

Governor Clyde M. Reed correspondence, tax matters

Section 5, Pages 121 - 150

This is the second file of four including subject correspondence relating to tax matters. Topics in the correspondence cover but is not limited to the formation of the Taxpayers' League in Wichita, Kansas, the intangible tax, and farm taxes. This file is part of a bigger collection of Governor Clyde M. Reed correspondence. See also Unit IDs 450971, 450973 and 450974.

Creator: Kansas. Governor (1929-1931 : Reed)

Date: 1929-1931

Callnumber: Governor's Office, Governor Clyde Reed, Correspondence Files, Subject Files Box 20 Folder 5

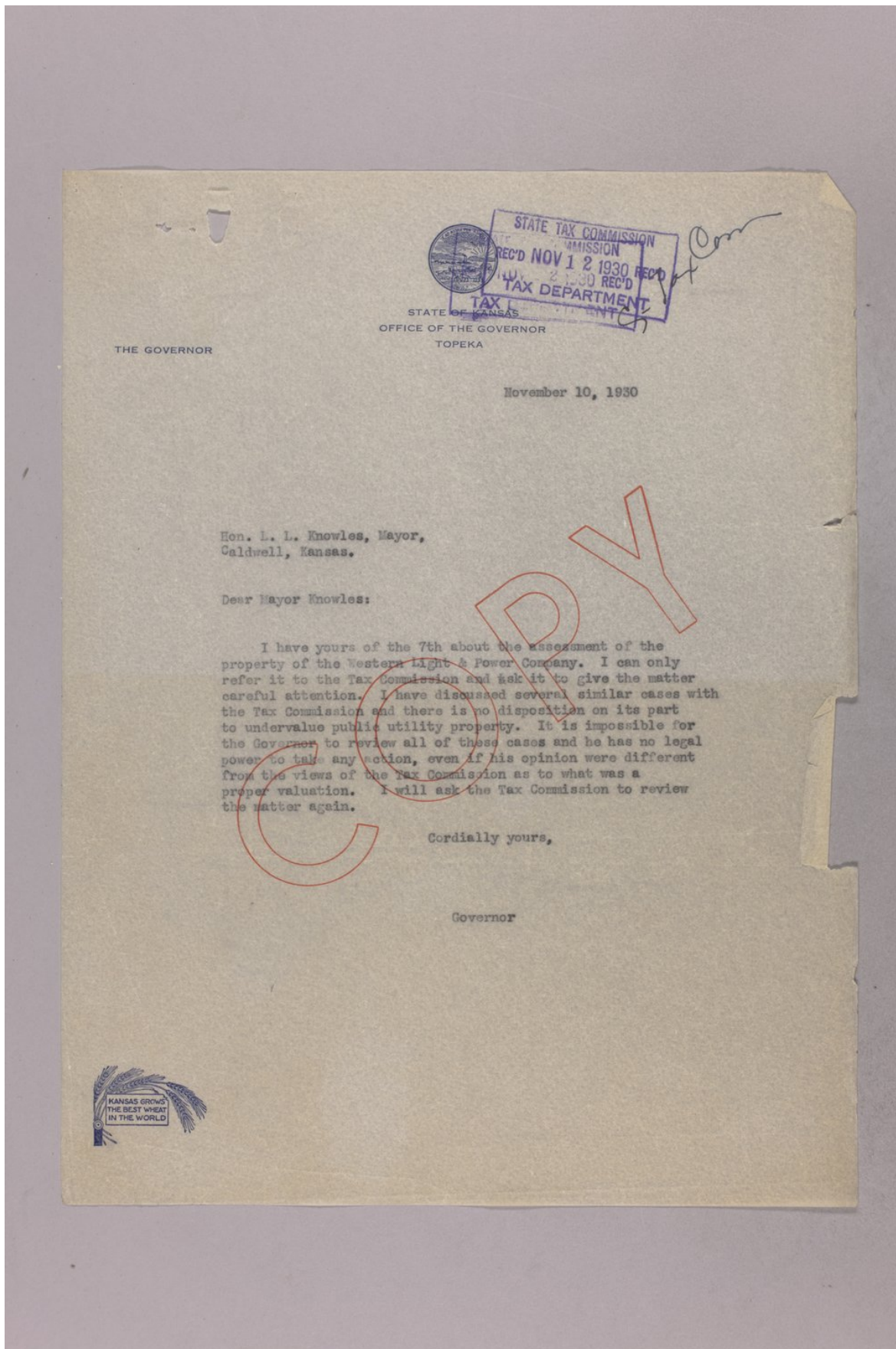
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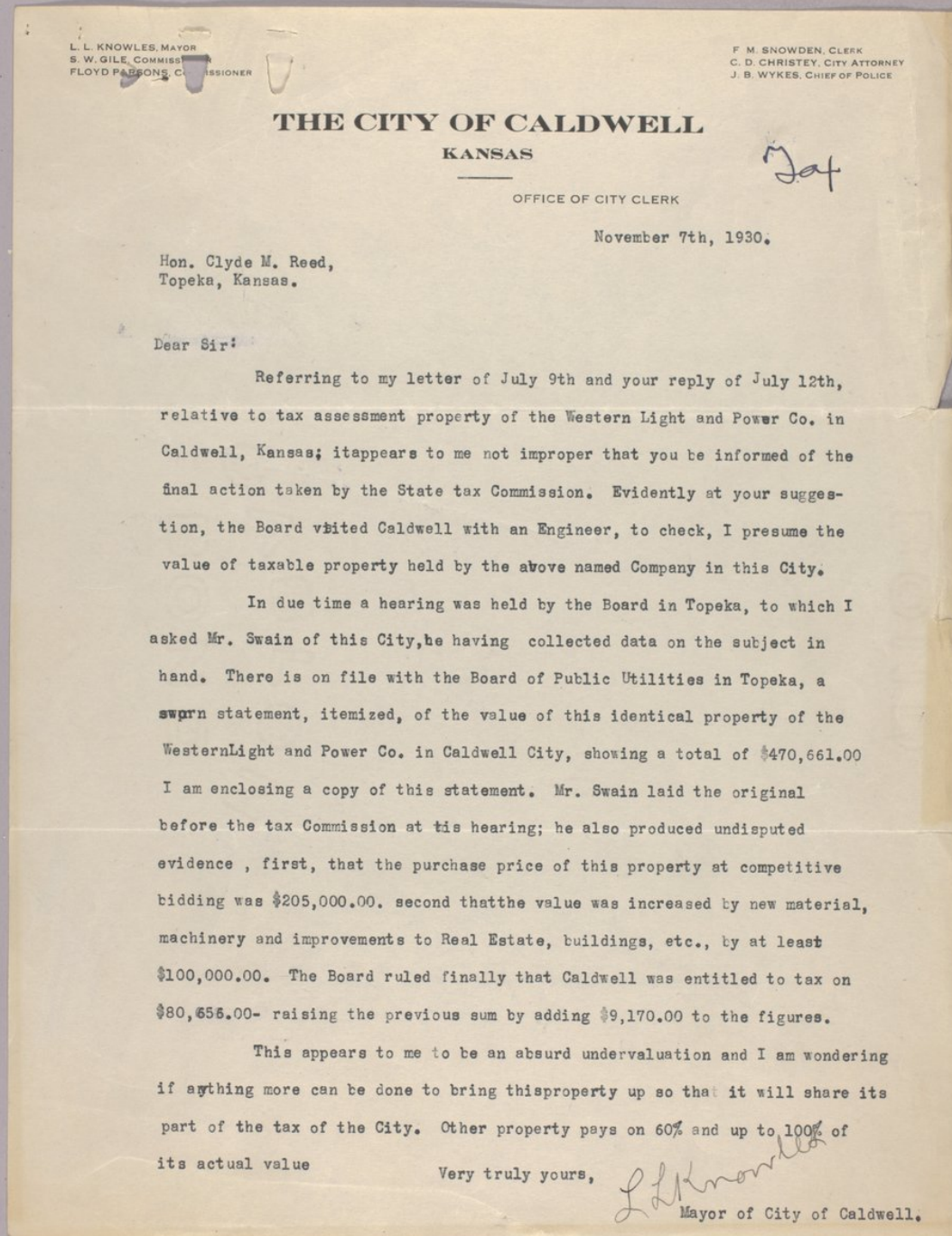
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Governor Clyde M. Reed correspondence, tax matters





