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The citation for the original is:

New York Times, "Morgenthau Finds 'Interpreter' Peak: Many Views on Associated Gas Wrong, Secretary Says," February 27, 1940.

February 27, 1940.

Dear Henry:

In the New York Times this morning I notice an article quoting you as saying that you thought it would be "a good idea" if I were to read the Budget Message and that you were requesting copies of my correspondence with Mr. David Lasser.

I am enclosing a copy of Mr. Lasser's letter to me of February 5 and my reply of February 9, which you will note is a brief and factual response to the specific questions he raised and contains no expression of opinion whatsoever on my part. I am at a loss to see how I could respond to the inquiry at all without giving these purely factual answers to the specific questions he asked.

Accordingly, I regret the nature of your comment as quoted in the press, since it reflects what appears to be a critical or disapproving attitude. I am confident that if you will take the trouble to read Mr. Lasser's letter, his specific questions and my replies thereto, you will have no occasion to feel aggrieved.

I am not acquainted with Mr. Lasser. His letter was answered as a matter of course, as is all office correspondence. I was surprised that he should make it public or that the newspapers should think it worthy of any notice since it contained no news or, for that matter, anything that was not already a matter of public information.


I must say that I am somewhat puzzled by your reference to the Budget Message. There was no mention of or reference to the Budget Message in my letter, which made no recommendations whatsoever with respect to the budget, working balances, or any other matter and, therefore, could not be regarded as in any way in conflict with the Budget Message.

Actually, as I thought you knew, I have read the Budget Message with great care and am thoroughly familiar with it. I regret again that before affording me an opportunity to give you the facts in the matter, you should have made remarks at a press conference that can only have the effect of stirring up adverse newspaper comment.

Sincerely yours,

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

enclosures

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WORKERS ALLIANCE OF AMERICA
National Headquarters
930 M Street, N. W.
Washington, D. C.

February 5, 1940.

Hon. Marriner Eccles,
Chairman, Board of Governors,
Federal Reserve Board,
Washington, D. C.

Dear Mr. Eccles:

I have been informed, in connection with the current discussion on our public debt limit and the effect of this on government expenditures, that there are considerable resources available to the Administration today, without further legislative authority.

My understanding is that these resources for meeting current expenditures can be used without increasing the debt limit or without further taxation.

Among the funds I am referring to are a two billion dollar stabilization fund, one billion dollar power to issue silver certificates, one and one-half billion dollars excess in the Treasury's working balance, over normal requirements, totalling four and one-half billion dollars. The last figure is based on the fact that the Treasury's working balance today is about one billion eight hundred million dollars. The usual practice is to maintain a working balance of about two hundred fifty million dollars.

This four and one-half billion figure is in addition to the power to issue three billion dollars of additional currency, not specially backed by gold or silver.

I wonder if you could inform me as to: first, whether these figures are correct, second, whether, to your knowledge there are additional funds that can be used for meeting current expenditures of the government without further legislation or without increasing the debt limit, and last, your viewpoint as to the economic effects of using such funds for increasing work and consuming power in the hands of the low income groups.

Appreciating any information you may give me, I am

Very truly yours,

(signed) David Lasser.

David Lasser
National President

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February 9, 1940.

Mr. David Lasser, National President,
Workers Alliance of America,
930 M Street, Northwest,
Washington, D. C.

Dear Mr. Lasser:

I have your letter of February 5 in which you inquire as to cash resources available to the Administration, without further legislative authority. You mention specifically the stabilization fund, the power to issue silver certificates, and the Treasury's working balance.

Under the Gold Reserve Act the stabilization fund is available for expenditure under the direction of the Secretary of the Treasury "for any purpose in connection with carrying out the provisions of this section, including the investment and re-investment in direct obligations of the United States of any portions of the fund which the Secretary of the Treasury, with the approval of the President, may from time to time determine are not currently required for stabilizing the exchange value of the dollar." I am advised, however, that it would require legislation to apply the fund to meet current expenditures.

As to silver, I am informed that approximately \$1,500,000,000 would be available by monetizing the difference between what has been paid by the Treasury for the silver and the official price of \$1.29, and that this would not require legislation.

The Treasury's working balance as of today is approximately \$1,600,000,000. Tentative estimates made in our statistical division indicate that without any new financing the balance will not fall to less than \$1,000,000,000 at the end of the present fiscal year and may be somewhat more than that if sales of so-called baby bonds continue at the volume at which they have been selling of late. I understand that prior to the advent of the present Administration, it was not customary to keep working balances in excess of \$250,000,000 or \$300,000,000. In addition, as you point out, there is the unused authority under the Thomas Amendment, which provides that up to \$3,000,000,000 of currency may be "issued only for the purpose of meeting maturing Federal obligations".

