

June 11, 1942.

PERSONAL AND CONFIDENTIAL

My dear Senator:

Such vast events have washed over our little debate about debts and deficit spending -- how puny they seem now -- that what we said then will deserve the obscurity which I have no doubt it will achieve. Then, too, since then it has been my good fortune to get to know you, not as well as I would like, but well enough to have the personal regard for you that our very different views on public fiscal policy cannot obscure.

So it is in no mean spirit that I want to make sure you do not overlook the fact that John Maynard Keynes was the sole peer on the King's annual list of birthday honors, being elevated from a commoner to a Baron, a recognition of his many years of service to the Crown, including the very great contribution he has made to the intelligent and orderly financing of the British war effort as a chief adviser to the British Treasury and, incidentally, as a director of the Bank of England to whose Court he was elected some time ago. However much you belabor me for my views, I feel that Keynes deserves to be exempted.

On reading of this latest honor bestowed upon him, I could not but recall your letter of January 14, 1939, in the course of which you leveled some telling blows at the idea that under-spending and oversaving were the chief cause of the last depression, and added, "That is also the doctrine and dogma of that erratic English economist, Dr. J. M. Keynes, who, though a prophet without honor in his own country, seems to have sold his seductive schemes of spending and borrowing to those vested with power and responsibility in this country. England rejected his fantastic fallacies of spending, borrowing and lending . . . ."

Until comparatively recently, I had never met Keynes, nor had I ever, so far as I can recall, read or studied any of his works. We came out at about the same place in economic thought and policy by very different roads, and we have had the common experience of being highly unpopular in orthodox circles.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

MSE:

Please note the attached clipping which should be read in conjunction with the following quotation from Senator Byrd's letter to you of January 14, 1939:

"I do not agree, as you may, with William Trufant Foster when he said:

"'In the future we must prevent the oversaving and underspending which are the chief causes of the depression'.

"That is also the doctrine and dogma of that erratic English economist, Dr. J. M. Keynes, who, though a prophet without honor in his own country, seems to have sold his seductive schemes of spending and borrowing to those vested with power and responsibility in this country. England rejected his fantastic fallacies of spending, borrowing and lending....."

A handwritten mark consisting of a stylized, upward-pointing shape on the left and the letters "ET" in the center, with a horizontal line below the letters.

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*New York Times*, "Keynes Made Peer on Birthday List," June 11, 1942.

When the war is over the debate no doubt will be resumed as to whether we can afford full production and full employment in peace as we do in war -- whether we can manage it, as I believe we can, without continued deficits and growth of the public debt, though not without heavy taxation and government expenditures. That is the most difficult task the democracies will have to perform. I suppose you and I will be friendly enemies again on opposite sides of that debate, and the temporary and comfortable cloak of orthodoxy which covers me now because I advocate saving in times like these will be snatched off and I shall be revealed in my true and awful colors, allied again with this now honored prophet. I do not expect you to spare me, but you might spare him. Time has a curious habit of justifying this man Keynes.

Sincerely yours,

(Signed) M. S. Eccles

Honorable Harry F. Byrd,  
United States Senate,  
Washington, D. C.

 ET:b