Governor Clyde M. Reed correspondence, tax matters



Governor Clyde M. Reed correspondence, tax matters

Statement of Value of property of Caldwell Light & Power Co. in Caldwell, Kansas,
as filed with The State Commission.

WATER:-

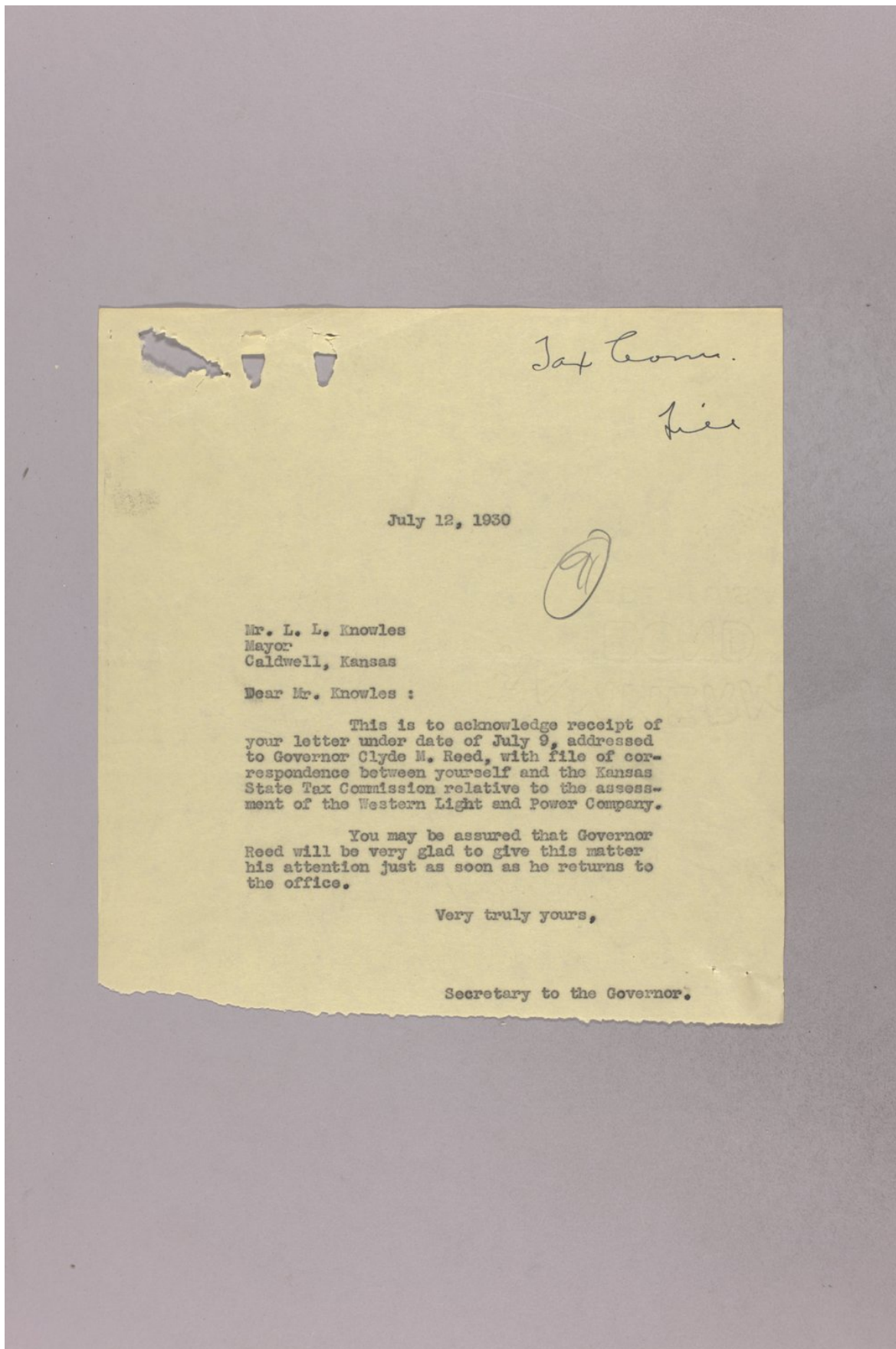
Land - - - - -	\$1800.00
Bldg. - Fixtures - Grounds - - - - -	1311.00
Wells - - - - -	3802.00
Intakes & Supply Main - - - - -	108699.00
Settling Basin - - - - -	8308.00
Storage Reservoirs, Tanks, Stand Pipe -	10747.00
Pumping Station Equipment - - - - -	5421.00
Distributing System - - - - -	66901.00
Mains - - - - -	4374.00
Hydrants - - - - -	1145.00
Transportation Equipment - - - - -	71.00
Total - - - - -	\$212579.00
Overhead Allowance 18% - - - - -	38264.00
Total Physical Property - - - - -	\$380761.00
Working Capital - - - - -	22300.00
Going Concerns Value - - - - -	\$ 67200.00
	\$470261.00

Lights:-

Right of Way - - - - -	1273.00
Land - - - - -	3600.00
Bldg. Fixtures & Grounds - - - - -	17022.00
Power Plant Equipment - - - - -	42813.00
Sub Station & Transformer Sta. Equip.	2439.00
Transmission System:-	
6600 Volts Line to Power House - - - -	12137.00
2300 Volts Farm Line - - - - -	2534.00
Distribution System:-	
Overhead Lines - - - - -	14743.00
Transformers - - - - -	3695.00
Meters - - - - -	6072.00
Street Lighting Equipment - - - - -	3087.00
Furniture & Fixtures - - - - -	158.00
Tools - - - - -	527.00
Total Const. Cost - - - - -	\$110100.00
Overhead Allowance 8% - - - - -	19818.00
	\$129918.00

April 1, 1928.

