

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

## Office Correspondence

Date April 15, 1937.To Dr. CurrieSubject: Letter of April 3/37 to Mr. Marvin  
H. McIntyre from J. C. Seibert,  
Economist for Shaw & Co., Inc.From Mr. Thurston

The Chairman suggested that I send this to you for preparation of a reply. He thinks it should be brief and should state, first, that there is no conflict with the statistics; second, that the statement referred to suspension of government activity requiring labor and materials from industries which are at full production and are raising prices, as well as industries which, while not at full production, due to various bottlenecks, skilled labor shortages, etc., are also increasing prices. The purpose of such suspension would be, of course, to relieve pressures so far as the government is concerned and would thus tend to obviate this cause for rapidly advancing prices.



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APR 15 1937

DIVISION OF RESEARCH  
AND STATISTICS.

April 16, 1937.

Dear Mac:

I am returning herewith Mr. Seibert's letter addressed to you and a suggested reply prepared for your signature. The notation accompanying Mr. Seibert's letter requests preparation of a reply for the President's signature, but I assume that this is incorrect. However, if that is the intention, the suggested reply hereto attached will not require much change.

Sincerely yours,

M. S. Eccles,  
Chairman.

Honorable Marvin H. McIntyre,  
The White House,  
Washington, D. C.

enclosure

ET:b

Mr. J. C. Seibert,  
Shaw and Company, Incorporated,  
135 South LaSalle Street,  
Chicago, Illinois.

*Revised  
copy as  
sent to White House*

Dear Mr. Seibert:

The President's remarks on the curves of durable and non-durable goods production, referred to in your letter of April 3d, related to recent trends rather than to a comparison with pre-depression levels. Available indexes seem to agree in showing that the production of durable goods has been increasing at a much more rapid rate in recent months than the production of non-durable goods. The Standard Statistics index of capital goods production, mentioned in your letter, shows a 55 percent increase in February, 1937, from the 1935 average level as compared with an increase of 11 percent for consumers' goods. A seasonally adjusted index of the production of durable manufactures prepared by the Board of Governors of the Federal Reserve System shows a 50 percent increase in March, 1937, from the 1935 average level as compared with an increase of 18 percent for non-durable manufactures. The Bureau of Labor Statistics seasonally adjusted index of employment in factories producing durable goods shows a 25 percent increase in February, 1937, from the 1935 average level as compared with an increase of 9 percent for employment in factories producing non-durable goods.

The question of government policy raised by the President was whether the Federal government should not help to restrain further undesirable advances in durable goods' prices by reducing or discontinuing large purchases of the products of industries which are operating close to full capacity and industries which because of temporary obstacles to increasing output are unable to satisfy current demands for their products. The point was that by reducing or discontinuing its purchases the Government would help to relieve pressure on such industries and to this extent tend to restrain price advances.