

Form F. R. 511

TO \_\_\_\_\_

FROM \_\_\_\_\_

REMARKS:

Meeting with President Roosevelt and  
Harold Smith at White House April 8th,  
1942.

CHAIRMAN'S OFFICE

RISE IN WAGES AND AGRICULTURAL PRICES COMPARED  
WITH RISE IN THE COST OF LIVING

A comparison of the latest available date with a year ago shows that prices of agricultural commodities have gone up 45 per cent, and average weekly earnings of persons engaged in manufacture by 25 per cent, while the cost of living has gone up 12 per cent. Total industrial payrolls, which reflect both the growth in employment and in earnings, have gone up 40 per cent.

April 8, 1942

Chart 1 is designed to bring out the fact that wages and salaries of the people have been increasing rapidly since the middle of 1941; that they have been spending freely to buy goods, but that the output of goods for them to buy has not increased. The increase in production has been concentrated on war supplies. With the growing scarcity of materials and manpower it is likely that the output of consumer goods will begin to decline. It is the pressure of growing income on a shrinking amount of goods that holds the threat of inflation.

Chart 2 brings out the fact that salaries and wages constitute a large part of the increase in total national income paid out. It emphasizes the need of control of wage and salary increases as a part of the anti-inflationary program.

Chart 3 brings out the extraordinary increase in production since the bottom of the 1938 depression. This increase, which has been particularly rapid since the spring of 1940, has represented principally the production of goods for war purposes. The output of consumer goods, however, also increased until the spring of 1941.

Chart 4 shows the very rapid rise in prices, with prices of basic commodities going up most rapidly, wholesale prices of 900 commodities following closely behind, and cost of living lagging, but in recent months showing a more marked advance.

Chart 5 compares the course of prices of 40 basic commodities during the last war and during the present war up to date. What it shows is that up to the present time the course of prices has been surprisingly similar. Notwithstanding our greater awareness of the dangers of inflation and the many-sided efforts of combating it, there is little evidence up to date of better control than prevailed in 1914-17.

Chart 6 shows that parallel to the other inflationary developments there is a constant increase in the money supply. Up to date this increase has been constantly fed by sales of Government securities to the banking system. Adoption of a Treasury financing program that would reach non-banking investors to a larger extent than at present is a necessary part of an anti-inflationary program.

The decline for retail sales in the latest month shown reflects some reaction from an enormous volume of hoarding in January.

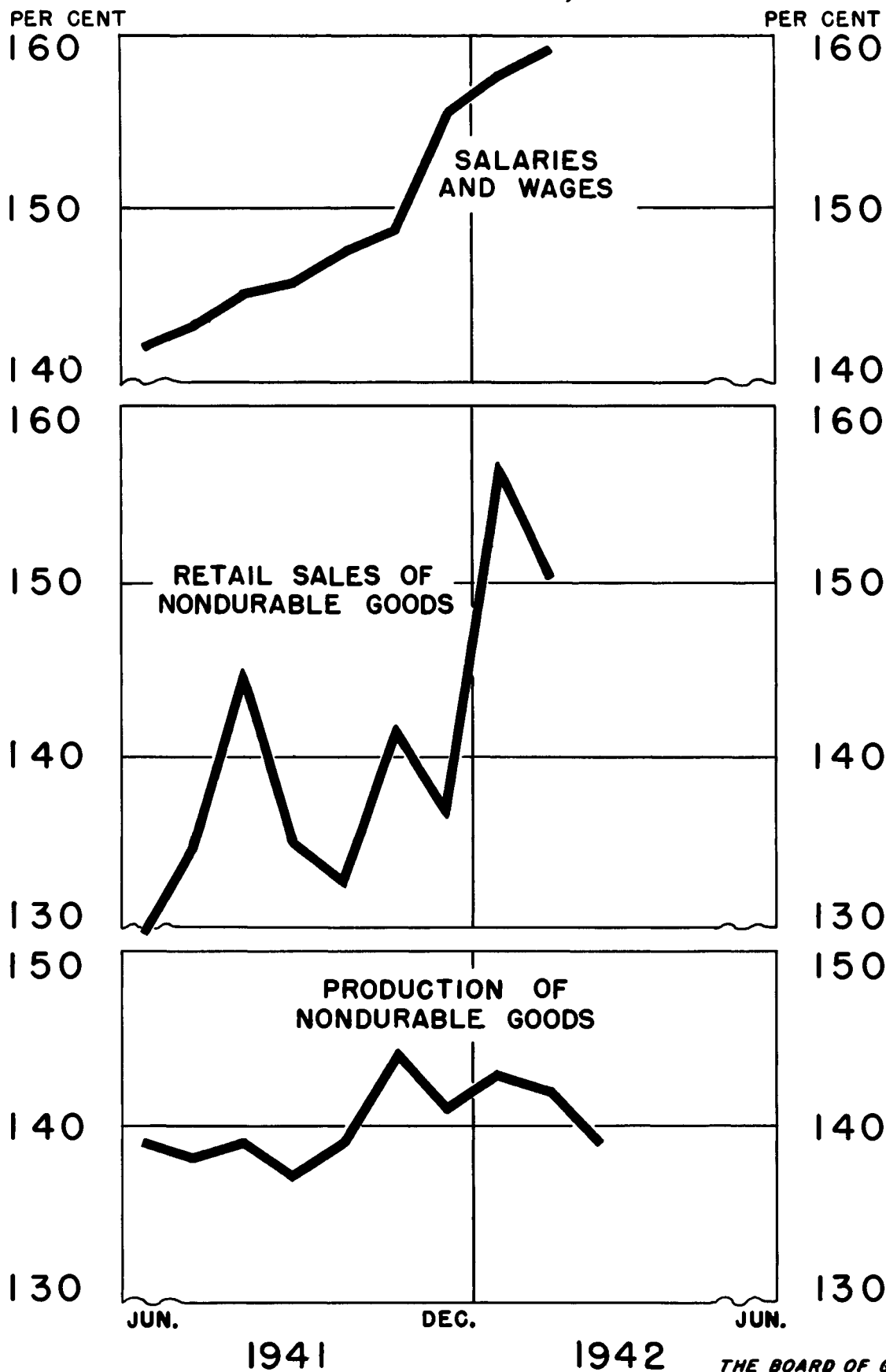
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Federal Reserve Bank of St. Louis