Governor Clyde M. Reed correspondence, tax matters



Inf Com.

file

July 12, 1930

(9)

Mr. L. L. Knowles
Mayor
Caldwell, Kansas

Dear Mr. Knowles :

This is to acknowledge receipt of your letter under date of July 9, addressed to Governor Clyde M. Reed, with file of correspondence between yourself and the Kansas State Tax Commission relative to the assessment of the Western Light and Power Company.

You may be assured that Governor Reed will be very glad to give this matter his attention just as soon as he returns to the office.

Very truly yours,

Secretary to the Governor.

Governor Clyde M. Reed correspondence, tax matters

July 12, 1930

Mr. Walter Pleasant
Chairman
State Tax Commission
Building

Dear Mr. Pleasant :

We are enclosing file received
from Mr. L. L. Knowles, city of Caldwell,
Kansas, relating to the assessment of the
Western Light and Power Company.

We will appreciate a memorandum
on the subject so that Governor Reed may
have the information upon his return to the
office.

Thanking you, I am

Very truly yours,

Secretary to the Governor.

Governor Clyde M. Reed correspondence, tax matters

*Tax matters
Legislative*

November 22, 1930

Honorable Charles M. Baird
Arkansas City, Kansas

Dear Charley:

This is to acknowledge receipt of your letter of November 19. I am also sorry that we failed to have the opportunity to discuss the recent election last Monday at Kansas City.

Governor Reed appreciates very much the fine things which you have said about his public service. He has a very high regard for your opinions. We all feel that you will be one of the strong men in the House this winter, and I hope that some much needed tax legislation will be enacted under the leadership of Governor-elect Woodring.

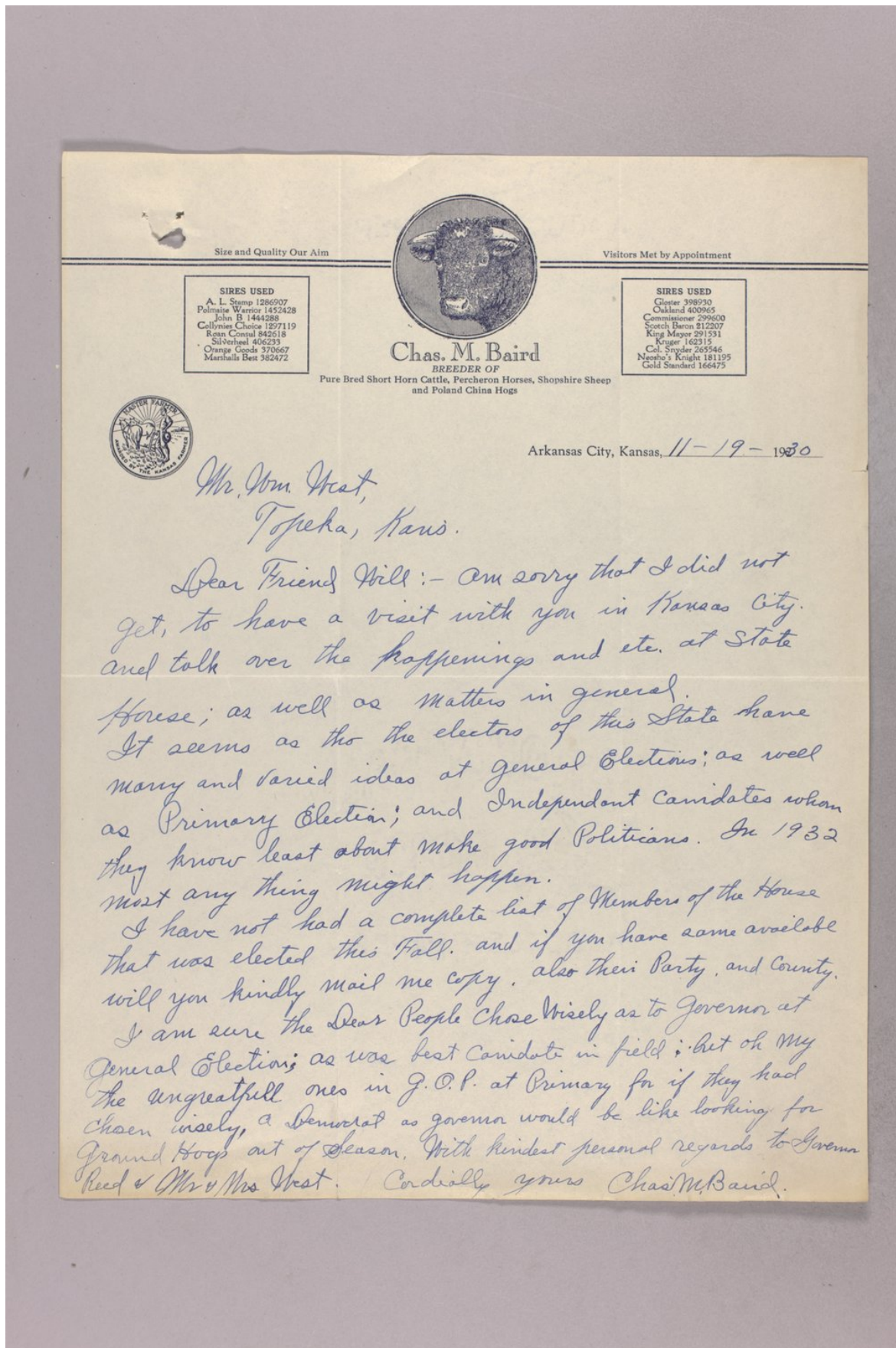
I am inclosing a list of House members as we have them compiled. I hope the list is correct.

