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# On Ruml

by

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**ABSTRACT**

Within the Modern Money Theory (MMT) literature, there has been a debate about the theoretical legacy of Beardsley Ruml (1894–1960), whose diverse professional career included serving as a de facto outside adviser to the Roosevelt administration. As part of the project on fiscal sustainability launched by the Levy Economics Institute in mid-2026, we conducted a careful review of the relevant literature, including the extensive literature on the New Deal. In the course of this review, we collected publications and archival documents directly relevant to Ruml. As a result, this paper (a) aims to contribute to this internal MMT debate and (b) suggests that Ruml's relevance extends well beyond it. His work on taxation, public finance, and the aims of fiscal policy bears directly on how governments can conduct fiscal policy today, judged by real outcomes rather than budgetary ones.

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## 1. INTRODUCTION

There has been an internal debate among MMT economists about the legacy of Beardsley Ruml (1894–1960). On one side, Wray (2016), Tankus (2022), Levey (2023), and Tcherneva (2026) recognize him, among others, for the concise and clear-enough exposition—made in Ruml (1946)—of the role of taxation for a national government under an inconvertible currency regime. In short, thinking of taxation as a government's source of revenue is obsolete. Instead, taxation's prime roles range from maintaining demand for the national currency to expressing public policy by subsidizing or penalizing certain industries or activities. Hence, MMT's maxims are "taxes drive money" and "taxes are for redemption, not for spending" (Wray 2016, 2020) serving as building blocks for equitable policymaking.

On the other side of this debate, Mitchell (2021) asserted that a careful reading of Ruml's published work, which includes Ruml (1945) among other works, yields the opposite conclusion. That is, Ruml's writing was not of an emancipatory nature. Rather, it was "clearly a political lobbying effort" on behalf of the corporate sector for reduced taxation. Hence, Ruml "is the antithesis of MMT."

As part of the project on fiscal sustainability launched by the Levy Economics Institute in mid-2026, we conducted a careful review of the relevant literature, including the extensive literature on the New Deal. In the course of this review, we collected publications and archival documents directly relevant to Ruml.

That review suggests that Ruml's relevance extends well beyond the internal MMT debate mentioned above. His work on taxation, public finance, and the aims of fiscal policy bears directly on how governments can conduct fiscal policy today, judged by real outcomes rather than budgetary ones. The present moment in economic policymaking calls for renewed attention to this body of knowledge, as Weber (2026) argues.

Drawing on these materials, the following discussion seeks to contribute both to the above-mentioned MMT debate and to the present debate about the government's role and responsibilities. This paper is structured in the following way. Section 2 synthesizes the existing literature on Ruml. Section 3 examines the pivotal episode in New Deal history: the response to the 1937–38 recession. Section 4 concludes.

## 2. WHO WAS RUML? AN OVERVIEW

Among the New Dealers of the 1930s, Reagan (1999, 140–43) characterizes Ruml as someone content to play "the role of policy catalyst, rather than that of expert or political leader." Those who knew Ruml called him "an 'idea man' who sparked new ways of looking at old problems." He also attracted criticism, including the characterization of him as "the New Machiavelli" and "very much the fox." Because Ruml had "a love of anonymity" (Kinkead et al. 1942) and allowed others to take credit where it belonged to him, Reagan (1999, 140) acknowledges that Ruml's New Deal engagements "are today difficult to reconstruct." This note attempts such a reconstruction for the pivotal episode in New Deal economic policymaking discussed below: the effort to counter the recession of 1937–38. See Section 3.

Even before Roosevelt's first presidential term began in March 1933, Ruml had proved useful to the circle of advisers who would soon become known as Roosevelt's "Brains Trust." In the spring of 1932, Ruml was the first to introduce Tugwell, an agricultural economist and a member of the "Brains Trust," to the policy proposal then being developed across the nation to address the crisis in agriculture (Tugwell 1992, 42). That proposal subsequently became a landmark element of the New Deal's launch: Moley (1939, 14–5), another "Brains Trust"-er, acknowledged that "[agriculture relief] came first." In less than a year, on January 24, 1933, Tugwell (1992, 69) would write in his diary, characterizing Ruml as "one of our chief social inventors" and "discreet and able." It must be noted here that New Deal literature credits Tugwell as a "first-rate economist who had pushed on beyond the frontiers of stiff classicism" (Moley 1939, 15) and as one who "sought a radical reorganization of laissez-faire relations between the state, private industry, agriculture, and labor" (Berle 1969, 168). In short, Tugwell was the most radical among the "Brains Trust"-ers: for him, the economy was "fatally wounded," while the rest of the group was thinking in terms of getting "the old boat going again" (Berle 1969).[1] In his own words, Tugwell (n.d., 3) thought that in early 1933, the job of addressing the "malign forces which were destroying the American economy . . . called for knowledge and imagination." It appears that Ruml, among others, met that requirement.[2]

Most frequently, the MMT literature introduces Ruml to its readers as a person who occupied a

[1] Both Tugwell and Berle were important institutionalists (Rutherford 2001).

[2] There is a clear intellectual connection between Tugwell and Ruml, which was established early in their acquaintance. Ruml earned a doctoral degree in psychology in 1917 from the University of Chicago under James R. Angell, a well-known and respected psychologist. Tugwell earned his doctorate in economics in 1922 from the University of Pennsylvania. In 1978, upon receipt of the Veblen-Commons Award, Tugwell opened his remarks with a paragraph crediting a number of leading psychologists of "[t]he early of this century" as they "undermined the assumptions of laissez-faire economics" (Tugwell 1978).

senior position at the Federal Reserve Bank of New York (the NY Fed hereafter). His position is therefore referenced as "New York Fed Chair" (Levey 2023, 108) and "Chairman of the NY Fed" (Wray 2016, 3). This introduction is supported by various sources with a slight nuance: Collins (1981, 69) points out that Ruml joined the NY Fed in January 1937 as a director. Schwarz (1993, 186) points out that it was Eccles who promoted Ruml into that role. In 1941, Ruml was promoted to the position of chairman, which he held through 1946 (Rockefeller Archive Center n.d.; University of Utah n.d.).

There is another strain of scholarship from the field of sociology that describes him as an influential member of the U.S. business community. Collins (1978, 1981) portrays that community, with Ruml playing an active role within it, as responding positively to the New Deal and Keynes. Domhoff (1996) portrays its activities as part of the corporate tradition of retaining power.[3] These two lines of thought can be viewed as supporting the respective sides of the internal MMT debate mentioned above (in Section 1).

Ruml's career path was indeed quite diverse. A profile of him in the *New Yorker* put it illustratively: "[Ruml's career was] almost geological in its mixed stratification of science, public affairs, and private business" (Johnston 1945b). Schwarz (1993, 186) observes that "one would have been hard put to discover Ruml's true profession." Reagan (1999, 140–67) provides the most detailed account of Ruml's career. However, it is limited to the period through 1935, because it focuses on the Roosevelt planning agency in which Ruml played a role. Schwarz (1993, 186–94) adds details of Ruml's engagement with New Deal policies of the second half of 1930s. As far as science is concerned, Ruml earned a Ph.D. in psychology from the University of Chicago in 1917.[4]

Pointing to the basis of Ruml's professional rise, Domhoff (1996, 120) named him one of five "close Rockefeller advisors." Costantini (2018, 96) likewise introduces Ruml as "a top Rockefeller family advisor." Reagan (1999, 167) explains that, when Ruml was about to replace Wesley C. Mitchell[5] in Roosevelt's planning agency in 1935, his candidacy was accompanied by a memo stating that Ruml "could be classified as a businessman formerly and still affiliated with the Rockefeller Foundation, but recognized as a bold and independent thinker." Indeed, Ruml maintained that affiliation through the 1950s, according to Berle (1973, 592, 599), another member of the original "Brains Trust." Generally, Ruml earned his living thanks to his continued generation of "sometimes misbegotten but challenging ideas [that] provoked challenging thoughts in others" (Schwarz

[3] See also Parmar (2012).
[4] His dissertation, Ruml (1917), "was under the direction of the well-known and respected psychologist Angell." (Reagan 1999, 144)
[5] Another important institutionalist.

