

March 3rd. 1951

Dr. Herman E. Eccles,
Federal Reserve Board,
Washington, D.C.

Dear Dr. Eccles:

You are rendering splendid, courageous service to your Country, and to yourself. In a contemporary sense, and with appreciation of your fiscal policies, I believe you will be interested in reading the enclosed copy of a letter - "Is Freedom or Security Worth 10 Cents?" - I have just sent to our good Senator, Richard Nixon.

Philosophically - I am not at all confident that the end result will be attained. It is, perhaps, too realistically prophetic - an element of firm truth - which is so incompatible with the American ego-spirit.

Hence my own realistic or impersonal conviction is that we shall 'stumble forward' in the same old dream-world of collective ignorant-ego, deceit and conflict, and end up squinting through our own "economic wringer," once again.

I regret to believe that we, as a Nation, are imminently headed for one of the worst financial and business depressions we have yet known. We, of course will not look in "The Mirror of our Hearts" for the Cause!

Please keep up your good work and valiant spirit. With all good wishes, I am,

Very truly yours,

Henry Thompson

2999 San Marino St.

Indies 6, Calif.

*✓ Copy for
Marvin B. Eccles,
MPE*

2999 San Marino Street,
Los Angeles 6, California

March 3rd, 1951

U.S. Senator Richard M. Nixon,
U.S. Senate, Washington, D.C.

Dear Senator Nixon:

Is Freedom or Security Worth 10¢ ?

This is a very vital and no doubt imponderable subject for The People, or The American Way of Life. Our historically great and strong Country is, and has been for some 20 years or so - economically and politically speaking - steadily growing weaker, hence morally and spiritually vulnerable.

The condition is primarily due to a senseless ego-conflict of humanity in all materialistic phases of life, both domestic and foreign. It is being compounded by endless, yet hopelessly conflicting laws, regulations, freezes, schemes, fiscal policies etc., in an attempt to eliminate 'the effect' without attacking The Cause!

As many of us know, the economic structure of America has been precariously resting on an artificially or politically stimulated foundation since the depression of The Thirties, augmented and accelerated by the destructive forces of World War II, the current Korean debacle and World-wide political, racial and military conflict or conquest. This is combined with an extraordinary state of mortal mass fear and greed - a negative force without any tangible degree of either spiritual unity or moral leadership.

In a word, this all sums up to Inflation - the illegitimate parent of Ego, Greed and Fear - the unknown and uncontrollable offspring of human nature, en masse.

As History has recorded, and proven, no matter what man, or Government, or Industry, or Labor may plan or do, with or without conflict, the destructive forces of Inflation cannot be corrected or reversed by senseless and unworkable interfering piece-meal political or academic 'controls' or Freezes', until The Cause is ascertained. Then, all of the endless elements may be corrected - as a whole - by all of The People, in Unity of understanding and purpose - collectively - at the Same Time.

For example, it is a well known phenomenon that when Disaster, such as Floods, Fires or a Pearl Harbor War Blast occur, ALL of the people involved or concerned become unified, noble, heroic and self-sacrificing in fighting out, together The Cause and Effect of such Disasters. In principle, this common unity with power for self-preservation and perpetuation of life is both simple and humble.

Is there not a comparable simple and humble solution for the man-made 'disaster' of Inflation? What is such a simple and effective plan of solution, and where is the Spiritual and Moral leadership to inspire its adoption and consummation? Is it in The Congress of The United States of America!

Is Freedom or Security Worth 10¢ ?