With very best wishes, I am

Cordially yours,

Secretary to the Governor

Governor Clyde M. Reed correspondence, tax matters



Governor Clyde M. Reed correspondence, tax matters

Tapes
In re
Chain Stores

91

November 28, 1930

Mr. W. O. Anderson
Topeka, Kansas

Dear Mr. Anderson:

I have yours of the 26th in reply to my brief letter of the 21st.

A great many people have talked about chain stores. They are no more popular with me than they are with you, but so far no one has suggested what appears to be a solution of the problem.

I still fail to get the basis of your suggestion that the chain stores do not pay any gasoline tax in any state. You do not make that clear in your second letter.

To me the tax problem is the most difficult one we have to handle. I have given the matter considerable thought, but am still far from feeling that I am an expert on the subject. In fact, the more I know the less certain I am that any one plan suggested is a complete solution. I was for the income tax because I believed it would help, but to me that is only one of the things that might be used to relieve the burden of taxation upon general property, which is entirely too heavy, - a fact upon which I think most every informed man agrees. There are other things that might

Governor Clyde M. Reed correspondence, tax matters

be used, but in considering the tax situation as a whole it must always be remembered that there are but five sources of revenue, namely, taxes upon general property, incomes, production of natural resources, sales, and some miscellaneous sources, such as inheritances, excises, or licenses. From these sources must come the governmental revenue, whether it be city, county, or state. At the present time the general property tax is bearing an undue proportion of the burden when one considers the value of that tangible property as compared with the value of great amounts of property in other forms, which latter property does not bear its full part of the tax burden.

The United States is the only one of the so-called highly civilized nations of the world which uses the general property tax as its main source of revenue. Other countries use incomes, sales, and excises to a much larger degree than we do. Among the forty-eight states Kansas is one of the four or five most backward in the modernizing of its taxation system.

I am glad you are in favor of "a more equitable tax system", and wish we could talk the matter over.

I did not know that you were ill, and you have my sympathy. Write me again when you feel like it.

Cordially yours,

CMR-J

Governor

Governor Clyde M. Reed correspondence, tax matters

W. O. ANDERSON
TOPEKA, KANSAS

November 26, 1930.

Hon. Clyde M. Reed,
Topeka, Kansas.

My dear Governor:-

In reply to your letter of the 21st .. I did not aim to criticize. I presumed that you were well posted, at least slightly posted, along the lines upon which I wrote to you on November 19th.

I would have answered your letter sooner .. but you understand I am at home sick in bed, have been since last April.

I note that you call my statements 'curious.' So I am going to refer you to a report of 'Chain Stores' by Paul H. Neptroms, revised edition, April 1930, from the DOMESTIC DISTRIBUTION DEPARTMENT of the CHAMBER OF COMMERCE of the UNITED STATES, and refer you to page 27.

I would also refer you to a survey of current developments called .. "THE FACTS IN FOOD DISTRIBUTION" .. issued by the American Institute of Food Distributions, Inc., -- 360 Lexington Avenue, New York City.

If you write for these, you can perhaps get all of them for a year or two. I wired to our Secretary at Chicago for a few of these, and he has sent them to me .. but he states I must send them back because of the fact that they are the only ones he has, and I must return them for our files there.

That answers, I think - or will answer, - the 'curious' part that appears to you.

As to gasoline tax .. I would ask that you kindly go to your own records in the State of Kansas, and see how many truck licenses are applied for and paid for by any eastern owned chain store, among which are: McLellans, the J. C. Penny Co., Woolworth's, S. S. Kresge, etc., besides a great many others.

I believe that you are interested enough that, should you ever again be elected governor .. and you have my best wishes .. that you will give this some careful study.

Governor Clyde M. Reed correspondence, tax matters

W. O. ANDERSON
TOPEKA, KANSAS

GOVERNOR CLYDE M. REED .. 2

I do not want to criticize. I believe in good roads ..
I believe our main highway should be double the width
that it is .. it would save life and property, and
speed up business.

I believe that trucks and cars which travel on public
highways should help pay for them .. but I believe that
trucks and cars that never travel on highways should not
pay as much as those that do travel on public highways.

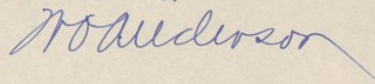
The motor driven truck is just in its infancy, and
slow moving trucks are a nuisance on the highway, especially
are they a nuisance to a man who hasn't anything to do but
travel on highways.

I believe that a special license to drive on a national
highway should be enforced .. but a truck which does not
travel on a highway should not pay for them any more than
a tractor which never travels on a highway.

This is quite a long letter, but I could make it fifty
times as long .. and then not explain half of what I
really know to be facts.

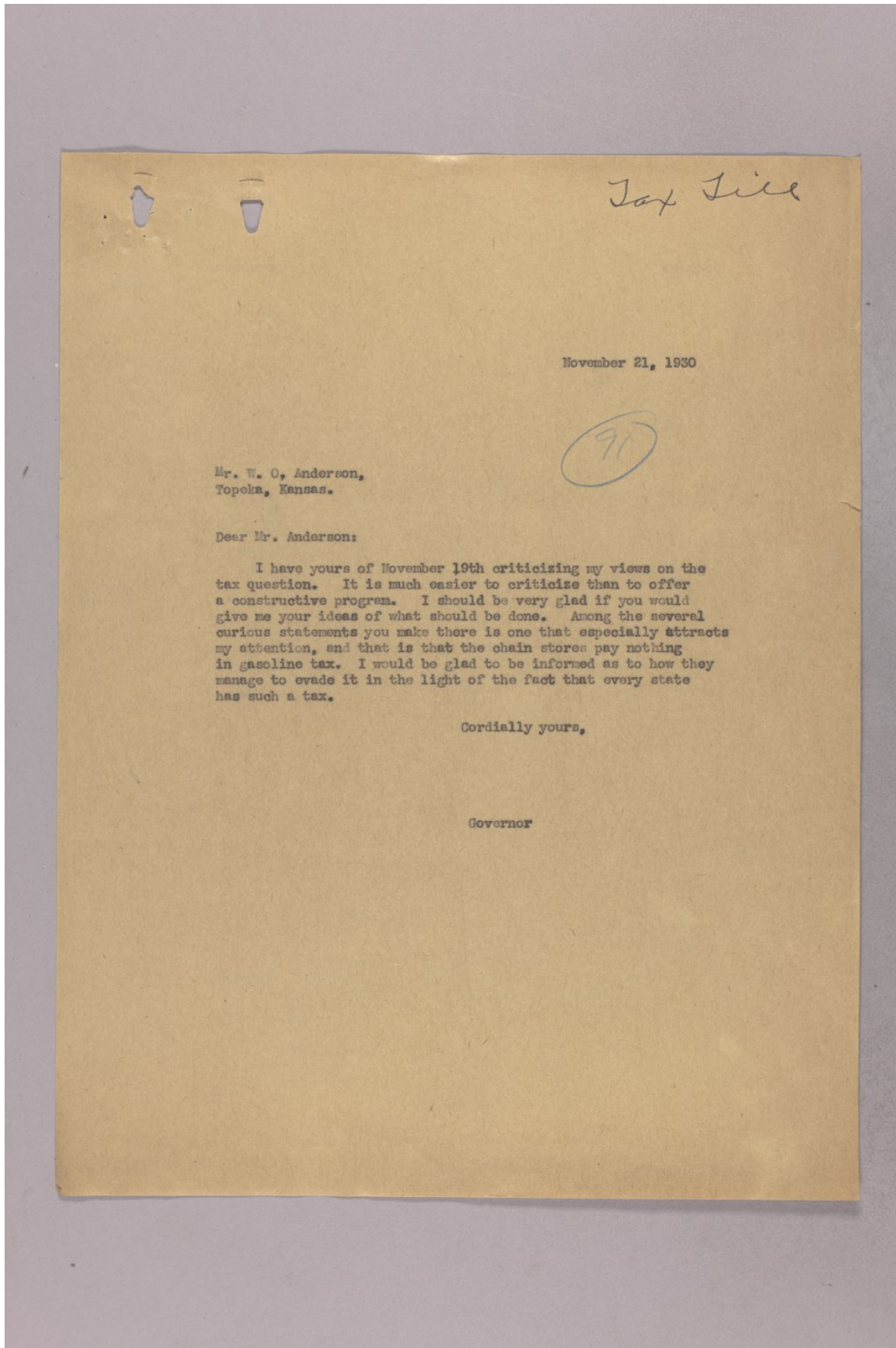
I have had, as you understand, some little experience in
the United States, and especially in Kansas .. and know
something about what I am talking about.

