

June 12, 1936

Mr. Thurston

Data on gross and net increase

Miss Burr

in the public debt.

The differences which I have been able to discover between Chairman Eccles and the Treasury with reference to statements on gross and net increase in the public debt are as follows:

1. In his last two speeches, March 27, 1936 and May 8, 1936 Chairman Eccles has used a net increase in the debt exclusive of the assets in the exchange stabilization fund. This has been carefully specified in his statements. Our figure for the net increase in debt from February 28, 1935 to December 31, 1935 exclusive of the exchange stabilization fund is \$5,832,000,000 and inclusive of this fund is \$3,832,000,000.

The Treasury always adjusts for the increase in assets in the exchange stabilization fund to arrive at its increase in "net debt less certain specified assets." Compare the last two lines of figures on page 3.

2. The Treasury seems to be particular to speak of "gross debt", "net debt" (gross less general fund balance) and "net debt less certain specified assets" (net less gold fund and recoverable assets).

3. There are some minor differences in the figures used for asset items.

Chairman Eccles has had a figure of \$2,407,000,000 for the proprietary share of the Government in United States corporations and agencies on February 28, 1935. Recent Treasury figures range from \$2,284,000,000 (p. 727 of the House Hearings on the Revenue Act of 1936)

to \$2,505,000,000 (pp. 701-702 of the same volume). I discussed these two figures with the Treasury by telephone and have the impression that the more accurate figure probably is \$2,505,000,000.

Chairman Eccles has had a figure of \$1,800,000,000 for the assets in the exchange stabilization fund. The Treasury uses a figure of \$2,000,000,000. The figure of \$2,000,000,000 is the amount transferred to this fund when it was established. The figure of \$1,800,000,000 is one which appears regularly in the Daily Treasury Statement.

There <sup>are</sup> ~~is~~ attached the following statements: Comparison of Bureau of Budget Data on Debt Increases and Data for Governor Eccles, March 1, 1933-December 31, 1935; copies of recent statements made by Governor Eccles on the gross and net increase in the public debt; Statistics on gross and net increase in the debt on specified dates which underly the statements made by Governor Eccles.

COMPARISON OF BUREAU OF BUDGET DATA ON DEBT INCREASES  
AND CHAIRMAN ECCLES, MAR. 1, 1933-DEC. 31, 1935

	Director of Bureau of Budget	Statistics for Chairman Eccles
	March 1, 1933 to Dec. 31, 1935 <u>1/</u>	Feb. 28, 1933 to Dec. 31, 1935 <u>2/</u>
Increase in "gross debt"	9,625	9,622
Increase in general fund balance	1,987	1,988
Increase in "net debt"	7,636	
Increase in "certain specified assets"		
Gold stabilization	2,000 <u>3/</u>	1,800
Recoverable assets	2,102 <u>4/</u>	2,002
Total increase in "certain specified assets "	4,102	
Increase in "net debt" less "certain specified assets "	3,534	3,832
Net increase in debt, excluding exchange stabilization fund	5,534	5,632

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1/ Statement No. 15 submitted to House Ways and Means Committee Hearings on Revenue Act of 1936, p. 727.

2/ Sources given in accompanying table. (pages 6-7)

3/ Amount transferred to exchange stabilization fund.

4/ Based on estimate of \$2,284,000,000 for March 1, 1933 and \$4,386,000,000 for February 29, 1936. Statement No. 6 (pp. 701-702 of Hearings) includes a figure of \$2,505,000,000 for February 28, 1933. The published figure for December 31, 1935 was \$4,409,000,000.

STATEMENTS BY GOVERNOR ECCLES ON THE GROSS AND NET INCREASE  
IN THE PUBLIC DEBT

Address before the American Bankers' Association Convention in New Orleans, November 14, 1935.

"I would like to remind you . . . that the Government's interest-bearing debt increased from \$20,584,000,000 in February 1935, to \$28,452,000,000 in September of 1935, an increase of \$7,848,000,000.

"Deduct the assets, including cash on hand, the gold profit in the Stabilization Fund, the Government's proprietary interest in organizations such as the RFC, and you have a net increase in the Government debt of about two and one-half billion dollars. But let us take the larger figure for the purpose of comparison. Let us take the amount of the gross deficit."

Stenographic transcript of remarks to the business and professional men's group under the auspices of the University of Cincinnati, March 27, 1936.

"The gross debt as of December 31, 1935, was approximately \$30,000,000,000, an increase of between \$9,000,000,000 and \$10,000,000,000 from the period of the banking holiday. However, from the total debt of \$30,000,000,000 must be deducted the United States interest in assets owned by the RFC and other Government agencies estimated to be worth around \$4,000,000,000. The Treasury balance was \$2,200,000,000 exclusive of the stabilization fund, which is not in the money system. It is the gold profit held in the Treasury and has not been utilized. The net increase in the debt then, excluding the stabilization fund, for that period of time is less than \$6,000,000,000."

