

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

December 5, 1942

JAMES F. BYRNES  
Director

Dear Sir:

I am enclosing a copy of the Minutes of the last Board Meeting. The next meeting will be held Friday, December 11, 1942, at 11:00 A. M.

Very truly yours,

*James F. Byrnes*  
Director.

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Honorable Marriner S. Eccles  
Federal Reserve Board  
Washington, D. C.



## MINUTES OF BOARD MEETING

The Economic Stabilization Board met on Friday, November 27, at 11:00 A.M.

Present: The Director (presiding), Mr. Wickard, Mr. Jones, Mr. Eccles, Mr. Smith, Mr. Henderson, Mr. Davis, Mr. Murray, Mr. Patton, Mr. Johnston, and Mr. Lubin.

Mr. Henderson discussed the necessity for rationing essential articles of food and clothing, on the basis of a memorandum previously circulated. He emphasized the increasing recognition that rationing is an obviously integral part of a comprehensive economic stabilization program. Any effort to stabilize the cost of living must, he pointed out, include provision for the fair distribution of essential goods which are in short supply. This is necessary in order to maintain the productivity and the morale of the civilian population, thereby insuring adequate munitions and other supplies to the armed forces and to our allies. Despite this recognition, Mr. Henderson stated that there is still strong resistance to rationing upon the part of many people.

Mr. Henderson expressed the opinion that our large inventories of consumer goods, accumulated in 1941, have confused the popular understanding of this problem. Despite the fact that our production of consumer goods has been declining, incomes have increased; and, more important, retail purchases have gone up. The result has been to reduce our stock-pile of consumer goods to a very low point, and the pressure of purchasing power on limited supplies has been intensified by the imposition of general retail price ceilings. As shortages appear, there will be increased acceptance of rationing by the public, stated Mr. Henderson.

He also pointed out that the vastness of this country prevents any slavish duplication of foreign rationing systems. For instance, in the rationing of fuel oil, our Government has attempted to distribute the supply on a "tailored" basis rather than by some more automatic method. The object of this, according to Mr. Henderson, was to cut down on the consumption by larger houses, though this might involve a risk of public opposition.

Mr. Henderson also pointed out that public reactions vary according to the commodity which is involved. For instance, there was full public acceptance of the necessity for tire rationing, and yet resistance to the rationing of mileage through control of gasoline. Therefore, each commodity requires special study in order to devise a system of rationing which will best fit the national need and best obtain public acceptance.

There is one universal characteristic of all rationing systems, said Mr. Henderson -- a rationing currency or card. It has been the difficulty of preparing these rationing books which has often caused delay in the institution of rationing programs. These delays have occurred in mailing, in parcel post, and in printing.

Meats, with the probable inclusion of cheese, will be rationed on a point basis, thereby preserving the largest possible range of consumers' choice. Butter, on the other hand, will probably be grouped with other fats and oils in a similar system.

In answer to inquiry by the Director, Mr. Henderson stated that the Office of Price Administration does not have authority at present to determine what commodities shall be rationed. This authority is now vested in the various industry branches of the War Production Board.

Mr. Murray inquired of Mr. Henderson whether the cost of food stuffs had not risen enormously in recent months. Such increases, according to Mr. Murray, will have a pronounced effect upon wage demands in the future. Mr. Henderson replied that, though there have been sharp increases during the past year, the rate of increase has been rapidly decelerating, and almost all foods are now coming under price control. Only fresh fruits and vegetables will remain uncontrolled. In answer to a further question by Mr. Murray, Mr. Henderson stated that only eight or nine percent of food prices is now free from ceilings. When this statement was questioned by Mr. Murray, it was agreed that Mr. Lubin would prepare a memorandum upon this subject for discussion at a future meeting of the Board.