1993).

Characterizations of Ruml in the New Deal literature occasionally mention him as having a touch of hedonism. The top general-audience magazines, such as *The New Yorker* and *Time*, which profiled Ruml in the 1940s–1950s, made sure they mentioned to their readers, even if in passing, his dislike of exercise and preference for a sedentary lifestyle (Kinkead et al. 1942; Time 1952). About that, Ruml used to joke: "If you ever hear of me dropping dead on a tennis court, you'll know it was because I was crossing it on my way to a Scotch-and-soda," as quoted in Kinkead et al. (1942). Still, he was described as an energetic man who avoided exercise. Having no hobbies, Ruml appears to have channeled his energy into developing ideas.

Upon joining the New York Fed, Ruml did not give up his position as treasurer of Macy's, the New York City-based department-store chain, which he had held since 1934. The New Deal literature frequently discusses Ruml's continued association with Macy's while he served as a director of the New York Fed.

There is one piece of evidence in the New Deal literature mentioning an in-person meeting between Ruml and Roosevelt. In his diary entry dated April 9, 1937, Ickes (1953, 114–15) recorded that, during the preceding week, Roosevelt had had "a long session" with Ruml and another New Dealer[6] to discuss two plans they had presented. Other leading New Dealers, including Morgenthau, Eccles, Wallace, and Hopkins, were also present. The tone of Ickes's diary suggests that this was not the first or only meeting between Roosevelt and Ruml.

Thus, in the midst of the developing recession of 1937–38, when Leon Henderson, an economist with the WPA,[7] wrote memoranda to Harry L. Hopkins, head of the WPA, updating him on conditions in the U.S. economy, he remarked that developments in retail business required close attention. In particular, Henderson (1937) told Hopkins: "I believe retail buying . . . is the best signal as to how things are going, how big production will be, how much unemployment we will have." It is therefore not surprising that Henderson maintained close contact with Ruml, not least because of the latter's role in the retail business.

A few months later, on the eve of the pivotal episode in New Deal policymaking (discussed in more detail in Section 3), Henderson wrote an 18-page memorandum, delivered to Hopkins, on

[6]It was Charles Merriam. Both Merriam and Ruml served at the time as members of the New Deal planning agency called the Natural Resource Committee. Also, the characterization of Ruml as the New Machiavelli" came from Merriam (Reagan 1999).

[7]Works Progress Administration (WPA)

developing conditions in the U.S. economy. Henderson (1938, 17) concluded that memorandum with a rhetorical question raised by David K. ("Dave") Niles, another senior WPA official:

> Dave Niles asks, "How can you prime a pump with an eye-dropper?"

The most widely shared view of Ruml's contribution to economic policymaking is his advocacy for the introduction of income tax withholding, which not only aligns tax payments with income receipts for a single income earner but also serves as an automatic stabilizer (Heller 1957; Costantini 2018; Wray 2024). What is not fully recognized is Ruml's role in influencing Roosevelt's shift toward a proactive fiscal policy in April 1938. Section 3 addresses this point.

Indeed, the voluminous New Deal literature does mention Ruml as having played a role in Roosevelt's pivot from a balanced-budget commitment toward an extension of relief, made in April 1938. However, assessments of the visibility and significance of that role vary considerably. The last two paragraphs of this section provide a brief overview of the spectrum of such assessments.

On the one hand, Brinkley (1995, 1998) and Badger (2002) mention Ruml only in passing while discussing that policymaking episode. The account by Badger (2002, 333) refers readers to other works for details, singling out May (1981) and Collins (1981), of which the latter is described as "the best account of the final decision" made by Roosevelt in April 1938. Similarly, Sweezy (1972, 123) says that Ruml merely "helped," implying a secondary role. Likewise, Selgin (2025), a recent and highly critical account of the New Deal, describes Ruml's contribution as "handiwork." It explicitly follows May (1981), the account just mentioned, which focuses specifically on the 1937–38 recession. That account relegates Ruml to a secondary role (131–33), a viewpoint followed by Brinkley (1995, 98–9). We address this mistreatment of Ruml, as advanced by both May (1981) and Brinkley (1995), in the following section.

On the other hand, Collins (1978, 1981); Reagan (1999); Stein (1969); Schwarz (1993) place Ruml, either explicitly or implicitly, in a primary role in the April 1938 effort. Both Costantini (2018) and Schwarz (1993) identify Ruml as, respectively, a "key figure" and the person who "contributed" in "large measure" towards the business community's friendly acceptance of the New Dealers' decision to avert the 1937–38 recession, but do not detail the April 1938 episode. Collins (1978) offers an assessment of it, describing Ruml's role as a "unique contribution." By contrast, the widely cited account by Stein (1969, 109–11, 167) discusses Ruml's role in that episode in a more restrained and subtle manner.

## 3. THE PIVOTAL EPISODE: APRIL 1, 1938

All works discussed in the previous section agree on the general details of the April 1938 episode in New Deal policymaking.

First, the U.S. economy entered another recession in the fall of 1937, while Roosevelt's policy at the time remained committed to a balanced budget. Consequently, the fiscal debate sharpened in late 1937 and early 1938 as the recession accelerated.

Second, from March 23 through April 2, 1938, Roosevelt was at his regular semiannual retreat at the "Little White House" in Warm Springs, Georgia.[8] On April 1, 1938, Roosevelt had a meeting with Harry L. Hopkins, head of the WPA and one of Roosevelt's closest friends and confidants.[9]

Third, to prepare himself for that meeting, Hopkins called in three confidants—two WPA officials, Leon Henderson and Aubrey Williams, as well as Beardsley Ruml—to join him in Georgia. As a result, this group prepared memoranda for the Roosevelt-Hopkins meeting. They assembled at the end of March, giving them at least a couple of days.

Fourth, thanks to that meeting, on April 1, Roosevelt pivoted away from the balanced-budget commitment toward the resumption of what was then called compensatory budget policy. Roosevelt announced the change in policy on April 14 in an address to Congress and via a radio broadcast.

In addition to these points of consensus, it is worth noting that, thanks to that April 1 meeting, Roosevelt appears resolute rather than hesitant.[10] The next day, on April 2, Roosevelt headed back to Washington, D.C., by train in the company of Hopkins. Later, Eccles (1951, 311) recalled of that moment that "the whole of the budget-balancing program had been scrapped." After arriving in Washington, D.C., Roosevelt advised a desperate Morgenthau "to catch up" with the policy shift, allowing the latter "a couple of hours" (Blum 1959, 420). Among the members of Hopkins's group—Henderson, Williams, and Ruml—Reagan (1999) recognizes Ruml as the "major author" of that April 1 memorandum.

[8] Two other major policymaking figures, Treasury Secretary Morgenthau and Federal Reserve Chairman Eccles, were vacationing, too, in distant locations: Morgenthau was at Sea Island, Georgia, while Eccles was in Utah. It was an unlikely moment, with many of the principals in the policy debate scattered across the landscape [of the U.S.]" (Brinkley 1995).

