

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

March 20, 1943

JAMES F. BYRNES  
Director

MEMORANDUM FOR: Honorable Marriner S. Eccles

FROM: James F. Byrnes.

Enclosed are the Minutes of the Meetings of the  
Board of Economic Stabilization held on February 19 and March  
5, 1943.

J.F.B.

# MINUTES OF MEETING

February 19, 1943, 11:00 A. M.

East Wing, White House

Present: The Director (Presiding)  
Mr. Wickard  
Mr. Jones  
Miss Perkins  
Mr. Bell (Acting Secretary of Treasury)  
Mr. Smith  
Mr. Brown  
Mr. Davis  
Mr. Eccles  
Mr. McNutt  
Mr. Flanders  
Mr. Green

1. The Director announced that, between December 15, 1942 and January 15, 1943, the cost of living had risen .2 of one percent, the smallest increase in many months. Miss Perkins stated that this increase was due principally to the rise in price of milk and fuels. The Director expressed the opinion that this reduction in the rate of increase was a favorable sign. Miss Perkins also remarked that newspapers had all increased their prices recently, and Mr. Brown stated that the news print industry is requesting an increase in price of their commodity.

2. Mr. Brown summarized a statement, later circulated among the members of the Board, with reference to the effect of the President's 48 hour week Order upon the cost of living. He stated that, in general, the profits of industry were ample to absorb whatever cost increases would be entailed by the increased overtime payments. The total increase in costs will not amount to more than \$1,100,000,000, and probably less than this sum, since most of the retail and service industries are not subject to the overtime requirements of the Fair Labor Standards Act. On the other hand, industrial profits for 1942 were about \$19,000,000,000. Mr. Flanders commented upon the misleading interpretation which the New York Times and other newspapers had placed upon this Executive Order. Mr. Davis commented that often there might be an increase in the utilization of existing plant and the existing labor supply which would in part compensate for the increased overtime payments. Miss Perkins expressed the opinion that the inflationary effect of the Executive Order will be very small; and that the real problem is the increased purchasing power already created by increased employment.

Mr. Eccles stated that, while industrial profits in general may be higher, there may be a number of consumer goods industries in which the margins are not sufficient to absorb the increased overtime payments. Mr. Wickard shared this apprehension, and felt that in the

food industry there might be some danger that the increased cost would be rolled back upon the farmer. The Director stated that, on the other hand, application of the 48 hour work week would release more than a million workers, thereby easing the pressure on the agricultural labor supply.

Mr. Green also called the board's attention to the fact that the resourcefulness and skill of management and labor would uncover ways and means of increasing efficiency so as to absorb a measure of the cost increase necessitated by overtime payments. Mr. Flanders stated that the problem of overtime in connection with the increased work week is not essentially a wage problem. A large number of workers in heavy industry have already been working 48 hours or more, so that elimination of the overtime pay would constitute for them a sharp cut in the weekly pay envelope. Mr. Flanders expressed the opinion that the elimination of overtime in his own plant, for instance, would have a very unfavorable effect upon morale and production.

Mr. Eccles agreed that it would be impossible to eliminate overtime pay at the present time when so many workers are already receiving it. Therefore, he suggested the payment of premium wages in war bonds, and the deduction of 60 percent of overtime pay from income taxes by those employers who are not in the excess profits bracket. This, he felt, would sterilize the increased purchasing power, and overcome the resistance of employers to increased costs. Mr. Davis replied that the proposal of Mr. Eccles might simply result in the reduction of existing War Bond purchases by workers. Mr. Eccles stated that British and Canadian experience might give rise to a contrary inference.

Mr. McNutt read to the Board a general description of the manner in which the War Manpower Commission proposed to apply the 48 hour work week in the various industries and regions. This memorandum was later circulated among the members of the Board.

The Board adjourned at 1:10 to meet again on March 5, 1943.

# MINUTES OF MEETING

March 5, 1943, 11:00 A.M.

East Wing, White House

Present: The Director (Presiding)  
Mr. Wickard  
Mr. Jones  
Miss Perkins  
Mr. Bell (Acting Secretary of Treasury)  
Mr. Smith  
Mr. Brown  
Mr. Davis  
Mr. Eccles  
Mr. Flanders  
Mr. Murray  
Mr. Patton  
Mr. O'Neal

1. Mr. Bell stated that the Treasury, at a later date, desired to submit a memorandum with reference to Mr. Eccles' proposal for permitting the deduction of overtime payments under the 48 hour week from income taxes by employers not in the excess profits bracket.

Mr. Murray also commented upon the 48 work week in the steel industry. He estimated that the increased cost of a 48 hour week would not exceed 1.5 percent, and he stated that the existing profits of the industry are amply sufficient to absorb this increased cost. However, Mr. Murray asserted that thousands of workers in the industry are not now working more than three or four days per week, and many are intermittently unemployed because of changes in production schedules, the allocation of contracts and materials. Mr. Murray cited several instances of such unemployment, involving many thousands of workers. He further expressed the opinion that it would be most difficult to obtain a satisfactory application of the 48 hour work week to the steel industry; and stated that the United Steel Workers of America had been attempting for some weeks, without success, to get the industry on a 48 hour basis. Mr. Murray also called attention to the fact that many of those who point their fingers at the "fat pay envelopes" of war workers overlook the substantial amount of unemployment which constantly but intermittently reduces the incomes of many workers.

Mr. Eccles admitted the validity of these assertions but stated that they did not gainsay the fact that, in the economy generally, there was an enormous increase in purchasing power which had created an inflationary crisis. Doubtless individual hardships exist, he stated, but they are inevitable. Mr. Murray and Mr. Eccles both agreed that it would be impractical to eliminate overtime payment, or to increase the basic straight time week from 40 to 48 hours.

Mr. Patton expressed the opinion that too much emphasis had been laid upon the slogan "Equality of sacrifice". It is impossible, he stated, to have equality of sacrifice in wartime. Some people get killed and others do not. Some people get hurt economically and others do not. We can not, he went on to say, run a war on the basis of every individual and every group trying to

get his share, and hating everyone else, including his government:

Mr. Flanders expressed agreement, and stated that we must quickly come to the concept that every problem is now a war problem -- the problems of labor are war problems, and likewise the problems of industry and agriculture are war problems. In a total war, there is no economic problem which is not a war problem.

Mr. Eccles agreed, and stated that we should, therefore, consider the impact of our total program on the civilian economy, including the size and effectiveness of the army which we propose to raise. He expressed doubts as to whether our civilian economy could meet the double obligation of raising and supplying an army of the size now contemplated, as well as supplying the allied forces already in the field, and equipping our army in a manner calculated to make it effective in the places where it would be called upon to fight.

2. Mr. Patton read a memorandum on the general food situation, which was distributed to the members of the Board. The remainder of the meeting was consumed by a general discussion of this memorandum, all the members participating.

The meeting adjourned at 1:20 to meet again on March 19, at 11:00 A. M.