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SHALL CONGRESS REGULATE THE VALUE OF MONEY?

WHY AND HOW

Since the monetary and financial collapse of 1929-'32 etc., many nations have undertaken to stabilize and regulate the value of their domestic currency, such as Finland, Sweden, Japan, the Argentine, Italy, Germany, Russia, Great Britain, et al. The Federal Reserve Act, of 1913 contemplated controlling the volume of currency and bank credit money through the powers of the Government, preventing excessive issue by absorbing excess through Government taxes and having the people, out of their savings and bank deposits, buy bonds of the Government. The creation of money through Governmental influence should be in quantity sufficient to adequately meet the maximum production of commodities and services when the people able to work are all employed.

When England in 1932 undertook to manage its money, in five years it increased its production by 50 per cent. When Germany, with a more adequate system, created credit money and furnished it to its industries, it more than doubled its production for domestic consumption, and in addition built up an enormous volume of war munitions, tanks, planes, and motorized equipment for war with which it astounded its neighbors and the world. Its most powerful economic weapon was managed money and the uniform purchasing debt-paying power of money, which gave full employment to all the German people, and which furnished them with consumers' buying power and with capital required to modernize industrial machinery, carry inventories, pay wages and salaries, and not only produce but sell an increased production. Germany went further when it stabilized the purchasing power of its domestic money. It forbade unfair prices by the producer to the consumer and it prevented any arbitrary raises in wages that would upset the established normal commodity prices. The leaders of Germany have undertaken to suppass the world in the efficiency of its industrial production, as well as to surpass the world in the volume and perfection of its munitions of war. The United States now faces this German system with its sudden and unexpected capture of nearly all the productive machinery of Europe under a military do or die leadership, and controlling to a large measure the skilled and unskilled labor of Europe.

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Why? First, because obedience and loyalty to the Constitution of the United States imposes on the Congress in Article I, Section 8, Paragraph 5, the exclusive duty to create and "COIN MONEY AND REGULATE THE VALUE THEREOF."

Second, every member of the Senate of the United States and every member of the House of Representatives in Congress has taken a solemn oath to support without evasion the Constitution of the United States, to wit.

"I A. B. do solemnly swear (or affirm) that I will support and defend the Constitution of the United States against all enemies, foreign and domestic; that I will bear true faith and allegience to the same; that I take this obligation freely without any mental reservations or purpose of evasion; and that I will well and faithfully discharge the duties of the office on which I am about to enter, so help me God."

Third, because the fullest employment of American labor, energy, invention and productive facilities of the American people requires and imperatively demands an adequate supply of money for the free exchange of maximum commodities and services by the people, and that such money shall be controlled by the Congress of the United States so that the medium of exchange and the monetary unit of account shall not be subject to the indefensible private expansion or the indefensible private contraction, but shall be publicly controlled so as to give the people at all times an adequate supply of money whose debt-paying purchasing power shall be kept the same from one generation to another. Only through the powers of the Congress of the United States and the direction of the Congress of the United States properly implemented can this be done.

Fourth, because the Constitution of the United States not only authorizes Congress EXCLUSIVELY to create money, but FORBIDS the states to create money (U. S. Supreme Court, Legal Tender Cases).

Fifth, the failure of Congress by public control to regulate the expansion and contraction of money has resulted in the indefensible expansion and contraction of money by PRIVATELY OWNED BANKS, partly justified by the necessity of the people for an adequate supply of money under modern conditions of mass production.

Sixth, under this system of the uncontrolled and indefensible expansion and contraction of money by private persons, the hope of profit at times created excessive expansion of money with booms and through fear of loss caused an indefensible contraction with ruinous results, under which 16,000 banks have failed in the last twenty years, with hundreds of thousands of merchants and manufacturers and small businessmen, and almost complete ruin to the millions of farmers and stockmen in the United States.