[9] However, this meeting did not feature in Roosevelt's schedule for that day that is publicly available on the website of Roosevelt's Library and Museum; see `http://www.fdrlibrary.marist.edu/daybyday/daylog/april-1st-1938/`.

[10] Also, see footnote 18 below.

The above is not the entire picture. While working with the Roosevelt archive, we found a Western Union telegram dated April 1, 1938, with noteworthy content. It is saved in the Hopkins Papers, which were donated to the Roosevelt archive in 1949. Hence, presumably since that year, it has been available to the public. Of all the works mentioned in the previous section, only May (1981) managed to spot and engage with it. To May (1981, 132), it contained "compelling analysis." Such accounts as Stein (1969) and Collins (1978, 1981) missed it, even though their authors did substantial archival work, or underplayed its significance.

May (1981) identifies this telegram as having been sent by an anonymous person to Ruml, who was presumably in Warm Springs. May inferred this understanding because of the word "UNSIGNED" that can be found at the bottom of the telegram. Finally, May's judgment is that "Henderson and Ruml incorporated" the telegram's substance "into their own memo" being prepared for the April 1 Roosevelt-Hopkins meeting.

What is striking about May's account is how quickly the author accepted the origins of the telegram and did not bother to identify who its actual sender was. Then, May (1981, 137–38), while recounting Morgenthau's and his staff's reaction to the policy pivot, discusses their attempts to understand who originated the ideas that Roosevelt put into his public announcement of April 14. They guessed between Henderson and Williams, leaving Ruml without attention.

By its content, the April 1 Western Union telegram is quite noteworthy in terms of both size and substance. It spans four pages and contains a total of 480 words, which speaks to the urgency of the matter.[11] The full text of the telegram is in the Appendix on pages 22–26. The long telegram formulated its message using terms such as "socio-financial" and "socio-economic" policies. The term "socio-financial" was used to evoke the policy of committing to a balanced budget, with a brief reference to its observed effects in the form of an unfolding recession. The term "socio-economic" was used to define a policy for which financial considerations would be secondary, not primary, and which promised an end to that recessionary run. The following quote is a short extract from the telegram:

> THE PRESENT POLICY IS A "SOCIO-FINANCIAL" AND NOT A "SOCIO-ECONOMIC" POLICY. A "SOCIO-ECONOMIC" POLICY WOULD HAVE SIMILAR SOCIAL OBJECTIVES, BUT THE FRAME OF REFERENCE WITHIN WHICH IT WOULD BE WORKED OUT WOULD BE THE INCREASE IN PRODUCTION OF GOODS AND SERVICES

[11] The ordinary business-type Western Union telegram shown in Westerville Creamery (1954) consisted of a single sentence on one page.

> AND THE ELIMINATION OF PHYSICAL AND HUMAN WASTE. FINANCIAL CRITERIA, SUCH AS A BALANCE OF INCOME AND EXPENDITURE, WOULD BE SECONDARY, AND WOULD BE A TEST OF SUCCESS OF POLICY RATHER THAN A DIRECTIVE ELEMENT IN POLICY.

Our analysis of the identity of this telegram focuses on two elements: (1) the header, which contains the telegraph codes and conventions followed by Western Union, and (2) the wording of the content, i.e. the body text. We compared both with the available literature.

The header of the telegram is:

> QN66 480 GOVT COLLECT 1/140=MJ NEWYORK NY APR 1 123P 1938
> BEARDSLEY RUML= $9.69
> CARE MARVIN MCINTYRE WARMSPRINGS GA=

Reviewing the header, we observe that the coded header contains the date and place at which the telegram was accepted for telegraph transmission: this occurred on April 1, 1938, at 1:23 PM in New York City. It then contains typed text with the names of two individuals: "BEARDSLEY RUML= CARE MARVIN MCINTYRE WARMSPRINGS GA=" (we set aside the $9.69 handwritten in the header, to which we return later).

Although May (1981) does not mention Marvin McIntyre, he is the necessary starting point for our analysis of this particular text. According to Sherwood (1948) and Freedman (1967), McIntyre was not only Roosevelt's assistant in charge of appointments. His role was to remain literally at the President's side on a daily basis, and on some extreme occasions he acted as Roosevelt's bodyguard.[12] In the White House, McIntyre was one of those who "were accepted as members of the family and treated accordingly" (Sherwood 1948, 206). If a close friend or confidant of Roosevelt wanted the President's ear, he would act through McIntyre, since the latter's immediate contact with the President was assured (Freedman 1967, 110–11). Hence, we treat the phrase "CARE MARVIN MCINTYRE WARMSPRINGS GA" in the telegram's header as a coded directive to deliver the telegram directly and immediately to Roosevelt, who was at Warm Springs, Georgia, on one of his regular retreats. Also, the telegram's body text indicates that it was telegraphically received at 2:34 PM on April 1, 1938. Hence, its delivery followed shortly thereafter.

[12] Sherwood (1948, 182) quotes from a letter to Roosevelt from Hopkins: "You remember the day we got you up a blind road in Nevada and Mc [Marvin McIntyre] wanted to give up his life if the car rolled over the hill?"

With respect to the meaning of Ruml's full name in the header, we turn to an example of an actual Western Union telegram from the National Museum of American History (Westerville Creamery 1954). The headers of both telegrams are read according to the telegraph conventions of the time, where (a) an equal sign ("=") delineates one block of information from another, and (b) the sender's details are followed by the recipient's. Hence, the header of the telegram of interest consists of three blocks:

(1) Special codes relating to the telegram: "QN66" remains to be decoded; "480" indicates the message's word count; "GOVT" indicates that the message is government-related; and "COLLECT" indicates that the service charge ($9.69, handwritten in the header between the sender and recipient blocks) is to be collected from the recipient.

(2) The sender's information block.

(3) The recipient's information block.

The above suggests that Ruml was the sender and not the recipient, as in May (1981).

Now, analyzing the telegram's body text, it is clear that the key distinguishing terms, mentioned above, are "socio-financial" and "socio-economic" policies. Collins (1978, 381–82) identifies these terms as having been used by Ruml in his memorandum dated February 5, 1938, two months before the April 1 telegram. Collins suggests that Ruml's earlier memorandum, titled "Business Outlook, October 28, 1937," might have used similar wording. Both memoranda are held in Ruml's archives at the University of Chicago.[13] We have not reviewed Ruml's archives. Hence, we rely on Collins (1978).

All in all, our analysis yields the hypothesis that the telegram was sent from Ruml to Roosevelt. Hence, we refer to it accordingly as Ruml (1938).

The question remains why Ruml was in Georgia while the telegram was filed with a Western Union office in New York City. In this regard, there are the following considerations. The New Deal literature is not clear where exactly in Georgia Hopkins gathered Henderson, Williams, and Ruml. Two locations are mentioned for their gathering: Atlanta and Pine Mountain Valley. For comparison, the distances from these locations to Warm Springs are 70 and 16 miles, respectively.[14]

[13] See `https://www.lib.uchicago.edu/e/scrc/findingaids/view.php?eadid=ICU.SPCL.RUML`.
[14] For non-U.S. readers, these distances are 113 and 26 kilometers, respectively.

Thus, Eccles (1951, 311) describes how Hopkins traveled to Warm Springs from Florida via Atlanta, where he made a stop to meet with this group. There, "they worked out once again the whole case for planned deficit spending" and then "armed with this memorandum, Hopkins proceeded to Warm Springs for his meeting and discussions with Roosevelt." Black (2003, 432) gives us an important detail: "Hopkins arrived at Warm Springs on March 30[, 1938]." This allows us to assume that on March 30, Ruml could have stayed for a while in Atlanta and returned by overnight train to New York City, where his office was, safely by April 1.[15] Partially, Stein (1969, 109) confirms the Atlanta version by saying that Ruml's original purpose for traveling to Atlanta was to visit the local Macy's store.