Yours sincerely,



WOA:HC

Governor Clyde M. Reed correspondence, tax matters



Governor Clyde M. Reed correspondence, tax matters

W. O. ANDERSON
TOPEKA, KANSAS

November 19, 1930.

Hon. Clyde M. Reed,
Topeka, Kansas.

My dear Governor:-

I noticed with interest your comment on defeat of the income tax amendment .. and your advocating a four cent gasoline tax.

If you were paying already thirty percent, or more, for motor transportation on a fleet of twenty odd trucks -- only one of which travels on country roads -- with all other service places of business doing likewise, you would think differently.

Do you know that the chain cash and carry stores, in the lines they carry, do forty percent of the business of the United States .. and that they profit most by all-weather roads, and pay nothing in gasoline tax? Is that your idea of an Equitable Tax System?

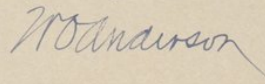
Then, again -- if there should be passed a State income tax, what - if any - would these stores or their employees pay? Most of their employees are paid less than other stores pay, and their higher-priced employees live outside the State .. and further, their general profit all goes to build the skylines of eastern cities.

We business men of Kansas want to pay .. and do pay .. our full portion of taxes, but believe in a more equitable tax system.

Another small .. or large .. item: Do you know that these chain stores do not buy from traveling men; that their system has thrown out of employment four hundred thousand traveling men, four hundred thousand bookkeepers and their assistants, one million city salesmen, one million deliverymen and boys, besides a great many collectors and other employees usually used by service stores.

Don't you think you have a little something to add to your thoughts?

Yours respectfully,



WQA:HC

Governor Clyde M. Reed correspondence, tax matters

Lafra

December 9, 1930

Mrs. Cecelia J. Berry
R. F. D. No. 1
Burlingame, Kansas

Dear Mrs. Berry:

This is to acknowledge receipt of your letter of December 8 addressed to Governor Clyde M. Reed, making complaint concerning your high taxes.

As you likely know, Governor Reed has been putting forth his best efforts in trying to equalize our tax burden so that owners of real property such as real estate, farm implements, horses and cattle would not be assessed such a high tax. The legislature this winter may be able to improve our taxation system. At least we are greatly in hopes that some beneficial legislation in this regard will be enacted.

I would suggest that you take your tax receipt to the County Clerk and ask him to verify your tax. If there has been no mistake, it is doubtful if there can be anything done to relieve you this year.

Very truly yours,

Secretary to the Governor

Governor Clyde M. Reed correspondence, tax matters

Burlingame Dec 8 - 1930

Dear Sir

I am writing you
to see if you cant
redde my tax we
have had no improvements
for year yet the tax
@lime we have no
personal tax or we
had the misfortune of
loosing stock we had the
misfortune of loosing a good
mule last week now if
you can help we will
appreciate it a very much
have no way to go to Lyndon
so am writing you
thanks in advance

Governor Clyde M. Reed correspondence, tax matters

Burlingame Dec 8 - 1933

Tax statement just received
9 a nw, 12, 13, 14, total \$ 17,31

Personal	\$ 21, 89
	<hr/>
	39, 20

now \$ 700 in all we had
and we feel it is intirely
to right will appreciate
your help please let me
know as soon as possible
and oblige

Mr. Bevelia, J. Perry

Burlingame

Arage Co

R-R-1

Man

Governor Clyde M. Reed correspondence, tax matters

Cable and Radio Address:
STAMON, NEW YORK

Telephone:
TOMPKINS SQUARE 5489

THE STABLE MONEY ASSOCIATION

104 FIFTH AVENUE, NEW YORK CITY

Organized to promote stabilization of the purchasing power of money by spreading understanding of:
The serious evils attending wide fluctuations in the general price level.
The preventability of such fluctuations.
The various methods proposed for stabilization.

Business
Rodney Reed

December 10, 1930.

Hon. Clyde M. Reed,
State Capitol,
Topeka, Kansas.

My dear Governor Reed:

I am writing to ask your assistance in working out plans for lessening the intensity of recurring fluctuations of business depression and over-expansion, so far as these are stimulated by imperfections in our monetary system.

Senator Borah is reported to have said that the loss to the American farming community due to the fall in prices which began in May, 1920, was "over twenty billion dollars." Dr. W. I. King's researches show that in the United States, within a five year period, the unstable dollar robbed some and enriched others to the extent of forty billion dollars. Professors Warren and Pearson, of Cornell University, have stated that more than one million farmers lost their farms as a result of the deflation which began in 1920. Henry A. Wallace, editor of "Wallace's Farmer," has estimated that forty per cent of the farmers' financial difficulties have been occasioned by fluctuations in the purchasing power of money.