Seventh, because both the Democratic Party and the Republican Party in their platforms in 1924, 1932, 1936 and 1940 are pledged to establish "sound currency, at all hazards." Sound currency means a monetary unit of uniform, permanent debt-paying purchasing power, just to creditor and debtor alike, and does not mean a dollar whose index is 60 in May, 1920; 107 in June, 1921; 167 in Fecruary, 1933; and 106 on December 20, 1941. It does not mean a dollar uncontrolled by Government. It does not mean a dollar issued by private persons having no political responsibility nor power of political control.

Eighth, because the justice of sound money and a dollar of stable purchasing power has been fully demonstrated by the evidence submitted before the committees of Congress, particularly on HR 7230, 75th Congress, proposing that the Government take over and employ the reserve banks as an implement for creating and regulating the value of money; because Senate Document 23, 76th Congress, fully and completely answers every objection and gives the soundest reason based on ascertained facts justifying Congressional action; and because the evidence on HR 5990, 77th Congress (page 2157), of the former chairman of the Committee on Banking and Currency of the United States Senate fully justifies the wisdom of a resolute Congressional mandate regulating the value of money and providing the means for its accomplishment (See page 2167, Senate Bill 2606, 76th Congress, introduced by Senator M. M. Logan and the comments thereon).

Ninth, because the objection to Congressional mandate has been fully answered in the testimony above referred to in a special memorandum (page 2191, hearings on HR 5990, 77th Congress).

Tenth, because at the depth of the last depression on full hearings before the Committee on Banking and Currency of the House of Representatives, there appeared the highest officials of the National Grange, of the National Farmers' Union, of the American Farm Bureau Federation, of the National Council of Farmer Cooperatives, and of the American Federation of Labor, urging the passage of a bill, then called the Goldsborough Bill, to do precisely this very thing, to wit, to restore the pre-depression dollar index and maintain it at par, and directing the Federal Reserve Banks and Federal Reserve Board and the Secretary of the Treasury to carry out this declared Congressional monetary policy. This bill was passed by 289-60 and was allowed to fail in the United States Senate by the defeated Party then in power (1932).

Eleventh, because, since that time, these great farm organizations, representing millions of dues-paying members, have repeatedly renewed their demands for this reform. Copies of their resolutions in part may be found in the testimony above referred to (Sen. Doc. 23, etc.).

Twelfth, because the President of the United States was nominated and elected in 1932, in part, upon this very issue and pledged himself repeatedly to the policy of restoring the pre-depression price level and thereafter maintaining it, to give the people a dollar whose debt-paying purchasing power should remain the same from one generation to another.

Thirteenth, because the Commissioners of Agriculture of the various states urged this reform ~~as~~ in justice to the farmers and stockmen, as in the hearings before the Committee on Agriculture and Forestry of the United States Senate, 75th Congress, June 1937, with the unanswerable argument of a special committee representing the National Council of Farmer Cooperatives, through Dr. Miller, whose testimony was unanswerable.

Fourteenth, because the President of the United States in a message to Congress on May 24, 1937 stated as follows:

"The overwhelming majority of our population earns its daily bread either in agriculture or in industry. One-third of our population, the overwhelming majority of which is in agriculture or industry, is ill-nourished, ill-clad and ill-housed".. ....."Legislation can, I hope, be passed at this session of the Congress further to help those who toil in factory and on farm. We have promised it. We cannot stand still." (In May the index representing farm commodities had an index of only 89 compared with the 1926 standards, but instead of rising for the relief of the farmers and the laborers of the country, the farm commodity index by December fell to 72 and the index of factory employment fell from 111 in May to 97 in December, and the index of factory wages from 110 in May to 84 in December. The President advised a forward march, and his executive managers responded with a prompt retreat through lack of understanding of modern monetary science and of the powers with which they had been entrusted by the Congress. Thus a third depression was caused by the unwise exercise of power by the executive authority in control of the Federal Reserve System, for the third time in twenty years.)

Fifteenth, the public interest in this matter is indicated by the fact that Congressman Voorhis of California filed in the last Congress with the Committee on Banking and Currency of the House, 50,000 Signatures of individuals of corporations seeking the stabilization of money by Congressional enactment.

