

Memorandum for members of informal
discussion group

April 18, 1938.

As you know, there have been a series of meetings in the form of a discussion group of an informal nature to discuss what to do about the recession. Following the first meeting in January, three other meetings were held, one at Senator Lafollette's home, one at Mr. Appleby's, and a final one at my home three weeks ago. As a result of these discussions, a tentative program was evolved including three points:

1. Abandonment of the deflationary policy being followed by the Administration, and adoption of a new spending program.
2. In restarting spending, use as far as possible the financial resources of the Administration in the way of sterilized gold, gold profits, etc. so as to make the resulting increase in the national debt as small as possible.
3. Inclusion in the program of such forms of spending as would use government funds as a leverage to get a much larger volume of private funds into investment, which would facilitate the eventual withdrawal of government support while activity based on private financing continued to expand.

Of the three points covered in this program two are included in the recovery program which the President recommended to Congress yesterday. The third point remains to be fought for.

Those of us in the Department of Agriculture who were responsible for starting these discussions believe they played a useful part in enabling us to get together and arrive at a broader basis of understanding, which may have served in some slight degree to help provide a basis of action which has not been taken. In any case, the experience gained in these discussions and the clarification of ideas will continue to be useful. From time to time in the future we will invite you to participate in meetings of this sort to discuss the economic problems that lie ahead and what government may do to solve them.

With much appreciation for your participation, I am

Sincerely yours,

M. E.
Mordecai Ezekiel,
Economic Adviser,
Department of Agriculture.

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Federal Reserve System
Board of Governors