October 29, 1940.

Dear Lauch:

At the Chairman's suggestion, I am sending along a couple of pages with ideas that he thinks should be worked in somewhere:

1. To make a better case on employment. I do not have the exact figures and they would have to be checked, but I am using the approximate ones to convey the idea.

2. On this particularly vicious propaganda about inflation, predicting that owners of savings deposits and insurance policies will be paid only fifty cents on the dollar.

Sincerely yours,

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

enclosures

ET:b

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Employment

According to estimates of the Industrial Conference Board, there were 15,000,000 unemployed at the bottom of the depression. This does not take account millions who were working only part time, a few hours, or a day or two a week. Before the defense program got underway, it was estimated that about 9,000,000 were unemployed--or some 6 millions fewer than in 1932. Since that time, however, owing to the increase in population, about 5,000,000 new workers have come on the labor market. This is a net figure. In other words, jobs in private industry have been provided for about 11,000,000 workers--and this does not take account of those who were working part time in 1932, but are now working full time or overtime. Nor does it take account of the million and a half who are employed on WPA. If they were to be counted, 12-1/2 millions more are at work today than in 1932. This is a tremendous gain--though it still falls short of the goal--and it is far removed from the picture drawn by Republican orators.

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Every four years the spectre of inflation is resurrected in an effort to frighten those of you who have put money into a savings bank or into an insurance policy. One group, composed chiefly of insurance and banking executives who have money to lend and who call themselves the "Peoples Committee to Defend Life Insurance and Savings", are flooding the mails with pamphlets headed by the scare question, "Will you take 50 cents for your dollar?".

Those who rig up this spectre and drag it out at the appropriate season don't believe in it themselves. If they did believe in it, they would not be buying United States Government bonds. If there were a vestige of truth in their predictions, Government bonds would be declining in price. Yet, throughout the history of this Administration--notwithstanding these recurrent attempts to undermine public confidence in the Government's credit--market prices of Government securities have steadily advanced--exactly the opposite of what would be the case if we were on the road to inflation. For example, one issue of Government securities which was selling down as low as 82 in 1932, is selling today for over 111-1/2. Recently an issue of $700,000,000 of 15-year bonds was sold at an interest rate of 2 per cent--the lowest rate for an issue of comparable maturity in history. Among the purchasers of Government securities are some of the lenders of money who are trying to make you believe that your savings and your insurance policies are in danger. Don't you believe it! They don't believe it themselves, or their actions would not belie their words. The fact is that insurance companies and savings banks have bought more than 2 1/2 billions of Government securities during the past 5 years. Why? Because they have confidence in them, because there is no safer place to invest savings.

We can understand the natural desire to have our savings earn as much as the economy will justify. The all important thing is to protect both the borrower and the lender. For unless the borrower can pay, the lender cannot collect. That was the condition existing in 1932. That is what jeopardizes your savings and insurance policies. Countless farmers and home owners could not meet the excessively high interest charges. The foreclosures and evictions that resulted have not so soon been forgotten. The investors, the owners of savings, did not profit by the disaster. All of us went down together, borrower and lender alike. Not only were homes and farms lost in the wreckage, but the interest and in many cases the principal were lost on our savings.

What the perennial prophets of inflation mean is that the purchasing power of the dollar would be so reduced that it would buy only fifty cents worth of goods. But the truth of the matter is that the purchasing power of the dollar today is greater than it was in the 20's. That is in the opposite direction from inflation. We have achieved today, in greater measure than ever before, the objective which I have repeatedly stated--a dollar of reasonably stable purchasing power, which is fair alike to lender and to borrower.

The restoration of values--a restoration that has been brought about without the inflation that has been so often and so falsely predicted--has assured us today that interest will be paid on our savings and that both our savings and our insurance policies will be paid one

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hundred cents on the dollar--in dollars that represent neither a deflated nor an inflated value. The record, year after year, has proved the falsity of these inflation alarms. Our currency, the Government's credit, our savings and insurance policies, are safer and sounder than ever before. We will keep them so.

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October 30, 1940

Mr. Thurston

C. M. Counts

Following is a table which shows the amount held and changes each year since 1936 in holdings of United States Government securities by life insurance companies and mutual savings banks.

U. S. GOVERNMENT SECURITIES HELD BY LIFE INSURANCE COMPANIES AND MUTUAL SAVINGS BANKS
(In millions of dollars)

	Life insurance companies			Mutual savings banks	
	37 companies	49 companies	Change	Amount held	Change
Dec. 31, 1936	3,321	3,691		2,357	
Dec. 31, 1937	3,948	4,363	+672	2,482	+125
Dec. 31, 1938	4,195	4,646	+283	2,909	+427
Dec. 31, 1939	4,611	*5,100	+454	3,130	+221
Aug. 31, 1940	4,929	*5,500	+400	*3,250	+120
Change.....			+1,809		+893

* Estimated.

CMC/fsc

Sent to Dr. Currie-10/30/40
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