



ASSISTANT SECRETARY OF THE TREASURY
WASHINGTON

July 22, 1936.

Dear Marriner:

I am enclosing the outline of the statement which I discussed with you over the telephone. You will notice that there is no introduction and no conclusion, as I was waiting until I had seen the figures, which just appeared, before making any comments.

I would appreciate any suggestion which you may make.

Sincerely,

Wayne C Taylor

Honorable Marriner S. Eccles,
Chairman,
Federal Reserve Board.

encl

July 23, 1936

Dear Wayne:

In accordance with our telephone conversation of yesterday I have carefully read and am returning herewith the memorandum that you asked me to look over and comment on.

I think it extremely unwise to refer to the Stabilization Fund as an offset against the public debt. This fund is an entirely fictitious creation, and would be open to attack from critics who would ask, in effect, why it would not be possible to devalue still further and pay off all of the debt.

Also I question the advisability of referring to the setting up of reserves to take care of possible losses. The public does not understand accounting and is likely to be confused by efforts to show a bookkeeping process of reserves, but beyond that the recent tax bill does not permit corporations to set up reserves of this character and the obvious criticism would doubtless be made that the government thinks it necessary to set up reserves in its own operations but does not allow private business to do the same thing.

Likewise it seems to me that the reference to the war debts should be left out. There has been no change in their status since this Administration came into office and therefore it seems to me that they are not part of the budget picture since 1932. Beyond that, the critics would naturally ask why the Administration did not collect them. And their inclusion is likely to cast suspicion on the validity of other assets which are collectible and are unquestionable offsets against the debt.


Finally, I feel that it would be premature to have this material used as coming from the Administration until after the President has himself stated the case as

I think he means to do. In that connection I am now having some material prepared as he requested for his information on this subject. I think much in the enclosed memorandum is valuable and such suggestions as I have made are not in any critical spirit but only in response to your own request.

Sincerely yours,

M. S. Eccles
Chairman

Hon. Wayne C. Taylor
Assistant Secretary of the Treasury
Washington, D. C.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date July 23, 1936.To Chairman Eccles

Subject: _____

From Lauchlin Currie*L.C.*

I am sorry that I didn't get this over to you sooner,
but I didn't get the letter until after twelve.

Although the Stabilization Fund is truly an asset of the Federal Government, it would appear inadvisable to offset it directly against the public debt, and particularly against the increase in the public debt. It offers too obvious a target for sarcastic comments about creating money out of thin air, rabbits out of the hat, etc. On the other hand, if the Stabilization Fund is expressly excluded, the fact that it is an asset is called to people's minds, while one also receives credit for being conservative. In this way the desired impression is made without exposing oneself to attack.

I am in general agreement with the view that no attempt should be made to set up additional reserves against recoverable assets. The goodness of these assets has not been seriously questioned in recent years, and a discussion of what constitutes adequate reserves would only prove confusing.

It would be, I think, most inadvisable to include any mention of foreign obligations in discussing Government assets. They are a stock subject for jokes and their inclusion would only serve to discredit the whole statement. While it is proper to include them in the official and complete statement of Treasury accounts, their omission would not be noticed in a summary statement for political purposes.

I would not include Government-guaranteed obligations in the summary table of the assets and liabilities of the Government. The superficial impression one receives in glancing at the table on the Position of United States Government is that Government obligations total over \$37,000,000,000. The existence of such obligations might properly be mentioned in a footnote, with the accompanying remark that they are adequately secured by corresponding assets.