Such considerations give point to the remark of Owen D. Young when he said: "The stability of money goes to the very basis of life; when any sudden change affects the purchasing power of money it touches every kind of moral question and every kind of obligation." As Sir Josiah Stamp says: "The problem of the price level is the most important single problem of our age; it is the most bitterly practical of all questions."

These men, together with many others who realize the serious social and economic effects of violent monetary fluctuations, are united in The Stable Money Association in an effort to study the causes of these fluctuations and to make generally known such recommendations as may give promise of relief. Admittedly, the problem of monetary stability involves such widespread and disastrous results that its solution ought not to be left to any small group of people. The best thought of the country must be focused upon it.



Governor Clyde M. Reed correspondence, tax matters

WE ADVOCATE A POLICY NOT A METHOD OR A PLAN

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As of October 28, 1930

Governor Clyde M. Reed correspondence, tax matters

WE STAND FOR A STABLE PRICE LEVEL . . . NEITHER INFLATION NOR DEFLATION

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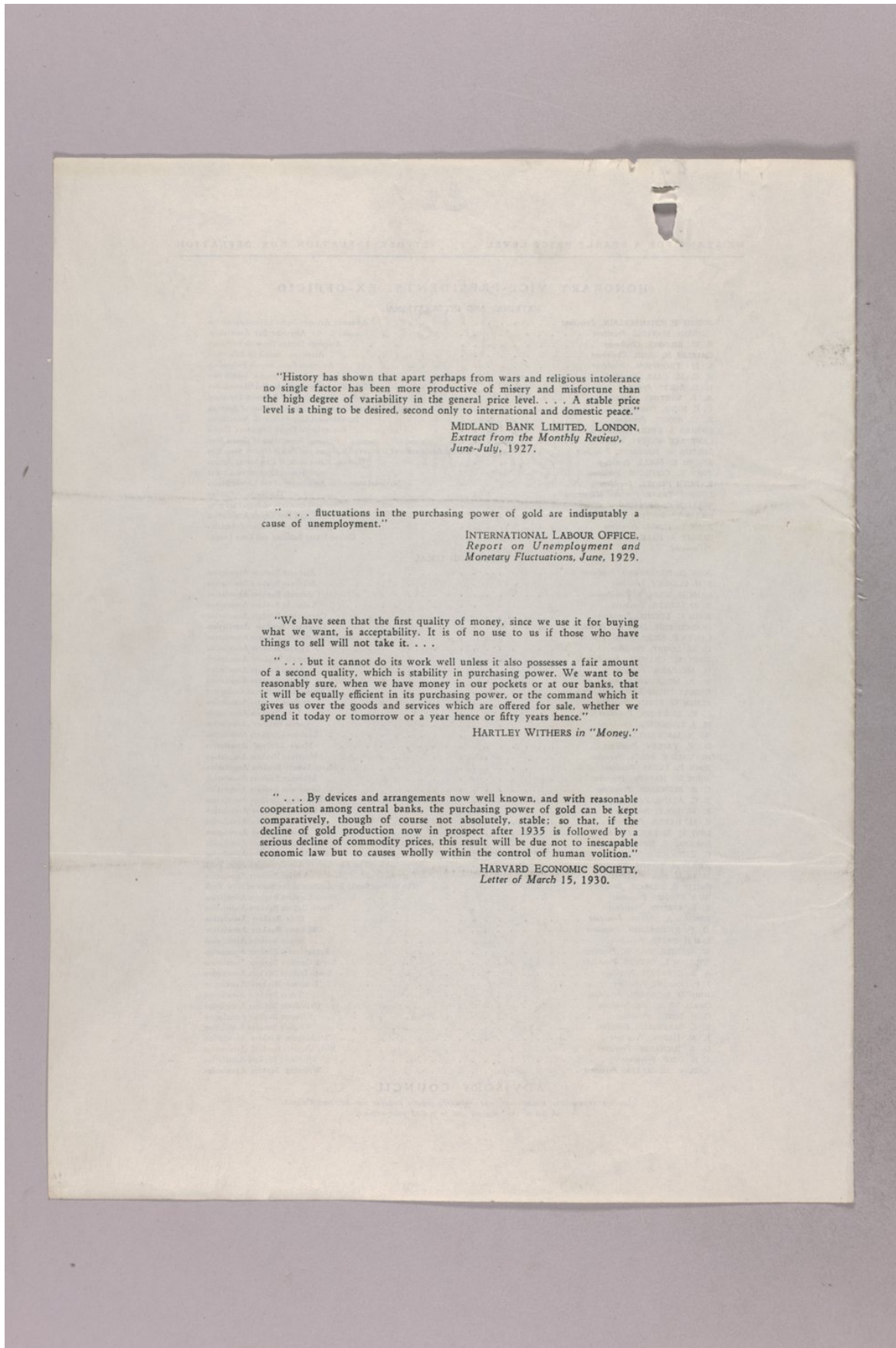
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G. H. BOYCE, <i>President</i>	Vermont Bankers Association
C. C. BARKSDALE, <i>President</i>	Virginia Bankers Association
R. M. HARDY, <i>President</i>	Washington Bankers Association
D. R. RICHARDS, <i>President</i>	West Virginia Bankers Association
E. H. COLE, <i>President</i>	Wisconsin Bankers Association
CARL F. SHUMAKER, <i>President</i>	Wyoming Bankers Association

ADVISORY COUNCIL

Leading economists, statisticians, and monetary experts compose our Advisory Council.
A list of the members will be mailed upon request.

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Hon. Clyde M. Reed -2-

To this end we are inviting fifteen or twenty citizens of each state, to whom the people of the state look for guidance, to serve as a State Council of The Stable Money Association. We are inviting onto these State Councils some persons who are students of monetary problems and at the same time others who would disavow any special knowledge of such matters; our invitation is chiefly based upon the consideration that the person invited is a leader of thought and action in his state. Membership on a State Council in no way curtails a person's freedom to advocate such stabilization methods as he deems wise; but the Association itself never takes a position either for or against any particular plan. Our activities are confined to the fields of research and education.

Our State Councils are not committees which will be asked to meet and undertake activities but rather groups of persons with whom we may counsel and to whom we may look for advice as to our activities within their respective states. We do, however, want to be sure that these, our Counsellors, are seriously impressed with the evils which result from alternating periods of inflation and deflation and that they are unwilling to allow these evils to continue if there is a reasonable chance of finding a sane solution.

By authority of our Board of Governors, I have the honor to invite you to serve on our Kansas State Council. We shall appreciate it if, in notifying us of your willingness to accept this appointment, you will also advise us of your personal attitude towards the stabilization problem - your own experience and observation of the effects of monetary instability on our social and industrial life, or suggestions regarding effective methods of advancing towards a solution.