Is Freedom or Security Worth 10¢:-

- (1) Are the American people, as a whole, willing to contribute Ten Cents on The Dollar to kill Inflation and preserve their freedom and security?
- (2) Are they willing to unite in a common brotherhood cause of self-sacrifice to perpetuate the same freedom and security for themselves, and as a heritage for their children's children - The Unborn Mothers!
- (3) Are they willing, as the most advanced nation of people to contribute Ten Cents on The Dollar at Home, as against the G.I.'s Contribution of One Hundred Cents on The Dollar - Plus, Abroad?
- (4) If so, then, and only then will they willingly cooperate with their Government, and each other in the destruction of the man-made forces of Inflation - a far greater and devastating enemy of humanity than the Gods of War! This is so because man-made Inflation is a violation of The Fixed Natural Law of Supply and Demand, and because only The Living, or Survivor's Suffer from its aftermath of destructive force in every home or mansion, village or city.
- (5) Inflation can be controlled and reversed by The People's Representatives in Congress by introducing legislation, At Once, to DECREASE the PRICE of all Materials, Products, Commodities, Wages, Salaries, Fees for Services, Contracts etc., EXCEPT the PRICE of MONEY, INTEREST on MONEY, and TAXES -(for the time being.)
- (6) Money Value must be reinstated and maintained as the True Value Basis of the Fixed Economic Law of Supply and Demand. Any kind of unnatural, artificial or inflated value permitted for the products of human endeavor or work, is False and in conflict with Real Value, because all products, of any kind processed by man cannot survive, or be hoarded and perpetuated in this Life, because All is destroyed by The Forces of Nature - the elements of deterioration, erosion or disintegration. Only Gold or Silver have a perpetual life, hence they are the only permanent and real mediums of exchange for ALL other Materials, Goods or Services - produced or converted by mankind from Nature's Raw Material Sources.
- (7) Such a deflationary plan of adjusting the artificially inflated Price Levels, on a Nation-wide, all-inclusive scale will automatically, in due course of time reverse the violent inflationary trend and adjust a balance with the Law of Supply and Demand; eliminate the human element of greed and fear, thereby strengthening the economic, moral and spiritual structure of The Nation. At the same time our Monetary Value System will become strong, despite the threats of World War III, the Military Economy and our excessively inflated National Debt. This is so, because an adjusted economy, deflated towards its natural balance of Supply and Demand will eliminate our present and past senseless state

of conflict, greed and fear, (a negative force of Nature) and conversely, promote unity, understanding and confidence - (a positive force of Nature) for, by and of the common welfare, law and order of all of The People.

- (8) Is there a Man in the People's Congress who possesses the necessary vision, courage and humility to Lead in the introduction of such a measure of legislation; to ceaselessly fight for its enactment with forthright and widespread mediums of publicity and dissemination, both within and without The Congress - just as the very existence or continued success of a free business enterprise depends upon an endless barrage of promotional advertising to sell and sell its product - such as Soap-Box Operas Sell Suds, Laxatives or Glamour.
- (9) The Time is short - it is quite later than we all think! Can we stop and kill this creeping, crawling, entwining 'octopus' of Inflation - before it is too late - as with many other Nations! Can The People be thus unified with freedom of Spirit and self-sacrifice for their own Self-Preservation!

Is Freedom or Security Worth 10¢ on The Dollar?

Respectfully, your staunch constituent,


C. Henry Thompson.

CHT:

March 9, 1951

Mr. C. Henry Thompson,
2999 San Marino Street,
Los Angeles 6, California.

Dear Mr. Thompson:

Thank you for your kind letter of March 3. It is very gratifying to hear from people like yourself who share my deep concern over our present monetary policies and our fight against inflation.

I agree entirely with you that further inflation must be avoided and that the purchasing power of the dollar must be preserved at all costs. We are also agreed that the destructive forces of inflation cannot be corrected by a harness of direct controls and that the object of national policy must be directed, instead, toward eliminating the basic causes of inflation.

I do not feel, however, that the immediate introduction of legislation to decrease the price of all goods and services and wages and salaries by 10 cents on the dollar would really strike at these basic causes. I have read your paper to Senator Nixon with great interest and much of your proposal has considerable merit. We should all like to see prices and wages rolled back 10 per cent or more, but such a proposal does not seem to us to be either administratively or politically feasible at the present time and its use still would not solve most of our real problems.

As I have said many times, the recent rise in prices has occurred primarily because the demands of businesses and individuals, supported by money and credit, have exceeded the available supplies of goods and services. This is the real issue with which policy must contend. It is not possible to divert labor and material from civilian to defense production and avoid inflation unless a corresponding amount of financial resources is channelled away from the civilian economy.