On the other hand, Stein (1969, 109) develops the Pine Mountain Valley side of the meeting by saying that Henderson and Williams met Ruml by chance on the train south from Washington, D.C. "They persuaded him to join them at Pine Mountain Valley." This version, again only partially, is confirmed by Henderson (1942) in a 1942 letter to Hopkins, which recollected the chronology of that gathering among the four. According to Henderson, Hopkins met them—Henderson, Williams, and Ruml—in Atlanta while en route from Florida to Warm Springs. Here, there is no mention that Ruml was among them by chance. Then, Henderson, Williams, and Ruml, at Hopkins's request, traveled from Atlanta to Pine Mountain Valley "to work up various memoranda." Other New Deal historians take this side (Reagan 1999; Collins 1978, 1981; May 1981; Brinkley 1995, 1998).

It must be mentioned that Pine Mountain Valley was a New Deal project launched in January 1935 and built from scratch. The basic idea behind projects of this kind was to relocate unemployed people left destitute by the Depression from urban areas into new communities. There, a settler would find partial employment in local production and partly subsist on their own small farm (usually with a garden and a chicken house). The project in Pine Mountain Valley, unlike others, was "supervised by a local board of directors that answered directly to Harry Hopkins" (Marino 1990). The first settlers arrived in Pine Mountain Valley in early 1935 and lived in "surplus army perimeter tents and barracks" (4).[16] Thanks to the fact that "[t]he labor force had to be augmented with [a] large number of WPA workers" and "a CCC work camp was located just" nearby, the community was built out pretty quickly. "The homesteads were built with priority to simplicity and economy" (14). Nevertheless, the community had electricity and "the centralized water system" (12). Marino (1990) describes how Pine Mountain Valley had a decent building for a community center, as well as a school and a church. There is no mention of an inn, which is featured in Brinkley

[15] At the time, he held two key positions as treasurer of Macy's and a director of the NY Fed.
[16] Overall, only white people were selected to settle at Pine Mountain Valley (Marino 1990, 4).

(1995, 1998), where Henderson, Williams, and Ruml could have "huddled" while working up their various memoranda. Also, Marino (1990, 9) mentions that "the only phone was in the administration house, communication with friends in Atlanta was by letter." It is reasonable to assume that private telegraph companies such as Western Union or its rival Postal Telegraph-Cable Company most likely did not establish their offices there. Hence, if Ruml indeed was in Pine Mountain Valley—a very spartan place for someone with his hedonistic tastes—he could have used the local phone line to call the New York office of Western Union and dictate the above-mentioned telegram.

All in all, the above analysis suggests that Roosevelt had at least two memoranda at hand when he met with Hopkins on April 1, 1938.[17] The first memorandum was handed over by Hopkins and had been prepared by a group of three people: Henderson, Williams, and Ruml. The New Deal historians share the view that Henderson and Ruml (n.d.) was such a memorandum. The second memorandum was telegraphed separately by Ruml and handed to Roosevelt by McIntyre. See Ruml (1938). This assertion rests on the assumption that the Roosevelt-Hopkins meeting took place after 2:34 PM, the time at which the telegram was received in Warm Springs. If the meeting had taken place earlier that day, Roosevelt would nevertheless have had two memoranda to consider.[18] The next day, April 2, the two of them, Roosevelt and Hopkins, traveled by train to Washington, D.C., and must have continued their discussion of the matter.

There is broad (not overwhelming) acceptance among the New Deal writers that Henderson and Ruml (n.d.) was mainly written by Ruml (Reagan 1999; Collins 1978, 1981; Schwarz 1993; Stein 1969). One of the dissenters from this view, Brinkley (1995, 98–9), attributes its authorship to Henderson, giving Ruml no credit. Reagan (1999, 207–8) rejects this attribution: "Authorship of the memo has been attributed to Henderson, but he credited Ruml as the major author."[19]

Our reading of Henderson and Ruml (n.d.) alongside a number of memos written to Hopkins by Henderson alone, such as Henderson (1938), allows us to side with Reagan's version, a view shared by the majority of the New Deal accounts mentioned above. The point is that Henderson's memos were mainly about the state of different industries in the economy, discussing unfolding

[17] Another such memo most likely was by Currie (1938).

[18] Black (2003, 434) remarks about the meeting: "Hopkins was relieved to find that Roosevelt needed no convincing." This account does not go much into the details of the Roosevelt-Hopkins engagement in Warm Springs, suggesting that the sentence above was about the meeting on April 1, 1938.

[19] This controversy between Brinkley (1995) and the other New Deal accounts mentioned above can be traced in part to a 1959 letter written by Henderson to the director of the Roosevelt Library, which Brinkley cites. In that letter, describing his relationship with Roosevelt since 1932, Henderson offered a bird's-eye view of the April 1, 1938 episode: "In the Spring of 1938, when President decided to go back to spending, I was called in through Hopkins and helped prepare the program, and helped to write the message to Congress and the fireside speech." See Henderson (1959).

trends and developments. His texts dealt less with matters of money, banking, and finance. The general impression is that he was a business or industry analyst. Support for this impression can be found in Henderson (1959), where Henderson describes how he entered the New Deal: "I came into the New Deal through the N.R.A. by accident. As Chief Economist, I made a study of the auto industry which F.D.R. evidently liked."

However, the text in Henderson and Ruml (n.d.) is quite different from what Henderson usually wrote in his memos to Hopkins. The main difference is that it, Henderson and Ruml (n.d.), was written to help its reader, Roosevelt, answer a deeper question at the intersection of economics and morality: how government money creation can be explained to a U.S. public committed to the moral maxim that only through hard labor does one obtain income. To provide an answer, the memo has a short introduction purposely worded to hook the reader to lead them to the main part, where the answer is expounded.

The introduction explicitly states that "something serious and fundamental may be wrong with the mechanics [of the] capitalistic-competitive system." It continues that "the blame is more properly to be placed on our ignorance as to what makes the system function when it does, and on superficial diagnosis and symptom treating." Ruml's characteristic tone is recognizable in the reference to "our ignorance," which is a form of self-criticism.[20]

Then, the main part of the memo proceeds to the place of government in the economy. Extracts from this part of the memo are widely cited in the New Deal literature just mentioned. For example, Stein (1969, 110–11) retells the content of the main part quite closely. However, our overarching conclusion about the content of the memo's main part is that, in a nutshell, it (i) concisely explained the application of Keynes's theory of effective demand to the United States, and (ii) justified the government's central role in investment and spending by effectively arguing, like Lerner (1947) nearly a decade later, that currency is a creature of the state:

> It follows that the competitive capitalist system has been sustained from the beginning by federal intervention to create purchasing power. (Henderson and Ruml n.d., 7–8)

Unlike Lerner (1947), Henderson and Ruml (n.d.) did not explicitly mention taxation as a justification

[20] Stein (1969, 110) states that the memo begins with a different introduction. This is because Stein used the version held in Ruml's Papers at the University of Chicago Archives, whereas we used the version held at the Franklin D. Roosevelt Presidential Library and Museum. The paragraph that Stein identifies as the opening paragraph appears as the third paragraph in the version available to us. In the remaining parts, the two versions appear identical.

for the government's capacity to intervene. At the same time, the apt description by Lerner (1947, 314) of a government "shirking" its "two great responsibilities, the prevention of depression, and the maintenance of the value of money" cannot apply to Henderson and Ruml (n.d.), the authors of which urged the Roosevelt administration to stop this very shirking.

