

CROSSETT WATZEL GATES

MANUFACTURERS OF FOREST PRODUCTS

80 EAST JACKSON BOULEVARD

CHICAGO

May 28, 1943.

Dear Marriner:

I read Moulton's new pamphlet last night on the internal debt philosophy, and was disappointed that he didn't make a stronger case against it, as I am firmly convinced it is a very dangerous policy. If followed, this country is bound to turn into some type of collective state.

You told me at Hot Springs, you would like to send me a paper, I think by Macaulay, that discusses the English debt policy viewed from his time. I would like to read it and would appreciate it very much if you will do this.

Our little community of Crossett, Arkansas, made an excellent showing in the second War Loan drive and I believe that you will be interested in the copy of a May 18, 1943 letter from the Bank of Crossett giving the details. Please note that the entire quota was more than over subscribed by just individuals. In view of the fact that there are no rich people in Crossett, this experience down there will lend some encouragement, at least, to both you and Secretary Morgenthau to set a much higher percentage for individual quotas in the whole country in the next drive than the two and one-half billion quota in the last drive. I agree with you that it is all-important to radically bump the Government's intake. The latest story around here is that girls are buying two fur coats because they can't make up their minds which of the two they like the best!

I enjoyed playing golf with you a lot, and particularly that talk we had on the porch Sunday afternoon. I still say that you are a lot like Silcox, even though you countered with "Why, he was a radical"! That's nothing against you, however, because I always liked Sil. I have just been at Crossett with the new Chief Forester, Lyle Watts, and if you as a lumberman want some free advice as to how to make private forestry pay,

just come down there sometime with me. We are now growing twice as much pulpwood and timber as we are taking off the 500,000 acres of land that the Company owns, and there is no question but that the present 250 ton kraft paper plant, the two sawmills, and the wood distillation chemical plant will always have a permanent supply of raw material.

Yours sincerely,

John Watzek.

Hon. Marriner S. Eccles,
Chairman, Board of Governors,
Federal Reserve System,
Federal Reserve Building,
Washington, D. C.

Division of Operations
Federal Reserve Bank of St. Louis
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The citation for the original is:

Journal of Forestry, "Experts Again View Crossett Forest Layout," 1943.

CROSSETT-WATZEK-GATES

CHICAGO

INTER-OFFICE CORRESPONDENCE

Copy

May 18, 1943.

From Bank of Crossett
To Mr. J. W. Watzek, Jr.

Since our conversation this morning about the Second War Loan Drive, I think the following information regarding the accomplishments of the Committee for Crossett might be interesting to you.

Against a quota of \$84,000.00 total sales amounted to \$166,656.75, not including the \$100,000.00 subscription of this bank for the 2% Treasury Bonds of 1952-50. Sales were made up as follows:

	Individual	Corporations
Series E, F & G War Savings Bonds .	\$71,656.75	none
Tax Series "C" Notes	6,000.00	\$50,000.00
7/8% Treasury Certificates of indebtedness	1,000.00	none
2% Treasury Bonds of 1952-50	12,000.00	4,000.00
2 1/2% Treasury Bonds of 1969-64	22,000.00	none
	\$112,656.75	\$54,000.00
Total		
Bank's subscription to 2% Treasury Bonds of 1950-52 - not counted in drive		\$100,000.00
Grand total all subscriptions from Crossett	\$112,656.75	\$154,000.00

G. H. Norman.

June 1, 1943.

Dear John:

Thank you for your letter of May 28, including the newspaper clipping, quoting the Journal of Forestry to your great credit, and the copy of the memorandum from the Bank of Crossett giving the results of the Second War Loan Drive. As you know, I agree with your view that the individual quotas ought to be set much higher. I had not heard about the two fur coats aspiration, which seems to be the modern version of two cars for every garage story.

I have not had an opportunity to give Moulton's pamphlet much attention, but Beardsley Ruml and some others who have read it carefully consider it "superficial and misinformed", so I am not surprised at his failure to make a stronger case. The important thing is to see the debt picture in correct focus. I enclose the Macaulay statement which I mentioned because it is a rather remarkable historian's commentary on the failure of the economists of his time, as well as the British financial leaders, to see the debt problem in its correct proportion relative to the growth, wealth and national income of Great Britain. Of course, it does not follow that debt is by any means a blessing in and of itself so that the more you have of it, the better off you would be. But you could not have a going profit-motive capitalistic system if you didn't have debt. Obviously, there is no virtue in saving, much as that virtue is advertised, if there is nobody to borrow the savings and put them to work, which means creating debt.

I tried to put the debt matter briefly in focus in an article I wrote for the May issue of the Survey Graphic. I enclose a copy of this discussion and have marked the references to the debt situation.

This subject was also discussed as far back as 1780 by Robert Peel who, I believe, was the father of the more celebrated originator of the British "bobby" system. He had the courage to put out a pamphlet entitled "The Public Debt - Productive of National Prosperity", making much the same argument that is implied in Macaulay's discussion. Although Peel circulated this pamphlet contending that domestic public debt owed by itself to the community cannot impair the aggregate worth of the community,

he managed to be elected to Parliament in 1790.

I, too, enjoyed the golf with you and our discussion and hope I will have an opportunity to join you in both diversions again soon.

With kindest personal regards,

Sincerely yours,

Mr. John Watzek,
Crossett Watzek Gates,
80 East Jackson Boulevard,
Chicago, Illinois.

Enclosures 2

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CROSSETT WATZEL GATES

MANUFACTURERS OF FOREST PRODUCTS

80 EAST JACKSON BOULEVARD

CHICAGO

June 5, 1943.

Dear Marriner:

Thanks very much for sending me with your June 1, 1943 letter the Macaulay statement and particularly a copy of the May issue of the Survey Graphic that contains your good article "Where is the Money Coming From?"

I was particularly interested in this article of yours and want to let you know that I agree with everything that you say. It is constructive and sound and I certainly would not consider it radical!

Yours sincerely,

John H. Watzel Jr.

Hon. Marriner S. Eccles,
Chairman, Board of Governors,
Federal Reserve System,
Washington, D. C.

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JUN 11 1943
COMMERCIAL OFFICE
FEDERAL RESERVE BANK