

September 15, 1956

PERSONAL AND CONFIDENTIAL

Mr. A. P. Giannini
Bank of America
San Francisco, California

Dear Mr. Giannini:

While I was away on vacation there were forwarded to me your two personal notes attached to communications received from Mr. S. R. Latshaw, President of the Butterick Company, and from Mr. Joseph E. Goodbar, President of the Society for Stability in Money and Banking. Since you invited comments regarding the communications, I am making bold to follow your invitation.

The communication from Mr. Latshaw enclosed a proposed pledge which the Delineator is inviting its readers to sign and send to their congressman. This pledge is a part of an article by Mr. Rukeyser couched in the form of a letter from a wife to her husband. This letter describes an imaginary meeting with some well intentioned ladies in which they took their congressman to task for his part in the reckless expenditures of the government. The message is about the same as that contained in most of the magazines today which cater to national advertising and hence follows very closely the official propoganda of big business. As to the pledge, it is not so bad, especially since it declares itself against "unnecessary Federal expenditures for indefensible projects or jobs in my community". I don't suppose Mr. Hopkins or any of his people admit any desire to carry on indefensible projects.

The fundamental error in Rukeyser's article and in the declaration is as follows: "Whereas our nation is but a collection of families and, even as one family which lives beyond its income must run into debt, so must a nation." This statement is perfectly accurate taken by itself, but it contains an insinuation that since it is unwise for an individual family to live beyond its income, therefore the government should never live beyond its income. Following this argument to its logical conclusion,

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the government should have spent less than ever in 1931, 1932, 1933 and 1934 and should have spent a great deal more than it did in 1927, 1928, 1929 and 1930 when it was accumulating surpluses. This is of course a large subject but it seems perfectly obvious to me that the nation may at times be required to do precisely the opposite thing that is forced upon an individual family. A fundamental objective of government must be social and hence it must govern its activities, including its expenditures, by considerations of public welfare and not according to the receipts or income of the government during any fiscal year. It may well be therefore that in the late 20's the government should have paid off more of its debt and left income taxes where they were instead of reducing them so as to compensate for the growing over-expansion of business and private spending during that period. And it is perfectly obvious to me that the government was forced to expend many times its annual income to meet the emergency which is now just passing.

On the whole, the Rukeyser article is not so bad even in spite of the fundamental misconception referred to above, for it does contain one healthy idea, namely that local communities should not be forever demanding appropriations for their particular benefit as that simply means that their congressman must trade with congressmen representing other communities and thus swell the total governmental expenditure for various local projects some of which may not be useful from the economic point of view. I don't think any reply of yours, however, would do any good as the Delineator is undoubtedly in the same political camp as the Ladies' Home Journal and the rest of the Curtis Publishing Company's family.

The communication from Mr. Goodbar inviting you to become a governor of the Society for Stability in Money and Banking is too vague to evaluate. The purposes of the Society appear to be fairly intelligent and rather suggest that the Society will be broad in its program rather than narrow. It is not indicated, however, who the people are behind the movement and for that reason I would suggest that you pay no attention to Mr. Goodbar's letter unless you have other information on this phase of the matter.

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My chief is due in San Francisco about the time this letter reaches you and very likely you will have seen him about this time.

With kindest regards, I am

Yours sincerely,

Lawrence Clayton
Assistant to the Chairman

LC/fg