A careful reading of Henderson and Ruml (n.d.) suggests that its authors may have been aware of Keynes's meeting with Henry A. Wallace in Washington, D.C., in May 1936. The abstract of that meeting contains Keynes's explanations of his *General Theory* (*GT*). The influence of Keynes's *GT* on Henderson and Ruml (n.d.) is difficult to deny. At that meeting, Keynes began by suggesting that "The problem of foreign trade, while important, is not the primary economic problem. It is necessary first to increase the domestic demand." (Keynes 1936a, 1) The latter can be achieved "through investment," that is, "through the creation of new capital goods." Keynes then proceeded to the part whose kernel and main thrust, as shown in the quotation below, can be said to have migrated into the introduction of Henderson and Ruml (n.d.), albeit in a very condensed form:

> The main defects in our present society are its failure to provide full employment, and its inequitable distribution of wealth and incomes. Perhaps these two defects may be considered dual aspects of a single basic trouble; for economists have long recognized a connection between unemployment and the maldistribution of purchasing power. In Great Britain, especially since the end of the nineteenth century, something has been done to correct very great disparities of wealth and income. . . . Further progress in the same direction may be checked by two considerations: (1) the fear of putting an excessive premium on tax evasion; and (2) the belief that the growth of capital depends on the strength of the motive for individual saving. As to the first point, it has no doubt some weight; but with regard to the second, it appears that the growth of capital depends not on a low consumption, or in other words on a distribution of income that gives a minority a huge surplus for saving, but on the contrary that measures for the redistribution of incomes in a way likely to raise the propensity to consume may actually favor the growth of capital. (In Mr. Keynes['s] latest book he develops this argument in detail.) Only when employment is full is the further growth of capital dependent on "A low propensity to consume." (Keynes 1936a, 3)

The April 1 telegram, Ruml (1938), in its entirety reads as an extension, rather than a repetition, of Henderson and Ruml (n.d.). However, it could not escape laying down very clearly Keynes's theory of effective demand, while contrasting its argument to Roosevelt:

> THE BROAD LINES OF A "SOCIO-ECONOMIC" POLICY IN HANDLING THE FEDERAL BUDGET WOULD BE TO SECURE INCREASED PRODUCTION, WHICH WOULD FOLLOW INCREASED DEMAND WHICH WOULD COME WITH INCREASED PURCHASING POWER. INCREASED PURCHASING POWER WOULD ARISE FROM DISBURSEMENTS IN EXCESS OF CURRENT RECEIPTS. THE ATTAINMENT OF INCREASED PRODUCTION WOULD BE ACCOMPANIED BY A DECREASE OF UNEMPLOYMENT, AN INCREASE OF BUSINESS CONFIDENCE AS A RESULT OF EXPANDING VOLUME AND RISING PROFITS, AND A DECREASE IN PERCENTAGE COSTS ATTRIBUTABLE TO OVERHEAD CHARGES OF ALL KINDS.

It concluded with an invitation to answer the following question:

> ONE POLICY OR THE OTHER MUST BE FRANKLY ADOPTED. UNDER WHICH POLICY ARE THE RISKS THE LESS?

From the New Deal literature discussed above, it is known that Roosevelt made his decision quite quickly: the risks were lower under the socio-economic policy and greater under the socio-financial one. Not shirking was the answer to that question.

The Ruml (1938) telegram shows that the basic idea of what Lerner (1943) would later define as functional finance was shared, to a reasonable extent, among the New Dealers at least half a decade before its coinage by Lerner.

Levey (2023, 108) notes: "Further work is needed to figure out how the Treasury made this transition [from the balanced-budget policy of the second half of the 1930s to the policy of the first half of the 1940s, centered around full employment, increased production, and incomes]. . . " Our work suggests Ruml as a catalyst for such collective action.

## 4. RUML'S RELEVANCE TODAY

Ruml was a complex figure indeed. He used to puzzle his audiences with his explicit desire to rid them of "the arteriosclerosis which afflicted financial thinking" (Johnston 1945a).

Wray (2024, 154–58) engages with Ruml's "cogent argument" about the purpose of taxation in general and, more specifically, about which taxes are good and which are bad. The corporate

income tax falls into the "bad" tax category. Minsky shared this view (157).

There is yet another line of thought that reconnects the MMT literature with Ruml. It concerns the latter's incorporation of the external sector into his train of thought. Thus, Johnston (1945a) recounts a proposal Ruml circulated in 1933 regarding foreign debts: "This was the idea of having foreign nations pay their debts in tin, tungsten, rubber, and other commodities not produced in quantity in this country."[21] At the time, it was received with a mixture of smiles and "Impossible!" exclamations. However, Ruml's counterargument was that it was "clear that the country would have been better off if it had had stockpiles of useful material instead of the hoard of gold at Fort Knox."[22] Today, it appears in line with another MMT maxim: "In real terms, exports are a cost and imports are a benefit from the perspective of a nation as a whole." (Wray 2024, 239)

The MMT literature consistently argues, along the lines of Keynes (1936a,b); Lerner (1943, 1947), that, in a monetarily sovereign economy, real domestic outcomes take priority over budgetary and financial considerations. In other words, from the perspective of the nation as a whole, "natural" unemployment is a cost, whereas full employment is a benefit.

[21] Schumacher (1942) is on the same side as this line of thought.
[22] Taussig (1929, 315–16) discussed the costs and benefits of external trade in quite similar terms.

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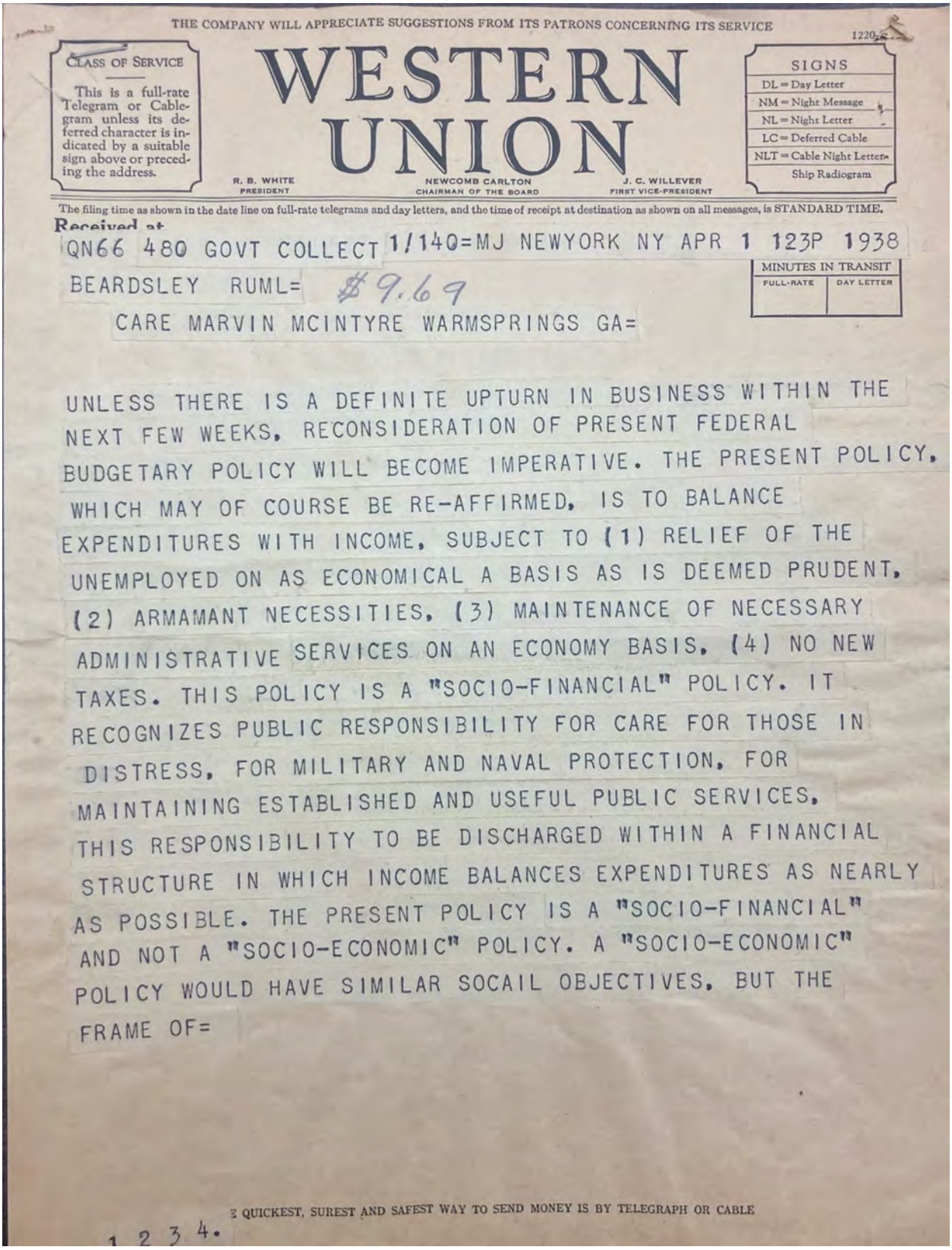
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## APPENDIX