# WORKERS' INCOME COMPARED WITH RETAIL SALES AND PRODUCTION OF NONDURABLE GOODS

ADJUSTED FOR SEASONAL VARIATION, 1935 - 1939 = 100



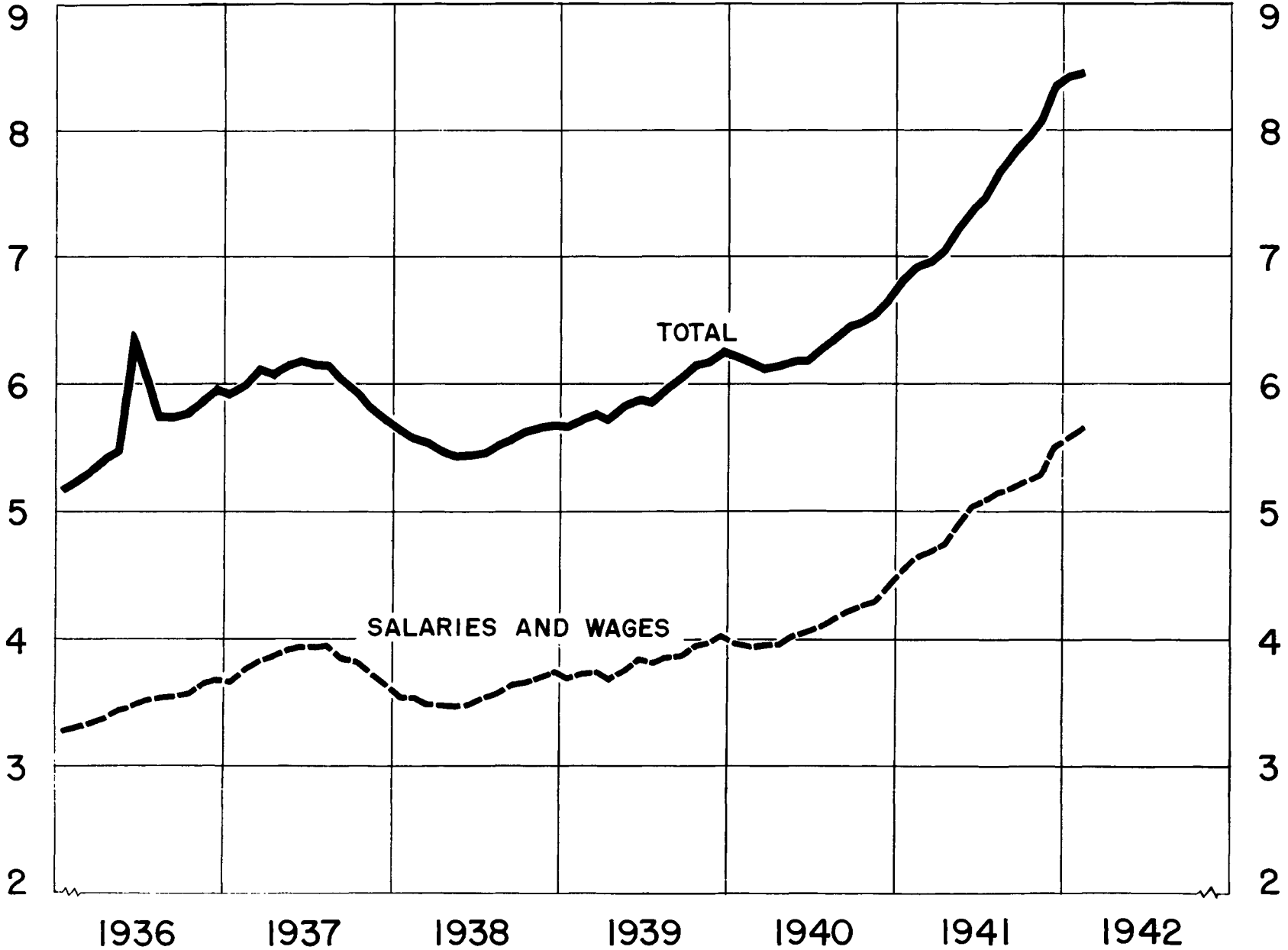
THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

