

**THE WHITE HOUSE
WASHINGTON**

**Warm Springs, Georgia
November 28, 1938.**

Memorandum for Governor Eccles:

Read and return.

F.D.R.

COPY
Nov 28, 1935

DEPARTMENT OF AGRICULTURE
WASHINGTON

November 23, 1938.

The President

The White House

Dear Mr. President:

I am enclosing herewith the figures which I have no doubt are the ones referred to by Senator Hill. I do not think, however, that they furnish the exceedingly complete picture about which Miss Tully spoke in her request to my office.

In the main, though, the indication stands out very clearly that between 1920 and 1929 there was an increase in the items of the enclosed tabulation of 50 billion dollars chiefly in private long-term debts, whereas between 1930 and 1938 there was a decrease of 3 billion dollars. From a superficial point of view, it might be said that we could have had the same prosperity in the 30's that we had in the 20's if we had created at least 50 billion dollars more debt. If we assume that private capital was too scared to flow in the decade of the 30's and, therefore, that government capital had to take the full burden, we might say that it would have been necessary for the federal debt to have been at least 50 billion dollars more than it now is in order to do the job in the 30's that was done in the 20's.

The Democrats, of course, have felt that they did not want government capital to fill completely the place left vacant by private capital. Apparently they wanted to leave an opportunity for private capital to come back. Nevertheless with private capital scared as it has been, government capital has been flowing at a rate so low as to leave us continuously with the most serious unemployment. We are between the upper and nether millstones. Either government capital must flow in much greater volume or private capital must flow in larger volume, or both must flow. It would seem that when general activity is back to normal there should be at least 3 billion dollars of new capital flowing each year (whether governmental or private) in order to prevent the most serious kind of business depression.

When there is an excess of capital flowing as was the case in the 20's, the result is an inevitable explosion. On pages 109 to 129 and especially on pages 139 to 150 of the little booklet which is enclosed herewith are presented some ideas and figures with regard to this problem of spending and debts.

I don't like the phrases "government spending" or "deficit financing. " We need a simple phrase that will mean government and/or long-time private investment for reemployment and production. Perhaps "compensatory investment" is the phrase we ought to popularize.

From an over-all point of view, we have handled the debts in this country since 1933 in a far more thrifty way than from 1920 to 1929. One dollar of debt created since 1932 has rolled up into more national income than one dollar of private debt created in the 1920's. The public doesn't understand that and the whole problem is a difficult one to explain. Last summer I gave this material to Senator Hill and he said he had excellent success in handling the matter in his campaign speeches. I believe there is much to be done along this line during the next two years.

I am sending you herewith also one of my speeches this summer, on pages 2 to 5 of which I have marked the pertinent debt passages.

Respectfully yours,

(signed) H. A. Wallace

Secretary

Enclosures

GOVERNMENT AND PRIVATE DEBT, U.S., 1918-1938
(Millions of dollars)

P.H.B.10-11-38

	U.S. Gov- ernment <u>1/</u>	Federal agencies <u>2/</u>	Total Federal	State and local <u>3/</u>	Total Gov- ernment	: Private : long- : term : <u>4/</u>	Total Govt. and pri- vate long- term	: Loans : and dis- : counts : all active : banks <u>5/</u>	Grand total including loans and discounts
	(June 30)	(June 30)		(June 30)		:		(June 30)	
1918	11,986	111	12,097	6,643	18,740	: 40,054	58,794	: 22,591	81,385
1919	25,234	274	25,508	7,042	32,550	: 41,393	73,943	: 25,089	99,032
1920	24,061	401	24,462	7,746	32,208	: 46,237	78,445	: 30,901	109,346
1921	23,737	450	24,187	8,476	32,663	: 48,682	81,345	: 28,776	110,121
1922	22,711	730	23,441	9,893	33,334	: 50,694	84,028	: 27,759	111,787
1923	22,008	1,062	23,070	10,598	33,668	: 55,368	89,036	: 30,287	119,323
1924	20,982	1,231	22,213	11,633	33,846	: 60,358	94,204	: 31,348	125,552
1925	20,211	1,506	21,717	12,830	34,547	: 65,282	99,829	: 33,757	133,586
1926	19,384	1,659	21,043	13,664	34,707	: 70,525	105,232	: 36,051	141,283
1927	18,251	1,789	20,040	14,735	34,775	: 76,044	110,819	: 37,314	148,133
1928	17,318	1,866	19,184	15,699	34,883	: 81,221	116,104	: 39,592	155,696
1929	16,639	1,867	18,506	16,760	35,266	: 84,174	119,440	: 41,433	160,873
1930	15,922	1,871	17,793	17,988	35,778	: 85,774	121,552	: 40,510	162,062
1931	16,520	1,885	18,405	19,060	37,465	: 84,506	121,971	: 35,211	157,182
1932	19,161	2,130	21,291	19,330	40,621	: 81,843	122,464	: 28,090	150,554
1933	22,158	3,279	25,437	19,517	44,954	: 77,563	122,517	: 22,388	144,905
1934	26,480	6,735	33,215	18,823	52,038	: 76,757	128,795	: 21,431	150,226
1935	27,645	10,177	37,822	18,972	56,794	: 74,900	131,694	: 20,419	152,113
1936	32,756	11,066	43,822	19,212	63,034	: 73,400	136,434	: 20,839	157,273
1937	35,803	10,547	46,350	19,152	65,502	: 72,500	138,002	: 22,698	160,700
1938(P)	36,500	7,742	44,242	19,300	63,542	: 74,000	137,542	: 21,000	158,542

(P) Preliminary, Partly estimated.

1/ Interest bearing debt of the U. S. Government, 1900-1937, p. 410, 1937 Report of the Secretary of the Treasury.

2/ Total amount of outstanding securities wholly or partially exempt from Federal income taxes of the

- (1) Federal Farm Loan System; (2) Federal Home Loan System, and the (3) Reconstruction Finance Corporation as reported on page 466 of the Annual Report of the Secretary of the Treasury for 1937 (except that 1938 data are preliminary).
- 3/ Includes both long and short term issues. Annual Report of the Secretary of the Treasury for year ended June 30, 1937, p. 466, except that series to 1913 estimated on basis of census data for 1890 and 1902 raised by 20 percent to adjust to later series and intervening years interpolated on straight line.
- 4/ Total private long-term debt in the U.S.; 1900-1934, p. 36, Private and Long-term Debt and Interest in the U.S., National Industrial Conference Board; 1935-1936, pp. 6 and 10, Long-term Debt in the U.S., Department of Commerce; 1937-1938 estimated by the Agricultural Adjustment Administration.
- 5/ Loans and discounts all active banks, Comptroller of Currency reports.

AAA, Division of Program Planning, Agricultural-Industrial Relations Section