### A. Scanned Copy of the Original Document

Figures A-1, A-2, A-3, and A-4 reproduce the four-page telegram sent by Ruml to President Roosevelt on April 1, 1938. See pages 23–26.

**Figure A-1. Page 1 of the Ruml's Telegram to President Roosevelt, April 1st, 1938**



THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

1220

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable sign above or preceding the address.

WESTERN UNION

R. B. WHITE, PRESIDENT — NEWCOMB CARLTON, CHAIRMAN OF THE BOARD — J. C. WILLEVER, FIRST VICE-PRESIDENT

SIGNS

DL = Day Letter
NM = Night Message
NL = Night Letter
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

The filing time as shown in the date line on full-rate telegrams and day letters, and the time of receipt at destination as shown on all messages, is STANDARD TIME.

Received at

QN66 480 GOVT COLLECT 1/140=MJ NEWYORK NY APR 1 123P 1938

MINUTES IN TRANSIT

| FULL-RATE | DAY LETTER |
|---|---|
| | |

BEARDSLEY RUML= $9.69

CARE MARVIN MCINTYRE WARMSPRINGS GA=

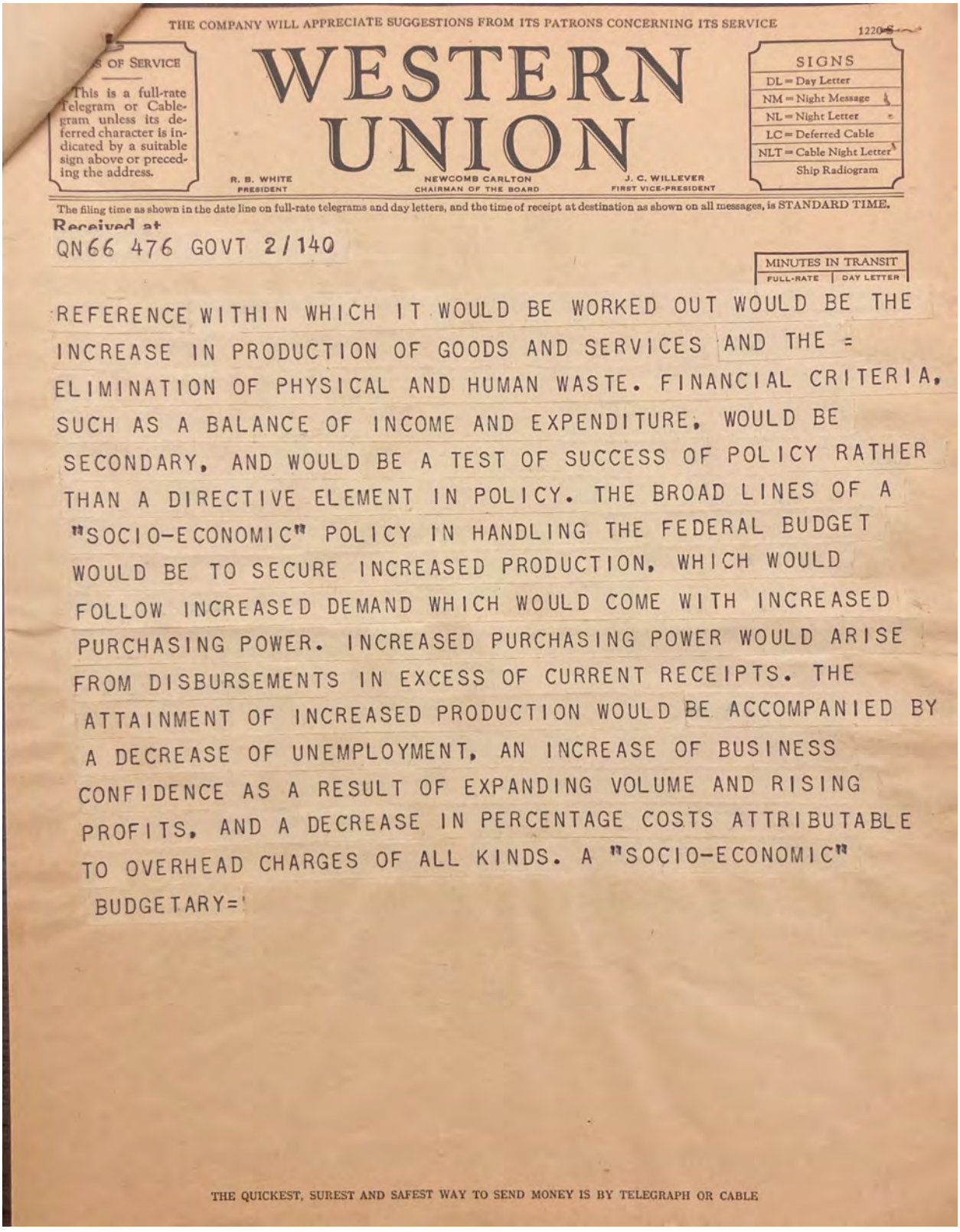
UNLESS THERE IS A DEFINITE UPTURN IN BUSINESS WITHIN THE NEXT FEW WEEKS, RECONSIDERATION OF PRESENT FEDERAL BUDGETARY POLICY WILL BECOME IMPERATIVE. THE PRESENT POLICY, WHICH MAY OF COURSE BE RE-AFFIRMED, IS TO BALANCE EXPENDITURES WITH INCOME, SUBJECT TO (1) RELIEF OF THE UNEMPLOYED ON AS ECONOMICAL A BASIS AS IS DEEMED PRUDENT, (2) ARMAMANT NECESSITIES, (3) MAINTENANCE OF NECESSARY ADMINISTRATIVE SERVICES ON AN ECONOMY BASIS, (4) NO NEW TAXES. THIS POLICY IS A "SOCIO-FINANCIAL" POLICY. IT RECOGNIZES PUBLIC RESPONSIBILITY FOR CARE FOR THOSE IN DISTRESS, FOR MILITARY AND NAVAL PROTECTION, FOR MAINTAINING ESTABLISHED AND USEFUL PUBLIC SERVICES, THIS RESPONSIBILITY TO BE DISCHARGED WITHIN A FINANCIAL STRUCTURE IN WHICH INCOME BALANCES EXPENDITURES AS NEARLY AS POSSIBLE. THE PRESENT POLICY IS A "SOCIO-FINANCIAL" AND NOT A "SOCIO-ECONOMIC" POLICY. A "SOCIO-ECONOMIC" POLICY WOULD HAVE SIMILAR SOCAIL OBJECTIVES, BUT THE FRAME OF=

E QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE

1 2 3 4.

