

October 8, 1941.

Honorable Fred L. Crawford,
House of Representatives,
Washington, D. C.

My dear Congressman Crawford:

This will acknowledge yours of October 5 with which you enclosed a copy of the Committee print for October 2 respecting the price-control bill.

The excerpt from the record contains a series of questions which you have posed and to which you would like some answers. These questions, for the most part, are framed in technical language and I have, therefore, asked Dr. Goldenweiser to consider them and prepare such replies as he thinks are feasible.

I might say in passing, however, that I, myself, believe that a reasonable rate of return is necessary in order to preserve initiative under our competitive system. What I do maintain, however, is that such a reasonable rate is not necessarily a natural rate. Thus, the present extremely low rate on short-term funds is not reasonable, even though some may claim it is natural under the present condition of the money market. I maintain that it is both unreasonable and artificial or unnatural. It has been brought about by the inordinate excess of bank reserves, which in turn has been brought about by a combination of factors, many of which are the result of political action rather than of the inter-play of free economic forces. I might also add that, while an unreasonably low return on investments tends to cut down enterprise in a particular field, the shift of capital from that field to other fields does not always take place. For instance, during periods of very low farm income a farmer cannot liquidate his capital and move to other fields. He goes on producing at an unreasonable rate of return and frequently at a serious loss, until such time as the situation improves, which at times does not occur until the Government, through benefits in the way of tariffs or direct subsidies, brings the rate of return up to a reasonable level. It seems obvious to me that the maintenance of such a reasonable level in the rate of return on investment in various segments of our economy is dependent more upon political action than upon the inter-play of natural forces.

Very truly yours,

H. S. Eccles,
Chairman

LC:owb

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