Sixteenth, while the Federal Reserve Act has implemented Congressional control under a mandate that the powers of the system should be employed for the protection and promotion of industry and commerce, these powers were exercised in 1920-21 and again in 1929 and again in 1937, with the most destructive consequences to industry and commerce by officials controlling the Federal Reserve Board, the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, the Open Market Committee and the Federal Reserve Advisory Council, all four of which authorities were under the dominating influence of those who opposed the creation and regulation of the value of money by Congress. How and when they got control first was disclosed by Paul Warburg in his book, "The Federal Reserve System," and how they contributed to these three seri us facts has been fully set forth in the testimony heretofore referred to.

Seventeenth, in my letter to the Chairman of the Federal Reserve Board of Governors and the memorandum submitted therewith (page 2191, hearings on HR 5990, 77th Congress). When Senator Logan of Kentucky introduced Senate Bill 31, 76th Congress, containing a Congressional mandate to restore and maintain the pre-depression dollar index and directing the Federal Reserve Board, the Federal Reserve Banks, etc., to carry out this policy, the Chairman of the Board in the name of the Board submitted a report denying that the Board had the power or could be given the power to carry out this policy. This contention will be found answered in detail in the letter and memorandum cited.

This report is a complete demonstration of the absolute necessity of Congressional action as the Board of Governors has deliberately denied the quantitative theory upon which alone can Congress regulate the value of money. Overwhelming evidence has been already submitted and the highest authorities in the world cited in its correctness. Over 300 professional political economists who have recently studied this bill have favored 100 per cent reserves against demand deposits, thus taking from private persons or privately owned corporations the right to create and destroy the medium of exchange of the people of the United States.

Eighteenth, in my letter to Honorable Brent Spence, Representative in Congress from Kentucky, which he had published in the Congressional Record, February 4, 1941, ~~I was~~ pointed out the tragic consequence of the panic of '29, resulting not only in an actual loss of over two hundred billion in national income but a potential loss of over three hundred billion in excess of the actual loss, the total exceeding over six hundred billion, the figures based on dependable records and common authority. It therefore follows that to meet the greatest crisis in the history of America in an all out world-wide war, the Congress should use its full powers under the Constitution of the United States and give immediate action on this question.

How? At present the member banks and the great corporations dealing in finance are creating money by buying the bonds and obligations of the United States. The Federal Reserve Banks should be employed to do the same thing and the Federal Reserve Banks should buy the outstanding bonds and obligations of the United States and convert such non-liquid bank credit, leaving the owners of the bank credit thus created to buy new government obligations out of their demand bank deposits thus created.

When a bank depositor buys a Government obligation it does not expand the volume of money but merely transfers money already created to the use of the government. This is now being done with success by the Treasury Department, and is to be commended as a means of obviating money inflation.

Moreover, the present proposals of the Government to greatly increase the national income through credit expansion and to severely tax that income as a means of preventing inflation will suffice with the other powers of the Federal Reserve System not only to expand money to whatever extent is needed, but to prevent inflation and to justify the fixing of commodity prices where such commodity prices are unduly influenced by monopoly, by speculation or other unjustified causes. It is conceded that the Government can expand credit to whatever extent is necessary and it should be conceded that the Government can contract to whatever extent is necessary and advisable to prevent the purchasing power of the dollar from rising above par.

In the memorandum above referred to (page 2191) are recited eleven different ways in which the Reserve Board and the Reserve Banks contracted money in 1921, not counting selling bonds to the depositor nor absorbing money through taxation.

Any additional powers necessary could be provided by Congress when the Committees had the matter properly presented to them.

I submit herewith Senate Bill 2606 by Senator M. M. Logan of Kentucky, in June 1931 with his commentaries thereon as the mechanism by which to accomplish these results. (see page 2167). I trust the above abstract sufficiently answers your question, "SHALL CONGRESS REGULATE THE VALUE OF MONAY? WHY? AND HOW?

Yours respectfully,

RLO/bs