Source: Roosevelt Library & Museum, Hyde Park N.Y.

**Figure A-2. Page 2 of the Ruml's Telegram to President Roosevelt, April 1st, 1938**



THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

1220-S

S OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable sign above or preceding the address.

WESTERN UNION

R. B. WHITE, PRESIDENT — NEWCOMB CARLTON, CHAIRMAN OF THE BOARD — J. C. WILLEVER, FIRST VICE-PRESIDENT

SIGNS

DL = Day Letter
NM = Night Message
NL = Night Letter
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

The filing time as shown in the date line on full-rate telegrams and day letters, and the time of receipt at destination as shown on all messages, is STANDARD TIME.

Received at

QN66 476 GOVT 2/140

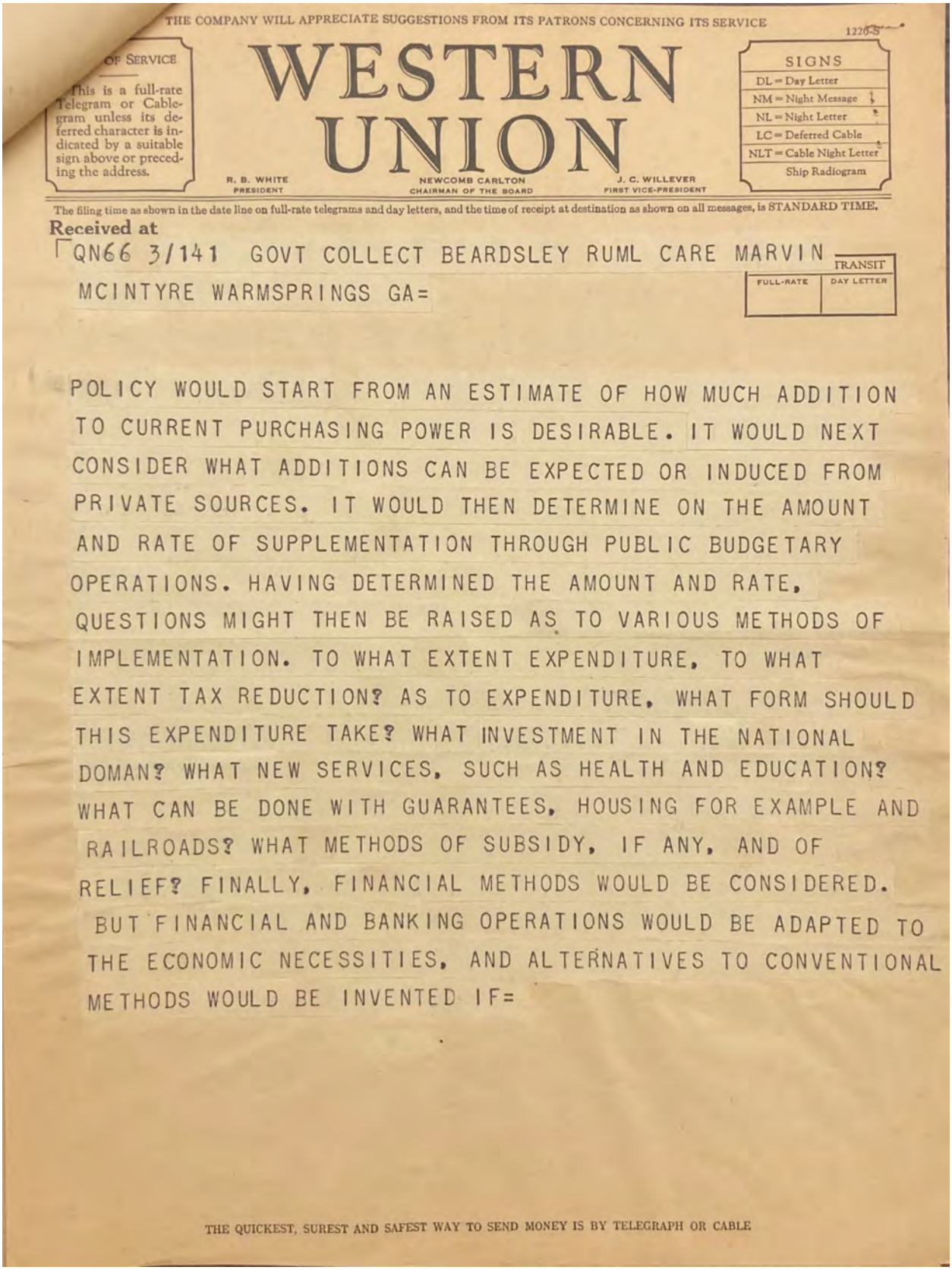
MINUTES IN TRANSIT | FULL-RATE | DAY LETTER

REFERENCE WITHIN WHICH IT WOULD BE WORKED OUT WOULD BE THE INCREASE IN PRODUCTION OF GOODS AND SERVICES AND THE = ELIMINATION OF PHYSICAL AND HUMAN WASTE. FINANCIAL CRITERIA, SUCH AS A BALANCE OF INCOME AND EXPENDITURE, WOULD BE SECONDARY, AND WOULD BE A TEST OF SUCCESS OF POLICY RATHER THAN A DIRECTIVE ELEMENT IN POLICY. THE BROAD LINES OF A "SOCIO-ECONOMIC" POLICY IN HANDLING THE FEDERAL BUDGET WOULD BE TO SECURE INCREASED PRODUCTION, WHICH WOULD FOLLOW INCREASED DEMAND WHICH WOULD COME WITH INCREASED PURCHASING POWER. INCREASED PURCHASING POWER WOULD ARISE FROM DISBURSEMENTS IN EXCESS OF CURRENT RECEIPTS. THE ATTAINMENT OF INCREASED PRODUCTION WOULD BE ACCOMPANIED BY A DECREASE OF UNEMPLOYMENT, AN INCREASE OF BUSINESS CONFIDENCE AS A RESULT OF EXPANDING VOLUME AND RISING PROFITS, AND A DECREASE IN PERCENTAGE COSTS ATTRIBUTABLE TO OVERHEAD CHARGES OF ALL KINDS. A "SOCIO-ECONOMIC" BUDGETARY=

THE QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE

Source: Roosevelt Library & Museum, Hyde Park N.Y.

**Figure A-3. Page 3 of the Ruml's Telegram to President Roosevelt, April 1st, 1938**



THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

1220-S

OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable sign above or preceding the address.

WESTERN UNION

R. B. WHITE, PRESIDENT — NEWCOMB CARLTON, CHAIRMAN OF THE BOARD — J. C. WILLEVER, FIRST VICE-PRESIDENT

SIGNS

DL = Day Letter
NM = Night Message
NL = Night Letter
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

The filing time as shown in the date line on full-rate telegrams and day letters, and the time of receipt at destination as shown on all messages, is STANDARD TIME.

