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April 16, 1942.

Hon. Franklin D. Roosevelt,
The White House,
Washington, D.C.

Dear Mr. President:

Enclosed permit me to submit a brief memorandum on inflation for your consideration.

Yours faithfully,

Robert L. Owen.

RLO:TT

Enclosure.

Memorandum on Inflation

Indefensible expansion of credit is monetary inflation. **Defensible** expansion of credit is not inflation, although it may injure creditors or the owners of bonds, certificates of debt, bank deposits, insurance policies, or those receiving fixed salaries and wages.

Expanding credit on national defense does not justify the payment of interest on the credits so expanded for national defense, as Abraham Lincoln justly held. Congress having exclusive right to create the credits (money) required should do so through the Federal Reserve banks, which should be taken over by the Government and made a public institution and the medium through which to regulate the value of money by regulating its volume as far as humanly possible.

Fixing prices is a temporary expedient, useful in preventing the greater cost of national defense. This expedient in Europe has been followed by scarcity in the products sold, by the lowering of the quality of commodities, and by the black market system which means a lowering of public morale and general disobedience to the law or rule fixing prices.

Selling the people bonds and stamps absorbs buying power and makes dormant that much of the expanded credit, but it puts in the hands of the people credits convertible into cash on demand after sixty days from purchase and lays the foundation for the future sudden expansion of credit when human hopes anticipate higher prices. Such money poured into use will then, of course, create higher prices and an undesirable circle upwards with the probability of a reaction and depression following. The question is so important and involves so many considerations that it seems to me it should be taken up in Congress and thoroughly discussed around the table where every angle can be considered and a sound formula worked out through which the constitutional duty of Congress to create and regulate the value of money shall be made effective.

An executive policy lacks stability, as officials can be persuaded to do things contrary to the public interest unless restrained by a legislative mandate incapable of disobedience without responsibility to Congress.

This weakness has been fully demonstrated by experience in 1920, 1929-32, 1937.

Stability requires a dependable standard fixed by law for guidance and to establish public confidence.

R. L. O.

April 15, 1942.