The basic cause of inflation can best be corrected, therefore, through a tax program that will keep the Federal cash budget in balance and through monetary and debt management policies that will effectively regulate bank credit expansion in relation to the total civilian supply

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of goods and services. Adoption of these policies may help to bring about the necessary balance between civilian demands for, and the available supply of, goods and services and in this way strike at the very basis of inflation.

You may be interested in the enclosed copy of my recent address before the Executives' Club of Chicago, which will explain many of these points in somewhat greater detail.

Very truly yours,

M. S. Eccles.

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2999 San Marino Street,
Los Angeles 6, California
March 18th, 1951

no reply

Mr. Marriner C. Eccles, Member
Federal Reserve System,
Washington, D.C.

Dear Mr. Eccles:

Your good letter of March 9th is appreciated. I also enjoyed reading a copy of your address before The Executives Club of Chicago, which you kindly sent me. Both your paper and letter are stimulating and commendable.

Although I agree with your premise and conclusion yet, unfortunately, and regretfully, I believe that our national economic and financial structure is beyond academic or political repair and control over the next few years, or until readjusted by the law of supply and demand. It is too late. We have been deceiving ourselves too long and too much with unrealistic diplomacy and political expediency. There is nothing that Government, or man for that matter, can do, administratively or politically to artificially adjust our 'inflated' law of supply and demand!

It will, as a matter of time and course, adjust itself by the same historical or immortal Natural Law of Deflation, which is beyond the power of mankind to administer or control. In like degree and effect the deflationary cycle of 1930-1932 will be repeated. As we Sow, so shall we Reap. First, the Stock, Commodity and Money Markets, then the Business Structure.

Our great Country is, to a distressing degree, politically, economically and socially disintegrated, both morally and spiritually - devoid of either unity or leadership. The cumulative and collective conflict between realism and materialism, of a great nation of people, is about to face the emotional test of doubt and fear, en masse. Cumulative fear is the reverse of desire, the cause of inflation, so admirably set forth in your letter and address. So the lack of demand, or desire on the part of business and the people - means deflation.

The basic causes of our impending economic and social distress are many, but not new, in principle, in any era, or Country of mankind. They appear to be, in the order of their importance:

1. Cumulative violations of Natural or Divine Laws, particularly in the realm of Governmental Usurpation, Expediency and Immorality; Social indifference to political corruption, crime, sexual exploitation and Spiritual decadence.
2. Demoralization of the spirit or faith of mankind resulting from the effects of World Wars I and II, the Korean debacle and Cold War III.

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3. The eternal conflict between Capitalism and Socialism - the Few Vs the Many - now augmented by a Spiritual conflict between The East and The West - for possession, by Conquest of Nature's endless Resources!
4. The Inflated Economy of goods and services resulting in Over-production and Consumption - mass-confidence, or Desire, hence mass-fear, resulting in under-production and consumption - the difference between Profit or Loss.
5. The Effects are the same, at any time, or place. All are Relative; for instance:
 - (a) If Russia starts War before we rearm, Panic will Result!
 - (b) If Russia promotes Peace, to keep us from rearming, Panic will Result!
 - (c) Our continued inflation, or over-production, either for War or Peace will Result in Panic!
 - (d) If our Money is further deflated while inflation is halted, Panic will Result!

Despite all of the foregoing patterns of prophesy, Deflation will occur - just as Inflation occurs - when the Natural Law of Supply and Demand is mal-administered by the political, self-seeking and immoral desires of an indifferent, or carelessly deceitful people.

I am humbly sorry to agree with your splendid philosophy, only to conclude that it is all too late and ineffective because of the extraordinary degree of conflict existing in the National and International state of affairs.

May the Good Lord be compassionate in guiding us all to a nobler destiny in this life - which we so selfishly and ignorantly confuse and abuse, in our materialistic pursuit of life, liberty and happiness.

'Is Freedom or Security Worth 10 Cents'?

Please excuse me for writing to you in such a realistic sense, and at such length, yet I have enjoyed our correspondence - the right to our respective beliefs and of self-expression.

With my esteem, and all good wishes, I am,

Faithfully yours,


C. Henry Thompson.

CHT: