

MOSHER STEEL COMPANY

FOUNDED - 1885

HOUSTON, TEXAS April 8, 1939

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

Dear Mr. Eccles:

I have read a letter addressed to you by Honorable Harry Flood Byrd dated January 14th and I will appreciate very much copy of the published letter addressed to him to which he replied.

It is claimed that 30% of National Income is now required for local State and Federal taxes. In the Wilson Administration, Federal taxes did not exceed \$750,000,000. In 1939, it is estimated as \$9,492,000,000 having increased from that amount in 1933 \$3,864,000,000.

I was in Washington a short time ago and mentioned to my friend and Senator, Tom Connally, that we were facing repudiation or inflation of Federal securities. He answered that he did not believe that we would see inflation and I stated that that was what I expected and that in May 1924, I had paid \$24,000,000 (100 Million Marks) for a 2-1/2¹/₂ street car ride *in Germany*. I know a very successful man, whom I have frequently heard say - "The way to make money, is not to spend it". This principle applies to a government as well as an individual.

I have held positions of executive responsibility since 1893 and in every depression since then, it has been corrected in from 17 months to three years from the trough of the depression. It is now six years since the trough (1932) of the present depression.

I am enclosing an exhibit that according to Barron's, we are now about 64% of activity in 1929, though in every previous depression we had recovered and exceeded previous activity prior to the depression within a period of three years. I quote the following:

<u>INDEX OF BUSINESS ACTIVITY LEAGUE OF NATIONS GENEVA INDEX</u>	<u>1932</u>	<u>FIRST HALF OF 1938</u>
Japan	98	179
Sweden	89	146
Germany	53	124
Great Britain	83	124
Italy	67	100
Canada	58	91
France	69	79
United States	54	64

In connection with the above, I am making this claim:

There is a certain and enduring way for an individual organization or nation to be prosperous, successful and expanding and that is to produce (at lowest possible costs consistent with efficient management) more goods and services than consumptive requirements and dispose of surpluses to other individuals, organizations and nations, and build up credit balances.

In regard to the unemployment situation, according to IRON AGE, our present unemployment is 10,645,000 with 5,500,000 partially employed. If our activity was equal to that of other Nations, we would have no unemployment problem.

Thanking you for copy of the letter addressed to Senator Byrd, which will be greatly appreciated, I remain,

Yours truly,



W.S. Mosher, President.

WSM-BG

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The citation for the original is:

Mosher, W.S. "By Their Fruits We Shall Know Them." *Barron's*, March 13, 1939.

April 12, 1939.

Mr. W. S. Mosher, President,
Mosher Steel Company,
Houston, Texas.

My dear Mr. Mosher:

I have your letter of April 8, and in accordance with your request, I am enclosing copy of my address in New York of last December 1, which was the subject of attack by Senator Byrd, a copy of my open letter replying to his attack, and a copy of my subsequent radio address which followed his own radio talk on the same station.

I was particularly interested in your quoting with approval "a very successful man" who stated the principle that "The way to make money is not to spend it". Doubtless if all of us would stop spending money and incurring debt, we would have a great era of prosperity. No one would buy anything. No one would borrow, that is, go into debt, to build anything, and we could have a civilization as notable for its advancement as that prevailing among the Indians on our shores when our ancestors first settled here.

I am quite as much opposed to debt as you are. You say that you have held positions of executive responsibility since 1893. You are the president of a steel company. Certainly you have not followed in business this so-called principle which you quote.

Naturally, we all wish to get out of debt and stay out of debt. We all wish to have surpluses and to build up credit balances as you state, but this is a debtor-creditor system under which we live and which I, for one, would like to preserve. Just how that can be done if all of us stayed out of debt and all of us had surpluses is beyond anybody's comprehension. Somebody has to borrow our savings, that is, go into debt, if the savings are to earn any return. This is certainly very elementary.

Mr. W. S. Mosher

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April 12, 1939

I feel very strongly that men like yourself, who occupy positions of responsibility in business, need to think these problems through to a realistic conclusion as to just what can be done to contribute to the general prosperity which we all desire. It is very easy to find fault with all affirmative proposals, and I do possibly more than my share of the fault-finding, but I am conscious at the same time that my position is a negative one if I have nothing helpful to offer in place of the things I do not like.

I certainly do not like government spending or government debt. They are an unwelcome alternative so far as I am concerned to worse evils. The inflation which you fear can be managed and prevented. Whether it would be, no one can foretell, but surely the danger of a general inflation is rather remote when we still have some ten millions of unemployed people and excess plant capacity in almost every line.

Very truly yours,

M. S. Eccles,
Chairman.

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ET:b

Received in
Chairman's Office

APR 11 1939

Board of Governors
of the
Federal Reserve System