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NEW YORK, NY

Haverford, Pa.
January 12, 1935.

Honorable Charles E. Hughes,
Washington, D. C.

Honorable Sir,

It has occurred to me that in case your Court should decide to uphold the gold clause in domestic bond issues, the effects of your decision can be made to exert a profoundly steadying influence at this critical time in world affairs. The President, I believe, still has the delegated authority to value the paper dollar between 50% and 100% of its former value. Through an intermediary, your Court's conclusions may be brought to the President's attention before being publicly announced. The President, after the close of business on an agreed date, could revalue the currency dollar at 100% of its old value measured by gold, simultaneously with the publication of your decision.

Revaluation of the currency dollar to the old parity removes the gold clause problem completely, both in domestic and foreign contracts. Revaluation will affect only speculators in foreign exchange who have sold dollars short, and the profits of a few small gold mining companies. Control of domestic agricultural prices is in strong hands and could not be greatly affected. A staple like cotton might theoretically command a lower dollar world price, but the actual result could easily be a buoyant rise in world prices.

Depreciating currencies in foreign exchange is an international poker game that all nations can play and which most are doing, largely to their own detriment. Probably no other thing has recently been so responsible for interfering with trade, fostering international suspicion and animosities, as this. A decision to play straight by this country can exert a profound stabilizing influence internationally.

In case your Court's decision should be that only foreign holders of domestic obligations shall receive the gold contract value, great injustice might be done to particular issuers whose bonds are in the hands of foreign holders. In addition there might be induced a general exodus of gold contract bonds to foreign countries in view of the larger dollar return they would yield there. This partial verdict for the gold clause would no doubt cause more damage than a full decision with the necessary revaluation of the dollar. After all, domestic business is not done on a gold or currency basis, it is primarily done through bank credit and bank checks. The experiment has been tried, and we may safely conclude that currency tinkering for us is not now a practical thing.

It is with the utmost admiration for your high qualities that I bring these thoughts to your attention. I can conceive of no other person who could better be the instrument for recording a decision so epoch-making in the real welfare of all the people. This letter is tendered you in strictest confidence, and its contents have been disclosed to no one else. Neither I, nor the firm I represent, have any expectation or intention of profiting therefrom.

With deepest personal regard,

Respectfully yours,

H. Dudley Kellogg