

W. W. CUMBERLAND
25 BROAD STREET
NEW YORK 4

February 10, 1949

Dr. Edwin G. Nourse
Executive Office of the President
Council of Economic Advisers
Washington 25, D. C.

Dear Nourse:

Your friends are encouraged by the fact that you did not stultify yourself by letting it appear that the ridiculous Truman program has the complete support of the Council of Economic Advisers. There was no doubt in our minds as to where the divergence occurred.

As one who has studied economic developments rather closely for many years, I wish to state, and state strongly, that this country is not in a funny period, where superficial opinions and irresponsible statements can be taken in stride. Your colleague who has just announced that the country might lose \$500 billion if we are unwilling to abdicate our reason, throw overboard the lessons of history and establish a totalitarian economy under his direction has shown his incompetence for the job which he holds. Economics and statistics do not have the tools by which the costs of the depressions in the past, let alone those of the future can be measured. That kind of prattling has had a deeply adverse effect on so-called public opinion. It has made a generous contribution to the fears which are getting under way.

Government can make its contribution to sustained prosperity if it stops wasting our money, permits commodity prices to seek those lower levels which are so clearly called for by current conditions, and by abandoning the threats of strangulation to further economic effort, enterprise and savings.

As an old friend I wish to emphasize that in my opinion the mild recession which has been forecast can easily become a destructive hurricane. At the present time your organization, but not you, is making a major contribution

Dr. Edwin G. Nourse-2

February 10, 1949

toward real trouble for the American people. You have the opportunity, and I hope that you are successful in realizing it, to help prevent a disastrous business slump in our country. In my opinion the situation can still be saved, but neither economic babbling nor the extension of government authority will do it. Even a ten per cent decline in the national income could not possibly be offset by increased government spending, even if this were an effective remedy. If such spending should be financed out of revenue, which is impossible, it would tear the economy apart, and if it should be financed by selling government securities to the banks, you may be sure that this method would have a calamitous effect on the flow of private capital.

This is the time for sobriety and self-examination, rather than for plunging into policies whose record in other countries and at other times has usually been unhappy. The American people has both the intelligence and the character to handle this transitional period if our free institutions, including the price system, are permitted to work.

With best regards and all good wishes.

Very sincerely yours,

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

Cumberland, N. Y.

February 12, 1949

Mr. W. W. Cumberland
25 Broad Street
New York 4, New York

Dear Cumberland:

It was good to get the moral support expressed in your letter of February 10, because things are getting pretty rugged around here. I stick to my original intention of staying as long as I feel that I can exercise some helpful and constructive influence, even though results are far short of what would satisfy my own standards. There is a glimmer of possibility that the situation may improve in the near future--since we are certainly riding fast to a showdown. On the other hand, it may get worse, and then the time will be near when I feel that I can accomplish more outside than inside.

Your letter is all the more gratifying because I know you realize that my ideas of what could and should be done are not the same as yours in every detail, but it is heartening to know that you feel that I have intellectual integrity and general competence even if I am cock-eyed on some issues.

Cordially yours,

Chairman