Faithfully yours,

J. C. DeLano
President

P. S. A study of the names of the founders and officers of The Stable Money Association, which you will find on this lettersheet, will show you that we are deliberately associating in this work representatives of all phases of thought and occupation: liberals and conservatives; bankers, educators, farmers, laborers, merchants and manufacturers; and now we may add railroad presidents, since several of them have already consented to serve on State Councils.

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SOUTH CAROLINA BANKERS ASSOCIATION

ROOM 801 CAROLINA LIFE BUILDING

COLUMBIA, S. C.

W. L. GLOVER, PRESIDENT
VICE-PRESIDENT EDISTO NATIONAL BANK
ORANGEBURG, S. C.

A. L. M. WIGGINS, VICE-PRESIDENT
VICE-PRESIDENT BANK OF HARTSVILLE
HARTSVILLE, S. C.

B. H. MOSS, ATTORNEY
PRESIDENT EDISTO NATIONAL BANK
ORANGEBURG, S. C.

HENRY S. JOHNSON
SECRETARY-TREASURER

TO THE MEMBERS OF THE SOUTH CAROLINA BANKERS ASSOCIATION:

Your committee on Stabilization of the Money Standard submits the following report:

It is desirable that the basic principles of money stabilization be recognized, viz.: First, that movements of price levels bring serious consequences to business and society. Among these are huge transfers of wealth that cause great losses. Second, that the more plentiful becomes the supply of "money", (including in that term "credit", as well), in relation to the demand, the more its purchasing power, (or what it will buy) decreases, thereby increasing the level of prices, and, conversely, a decrease in the supply of "money" tends to increase its purchasing power, (or what it will buy), and results in a fall of the level of prices. In brief, and in general, more money, higher prices; less money, lower prices. Third, that the problem of stabilization is one of regulating the supply of "money" so that it will be in balance with the needs of business.

Stabilization is vital to the well-being of both the possessor of money and the seller of things money will buy. During a period of inflation, the owner of money finds its purchasing power reduced; and, during a time of deflation, the seller of goods finds his products generally bringing lower prices. The well-being of the world requires a reasonably stable money so that upsets may be limited and the disasters that always result from such changes may be avoided.

The problem of money stabilization is closely linked with gold supply and the utilization of gold reserves. The decreased annual production of gold since the war has reduced the ratio of available gold supply to the needs of business.

Governor Clyde M. Reed correspondence, tax matters

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In addition, the demands for gold have increased through the restoration of the gold standard in many countries and through the adoption of the gold standard or of a "gold exchange standard" by other important countries. This movement seems likely to increase. In addition, there has been sharp competition for the available gold supply among several great nations. The inevitable result has been to increase the purchasing power of gold, thereby reducing the general price level.

There seems little opportunity for the world to increase gold production. The principal opportunity for improving the situation, therefore, seems to lie along the lines of economy in the use of gold, together with some international concord which will make unnecessary the competition for existing stocks of gold and at the same time will reduce the requirements of the great banks of issue for reserve gold. Much progress has been made in the past few years along this line but substantial results necessarily are dependent upon an assured world peace.

It is most desirable that bankers and economists seek an understanding of the principles involved in the problem of money stabilization and recognize the far reaching effect that it will have in promoting the economic welfare of the peoples of the world. It is easy to understand that business cannot prosper when its yardstick of value is subject to frequent and often violent contractions and expansions. In linear measure, a yardstick is always thirty-six inches, but, in business, the money yard-stick may be thirty inches in length one year, forty inches the next year and twenty-five the following year. It is at once apparent that the stabilization of the measure of value is essential for the well-being of business. An illustration of the disastrous effect of the changed value of "the money yardstick", in a time of deflation is fresh in our minds from the experience of 1920-21. A man who borrowed money in 1920, in exchange for an obligation due one or more years later, received a dollar that had a purchasing power of about half that of the dollar he was required to pay in settling the obligation. The many

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farm loan foreclosures in the past few years largely resulted from the borrowers' being asked to pay their obligations in money that was about twice as valuable in purchasing power as the money they had borrowed. A similar condition exists in the matter of the international debts due the United States, a fact which contributes much to the present difficulties of Europe.

From the standpoint of South Carolina, the matter of an improved utilization of gold is of most vital import for the following reasons. South Carolina is primarily a state of production and its prosperity depends on a satisfactory level of prices. It is also a debtor state. Its money wealth is meager. Therefore, business in this State suffers with tragic consequences when the price level declines. Unless some improvement develops in the utilization of gold, inevitably the long trend of the price level must continue downward. The benefits will accrue to the creditors and the owners of fixed income bearing securities, the losses will fall on the debtors and the producers who must sell on a declining price level.

Your Committee commends to the careful study of South Carolina bankers the great problem of Money Stabilization. It is a matter which will largely determine the future standards of living and affect the welfare not only of the entire population of our State, but the lives and fortunes of remote peoples throughout the world.

Respectfully submitted,

Committee on Stabilization of the
Money Standard.

A. L. M. Wiggins, Chairman,
Vice-President, Bank of Hartsville, Hartsville, S.C.

W. J. Crowson,
Vice-President, Peoples State Bank of South
Carolina, Sumter, S. C.

F. F. Beattie,
President, First National Bank, Greenville, S. C.

South Carolina Bankers Convention, 1930.

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WALTER PLEASANT, CHAIRMAN
RODNEY A. ELWARD,
CLARENCE SMITH,
COMMISSIONERS
L. G. WILKINS, SECRETARY

STATE OF KANSAS
STATE TAX COMMISSION
—
TOPEKA

C. B. RANDALL, ATTORNEY

December 24, 1930.

Hon. Clyde M. Reed, Governor,
Building.

My dear Governor:

I have received the letter of Frederick A. DeLano of Washington, D. C., President of the Stable Money Association, addressed to you and referred to me for a memorandum. It is attached hereto.

I am not an expert on monetary matters, but have given some attention and do more or less reading along this line. The delay in answering your note is due to the fact I had to send to the Bureau of Land Economics and Public Service Research of Northwestern University for some information.

There is much to be said for Mr. DeLano's letter and the authorities he quotes. The scientific world uses a measuring stick which never changes. The mechanical world uses the horsepower as their measuring rod and the horsepower is a changeless standard of measurement in mechanics, just as the heat unit or the electric watt are absolutely changeless measuring sticks.

