

## **Monthly Letter to Our Clients & Friends**

### **The French Influence of our Economy with a little common sense to boot!**

**Kendall J. Anderson**  
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**Complimentary Copy**

I have always been somewhat of a history buff. As an undergraduate with a few hours to burn I filled them with graduate courses in history. Some of you may be saying, "Why bother with history when rewards, especially financial rewards, are only earned by correctly anticipating the future?" This may be true, yet at times, history can provide us with a guide that can be useful in solving our current problems.

As we reflect on the past year, the markets have been dominated by politics, not the financial results of businesses which have been quite good. One day, all is bright because of the governments' actions or inactions and the markets react positively. The next day, all is lost because of the governments' actions or inactions and the markets react negatively. As the governments of the world, including our own, struggle to find the correct answer to their economic problems I thought a little history may just be the guide they need to help them in this struggle.

My history lesson is in the form of letters from years past. The first is from Jean Baptiste Colbert, France's controller-general of finance written in 1664 to King Louis XIV of France outlining his economic policies. King Louis assumed the throne in 1643 at the age of four but he did not assume personal control until 1661. At that time, feudalism still dominated the French economy. King Louis wanting greater wealth for himself and his country and to pacify the public, who were demanding change, embraced the actions of Colbert, making them the economic model for France.

As you read his letter, think of the United States and the actions our government has taken throughout our history to improve transportation infrastructure, provide government incentives for investment, enforce consistent laws to regulate commerce fairly, and promote an active foreign trade policy. These policies are designed to encourage growth, not punish it. They saved France from Bankruptcy 350 years ago. They helped us create the greatest economic power the world has ever seen and if emphasized by our leaders today could assure us that the great American experiment in freedom and capitalism will continue long into the future.

The second letter is written by Mr. J. B. Lee, Jr. in 1963 to his Congressman Ed Foreman. Mr. Lee is from the great state of Louisiana, named after Louis XIV. Mr. Lee gives a very clear example of how an

enterprising citizen hog farmer might profit from a government policy that is designed to help the overall economy but lacks all common sense in its implementation.

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## Jean Baptiste Colbert's Letter to Louis XIV

Having considered how useful it would be to this realm to reestablish domestic and foreign commerce... we have decided to hold, with this end in mind, every two weeks in our presence a special commerce council, in which the merchants' interests and the means of arriving at this reestablishment will be examined and resolved, as well as everything concerning manufactures. We also inform you that we are setting aside... a million *livres* per year for the reestablishment of manufactures and the increase of navigation, not counting more considerable sums that we are raising to furnish the companies of the East and West Indies;

That we are constantly working to abolish all tolls levied on navigable rivers;

That more than a million *livres* has already been spent to repair public roads, on which we will continue to work;

That we will aid with funds from the royal treasury all those who wish to undertake the reestablishment of old manufactures or who propose new ones;

That we order all our ambassadors or residents at the courts of the princes our allies, to make, in our name, all the proper efforts to have justice rendered on all complaints of merchants, and to assure for them an entire freedom of commerce;

That we will have lodged comfortably, at our court, each and every merchant who has business here, for the entire time that they are obliged to stay there, having ordered the grand marshal of our palace to indicate a proper place for that purpose, which will be called the House of Commerce....

That all merchants and traders by sea who ships or build new ones for trade or commerce will receive subsidies from us to help them in these purchases or the construction of these vessels;

And all those who undertake long voyages will receive from us, if they bring back certification in the form we have prescribed, subsidies for each ton of merchandise that they carry or bring back from these voyages.

In this letter, we have wanted to inform you of all these things, and as soon as you have received it, you are to assemble all the merchants and traders of your town of Marseilles and explain particularly well our intentions in all the matters mentioned above, so that, being thus informed of the favorable treatment we wish to give them, they may be more eager to apply themselves to commerce. Have them understand that for everything that concerns the welfare and advantage of the same, they are to address themselves so Sieur Colbert...

## **J. B. Lee, Jr., Letter to Congressman Ed Foreman**

March 20, 1963  
The Honorable Ed Foreman  
House of Representatives  
Congressional District #16  
Washington 25, D. C.

Dear Sir:

My friend over in Terebone Parish received a \$1,000 check from the government this year for not raising hogs. So I am going into the not-raising hogs business next year.

What I want to know is, in your opinion, what is the best kind of farm not to raise hogs on and the best kind of hogs not to raise? I would prefer not to raise Razorbacks, but if that is not a good breed not to raise, I will just as gladly not raise any Berkshires or Durocs.

The hardest work in the business is going to be in keeping an inventory of how many hogs I haven't raised.

My friend is very joyful about the future of his business. He has been raising hogs for more than 20 years and the best he ever made was \$400, until this year, when he got \$1,000 for not raising hogs.

If I can get \$1,000 for not raising 50 hogs, the will I get \$2,000 for not raising 100 hogs? I plan to operate on a small scale at first, holding myself down to 4,000 hogs which means I will have \$80,000 coming from the government.

Now, another thing: these hogs I will not raise will not eat 100,000 bushels of corn. In understand that you also pay farmers for not raising corn. So will you pay me anything for not raising 100,000 bushels of corn not to feed the hogs that I am not raising?

I want to get started as soon as possible as this seems to be a good time of year for not raising hogs.

One thing more, can I raise 10 or 12 hogs on the side while I am in the not-raising-hog business just enough to get a few sides of bacon to eat?

Very truly yours,  
J. B. Lee, Jr  
Potential Hog Raiser

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Until next time have a Merry Christmas and Happy New Year!

Kendall J. Anderson, CFA

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