Received at

QN66 3/141 GOVT COLLECT BEARDSLEY RUML CARE MARVIN MCINTYRE WARMSPRINGS GA=

TRANSIT

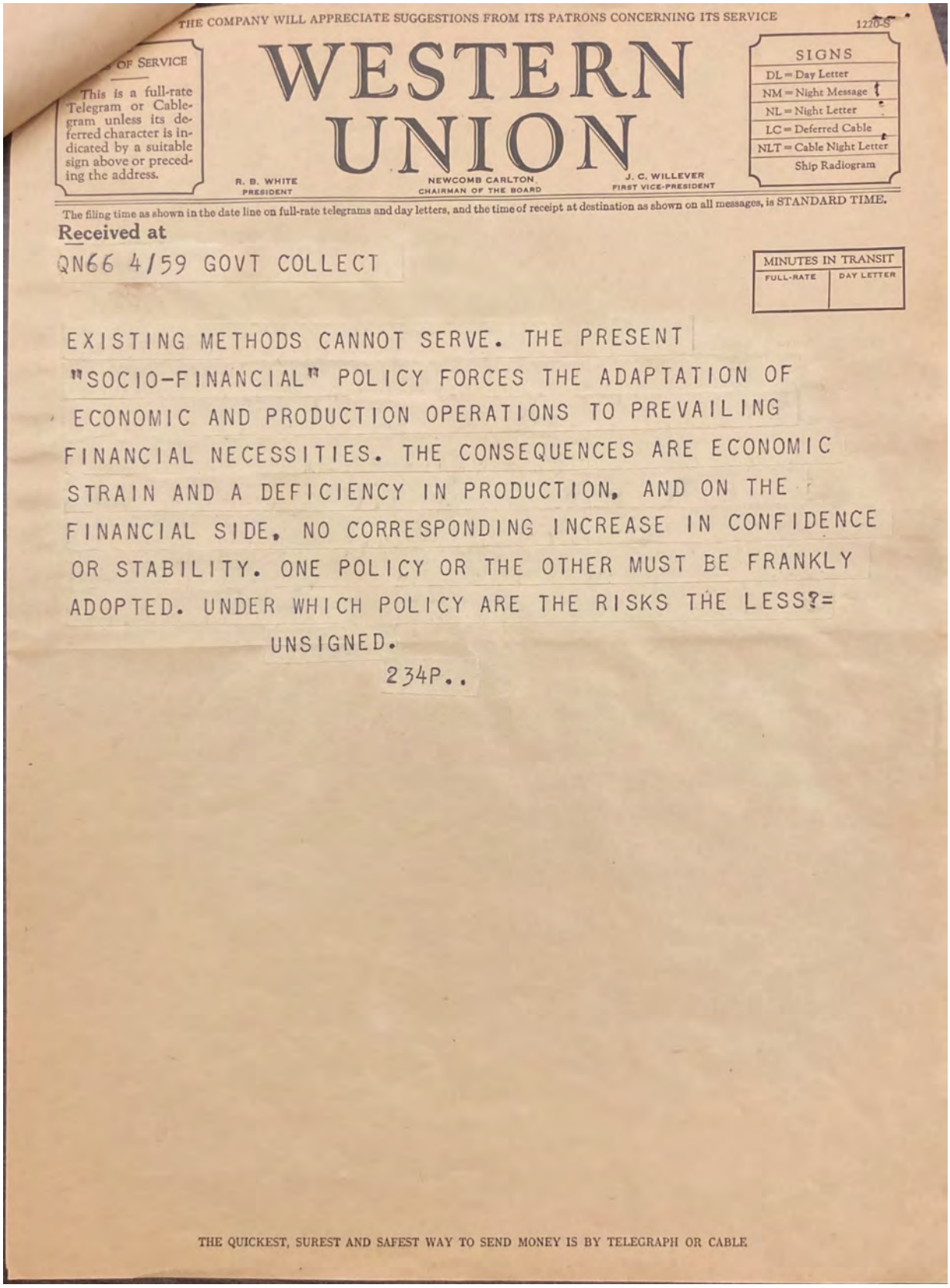
| FULL-RATE | DAY LETTER |
|---|---|
| | |

POLICY WOULD START FROM AN ESTIMATE OF HOW MUCH ADDITION TO CURRENT PURCHASING POWER IS DESIRABLE. IT WOULD NEXT CONSIDER WHAT ADDITIONS CAN BE EXPECTED OR INDUCED FROM PRIVATE SOURCES. IT WOULD THEN DETERMINE ON THE AMOUNT AND RATE OF SUPPLEMENTATION THROUGH PUBLIC BUDGETARY OPERATIONS. HAVING DETERMINED THE AMOUNT AND RATE, QUESTIONS MIGHT THEN BE RAISED AS TO VARIOUS METHODS OF IMPLEMENTATION. TO WHAT EXTENT EXPENDITURE, TO WHAT EXTENT TAX REDUCTION? AS TO EXPENDITURE, WHAT FORM SHOULD THIS EXPENDITURE TAKE? WHAT INVESTMENT IN THE NATIONAL DOMAN? WHAT NEW SERVICES, SUCH AS HEALTH AND EDUCATION? WHAT CAN BE DONE WITH GUARANTEES, HOUSING FOR EXAMPLE AND RAILROADS? WHAT METHODS OF SUBSIDY, IF ANY, AND OF RELIEF? FINALLY, FINANCIAL METHODS WOULD BE CONSIDERED. BUT FINANCIAL AND BANKING OPERATIONS WOULD BE ADAPTED TO THE ECONOMIC NECESSITIES, AND ALTERNATIVES TO CONVENTIONAL METHODS WOULD BE INVENTED IF=

THE QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE

Source: Roosevelt Library & Museum, Hyde Park N.Y.

**Figure A-4. Page 4 of the Ruml's Telegram to President Roosevelt, April 1st, 1938**



THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

1220-S

OF SERVICE

This is a full-rate Telegram or Cablegram unless its deferred character is indicated by a suitable sign above or preceding the address.

WESTERN UNION

R. B. WHITE, PRESIDENT
NEWCOMB CARLTON, CHAIRMAN OF THE BOARD
J. C. WILLEVER, FIRST VICE-PRESIDENT

SIGNS
DL = Day Letter
NM = Night Message
NL = Night Letter
LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

The filing time as shown in the date line on full-rate telegrams and day letters, and the time of receipt at destination as shown on all messages, is STANDARD TIME.

Received at

QN66 4/59 GOVT COLLECT

MINUTES IN TRANSIT
FULL-RATE | DAY LETTER

EXISTING METHODS CANNOT SERVE. THE PRESENT "SOCIO-FINANCIAL" POLICY FORCES THE ADAPTATION OF ECONOMIC AND PRODUCTION OPERATIONS TO PREVAILING FINANCIAL NECESSITIES. THE CONSEQUENCES ARE ECONOMIC STRAIN AND A DEFICIENCY IN PRODUCTION, AND ON THE FINANCIAL SIDE, NO CORRESPONDING INCREASE IN CONFIDENCE OR STABILITY. ONE POLICY OR THE OTHER MUST BE FRANKLY ADOPTED. UNDER WHICH POLICY ARE THE RISKS THE LESS?=

UNSIGNED.

234P..

THE QUICKEST, SUREST AND SAFEST WAY TO SEND MONEY IS BY TELEGRAPH OR CABLE

Source: Roosevelt Library & Museum, Hyde Park N.Y.