

January 10, 1940.

My dear Senator Taft:

An Associated Press dispatch dated Chicago, January 5, quotes you as saying that I believe that deficits "are a blessing in disguise". Knowing that you would not intentionally misrepresent me, I assume that you have been misinformed and, accordingly, in order to keep the record straight, I am venturing to call your attention to a number of statements which I have made publicly in the past, from which, I think, you will see that I have regarded deficits and deficit-financing as anything but blessings.

While I make but few public addresses, I have rarely spoken without undertaking to emphasize that deficits are a symptom of economic disease and that the symptom will not disappear until the disease is cured. It is, therefore, as misleading to say that I think deficits are a blessing in disguise as it would be to say that I think a nervous breakdown or some other grave bodily disturbance, reflecting organic unbalance, is a blessing in disguise.

I do not wish to burden you with a lot of quotations, but in going back through a number of addresses of the past on reading the Associated Press dispatch to which I refer, I note that in speaking before the American Bankers Convention in New Orleans on November 14, 1935, I said:

"I do not want to give you the impression that a budgetary deficit is desirable * * * We shall not continue to have a budgetary deficit when the conditions that caused the deficit, the reduction of national income, are corrected."

My next public statement was made more than six months later, on May 8, 1936, before the Seventh Annual Wharton Institute of the University of Pennsylvania when, in a discussion of deficit-financing, I stated:

"Balancing the budget through increasing taxes or decreasing expenditures, or both, as the national income is restored, is an absolutely indispensable element in the eventual and complete success of a program of recovery requiring Government intervention which entails large deficit-financing."

Again, in a public statement issued on March 15, 1937, I said:

"Under present conditions of an accelerating recovery, a continued easy money policy to be successful in achieving and maintaining a balanced recovery must be accompanied by a prompt balancing of the Federal budget and the subsequent retirement of public debt by the Government in relationship to the expansion of private credit. I have not been and I am not now in favor of balancing the budget at the expense of the destitute and the unemployed who are unable to find private employment, but I am in favor of increasing taxes on incomes and profits if necessary to sustain the volume of relief and at the same time bring the budget into balance and permit the paying down of public debt as private debt expands. Only by this process can monetary inflation be prevented."

In an open letter to Senator Byrd of December 22, 1938, in reply to a public address in which he had similarly assumed that I was an advocate of debts and deficits, I said:

"I cannot leave uncorrected the impression conveyed by your speech that I am an advocate of reckless, wasteful, even increasing spending by the Government. As a banker and business man for more than twenty years before I came to Washington, I have a vital interest in the maintenance of our economic system and of our democratic institutions. I am quite as concerned as you are to maintain the solvency of the Government and to avoid the evils of inflation. However, I am equally in favor of avoiding the evils of deflation. I think I may be forgiven for feeling some impatience when a responsible public official like yourself so misconstrues my viewpoint as to make it appear that my advocacy of properly directed and properly timed Federal expenditures, for the primary purpose of stimulating private enterprise, is based on any other principle or purpose than to aid in bringing about the greatest possible degree of sustained employment and production of real wealth by private activity and enterprise, which, in turn, is the surest safeguard of our democracy as it is of the solvency of our Government. Only in this way, by restoration of national income, can we reach and maintain the balanced budget which I am as desirous as you are of achieving. You have every right to disagree as to the efficacy of fiscal, monetary and other policy in effecting stimulation in depression or retardation in a period of unsound expansion. I, of course, reserve the right to present the other side of the case. But I am convinced that it deserves consideration on its merits, without rancor or misrepresentation."

Also, in a radio address on January 23, 1939, under the auspices of the National Radio Forum, I said:

"I do not believe in government spending at any time for spending's sake. I do believe in government deficit-spending in depression periods as a supplement and stimulant to private spending, using only the man power, materials and money that otherwise would be idle, and using them only in a way that avoid competition with private enterprise. I believe that inefficiency and waste should be eliminated. Government should get the maximum of value for the money it spends, recognizing the size and inherent difficulties of the unemployment and relief problem -- the objective always being a maximum of private employment. I abhor politics and favoritism in any phase of government expenditures. I am as anxious as anyone to see the Federal budget balanced. In my judgment this cannot be accomplished until the national income is higher than it will be this year. I do not believe it can be done at this time either by reducing government expenditures or by increasing Federal taxes, particularly those that bear most heavily upon consumption. I believe that the only way the budget can be brought into balance is through increased Federal revenue from an increased national income."

On the relatively few other occasions on which I have spoken publicly I have stressed the same general viewpoint, but I have already quoted more extensively than was my intention. I am confident that you would wish to discuss governmental fiscal and monetary policy, such as I have in mind, on its merits or demerits -- and I am deeply conscious of the limitations of such policy at best -- without misrepresenting my own attitude and general viewpoint.

I feel strongly that the whole policy should be publicly debated in the interest of the country and of seeking a more stable economic progress in the future than we have had in the past. In the position I occupy I cannot undertake to engage in public debate without being accused of projecting myself into the political arena. Nevertheless, these vital issues must be settled in that arena, and I look to responsible leaders like yourself to keep this debate on the high plane which its importance deserves.

I am writing this letter to you as a personal matter and entirely off the record.

Sincerely yours,

M. S. Eccles,
Chairman.

Honorable Robert A. Taft,
United States Senate,
Washington, D. C.