Address at the Conference on Debt, Taxation and Inflation, Seventh Annual Wharton Institute of the University of Pennsylvania, May 8, 1936.

". . . On the debit side we should put the gross increase in the Federal debt from \$20,935,000,000 on February 28, 1935,

to \$31,459,000,000 on March 31, 1936, and the continuing large number of unemployed, many of whom are dependent on relief. . . . Against the increase in the debt must be offset the increase in the Treasury's cash balance from \$221,000,000 to \$2,866,000,000 in the same period (exclusive of the Stabilization Fund), and an increase in the recoverable assets of Government agencies from an estimated \$2,400,000,000 to \$4,300,000,000, largely in the Reconstruction Finance Corporation which was used very largely to support directly the banking and private credit structure. So that this leaves a net increase in the national debt of \$5,979,000,000, which is less than a month's national income in 1928-1929."

STATISTICS ON GROSS AND NET INCREASE IN THE PUBLIC DEBT ON SPECIFIED DATES

(In millions of dollars)

	Feb. 28, 1933	Sept. 30, 1935	Dec. 31, 1935	Mar. 31, 1936
Gross debt	<u>20,935</u> 3/	29,421	{ 30,557 (30,000) 2/	<u>31,459</u> 3/
Interest-bearing	<u>20,584</u> 1/	<u>28,432</u> 1/	29,596	30,591
Non-interest-bearing	351	989	961	868
Assets held by the Gov't.—total	2,628	8,082	8,418	8,994
General fund balance	<u>221</u> 3/	1,799	{ 2,209 (2,200) 2/	<u>2,866</u> 3/
Proprietary interest in U.S. corp. and agencies	{ 2,407 (2,400) 3/	4,485	{ 4,409 (4,000) 2/	{ 4,328 (4,300) 3/
Exchange stabilization fund 4/	—	1,800	1,800	1,800
Increase in specified items, Feb. 28, 1933 to—		Sept. 30, 1935	Dec. 31, 1935	Mar. 31, 1936
Gross debt		8,486	{ 9,622 (9,000) (10,000) 2/	10,524
Interest-bearing debt		<u>7,848</u> 1/		
Assets held by Government				
General fund balance		1,578	1,988	2,645
Proprietary interest of Gov't in U.S. corp. and agencies		2,076	2,002	1,921
Exchange stabilization fund 4/		1,800	1,800	1,800
Increase, Feb. 28, 1933 to—		Sept. 30, 1935	Dec. 31, 1935	Mar. 31, 1936
Increase in interest-bearing debt less increase in assets held		{ 2,394 (2,500) 1/		
Increase in gross debt less increase in assets held		3,032	3,832	4,158
Increase in gross debt less increase in assets other than exchange stabilization fund			{ 5,632 (less than 6,000) 2/	{ 5,958 (5,979) 3/

For footnotes see next page.

Sources of data: Figures for February 28, 1933, Daily Treasury Statement for February 28, 1933, except for the Government's share in United States corporations and agencies. This figure was derived from figures for June 30, 1934 (published in the Annual Report of the Secretary of the Treasury for 1935, page 411) less increase in assets from February 28, 1933 to June 30, 1934 (from radio speech by the Secretary of the Treasury on August 28, 1934, press release No. 2-70, pages 3 and 4). These data give a figure of \$2,307,000,000, or \$100,000,000 less than shown above. It would appear that \$2,307,000,000 is the correct figure, although the difference is insignificant. Some adjustments were made in the data in the summer of 1935 on the basis of telephone conversation with the Treasury. Recently revised figures for March 1, 1935 have become available in the printed hearings on the Revenue Act of 1936 before the House Ways and Means Committee. In statements submitted by the Acting Director of the Bureau of the Budget, there appear to be two different figures, \$2,505,000,000 in statement No. 6, pages 701-702, and \$2,284,000,000 in statement No. 15, page 727.

Figures for other dates, Daily Treasury Statements for the particular dates, and for proprietary interests in United States corporations and agencies for the end of the following month.

- 1/ This note reference indicates figures used in the Address before the American Bankers' Association, November 14, 1935. Subsequent to this address a decision was made to base these comparisons on gross rather than interest-bearing debt, owing to the fact that during the past year the non-interest-bearing debt has included large amounts of Government liability for retirement of national bank notes against which assets have been held in the general fund.
- 2/ This note reference indicates figures used in the Remarks before the Business and Professional Men's Group under the Auspices of the University of Cincinnati, March 27, 1936. It was specified in these remarks that the net increase in the debt was exclusive of assets held in the exchange stabilization fund.
- 3/ This note reference indicates figures used in the address at the University of Pennsylvania, May 8, 1936. It was specified that the net increase was exclusive of amounts in the exchange stabilization fund.
- 4/ A figure of \$1,800,000,000 (rather than \$2,000,000,000) was used because it is the liability for the exchange stabilization fund which appears regularly in the Daily Treasury Statement. Data submitted by the Director of the Bureau of the Budget to the Ways and Means Committee include a figure of \$2,000,000,000, the amount transferred to the fund when it was established.