# INCOME PAYMENTS

MONTHLY

BILLIONS OF DOLLARS

BILLIONS OF DOLLARS



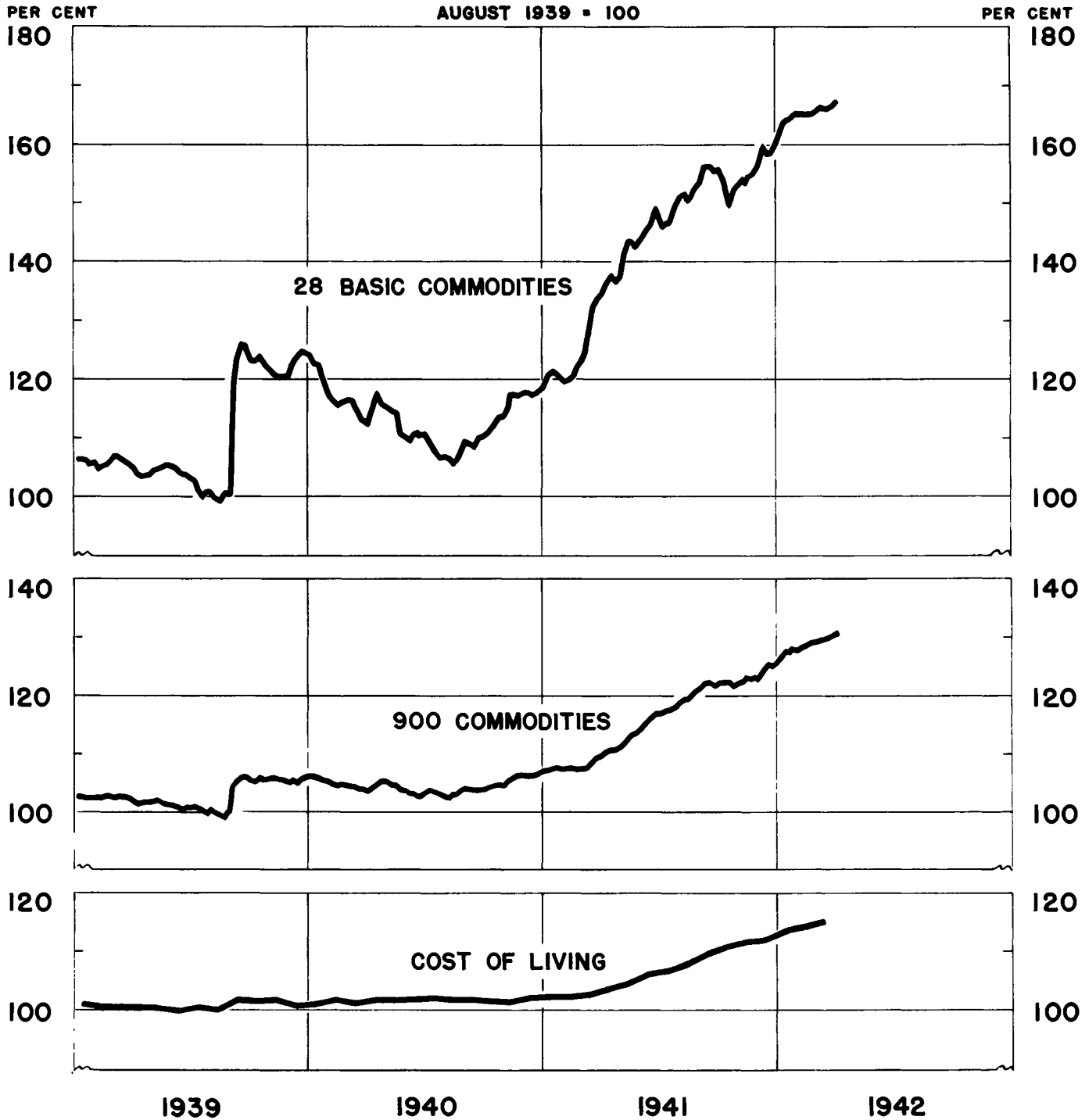
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## INDUSTRIAL PRODUCTION



