

Mr. C. F. Stam,  
Chief of Staff, Joint Com.  
Internal Revenue and Taxation,  
Room 1336, New HOB,  
Washington, D. C.

#### REDUCING TAX NEEDS

Dear Sir:

The need for taxes to meet current interest on public debt, is one and one-half billions; The need a year hence will be about three billions; the annual need by July first, 1944, on two hundred billions will be about five billions.

The need, therefore, for additional taxes to meet the increasing debt, on account of interest on the public debt, will be three and one-half billions in excess of what it is now.

#### HOW TO AVOID TAX ON UNCESSARY INTEREST CHARGES

At present the tax on the existing debt is largely fixed by contract, and the policy of selling bonds to the individual citizen is needed to avoid a larger cost which would ensue if the dollars of the consuming public were not withdrawn from circulation by converting dollars into savings accounts, and thereby reducing the volume of money in circulation. But the <sup>sale</sup> of government bonds to the commercial banks at interest is not necessary, is not needed, as a means of obtaining the money necessary for war defense and war prosecution.

It is not necessary for the excellent reason that the same money can be obtained from the Federal Reserve Banks by placing with such banks in proportion to their assets, United States certificates of debt, bearing no interest. This plan would increase the number of dollars to the same extent, except that it would not require additional dollars to be raised by taxation for the payment of interest on the money thus created.

When the United States sells its bonds ~~xxxx~~ or notes, with or without interest, it creates demand bank deposits subject to check, that is, it creates that form of money employed as a medium of exchange, known as check money and which transaction <sup>creates</sup> money. This check money transacts over nine<sup>ty</sup> five per cent of the business <sup>of the country</sup>, ~~and is~~ and is convertible into legal ~~xtender~~ tender money on demand.



PLAN WILL INCREASE TAX RETURNS WITHOUT INCREASING  
TAXES FOR INTEREST

It is an established fact, that subject to maximum employment, the national income is three times the money in actual~~y~~ circulation. It follows that until full employment is achieved the national income will increase, and, therefore, on existing tax laws, will increase the tax revenue from income.  
amount

The ~~xxxxxxxx~~, therefore, of the credits obtained, money obtained, from the Federal Reserve Banks, will be more easily liquidated, and, moreover, can be liquidated at the convenience of the Government without the enormous penalty of interest, and avoid the excessive taxation which now threatens to discourage the production so vital and necessary for war defense.

EXISTING PUBLIC DEBT NOT DISTURBED

The existing public debt and the obligation to pay interest thereon, is not disturbed by the plan proposed, as the proposed plan contemplates the cessation of interest only on the additional money required.

The plan does not interfere with selling war saving stamps and bonds in exchange for currency and money of demand bank deposits. The sale of bonds to the consuming public for cash automatically retires a substantial part of the dollars created for war purposes, taxation does the same thing. The plan proposed is to make unnecessary the creation of more money for interest on new money required for defense and war.

I most respectfully call your attention to the fact that the history of the public debt discloses that the interest on the public debt has exceeded the principal, up to the world war, and has been a charge, and is now a charge, on the taxpayers.

It is respectfully urged that it is against a wise, economic policy to tax the people and penalize them for the privilege of exercising the sovereign right of the people to create money and regulate the value thereof.

The Constitution gave to the Congress of the United States the EXCLUSIVE RIGHT to create money, and forbade the individual states to do so. Congress having failed to adequately provide the money needed for the expanding commerce of the United States, the people did so through individual banks by permission, in the case of the National Banks, against government debt, and by consent with all banks against private debt secured by private property to the satisfaction of the bank. The weakness and great danger of this uncontrolled expansion of credit has been demonstrated by the indefensible and uncontrolled contraction, illustrated during the last decade when ten thousand banks failed as a consequence of uncontrolled contraction of credit money.

Nevertheless, the Federal Reserve System has been greatly strengthened during the last ten years by many safeguards, and can easily be made absolutely ~~impregnable~~ *impregnable*.

It is a matter of congratulation that the bureaus of research of the government, and of others, have greatly improved the general understanding of this subject matter, and fully justifies this letter to you. The mechanics of the suggestion I make is simple.



A certificate of debt for a billion dollars on a sheet of parchment is as good, in its effect, and of the same value as ten million engraved sheets of a hundred dollars each, or a million sheets of a thousand dollars each.

Such certificate deposited with the Reserve bank without interest is simple and inexpensive, and effective.

Such a plan would save the American taxpayers for the fiscal year 1943, FIFTEEN HUNDRED MILLION DOLLARS, and in the fiscal of 1944, THIRTY-FIVE HUNDRED MILLION DOLLARS.

This annual saving to the individual taxpayers of the United States will make it unnecessary for ~~The~~ Committee on Ways and Means to tax their ingenuity in finding additional ways in which to tax those with capacity to pay, or those whose capacity to pay is negligible.

Please accept assurances of my respect and good wishes.

Robt. L. Owen.