

# The University of Chicago

Department of Economics

May 15, 1944

Governor Marriner S. Eccles  
Board of Governors  
Federal Reserve System  
Washington, D. C.

Dear Governor Eccles:

I was distinctly happy as I perused the April issue of the Federal Reserve Bulletin and found the announcement of your reappointment as a member of the Board and as Chairman. The really big job in monetary policy is still to be done and in many ways the crucial test and major opportunity comes as we make the transition to a peace economy. It will take more than wishful thinking and scattered effort to assure us that we will have a level of demand that will be high enough to support and induce full use of our resources and technology. Your reappointment is significant because of your concern and belief that monetary policy should contribute a maximum to that end.

I wish you every success.

Sincerely yours,



Theodore W. Schultz

TWS/gw

June 20, 1944.

Dr. Theodore W. Schultz,  
Department of Economics,  
The University of Chicago,  
Chicago, Illinois.

Dear Dr. Schultz:

On my return from a trip to the west, I was pleased to find your thoughtful note of May 15 on my desk. I just wanted to let you know how much I appreciated it:

So far as monetary policy is concerned, it seems to me that the probable course for a good many years is already clearly indicated. In its Annual Report, the Board was at pains to emphasize, much as Governor Towers did in the report for the Bank of Canada, that monetary action is by no means the important instrument of control it was once supposed to be and that it plays a minor role at best in influencing the course of economic life. Our report further indicated the probability that after the war interest rates would remain at approximately their present levels, though it would be possible for short-term rates to firm up somewhat without affecting the long-term rates. In other words, in my judgment, monetary policy is not only a very subordinate factor but will be virtually automatic so far as one can see in the postwar world as it has been during the war.

As I have said many times in the past, fiscal policy is infinitely more important. If we learn how to use it properly, it can, I think, be a potent factor toward maintenance of a high level of economic activity in this country. Whether it will be intelligently used is beyond my powers of prophecy, but unless the social sciences, including economics, catch up with the tremendous progress made in the physical sciences, I cannot take an optimistic view of the future beyond the postwar conversion period.

I hope I shall have the pleasure of seeing you when you come to Washington.

Sincerely yours,

M. S. Eccles,  
Chairman.

Received in  
Chairman's Office

MAY 17 1944

Board of Governors  
of the  
Federal Reserve System

ET:b

June 7, 1944.

Dear Dr. Schultz:

It was my intention to hold your very thoughtful note of May 15 until Mr. Ecoles returns the middle of this month, but you may wonder if it has gone astray. And, accordingly, I am acknowledging it on his behalf, knowing that he will be pleased at your generous personal references to him.

I hope you will not fail to come in when you are in town.

Sincerely yours,

(Signed) Elliott Thurston

Dr. Theodore W. Schultz,  
Department of Economics,  
The University of Chicago,  
Chicago, Illinois.

ET:b