

JONES & LAMSON MACHINE CO.  
SPRINGFIELD  
VERMONT

RALPH E. FLANDERS  
PRESIDENT

July 17, 1942

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

Dear Marriner:

The conversation which we began at luncheon the other day and which was broken off by the shortness of available time was on a subject of such great importance that I feel moved to write you in brief form some of the ideas which I was trying to express verbally.

The following propositions I hold to be true:

1. The private enterprise system has been the foundation of the tremendous improvement in the material condition of the populations of the industrial nations of the earth in the last hundred years. New territories and population growth have assisted in the process, but they are not prime essentials. The prime essential is that the risk-taking spirit shall be preserved by preserving the large rewards for successful risks. To forbid these rewards is to render a meaningless lip service to the principle of private enterprise as against state socialism.
2. The risking of funds in new ventures can still be carried on by large corporations in spite of federal discouragement of venture profits. This is because large corporations can, and properly do, charge the development costs to expense and spread their risks over a large number of ventures. The small company or individual is unable to do this; and this, more than the provision of lavish laboratories, is the reason for the withering of the old broad-spread business venture and its concentration in the big corporations.
3. In business venture and the consequent progress in the general standard of living, Eastern business is the adventurous pioneer. Western business is the more timid, closely calculating investor. In the East, under the old conditions, ten new developments were expensively

still-born to every highly profitable live birth of a practical new idea. The profitable paid the expenses of the others. In the West, the completed developments of the adventurous East have been applied with careful business and engineering calculations. This may account for the differences between you and me on the subject of the returns to venture capital.

4. It is fundamental that government, in its new policies and objectives, must educate business. It is likewise fundamental that business must educate government.

Apropos of this last proposition, I am thinking of a passage you read (from what author I do not know) in criticism of Winston Churchill as a Tory. Let me say that the author was completely unaware of the good fortune which has been England's lot in the constant interplay between the Liberal and Tory. Tories and Bourbons are often confused. The latter is an unmitigated calamity, but not the former. If this country had had a strong and intelligent Tory party to act and interact upon the policies and objectives of the dominant Liberal party, we would have made a rapid and solid recovery from our depression instead of dragging that recovery out for years.

Please count me as a Tory with a mission to perform for the well-being of the ordinary citizen of this country. That mission I will perform so far as my intelligence and opportunity permit. The major part of that mission is the conversion of my fellow Tories to such projects as those of Hanson and Greer. This letter is written in humble performance of another part of that mission.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Ralph".

REF