

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT
OFFICE OF ECONOMIC STABILIZATION
WASHINGTON, D. C.

November 20, 1942

JAMES F. BYRNES
Director

Dear Marriner:

Enclosed are the minutes of our last Board meeting. The next meeting will be held on Friday, November 27, at eleven o'clock a. m.

We shall discuss:

1. Government policy with respect to the use of subsidies in holding down the cost of living.
2. Probable necessity for rationing essential civilian goods.

Some members of the Board have already submitted memoranda dealing with these subjects. If you have not done so, we should all be grateful for an expression of your view.

Sincerely yours,

Director.

Hon. Marriner S. Eccles,
Federal Reserve Board,
Washington, S. C.



MINUTES OF BOARD MEETING

The Economic Stabilization Board met on Friday, November 13, at 11:00 A. M.

Present: The Director (presiding), Mr. Morgenthau, Mr. Wickard, Mr. Jones, Miss Perkins, Mr. Smith, Mr. Eccles, Mr. Green, Mr. Flanders, Mr. Johnston, Mr. Davis, Mr. Hamra (Acting Price Administrator), and Mr. Lubin (Economic Advisor to the President).

A memorandum previously submitted by Secretary Morgenthau, dealing with the relation between fiscal policy and the control of excess purchasing power, was read.

Mr. Eccles also read a memorandum which he had prepared, dealing with the same general subject matter.

Secretary Jones stated his intention to set forth his views similarly in a future memorandum. In general, he agreed with the general proposals for compulsory savings dealt with in Secretary Morgenthau's memorandum. He also stated a preference for some form of sales tax, probably on a graduated basis, as suggested in the Treasury memorandum.

Miss Perkins questioned Mr. Eccles' statement with reference to the length of the work week. She pointed out that the problem differed from industry to industry. The Fair Labor Standards Act does not, she pointed out, prohibit a work week in excess of 40 hours, simply requiring the payment of overtime on that basis.

Mr. Davis agreed with the observations made by Miss Perkins. He also expressed the opinion that any change in the present basis of overtime pay would increase the number of labor disputes, disturb production, and

perhaps lead to wage increases which would give the country an excessively rigid post-war wage structure. These demands for wage increases would be occasioned by the fact that millions of workers in munitions industries are now working many hours of overtime; and without some change in the basic wage rate, repeal of the present 40-hour overtime statutes would cause a sharp reduction in their weekly earnings.

Secretary Wickard emphasized the importance of encouraging the prepayment of debt by farmers, and of recognizing the necessity for maintenance and repair on the farms during the post-war period.

The Director expressed the opinion that the Board could, with the guidance of the Treasury, formulate a common fiscal program, backed by the united support of all groups represented on the Board. This program could then be submitted to the President, and, after consultation with the Congressional leaders, to the Congress. Secretary Morgenthau and other members of the Board endorsed this suggestion.

Mr. Smith felt that the Board now had an opportunity to fit all separate economic problems together in a single pattern. He felt that, in considering fiscal policy, we should think not merely of the immediate economic future, but of the years ahead.

Mr. Green emphasized the necessity of taking into account the necessary economic transition from war-time to peace-time in the future. He also stated that, in fixing the length of the work week, it is important to maintain the efficiency of the worker. He reminded the Board that a recent British survey had demonstrated that production tended to fall off after about 54 hours of work by the individual employee.

Mr. Johnston expressed the opinion that business recognizes the necessity of both higher taxes and compulsory savings. He also felt that it would be desirable to aim at financing 50% of the cost of the war on a "pay-as-you-go" basis. Mr. Johnston also emphasized the desirability of obtaining united support for a single fiscal program.

Mr. Flanders pointed out that it is the wage-earner who has the greatest stake in preventing inflation. He also stated that it would be desirable to aim at a tax program which would make our fiscal policy at least as stiff as that of other countries, like Great Britain and Canada, which are also attempting to deal with the problems of a war economy. He also expressed the view that manpower was the key to many of our problems, including that of the civilian economy.

The meeting adjourned at 1:50 P.M. to meet again on Friday, November 27th, at 11:00 A.M.

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