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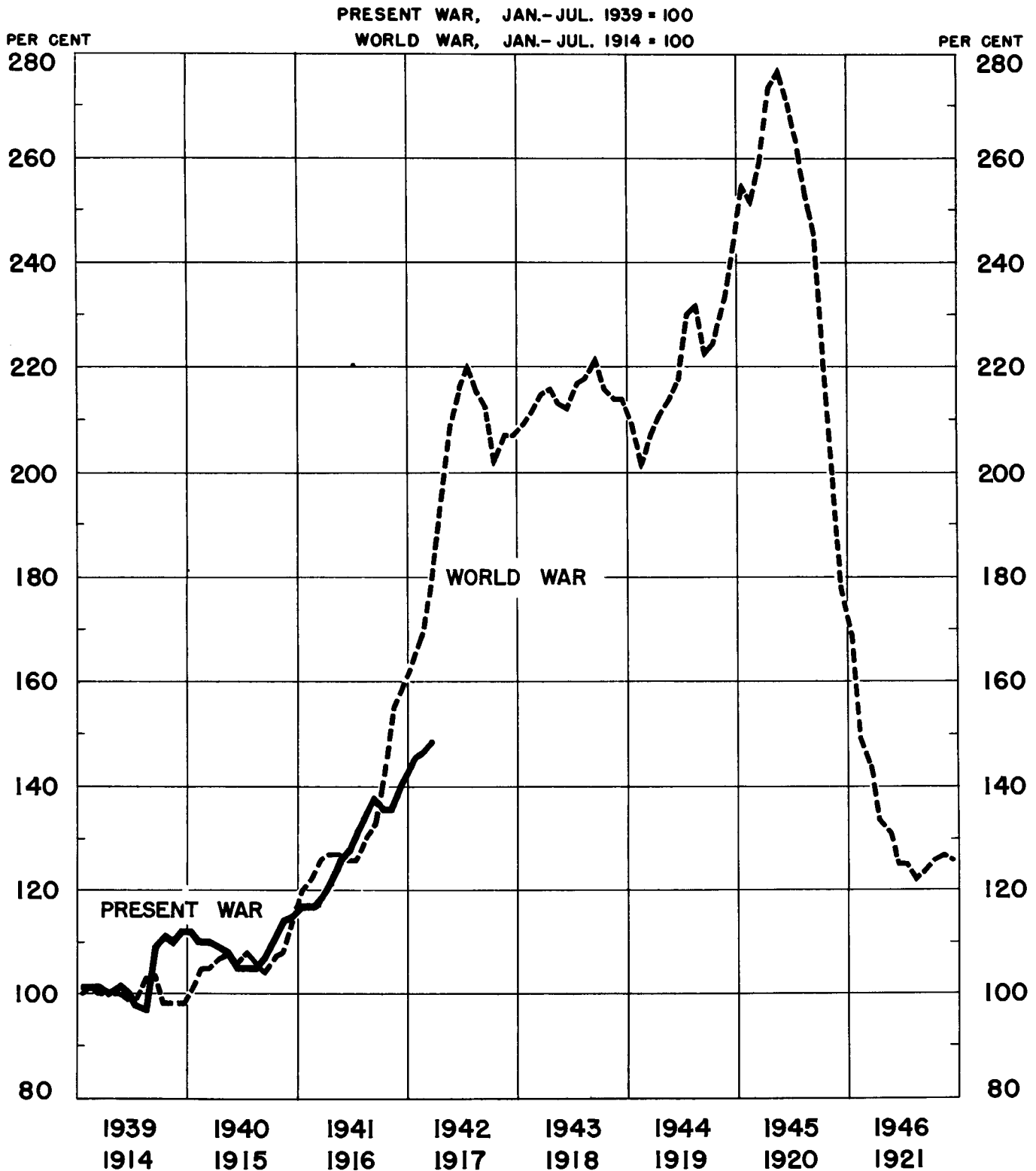
# COMMODITY PRICES



