

Sears, Roebuck and Co.

Executive Offices

Chicago

R. E. Wood
President

February 2, 1938

Personal

Hon. M. S. Eccles, Chairman,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

My dear Governor Eccles:

When I was in Washington, I had forwarded to you an exhibit prepared by our merchandising department, showing the common articles of consumption used by the masses, together with the actual prices to the consumer over a period of years.

I am attaching some additional information on articles of building material which might be appended to that exhibit.

I feel sure that there is a misconception of the pricing situation in the minds of the advisers of the Administration, and I am afraid that unless that misconception is corrected, it is bound to result disastrously.

The Department of Labor index is now 7 to 8% below what it was a year ago. The speeches that you and the President have made have created a false impression in the minds of the people. It is true that certain items, in building materials particularly, tended to rise unduly, but the common articles that the masses use have not risen materially. These have been considerably below the level prevailing between 1923 and 1929. The monetary policy adopted at the beginning of last year has tended to move toward a reduction in prices. I think this will be exceedingly disastrous and the more I reflect on it, the more I am convinced that I am right. I am attaching, in this connection, copy of a letter I received from Mr. Robert M. Harriss. I do not agree with everything he says in his letter but I do feel that it will be impossible to get the national income up or to balance the budget unless our price level advances. I think the longer you delay action, the more dangerous the situation will become, and I hope that the Treasury will take the action mentioned in our interview some time within the next thirty days. There is great danger, not only in our domestic economy but in the economy of the world, if action is withheld too long.

Sincerely yours,