Mr. Patton asked whether the recommendations of the Food Requirements Committee for the rationing of food were not subject to review by the industry branches in the War Production Board. Mr. Wickard stated that as a practical matter this was the case, and blamed some of the delay in instituting rationing programs upon this fact. Mr. Patton expressed the opinion that the food industry branches of the War Production Board were, in a large measure, under the domination of food processors who would tend to oppose rationing.

The Director asserted that these delays, with the attendant publicity and welter of conflicting statements, constituted one of the most important difficulties in setting up a successful rationing policy. Mr. Henderson agreed, referring to the fuel oil situation as a typical example.

Mr. Patton inquired whether rationing could be utilized as a means of control over general expenditures. Mr. Henderson replied in the affirmative, but said that no alternative could obviate the necessity for specific rationing.

The Director again inquired of Mr. Henderson as to what can be done to speed up the preparation of rationing programs. Mr. Henderson replied that freer authorization by the Budget Bureau for advance planning would be helpful, as well as some effort to overcome the printing bottleneck. At present, Mr. Henderson stated, preparations can be made only after a formal decision to ration a particular commodity or group of commodities. The Director expressed the opinion that perfection and fool-proof mechanisms must be sacrificed to speed and simplicity. For example, he cited the use of safety paper in the preparation of rationing books.

Mr. Smith requested Mr. Henderson to prepare and circulate a brief memorandum on the objectives of rationing so that the Board members could agree upon a set of common principles. He also agreed to have the Bureau of the Budget prepare a similar statement setting forth in detail the procedure by which a rationing program is now determined upon and put into effect.

Mr. Eccles expressed general agreement with the position taken by Mr. Henderson. To emphasize the magnitude of the job, he cited figures on increases in department store sales in various localities, averaging about 25 percent for the entire country. Mr. Eccles also emphasized the necessity of parallel action in the field of manpower, production and fiscal policy as necessary in order to minimize the difficulties of rationing and to relieve the pressure on supplies of consumer goods. Nevertheless, he strongly emphasized that he saw no possibility of avoiding the rationing of essential food and clothing, and favored the institution of those measures at once.

Mr. Patton agreed with Mr. Eccles. He also strongly urged the necessity of centralizing control over the entire field of production,

manpower and civilian economic policy, as recommended in the joint statement of Senators Truman, Pepper, and Kilgore, and Representative Toland. Mr. Patton requested that these recommendations be discussed at a future meeting of the Board.

Mr. Murray also agreed with what Mr. Eccles and Mr. Patton had previously said. He urged the importance of maintaining civilian control over production, procurement, manpower, and economic policy. He further expressed the opinion that so long as procurement remained in the control of the military side of the Government, it would be very difficult to formulate an effective production and manpower program.

Mr. Davis agreed with the recommendations of Mr. Henderson, favoring immediate action. Mr. Davis emphasized the importance, along with rationing, of assuring the people that a minimum supply of essential goods will be planned for and guaranteed. He also urged the necessity of adequate publicity to acquaint the people with the necessity for rationing.

Mr. Eccles agreed with these suggestions, pointing out that the maintenance of minimum civilian requirements was equally as important as providing for the needs of the armed forces. The Director and Mr. Henderson expressed accord. Mr. Henderson asserted that in some cases the Army was planning its production program without adequate consideration of essential civilian needs.

Mr. Johnston stated that people in Government must stop talking and do some straight thinking. He agreed with remarks previously made as to the necessity of maintaining civilian control of the economy. He also held the opinion that the Director of Economic Stabilization must assume more power and responsibility. He further stated that in his opinion the Director should make greater use of the Board members. The Director agreed

with this recommendation, stating that it was his intention to submit various rationing programs to the non-governmental members of the Board for their review and endorsement prior to any public announcement of the various rationing measures.

Mr. Johnston pointed out that it was important for the Board members to help in selling these necessary measures to the general public.

The Board adjourned at 1:45 P.M. to meet again on Friday, December 11, 1942, at 11:00 A.M.

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