undertake to force money into use by a tax or some similar method. Those who have advocated these devices, and they take various forms, seem to me to have a highly intelligent appreciation of the importance of maintaining the flow of money through the economy. I think that is at the heart of the problem, but in my address I sought to indicate the most practical ways in which I felt it could be solved. I do feel that it is an oversimplification to suppose that it can be done by a demurrage tax or some similar penalty on idle funds, assuming that the technical difficulties could be overcome and that the Congress would authorize such a revolutionary idea.

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

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b