

GEORGE WITSMA, JR.

AMBASSADOR BUILDING
SAINT LOUIS, MO.

January 16, 1942

Dear Mr. Eccles:

I am referring to your recent speech, in which you are quoted as follows:

"Accordingly, instead of reducing local taxes, you should maintain them, thereby enabling you to pay off your public debts. If you have no such obligations, then invest the funds in government securities, thus helping to finance the war."

I wonder if the Utopia has come or whether the millennium is dawning, and who ever heard of any mayor saving money, and if he saved it, using it for any other purpose than the main chance? Any money saved in municipal government probably will be used for the purpose of placing additional followers at the public trough.

In my opinion, there was never a time when thrift was as necessary as today, beginning at the top with the federal government, and going down to the smallest municipality. If we individually are to be encouraged to save money and forego pleasures in order to support the government, the least thing that the government could do, federal or local, is to set us an example. Our mayors and others at the head of our local governments should be encouraged, in fact urged and compelled, to cut down their budgets for unnecessary purposes, and with all respect for you - and I mean this respectfully - it also goes for the federal government.

Respectfully yours,

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

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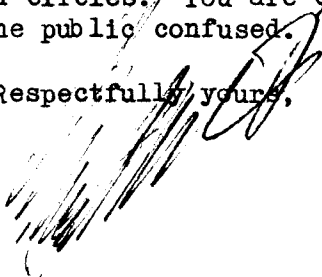
January 19, 1942

Dear Mr. Eccles:

The other day in a public speech you remarked to various mayors that they should not reduce taxes. I wrote you a letter in that connection. A day later I find the attached, in which the direct opposite is recommended.

Some times the thought occurs to me, not disrespectfully, if you please, that you gentlemen in Washington are running around in circles. You are certainly succeeding in getting the public confused.

Respectfully yours,



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

January 22, 1942.

Mr. George Witsma, Jr.,
Ambassador building,
St. Louis, Missouri.

Dear Mr. Witsma;

Chairman Eccles requested me to acknowledge receipt of your letters of January 16 and January 19 and to send you the enclosed text of his recent talk before the Conference of Mayors, inasmuch as your comments were apparently prompted by newspaper excerpts that appear to give an erroneous impression.

Chairman Eccles asked me also to thank you for the clipping, which he had previously noticed. It, of course, takes exactly the opposite position from that of other administration leaders who recognize that the anti-inflationary effects of Federal taxation are negated to the extent that States and cities reduce taxation in this period. Instead, as Mr. Eccles' speech emphasizes, this is the time when they should accumulate surpluses for post-war

Mr. George witsma, Jr., -2- January 22, 1942.

use or pay off their debts, meanwhile suspending all unnecessary public works. The fact that municipal governments may be corrupt and use funds for political purposes does not invalidate the foregoing economic principle.

Sincerely yours,

(Signed) Elliott Thurston

Elliott Thurston,
Special Assistant
to the Chairman.

Enclosure

ET:b

Form F. R. 511

TO

E. T.

FROM

REMARKS:

*You must
have handled his
previous letter.
LH*

CHAIRMAN'S OFFICE



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The citation for the original is:

St. Louis Post-Dispatch, "Doughton Urges States and Cities to Reduce Taxes: House Committee Chairman Says This Would Help People to Bear New Federal Levies," January 17, 1942 p. 10A.