

Letter #1

May 1930

Dear President Hoover,

I am writing to you on behalf of economists everywhere. There is considerable concern that the Smoot-Hawley Act of 1930 might cause more harm to our weakened economy. President Wilson said this when he vetoed stiff tariffs before his presidency ended: "If ever there was a time when Americans had anything to fear from foreign competition, that time has passed. If we wish to have Europe settle her debts, governmental or commercial, we must be prepared to buy from her." Tariffs will make the prices of imported goods higher. People will be less likely to buy higher-priced items. With the huge war debts from abroad, how can we expect payment if we refuse to buy European goods? We must be able to purchase goods from abroad if we are to enable them to repay the debt owed to us. Smoot-Hawley can only make things worse for our debt collection from abroad.

Smoot-Hawley was discussed in Congress before Oct. 29, 1929. It had a negative impact on the stock market. We understand that you have a desire to see higher duties on certain agricultural products. The value of a Tariff Commission that can adjust import duties might be beneficial to other business sectors by taking out "excessive and privileged protection" for certain manufactured goods. These tariffs should be revised upward only where "there has been a substantial slackening of activity in an industry during the past few years and a consequent decrease of employment due to insurmountable competition."

Again, I urge you to veto this bill as 1,028 economists earlier requested. This tariff will raise prices to consumers, damage export trade, hurt farmers, promote inefficiency and promote foreign reprisals. I can only see serious damage in the future if this Act passes and you sign it.

I think that the Federal Reserve should increase the money supply so that consumers who need loans to help them weather this economic slowdown can get them.

Sincerely,
Daniel K. Pakko

Letter #2

March 1931

Dear Mae,

We are doing fine here. I hope you are all well. Sorry to hear that Sam was laid off from the Ford plant. Has he tried to get on at Chevrolet? I am relieved that cars are not made here. Ernest is making \$1 a day painting the bridge. He says he's happy that we have our truck farm. I sell eggs for seven cents a dozen. It helps pay for groceries. We took the money daddy left me and paid off our little truck farm. Small farmers like us are being hurt badly by low prices for crops and produce. We never could afford much, and now that agricultural prices are lower everywhere, we still can't buy what we would like. We did, however, get a new radio. Our payment is 50 cents a month, and I sell enough eggs to make the payment. I want a new electric iron next. Maybe one day.

Ernest says that the big farmers across the river are the ones who are really hurting. They borrowed a lot of money from the bank and now have to pay it back. Cotton is selling for practically nothing now. There is a lot of cheap cotton coming in from overseas. Our farmers can't compete. Ernest says some of the new tractors cost as much as \$300. Can you believe that? He says that big farmers are not able to get new loans so they will probably lose their farms. They can't pay for the loans they have now. He says we need another high tariff to keep cheap wheat and cotton from coming into America so our farmers can get higher prices for their crops.

At least we are eating. The potato crop was really good this year. I owe \$5 at the general store, but it might as well be a million with the income we have.

Yours truly,

Tessie

Letter #3

October 1931

Dear Treasury Secretary Mellon,

It is my firm belief that we should hold our economy to a balanced budget. With that in mind, I have asked Congress to raise taxes sharply in order to have the funds needed to balance our budget. The tax revenues brought in will be used to pay for the many projects that are going on in the United States. This will replace the tax cut that I instituted right after the stock market crash.

In order to stimulate our economy, I am urging state and local governments to increase their spending on public works projects. By raising taxes on incomes earned by those who receive jobs from these work programs, we will be able to fund more federal projects in order to put more people back to work.

These tax increases will allow us to balance the national budget while implementing work programs that put U.S. citizens back to work and restore their dignity.

Please join me in support of this endeavor.

President Herbert Hoover

Letter #4

January 1932

Dear Tessie,

I got your letter today. It was so good to hear from you. Sam can't find work like he was doing in the Ford plant, though he has gone to work at a mechanic shop fixing old cars. Glad you got a radio; we had to let ours go back—we couldn't pay for it. Sam is not making what he used to make. We are trying to sell our house. We owe \$2,200 for it and can't make the payment. Trouble is, everyone in our block is doing the same thing. There are houses all over Detroit for sale—even new ones that were built because the government said times were good. I hear people are losing their houses all over the country because they can't make the payments.

Sam had invested some money in the stock market. The stock we had was selling for \$10 a share. Since the stock market crashed, it is now only worth \$2 a share. It could have been worse, though. Thank goodness we had not gotten a loan to buy more shares of stock like Sam wanted to do. We wouldn't be able to repay the money. Our bank was a member bank of the Federal Reserve, so we didn't have to worry about it closing. That was more frightening than a stock market crash. At least we could get our money out of our account at the bank when we needed it.

Ford will be hiring soon, so maybe Sam can go back to work at the plant. Boy, I wish that I could make what the owners of the big companies are making. Did you see where 5 percent of them made over 33 percent of the income in America? Though so many people can't afford things right now, the things they can buy are getting cheaper and cheaper. If I only had some money to spend! I hope people can afford to buy the new Fords.

Yours,

Mae

Letter #5

February 1933

Dear Mr. Haralson,

Auditors of our bank have found some areas of concern in the bank's portfolios. We have, per your suggestion as our bank president, invested heavily in the stock market. Since Oct. 29, 1929, the value of our investments has declined sharply. Because of this, will we be able to meet our customers' financial needs?

The newspaper this morning reported that the U.S. unemployment has risen to 25 percent. In our city, unemployment is even higher. Businesses to which we have made loans are closing and firing workers. Home mortgage payments are staying the same, yet many of our customers in this time of high unemployment and low prices are unable to repay their loans, due to the loss of income. We have had to foreclose on many home loans and, because of the flood of houses on the market, we find that we're taking possession of worthless properties that nobody can afford to buy.

These factors concern this bank's board of directors. Please let us know what the plans are to make sure that our bank stays solvent and a good citizen of our community.

Sincerely,

Taylor M. Wydown

Chairman, Bank Board of Directors

Letter #6

April 1933

Dear President Roosevelt,

We are writing to you in response to your letter. The Federal Reserve Board wants to report that all banks that are members of the Federal Reserve System are doing well. They were provided funds through the Fed's discount window to ensure that banks had enough money on hand to meet consumers' demands. As you know, the discount window is a mechanism for the Fed to extend credit or loans to eligible banks to help those banks meet their customers' needs. We quite agree with Andrew Mellon, former Treasury Secretary, that if we leave the stock market to its own mechanisms, it will eventually correct itself.

In defense of Fed actions, here are some relevant facts that you must consider:

- The discount rate (the rate at which the Federal Reserve lends to commercial banks) was decreased.
- The Federal Reserve has been very liberal in its lending to member banks so the member banks could meet their obligations.
- Our economy is tied to the gold standard. Outflow of gold from the banking system could cause the money stock to decrease. The interest rate must rise sharply if we are to stem the flow of gold out of our Treasury, because higher interest rates will continue to attract dollar deposits.

The Federal Reserve is keeping to the dictates of the laws that put our institution into place. Please note that everything we are doing is within the realm of what can be done by the Federal Reserve.

Respectfully yours,

Board of Governors

Federal Reserve System