

MOSHER STEEL COMPANY

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HOUSTON, TEXAS

AIR MAIL

April 22, 1939

Honorable M. S. Eccles,
Chairman of Federal Reserve Board,
Washington, D. C.

Dear Mr. Eccles:

I have read carefully your letter of April 12th and your letter of December 23rd to Senator Byrd, copy of which you enclosed. I will answer constructively and avoid criticism.

I have before me letter of April 15th of National Association of Credit Men, on the subject of Federal Spending, and I quote - "When this congress adjourns, we will have witnessed the longest period of deficits in the history of this country."

I also quote the third paragraph of the democratic platform of 1932, "The only hope for improving present conditions, restoring employment, affording permanent relief to the people, and bringing the nation back to its former proud position of domestic happiness, and of financial, industrial and commercial leadership in the world, lies in the drastic change in economic and governmental policies." I thoroughly agree with this and remember that the presidential candidate of that party in the campaign criticised the spending of the party in power and promised reduction in spending.

The government of Solomon was a great spender and the people revolted against his son, Rehoboam, and the nation was divided. Spending and taxation caused the downfall of the Roman Empire. King Louis 14th was a great spender of funds belonging to his people, and they revolted against his son, and cut off the head of his son and the Queen. We have the warning of Christ of the prodigal son, "After he had spent all--he began to be in want." When governmental agencies spend 30% of the earnings of the people, they are getting dangerously near what we call in engineering, "the ultimate limit."

I am an officer and director of many corporations and organizations that have budgets intelligently prepared, and expenditures executively controlled to within two percent (and some one percent) to the great benefit of stockholders.

You seem to challenge the statement, "The way to make money is not to spend it." I have frequently added, "if followed in letter, but not in spirit, no business would ever grow beyond a peanut stand."

I have borrowed large sums of money from bankers, and they always must be shown that funds are to be used to make money, so both interest and principal may be repaid. Our government is spending without any plan, or a sinking fund to liquidate the principal, and we are inviting disaster.

You lay great stress on the claim that we are better off than in 1932. I was in Washington recently and a congressman asked me the same question, and I asked him why we were not better off than in 1929, but he did not answer. History has made the record that in every previous depression in our country, within seventeen months to three years from the trough of the depression (which is recognized as 1932) that we had fully recovered, and business activity and prosperity exceeded predepression days.

I am greatly interested in the following and will appreciate answers or explanations. (1) Why are we still suffering from our unemployment problem? (2) Why are we still trailing eight nations of the world in business activity, as per Geneva Index quoted in my letter to you of April 8th?

There are many other questions and problems involved, but if the above can be satisfactorily answered, the other problems would be solved.

Yours truly,

WSM:MM


W. S. Mosher, President.

April 25, 1939.

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

Dear Mr. Mosher:

Chairman Eccles requested me to thank you for your letter of April 22 which he was interested in reading. You ask two fundamental questions, answers to which would require an extensive analysis of the entire period since 1929.

Mr. Eccles at various times before committees of Congress as well as in public addresses has outlined his own analysis of the problems and what he considers the most practical way to deal with them. A general summary of this analysis is contained in his address before the New Jersey Bankers Association a year ago. I am enclosing a copy in case you might wish to read it.

Sincerely yours,

Elliott Thurston,
Special Assistant
to the Chairman.

enclosure

ET:b

Received in
Chairman's Office
APR 24 1939
Board of Governors
of the
Federal Reserve System