In economics, however, the world uses money as the measure of value. Money changes in value as rapidly as the commodities it buys. If the economic world had as fixed a measure of value as the scientific or industrial world, economic conditions would undoubtedly not be subject to the fluctuations which are constantly taking place. As stated above, the horsepower, the heat unit, the electric watt or the foot rule never change, but the dollar is constantly fluctuating in value. That is the principal reason why chemistry, mechanics and engineering are exact sciences whereas economics is anything but exact. There is no doubt that the present depressed price of agricultural products in most countries of the world is due principally to the fact that money has increased in price, rather than that the commodities are cheaper. In other words, the prevailing market conditions of raw materials, and especially in agriculture, is due to the dearth of money and the scarcity of gold, which is the basis for money, rather than to the cheapness of the commodities in question.

ADDRESS ALL CORRESPONDENCE TO STATE TAX COMMISSION



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S. T. C. Sheet No. 2

Hon. Clyde M. Reed.

Dec. 24, 1930.

It is significant that gold has practically disappeared from circulation as a form of money. Isaac F. Marcossion, the economic writer, in a recent article, pointed out the fact that practically all the gold in the world is now held in the vaults of a limited number of great financial institutions and in the treasury of a handful of the leading nations. This gold, being locked up in the vaults of great banks and government treasuries, has become, in the language of Mr. Marcossion, "sterilized." It is not performing its full function, and being, in effect, cornered by great banks and government treasuries, it has become unduly and unreasonably costly. Being so costly is the reason that a wheat farmer must now give ~~four bushels~~ ^{four bushels} of wheat to obtain a dollar, which is of course based on this controlling gold, where the same dollar eleven years ago could have been obtained for less than one bushel of wheat.

On this point one very striking and significant fact appears which is well worth one's thought. As you will remember, after the close of the war a process known as deflation was established, especially in Great Britain and the United States. This deflation was accompanied by industrial and agricultural depression which now exists. In both countries agriculture, the basic occupation, naturally suffered the worst. The American dollar, which was worth 50¢ during the war, was improved in value until it is now worth more than before the war. Agriculture and, to a certain extent, industry in both countries suffered severely from this deflation.

Curious
The significant fact is the contrast between these two countries and France. All authorities agree that France has no unemployment, is not suffering from depression and has a prosperous and thriving agricultural industry. These facts are undisputed. Alongside these facts regarding France we should set up the fact that French money was never deflated. The French government, a few years after the war, ~~paid~~ ^{paid} the French franc at 4¢ in American money and has held it at that point ever since. Prior to the war the French franc was worth 20¢ in American money and 10 pence in English money. There is every reason to believe that France's determination not to deflate its commodity prices but to fix the value of the franc at war prices has played an important part in keeping France a prosperous and thriving country when Great Britain, Germany and the United States have been passing through agonies of deflation and economic distress. *fixed*

It is a serious question with economists whether the United States could not have, ~~through~~ ^{through} a large measure, avoided the period of suffering through



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S. T. C. Sheet No. 3.

Hon. Clyde M. Reed.

Dec. 24, 1930.

which we are passing had it not undertaken to deflate commodity prices and inflate the value of money as we did. In the matter of government knowledge of economics and control of economic conditions we should remove our hats to the French.

Another very serious cause of the present economic distress was a very mistaken act of the government in arbitrarily shifting India to a gold basis from the silver basis on which it had carried on its business from time immemorial. India was changed to a gold basis in April, 1927. This was one of the causes of the fall in the value of silver from \$1.40 an ounce to 34¢. Since most of the accumulated savings of the vast population of India was in silver, either in coin or in bullion, this change to the gold basis was a staggering economic blow. India, as you know, has an enormous population and is the principal market for British exported manufactured products, and is also one of the most important markets for American exports. The change to a gold basis made a tremendous cut in the purchasing power of the population of that country, causing a tremendous falling off in their importation of British and American goods. Since the people of India stopped buying British manufactured goods, British factories reduced their output, went on part time, or shut down totally. This was one of the causes of the great unemployment in Great Britain, which in turn reduced British purchases of American food stuffs.

chain So there is an interesting and fascinating ~~change~~ of economic results. The British government puts India on a gold basis. India stops purchasing British manufactured goods. British factory workers stop buying American food stuffs. As a result American food stuffs decline greatly in price; all because a change in the basis of the monetary system of India.

Unlike France, the Italian government, under the guidance of Mussolini, also decided, a few years ago, to deflate its commodity prices and inflate its money by going on the gold basis with the usual result of a great economic depression.

There is no doubt that the quotation from Henry A. Wallace in Wallace's Farmer is correct where he says that 40% of the farmers' financial difficulties have been occasioned by the fluctuation of the purchasing power of money. Though not an authority on these matters, as stated before, in view of the experience of France, I believe that a study of the question would convince one that the greatest trouble with our agriculture, not only in this country but in many other countries, always except France, is due to the fact that money is very much dearer



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Dec. 24, 1930.

than it formerly was, instead of commodities being cheaper. France kept its money in the inflated value of commodities and has escaped unemployment and great economic distress such as has afflicted many other countries. Of course, in the case of France, a small group of investors known in their language as "rentiers", who correspond in part to our class known as "bonding holders", suffered. These rentiers were people who were living on the interest from their investments, largely in government and municipal bonds. Their income was materially cut by the fall in the value of the franc from 20¢ in our money to 4¢. But the productive classes and the productive industry of France experienced no such depression as has fallen upon the rest of the world. The rentiers of France, like bond holders in America, as a rule contribute nothing to the industrial and economic progress of the country. They are parasites upon industry and their financial distress has not greatly impressed those engaged in productive industry in that country. Our deflation of commodities and inflation of money has been of tremendous profit to our bond and mortgage holding classes, making great fortunes for a small number of the investing class and causing great economic distress to the producing classes of our country.

I do not know whether this memorandum is what you wished in connection with Mr. DeLano's letter but I trust that perhaps it may, in part, cover the field that you wish covered. The best information along this line that I can find is contained in the publications of the Institute for Research in Land, Economics and Public Utilities, which is a department of Northwestern University at Evanston, Illinois. This institute is presided over by Dr. Richard T. Ely, who has a number of very capable economists and sociologists in his department.

Yours respectfully,

Rodney A. Elward

RAE/TSE.

Governor Clyde M. Reed correspondence, tax matters

*Tax matter
Intangible Tax*

December 22, 1930

Honorable A. K. Barnes,
Alma, Kansas.

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Dear Senator Barnes:

I have yours of the 18th, which I have read with much interest.

I had a talk with Mr. Chase and Mr. Randall recently, and neither indicated to me any feeling on their part that the intangible tax laws should be reenacted. We discussed the tax situation in general and we all agreed that it is in a worse mess now than ever but neither suggested the reenactment of the intangible laws as a way out.

I shall be happy to talk the situation over with you at the first opportunity.

Cordially yours,

Governor

Governor Clyde M. Reed correspondence, tax matters

