

RANGES  
AND  
HEATERS



# Majestic Manufacturing Co.

FOUNDED 1865

4550 GUSTINE AVENUE

St. Louis 16, Mo.

May 3, 1949  
(dict. 5/2/49)

## Personal

Mr. Marriner Eccles  
c/o Federal Reserve Bank  
Washington, D. C.

Dear Marriner;

It has been some time since I have either seen or heard from you, but I am taking the liberty of calling the following conditions to your attention because of their importance to the stove industry, including this company. You may, or may not be in a position to do anything about it, but if you feel that you can investigate the matter properly I think you will find a situation that might well be corrected in the best interests of all concerned. The cooking appliance industry is operating in the red for the first time in many years. Most plants are either shut down, or operating on reduced schedules. Some plants have gone out of business, and others are going into bankruptcy. Generally speaking, business in this industry is worse than it has been since 1933. At a recent meeting of representative members of the Industry it was agreed that two major reasons are contributing to this condition that emanated from governmental sources -- 1) Regulation "W", and 2) A 10% excise tax on cooking appliances.

Doubtless, Reg. "W" was intended to curb inflation primarily, but it is contributing without doubt to the serious condition now existing in this industry.

The Institute of Cooking and Heating Appliance Manufacturers in the Shoreham Hotel is a most effective trade association, and not "mine run" in any sense. If you should be interested in this matter and want additional information, Mr. Samuel Dunkel, Managing Director will be glad to supply any and all information you may want.

Briefly, the gas range industry is off 48% in the first quarter of 1949 as compared to the same period in 1948. Factory inventories of gas ranges have increased 229%. Factory employment is down 39%. It is estimated that the second quarter will be off about 50% as compared to last year.

The coal and wood industry is off 53% for the first quarter. Inventories are up - employment is down, and the first half is expected to be off about 50%.

Majestic Manufacturing Co.

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Mr. Marriner Eccles

The combination range industry is off 60% for the first quarter with other conditions comparable to the two cases above mentioned.

The electric range industry is off 62% for the first quarter. The kerosene range industry is off 83% in the first quarter with inventory, employment and other complications forming a similar pattern throughout the industry.

Inventories on dealers' floors are high.

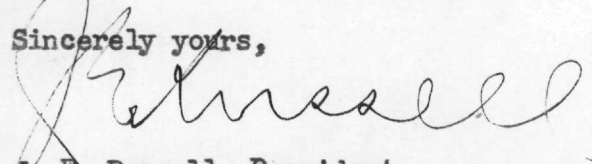
If cooking stoves (certainly basic appliances in the home) could be sold without the remaining controls under Reg. "W", we are all agreed it would be helpful.

I realize your relation to Reg. "W" is quite different from the excise tax situation, but I mention the tax situation as a further aggravation that is having such a vital affect on this industry at present. We have a 10% excise tax on all cooking appliances, which was originally intended to discourage the sale of ranges while steel was scarce. Now that steel is plentiful, there is no need whatever for the excise tax remaining in effect, except, of course, that during the last year or two it has yielded a sizeable return to the Treasury. If the excise tax were removed on all cooking appliances, and if Reg. "W" did not apply to these items I feel confident the government would be ahead, and the economy, certainly in this industry, would be more stable.

I realize you are very busy, but I hope you may feel this situation is sufficiently serious to warrant attention, and as stated above, if you should want further details, the Institute office will be very glad to supply it. I am sending copy of this letter to the Institute at the Shoreham Hotel, and that office will be glad to be at your service if you should want them to aid you in any way whatever in this connection.

I should appreciate hearing from you regarding the above, and with kindest, personal regards and best wishes, I am

Sincerely yours,

  
J. E. Russell, President

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cc; Mr. Samuel Dunckel.

May 12, 1949

Personal

Mr. J. E. Russell, President,  
Majestic Manufacturing Co.,  
4550 Gustine Avenue,  
St. Louis 16, Missouri.

Dear Mr. Russell:

Your letter of May 3 is a most interesting commentary upon the situation in the stove industry and confirms other reports that we have received regarding the tremendous downturn that has taken place. There has been an almost revolutionary change in the competitive situation.

While I understand that Regulation W as well as the 10 per cent excise tax may be factors in this situation, there are others of equal or greater importance. Among other things, I understand that the 10 per cent excise tax does not apply uniformly across the board and that there are complaints of inequity in this regard.

So far as Regulation W is concerned, that is a matter of Board policy on which there is nothing that I can do as an individual member, but it should be noted that under the last amendment as to Group B items all sales under \$100 were exempted, the down payment requirement was reduced to 10 per cent, and the maximum terms of repayment were increased to 24 months. An interesting result has been the volume of vigorous criticism on the ground that these terms are too liberal from the point of view of conservative credit grantors who feel that the Board has embarrassed them by giving its sanction to such terms.

With my best regards, I am

Sincerely yours,

M. S. Eccles.

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