

OTT-HEISKELL COMPANY

ESTABLISHED 1836.
INCORPORATED 1903.

WHOLESALE

W. F. KENNEDY
PRESIDENT

WHEELING, WEST VA. December 3, 1938

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

Good morning, Mr. Chairman:

I have read with what intelligence I am endowed with an account of your talk before the bankers at the Hotel Astor, New York, on December 1.

Among other things you urged a broader tax view asserting if our national income averaged 88 billion we would be able to give to government 20% or approximately 18 billion and still have 70 billion dollars for the use of the producers themselves. Of course I am probably wrong, but I find it difficult to follow your line of reasoning, but I know you will not feel harshly on that account.

If I get you right, you argue that we should keep on spending with the expectation that some day we will get more money, have a greater income - and then we will not have the same difficulty in meeting the tax bill that we are now experiencing.

You are pretty close to President Roosevelt. How about getting his views, that is his views of 1932? He told us then that taxes were too high, that we had too many bureaus and commissions by about 25% in both dollar cost and in personnel. In fact he referred to them if I mistake not, as "unnecessary."

While I have never heard him admit that he was wrong in 1932 - when seeking the high office he now holds - I do recall that here in the early part of 1938 that the same Mr. Roosevelt now President said in effect that taxes in America were no ways near as high as they are in any other nation that professes to be up to date. Now what do you know about that? Personally I don't find fault with an individual for changing his mind although I naturally expect a national leader to weigh very carefully his words.

In private enterprise - the kind of accounts we solicit and endeavor to sell goods to are the concerns who stay in business, pay their bills and don't follow the plan that I understand you to advocate. Of course a fellow starting in business might say that he would just have to spend, and spend, and spend, and if he was as good as the government is after six years of being in business he would be deeper in debt than he was at the start, but if I follow you - that would be no cause for worry or concern because it would only be necessary to wait until he did sell more goods (get his income up) and the margin on the increased total sales would enable him to pay his debts and keep the shop open.

For Mr. Eccles
W. F. Kennedy

Hon. Marriner S. Eccles, Chairman

While all this is going on I am wondering how the suppliers of the merchandise would look upon that customer. Would they look upon him as a promising and valued account to cultivate, and if they did, where would they - the suppliers - continue to get the goods to hand over to him?

I agree with you that the way to get along in life is to have an abundance of everything, although again this seems to run counter to some of the new deal plans of restriction and planned economy, especially so far as necessary agricultural products are concerned, so I am afraid that a great many ordinary individuals like myself find it difficult to follow the reasoning and the course of many of our present-day political leaders.

Yours truly,

A handwritten signature in cursive script, appearing to read "W. P. Revere". The signature is written in dark ink and is positioned to the right of the typed name "W. P. Revere".

WFK:MN

December 8, 1938.

Mr. W. F. Kennedy, President,
Ott-Heiskell Company,
Wheeling, West Virginia.

Dear Mr. Kennedy:

This is to acknowledge receipt of your letter of December 3d with reference to my recent talk before the New York Chapter of the American Institute of Banking. I gather that you had seen some newspaper account and I thought possibly you might care to see the full text, from which you might derive a somewhat different impression.

As I sought to emphasize, I recognize that these are highly controversial matters, and I realize that most of us have been accustomed to thinking that there is a close analogy between public and private debt and that since it is obvious that an individual should not live beyond his means, it follows that a government should be bound by the same rules. I do not know of anyone who has demonstrated more effectively that this analogy is misleading than Lord Macaulay, and I am venturing to enclose a quotation from Macaulay that I think might interest you.

Very truly yours,

M. S. Eccles,
Chairman.

enclosures

ET:b

filed

OTT-HEISKELL COMPANY

ESTABLISHED 1836.
INCORPORATED 1903.

WHOLESALE

W. F. KENNEDY
PRESIDENT

WHEELING, WEST VA. December 29, 1938

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

Yes, Mr. Eccles:

I want to thank you for your prompt reply of the 8th enclosing complete copy of your December 1 address before the New York Chapter of the American Institute of Banking.