Mr. David Lasser

February 9, 1940

Finally, you ask what the economic effects would be of using such funds for increasing work and consumer buying power. The Government can spend only what Congress authorizes and appropriates. To the extent that these funds were used to meet such expenditures, it would avoid an increase in the public debt but consumer buying power in the hands of the low income groups would not be increased thereby unless increased expenditures were voted by Congress.

Very truly yours,

(signed) M. S. Eccles.

M. S. Eccles,
Chairman.

February 27, 1940.

Dear Lauch:

As you mentioned this matter to me last evening, I am sending you the attached correspondence so that if the subject should come to the attention of the President, you would be fully informed and able to advise him as to the facts.

Sincerely yours,

Dr. L. B. Currie,
The White House.

enclosures

 ET:b



THE SECRETARY OF THE TREASURY
WASHINGTON

February 29, 1940.

My dear Marriner:

I was very glad to receive your letter of February 27, because it gives me an opportunity to say to you frankly what I think about your letter of February 9 to David Lasser, which was published in the New York Times of Monday, February 26, a copy of which, together with Lasser's letter to you dated February 5, you were good enough to enclose.

I did make the statement at my press conference on Monday that I thought it would be a good idea if both you and Lasser were to read the President's Budget Message. The explanation of that statement is, I think, quite simple. Lasser's questions to you and your replies were directed to matters of budget and fiscal policy. The budget and fiscal policy of the Administration for the current and coming fiscal years were authoritatively outlined in the Budget Message for the fiscal year 1941.

My own concern with Government fiscal policy, I think you will agree, is as immediate as yours, but I should feel it distinctly improper for me to attempt to indicate publicly ways in which the President's fiscal policy could be improved. You say that your letter was confined to statements of fact, but when you point out that prior administrations were content with smaller working balances -- and without any attempt to explain the present justification for a larger working balance -- it seems quite evident to me that you are, by inference at least, criticising or suggesting amendment of the President's fiscal policy. The same inference is contained in your listing of other fiscal resources that might be utilized.

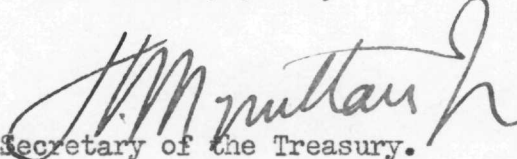
You say that you are at a loss to see how you could have responded to the inquiry at all without giving these purely factual answers. If you will permit me to suggest, I think that you might with entire propriety have responded that the matters of which Mr. Lasser wrote and on which he sought information did not fall within the sole jurisdiction of the Board of Governors. Mr. Lasser's letter doesn't give me the impression that he was in search of facts. Factual answers to the questions he put are contained in Treasury publications and his letter seems to indicate that he already had the answers. What he appears to have been seeking was to use the name and authority of a highly placed Government officer in support of his propoganda for larger relief appropriations. If you had considered this aspect of the matter carefully, I think you would not have been surprised that he made your letter public.

You regret that before giving you an opportunity to give me the facts in the matter I made remarks at a press conference "that can only have the effect of stirring up adverse newspaper comment." This, my dear Marriner, is, I must submit, putting the cart before the horse. You had from about February 6 to February 26 an opportunity to give me the facts in the matter.

But I should add a word about my press conferences. It is very seldom that I volunteer anything, and then only when I have some important announcement to make about Treasury business. I didn't volunteer anything in this case. I was asked what I thought about your letter to Lasser. I thought my comment was exceedingly restrained. The newspaper men have learned that I don't talk at conferences about matters that are outside of Treasury jurisdiction and they don't ask me to comment on what somebody else has said unless that other person has been dealing with Treasury matters. I didn't think I was justified in refusing to answer this particular question. I am at a loss to know how I could have answered it differently.

I am no less anxious than you to avoid adverse comment and newspaper controversy. It can be avoided if we both stick strictly to our own knitting. I, for my part, intend to do this.

Sincerely yours,


Secretary of the Treasury.

The Honorable Marriner S. Eccles,
Chairman, Board of Governors of the Federal Reserve System,
Washington, D.C.

March 6, 1940.

My dear Henry:

As I told you in our telephone conversation on Monday, I felt that I should not let our discussion of the Lasser correspondence end without a further effort to correct your impression of the matter as reflected in your letter of February 29th. The best way to do this, it seems to me, is to repeat, first, exactly what Mr. Lasser asked me and, second, what I said in reply, because I believe that your impression as to this correspondence must have been based on what someone else told you about it.

