

5854 Birch Court, Oakland, Calif.
January 20, 1951

The Hon. Marriner Eccles,
Washington, D.C.

Dear Mr Eccles:

Several years back you stated, I remember, that we need not be overconcerned about the national debt as we owed it to ourselves-or something to that effect.

Although there has since been considerable controversy over your statement, I for one am convinced that it is absolutely true-or you would not have ventured it.-After all you were then, and still are, the topmost authority in your field.

On the other hand, as of now, one has every reason in the world to be concerned about the national debt, what with the annual interest charge of around $5\frac{1}{2}$ billions on it, and the fact that the debt itself is fast coming due.

Inasmuch as you alone, who made the statement, are in a position to give its authentic interpretation, I appeal to you to enlighten me as to its true meaning.

Thanking you in advance,
Respectfully yours



February 5, 1951.

Mr. R. Real,
5854 Birch Court,
Oakland, California.

Dear Mr. Real:

This is in response to your note of January 20, 1951, in which you put questions regarding the national debt.

It is, of course, true that with intelligent management of our Government's fiscal and monetary affairs we need not be overly concerned with the size of the national debt. This follows from the basic fact that we owe the debt to ourselves.

On the other hand, if we do not manage our Government's fiscal and monetary affairs intelligently then the size of the debt and additions to it can be very dangerous indeed.

I am enclosing for you a copy of a recent article in Fortune Magazine and a copy of my statement before the Joint Committee on the Economic Report which should be helpful to you in your thinking on these matters.

As you will see from the article and statement, the main difficulty with the debt since the last war has been that banks and other financial holders sell their Government securities to the Federal Reserve which is expected to buy them at par. In this way banks and others have had easy access to funds and have been able to extend excessive amounts of credit to business and consumers with accompanying large increases in the money supply.

Enclosures

Very truly yours,