

January 11, 1939.

MEMORANDUM:

TO - The President
FROM - Chairman Eccles

As the purpose has now been formally declared to balance the budget out of increased receipts arising from an increase in national income rather than by sharply decreasing expenditures or increasing taxes on consumption at this stage, Federal deficits may be expected until such time as the budget may be balanced out of a national income of around \$80 billions. This position is being and will continue to be attacked by reactionary Republicans as well as Democrats, by large financial interests, and by the press generally which reflects their views.

I am firmly of the conviction that the position taken in your annual message to Congress as well as in the budget message is the only sound one that can be taken at this time which will give assurance of a continuing recovery. I feel that it is of the greatest importance that your position, which I would describe as a compensatory fiscal policy, should be aggressively presented to the country. Needless to say, I am eager to do my utmost to this end. However, my role seems to be more or less cut out, as a result of my reply to Senator Byrd, his intention to reply on the Senate floor, and another open letter from me in reply thereto, possibly with a simultaneous radio broadcast. I am also contemplating getting out a small book to state the case as simply as possible in answer to the opposition. Such a book I would wish to send to each member of Congress with a brief explanatory letter.

It is of the greatest importance, I feel, that others holding important positions in the Government, particularly in the Cabinet, should participate in a program of presenting your case to the country. Most important of all, is such a presentation authoritatively by the Treasury, which, I understand, has accepted the objective of an \$80-billion national income as the means of balancing the budget. If the Secretary of the Treasury were to make a public address very shortly explaining the soundness of this case, it would pave the way for others to follow this up.

Harry Hopkins, as Secretary of Commerce, could do a similar job, with aid from the more liberal members of the Business Advisory Council, in helping to get public understanding, particularly on the part of business men generally. Secretary Ickes, as Chairman of the National Resources Committee, could speak on the same subject from the angle of conserving material and human resources. Secretary Wallace likewise could be of great value in helping to educate the agricultural interests of the country to the need of the program in their interest. It might also be advisable for you to request the Fiscal and Monetary Committee to make a report to you on the general philosophy of a compensatory spending and tax program for the information of the Cabinet and possibly for public release.

I have discussed such a program with Tom Corcoran, who is to see two or three Senators to get them primed either to answer Senator Byrd or to question him when he replies to my letter on the Senate floor; also, he intends to talk to Lowell Mellett about arranging a radio presentation of the case and to certain newspaper columnists and writers who are capable of comprehending and clarifying the subject. Such a program, however, can only be effectively carried out under your guidance and direction.

Until the Secretary of the Treasury makes a speech, it would seem to me inappropriate for the rest of us to attempt to lead out in this field which is so predominantly the Treasury's responsibility. Once he has presented the case officially for the Administration, it will be much easier for the rest of us to follow up, acting under his leadership and avoiding the appearance of dissension within the ranks or encroachment upon the Treasury's domain.

Permit me to add that I am not only convinced of the rightness of your position, but of its economic soundness already recognized by the ablest of the economists and business men in this country and to a far wider extent notably in Sweden and to a lesser degree in England, but urgently in need of vigorous presentation to our public. Far from calling for any apologetic attitude, it represents one of the most important contributions which can be made to the preservation of democracy in our times.

ET:b