I have carefully read and re-read every word of your address and am mighty glad you sent it. I have also refreshed myself with MacCaulay's views, a transcript of which you were likewise kind enough to include. I think MacCaulay is more frequently quoted by the present administration than has been accorded him either at home or abroad by most administrators of the past few generations. So much for that.

Now you agree that this question is highly controversial. That being the case I wonder why you seem to evidence and express impatience when another responsible public official like Senator Byrd expresses his views. He is a duly chosen and elected representative of the people of a sovereign state, and I know of no good reason why he should not express his views. As for name-calling - the least said about that the better because the present administration has established an all time high record for classifying this, that or the other group and it is only human that any red-blooded man will strike back especially when it is the employee speaking to the boss, and after all the taxpayer, and not the spender, is the boss.

Another thing, if your views are the views of the administration then Mr. Roosevelt has undergone a complete change since 1932. This was most admirably handled I think in the leading editorial of the New York Times of December 27, captioned "Salvation Through Deficits". I presume you keep in touch with the reactions of unprejudiced, independent observers. If anything the New York Times has been eminently fair to the administration but being fair doesn't require complete acceptance always of the other fellow's views.

For myself I can't subscribe either to the MacCaulay of the past or the Eccles of the present view that the way to get along in life as a nation is to spend, and spend, and spend - and trust to luck that in due time we will get out of the hole, or that your grandchildren will do so. That runs counter to everything I was ever taught in business and while I note you spent twenty years in business and banking, and have had a very wide

Hon. Mariner S. Eccles, Chairman

experience, yet I have put in over fifty years in business - of course in a very limited and restricted field, but covering parts of four or five states in which we have done business.

You point out that the cost of carrying a double burden is no greater than that of carrying one burden less than ten years ago. You seem to get considerable satisfaction out of the fact that the interest on the public debt is only a little more than one cent on every dollar of national income, that of course due to the low interest rates paid which means low income to those supplying the funds who in turn are the taxpayers. Well I don't know so much about one cent per dollar being a trifling interest expense, but I do know that in many businesses a net return of 2 or 3% on the volume of business is considered a satisfactory showing and indicates good management and a successful business.

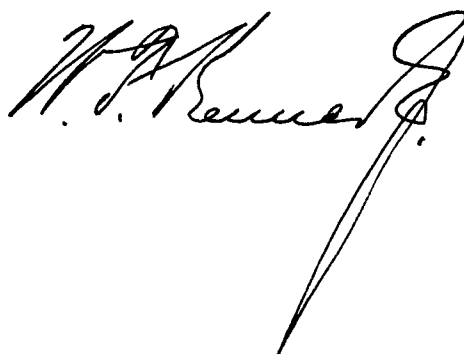
If it takes more than 1% now to pay interest yet we can't reduce the indebtedness at all but keep getting deeper and deeper into debt, how heavily are we going to be taxed when we are confronted by higher interest rates and required to pay something on the principal. If it is taking 17½ or 20% to operate today and we still go deeper in the hole, what will happen to us if we don't get the national income up to 88 or 90 billions which you are hoping for and we still have a heavier debt.

Truly it is a complex condition, but I am still old fashioned enough to believe that I have no right to spend the money that probably my grandchildren will have to produce because again I am old-fashioned enough to believe that they will have plenty of problems of their own to solve and I think it is unfair as it is unjust to wish on them the payment of my debts.

An individual is in a bad way when he sympathizes with himself and fails to have due regard for the problems of those who come after him. What right, I repeat, have I to assume that my sons, my grandsons will not have enough problems of their own, so the thing to do is for me to pass over to them some of mine.

In closing then while I am glad to have your views, I prefer to be counted on the side of Senator Byrd and in your fairness I am sure you welcome honest criticism for that is the only way we can hope to progress.

Yours truly,



WFK:MN