In Mr. Lasser's letter to me he stated (a) that he had been informed that there are considerable resources available to the Administration today without further legislative authority which could be used for meeting current expenditures without increasing the debt limit or without further taxation; (b) that among these funds are a \$2,000,000,000 stabilization fund, \$1,000,000,000 power to issue silver certificates, and \$1,500,000,000 excess in the Treasury's working balance over normal requirements, totaling \$4,500,000,000; (c) that this \$4,500,000,000 is based on the Treasury's working balance of about \$1,800,000,000, the usual practice being to maintain a working balance of about \$250,000,000; and (d) that this \$4,500,000,000 is in addition to the power to issue \$3,000,000,000 of additional currency not specially backed by gold or silver. He then asked me, first, whether these figures were correct; second, whether to my knowledge there were additional funds that could be used for meeting current expenditures of the Government without further legislative authority or without increasing the debt limit and, last, my viewpoint as to the economic effects of using such funds for increasing work and consuming power in the hands of the low-income groups.

These are the questions which were before me when I answered his letter and I replied in four brief paragraphs. First, I quoted the language of the Gold Reserve Act which states the purposes for which the stabilization fund is available for expenditure, and stated that I was advised that it would require legislation to apply the fund to meet current expenditures. Second, I stated that as to silver I was informed that approximately \$1,500,000,000 would be available by monetizing the difference between what had been paid by

the Treasury for the silver and the official price of \$1.29 and that this would not require legislation. Third, I told him that the Treasury's working balance was approximately \$1,500,000,000, that tentative estimates of our statistical division indicated that without new financing the balance would not fall to less than \$1,000,000,000 at the end of the present fiscal year, and might be somewhat more than that if sales of baby bonds continued in the current volume, and that I understood that prior to the advent of the present administration it was not customary to keep working balances in excess of \$250,000,000 or \$300,000,000. I confirmed his statement that there is unused authority under the Thomas Amendment which provides that up to \$3,000,000,000 of currency may be issued, but stated that it might be issued only for the purpose of meeting maturing Federal obligations. Finally, in the last paragraph of my letter, in response to his question regarding the economic effects of using such funds for increasing work and consumer buying power, I stated that the Government could expend only what Congress authorizes and appropriates and to the extent that these funds were used to meet such expenditures it would avoid an increase in the public debt but consumer buying power in the hands of the low-income groups would not be increased thereby unless increased expenditures were voted by Congress.

The foregoing is all that there was to the correspondence. You say that Mr. Lasser's letter did not give you the "impression that he was in search of facts". But, as I said to you before, I am not acquainted with Mr. Lasser and it did not occur to me to suspect or question his motives. His letter came in in the usual course, was referred to the staff and a draft of a reply prepared on a factual basis, as is customary in the case of such correspondence. It so happens that I took special care to see that my reply was purely factual and contained no expression of opinion whatsoever on my part regarding "matters of budget and fiscal policy" or regarding "ways in which the President's fiscal policy could be improved". However, I would have been doing just that if, as your letter suggests, I had "attempted to explain the present justification for a larger working balance".

It is perfectly true, as you say, that the matters to which Mr. Lasser's letter related did not "fall within the sole jurisdiction of the Board of Governors". On the other hand, they do not fall wholly outside the field of my responsibilities as Chairman of the Board of Governors and, incidentally, as a member of the Fiscal and Monetary Committee. Consequently, I felt that

when Mr. Lasser addressed his inquiry to me in my capacity as Chairman of the Board of Governors he was justified in expecting from me, as a public official, direct answers to his questions. That is a courtesy that we endeavor to accord to many inquiries from individuals whose interest in these matters is frequently less substantial than that of the National President of the Workers Alliance of America.

In the circumstances, I would not have felt justified in asking Mr. Lasser to read the President's budget message to obtain the information which he requested instead of giving him direct answers. In fact, it would have been quite difficult for him to find the answers that way. As for your statement to the press that I should read the budget, I am sure that you did not think that I needed to be informed as to its contents nor that you expected the press to think so. You say that I had an opportunity from about February 6 to February 26 to give you the facts. It never occurred to me that you could possibly have the least interest in a factual reply to a routine letter. I had no way of knowing that you were in any way concerned about the matter until I saw your comment in the press. As for the comment itself, it would have been possible for you to have said simply that you had not seen the correspondence. I think you assumed, as your comment indicated, that the facts were quite different from what they actually are.

Possibly you will recall that when I was requested to appear before the Senate Special Committee to investigate unemployment and relief in January 1938 I did my best to avoid it but was told by the Chairman of the Committee not only that if I did not appear voluntarily he would issue a subpoena but that if I was not prepared to testify I should not be occupying my present office. I am convinced that it would have been exceedingly difficult, if not impossible, for me to justify the avoidance of a direct and simple answer to each of Mr. Lasser's questions.

As I have said before, I intend always to cooperate with you as fully as possible, and I have undertaken to go into this matter fully and frankly with that end in view.

Sincerely yours,

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.