

December 27, 1939.

My dear Mr. President:

In accordance with your request, I am enclosing the best estimates available of gross public and private debts in this country for 1929, 1933, and currently. The sources of the data are indicated. However, the available statistics are at best rough estimates, and are not altogether satisfactory which--with the holidays--accounts for my not getting them to you sooner.

What has impressed me most by such comparisons is the fact that private debt is smaller than it was in 1929, while the combined private and public debt, notwithstanding the increase of the Federal debt, is materially less than the 1929 total. Carrying charges, of course, have been substantially reduced by reason of the reduction in interest rates that has been brought about under Administration policy.

The growth of public debt has been a necessary offset to the contraction and liquidation of private debt in the deflation after 1929, and the Federal debt had to be increased more than would have been the case if States and municipalities had been able to finance relief and recovery expenditures themselves. As the figures show, and as we know, the States and cities had largely exhausted their credit, many were bankrupt, and only the Government had the credit resources to meet the emergency.

Finally, as private debt expands, as it must under our economic system if we are to have reasonably complete recovery and full employment, the public debt will not have to be further expanded and can be reduced, as it has been in the past, as an offset should an inflationary boom develop.

Respectfully yours,

The Honorable
The President of the United States,
The White House.

enclosure

ET:b

December 26, 1939

PUBLIC AND PRIVATE DEBTS IN THE UNITED STATES
(In billions of dollars)

	<u>1929</u>	<u>1933</u>	<u>Latest date available</u>
Private.....	153	119	122
State and municipal (gross).....	17	20	19
Federal (gross).....	<u>16</u>	<u>21</u>	<u>42</u>
Total.....	186	160	173

Sources of data:

Private: Estimate for end of 1929 is based upon Twentieth Century Fund study "Debts and Recovery", while those for 1933 and the latest date (end of 1937) are unofficial comparable estimates by a Department of Commerce expert. Bank deposits and insurance company liabilities to policy holders are not included in these totals.

State and municipal: Annual Report of the Secretary of the Treasury for 1938. Figures are for June 30 of 1929, 1933, and 1938. Present total is probably little changed from 1938.

Federal: Figures shown are gross public debt on Treasury statements of December 31, 1929, March 3, 1933, and December 21, 1939. From these debt figures might be deducted the Treasury's working balance which amounted to \$173,000,000 on December 31, 1929, \$159,000,000 on March 3, 1933, and \$1,865,000,000 on December 21, 1939.