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# PRICES OF 40 BASIC COMMODITIES

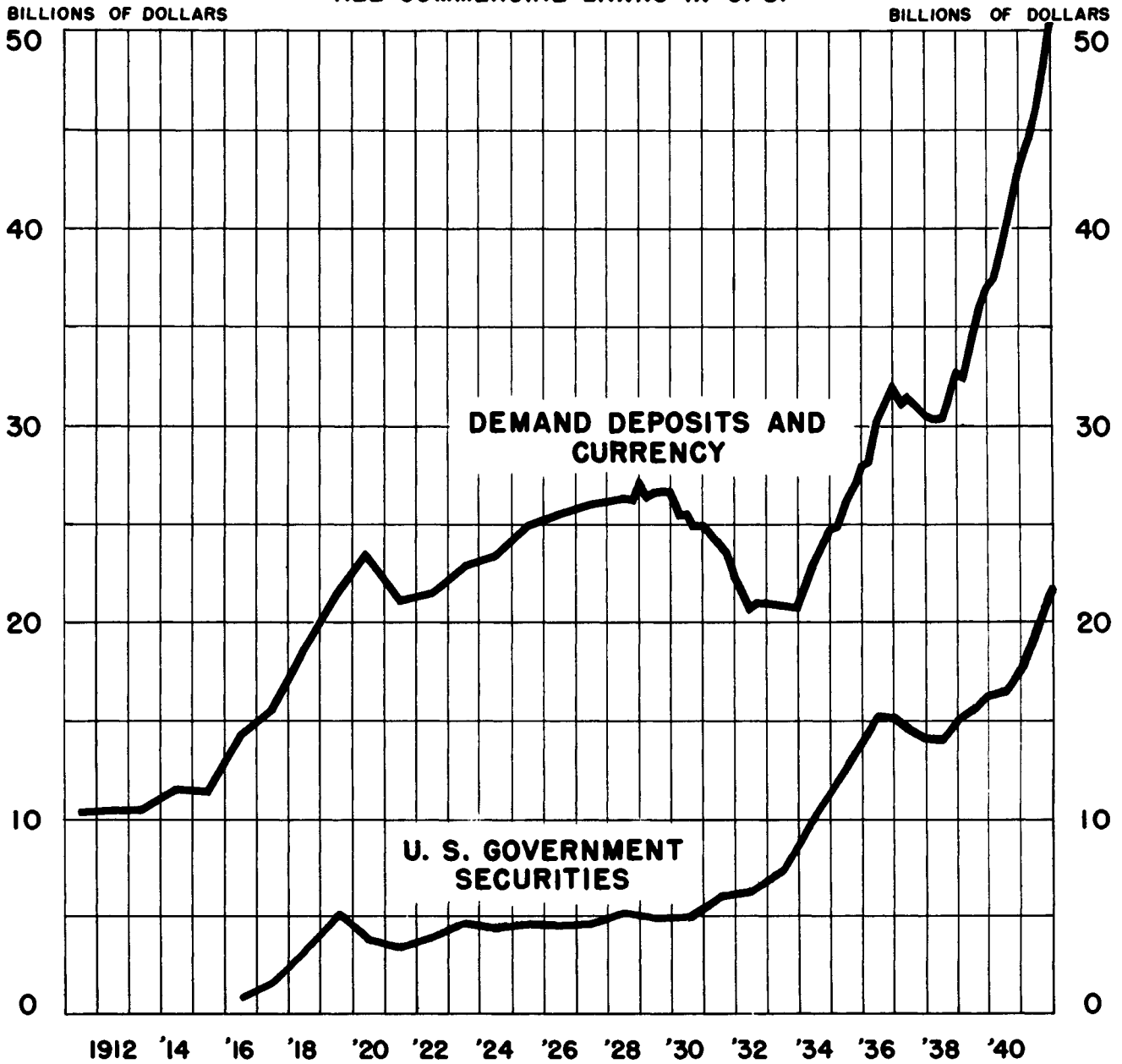


FEDERAL RESERVE INDEXES BASED ON DATA COMPILED BY  
GENERAL MOTORS CORPORATION AND CORNELL UNIVERSITY.  
JUNE ESTIMATE BASED ON DATA FOR FIRST WEEK.

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# BANK HOLDINGS OF U. S. GOVERNMENT SECURITIES AND DEMAND DEPOSITS AND CURRENCY

ALL COMMERCIAL BANKS IN U. S.



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