

To:

Dear Bill

Here is a
copy of Senator Byrd's
letter.

2/19/58

C. E. Allen

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United States Senate

COMMITTEE ON FINANCE

February 17, 1958

Mr. Carl E. Allen
President, Federal Reserve Bank of Chicago
Chicago, Illinois

Dear Mr. Allen:

As you know the Senate Finance Committee has undertaken an inquiry entitled "Investigation of the Financial Condition of the United States." We have had testimony from three witnesses so far: former Secretary of the Treasury, George M. Humphrey; former Under-Secretary of the Treasury, W. Randolph Burgess; and Federal Reserve Board Chairman, William McChesney Martin, Jr. Under separate cover I am sending to you a copy of these hearings.

I am anxious that the Finance Committee have available for study and guidance your thoughts and opinions about vital matters affecting our economy. In preparing your reply it is suggested that you use the attached list of questions merely as a guide. Please feel free to answer part or all of the questions and make any further comments you deem desirable or appropriate.

For your information I am also addressing a similar letter to the individuals shown on the attached list. It is my present intention to recommend to the Finance Committee that the answers to this letter be compiled into a compendium for use by the members of Congress.

We must have a strong and sound economy to undergird our continued progress as a free nation. Your cooperation in answering these questions and adding your further comments will be a valuable contribution. I will appreciate your getting your answers and comments to me by April 1, 1958 if at all possible. In the event you will not be able to furnish your answers by that date, it would be most helpful if you would kindly indicate an approximate date when you could conveniently furnish your answers and comments.

Cordially,



Harry F. Byrd
Chairman

1. Give a definition in your own words of deflation and inflation.
2. Explain how you believe the economy of the United States can best avoid either inflation or deflation. If you think present laws should be changed or new laws are required, then make specific suggestions.
3. Comment generally on the monetary control policies of the Federal Reserve System as exercised within the following years: 1942 to 1957 (You may wish to divide the period into two parts, 1942-1950 prior to the accord, and 1951-1957.)
4. Beginning in August 1956 there was an increase in the Consumer Price Index each month through September 1957, thereby causing a decline in the value of the dollar. What factors contributed most to this decline in the value of the dollar.
5. What effect does the management of the current Public Debt have upon the national credit structure and the economy of the United States?
6. (a) Discuss in their relationship to one another and according to your judgment of their relative importance, the following three objectives of economic policy in the United States:
 1. Price Stability
 2. Stability of production, demand, and employment
 3. Economic growth in production, demand, and employment
- (b) With respect to these three objectives, discuss and appraise the significance of what you consider to be the most important trends since World War II--during the most recent two or three years--and especially during 1957.
7. Give your opinion of the effect on our economy of current Federal, State, and local Government spending.
8. Give your opinion of the effect on our economy of current Federal, State and local taxation.
9. Will you distinguish between fiscal policy (embracing expenditures, taxes and debt) and monetary and credit policy, and then relate them, one to the other. Please discuss these policies stating how they may be used to restrain inflationary trends and otherwise aid in preserving a stable economy.

10. (a) Comment generally on the adequacy or inadequacy of the United States Monetary System. (For the purpose of this question consider that the monetary system includes bank deposits and bank credits). Also please furnish your ideas for the correction of any inadequacies that you feel now exist in our monetary system.

(b) Comment briefly on the adequacy or inadequacy of the United States fiscal system.
11. (a) What is the explanation of the seeming paradox that at times inflation and unemployment exist side by side in our economy.

(b) Shall we accept, as some have suggested, a gradual inflationary trend as desirable (or necessary) to achieve and maintain full employment goals?
12. To what extent and in what way do you believe that the growth of private debt in recent years may have become a threat to the stability and vitality of the American economy.
13. Considering the financial condition of the United States, at what point, if any, in terms of unemployment, production, and consumer demand, should the Federal Government move in major ways, such as a tax cut and/or large increases in public works, to counteract a downturn in the economy.
14. How much of a factor in your opinion has deficit spending by the Federal Government since the end of World War II been in contributing to or producing inflation?
15. Can full employment goals be attained while maintaining a dollar that has relative stable purchasing power?
16. Are escalator provisions in wage or other contracts compatible with achieving economic stability?
17. List and briefly discuss what you consider the causes of the present recession, and what should be done to terminate it.

LIST OF ADDRESSEES TO RECEIVE QUESTIONNAIRES

Presidents of the Twelve Federal Reserve Districts

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Federal Reserve Bank of Boston
Boston, Massachusetts

Alfred Hayes, President
Federal Reserve Bank of New York
New York, New York

Alfred H. Williams, President
Federal Reserve Bank of Philadelphia
Philadelphia, Pennsylvania

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Cleveland, Ohio

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Atlanta, Georgia

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Detroit 31, Michigan

Ralph J. Cordiner, President
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570 Lexington Avenue
New York 22, New York

Harlow Curtice, President
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George Gund, President
Cleveland Trust Company
Euclid and East 9th Street
Cleveland 1, Ohio

Clifford F. Hood, President
United States Steel Corporation
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New York 6, New York

Porter M. Jarvis, President
Swift and Company
Union Stock Yards
Chicago 9, Illinois

D. B. Jenks, President
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38 South Dearborn Street
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