

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date November 14, 1945

To Chairman Eccles

Subject: _____

From Mr. Morrill

In accordance with your request, I went to the meeting held by Judge Collet this morning with the Stabilization Committee on the subject of coffee.

When I arrived Judge Collet was engaged in stating orally, with a memorandum before him, the occasion for the meeting and the problems which he wished considered.

There were a considerable number present whom I did not recognize because I am sure they were members of the staffs of various agencies but among those present I recognized Secretary Vinson, Secretary Schwollenbach, Under Secretary of Agriculture Hutson, and Eric Johnston. I noted also Mr. Salant of Judge Collet's staff.

Without attempting to review in detail the discussion which went on until after 12:00 o'clock, it appeared that the situation was the short-term one of the immediate future and not the long-term problem. It was stated that we probably had no more coffee in sight than would be sufficient to carry us the next three or four months; that the principal (though of course not the only) source of supply is Brazil; that there had been communicated to Brazil by the State Department, with the approval of the Department of Agriculture, and the knowledge of OPA, a proposal to increase our ceiling price by 3 cents per pound on green coffee provided that Brazil would give certain guarantees on deliveries; that Brazil had responded with a counter-proposal of 5 cents per pound.

Judge Collet finally summed up the questions upon which he wished expressions of views as being covered by four points, as follows:

1. Should the ceiling price limitation be removed?
2. Should the ceiling price be raised, and if so, how much?
3. Should we adopt a declining subsidy plan?
4. Should we stand on our price limitation and go to rationing if the short supply made that necessary?

I could not say that there was any general consensus on any one of these questions because objections were advanced to all of them. However, it was clear that State and Agriculture would prefer (if the approval of Brazil could be obtained) the raise of the ceiling price by 3 cents and Under Secretary Hutson indicated that he would be willing to compromise by going to 3-1/2 cents.

Secretary Schwellenbach was opposed to doing anything because of the wage problems with which he has to contend.

Secretary Vinson did not like the idea of having to do anything but indicated that he was somewhat in a quandary because he felt that State and Agriculture had committed themselves to a raise in price ceiling. He said humorously that he would like to say "I don't want to do nothing". However, among the disagreeable alternatives, he preferred as first choice number three if that conformed with the law, and four as a second alternative.

Secretary Schwellenbach preferred number four with number three as a second alternative. Mr. Johnston preferred number three and commented that the American people would not like rationing and would stand a raise in price rather than go back to rationing. Incidentally, it was pointed out that there was no assurance that there would be any power of rationing after December 31.

The final outcome of the matter was a suggestion by Judge Collet that the State Department immediately advise Brazil that its counter-proposal of 5 cents was not acceptable, in order to clear the record of the negotiations in that field.

Judge Collet said that "we will undertake to make up our minds by Friday so that our position can be stated not later than Saturday morning."

I did not make any statement during the meeting but spoke to Mr. Salant and Judge Collet after the meeting merely to record your inability in the circumstances to be present and that I was there at your request. I said privately to them that since obviously you had not heard the discussion I could not undertake to say what you would have said after hearing the discussion, but that your general reaction was that, in view of the price increases that had taken place for agricultural commodities in this country and increased wages that had been realized by American labor, you felt that a small raise in the ceiling price of coffee would seem to be less objectionable than other courses that might be taken. If you wish to express any additional view on the subject I am sure that there is time between now and Friday evening for you to do so.



cc: Mr. Woodlief Thomas