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A. N. WILLIAMS
 PRESIDENT

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HON MARINER ECCLES=

GOVERNOR FEDERAL RESERVE SYSTEM WASHDC:

=WOULD YOU PLEASE SEND ME DATA ON WHICH YOU BASED YOUR STATEMENT THAT THE COST OF LIVING WOULD RISE TEN PERCENT. WOULD DEEPLY APPRECIATE IT. REGARDS=

=EDW A ONEIL PRESIDENT AMERICAN FARM BUREAU FEDERATION (49)=

March 1, 1946.

Dear Ed:

The press accounts of my testimony on the extension of price control were based upon a misinterpretation of some "off the cuff" remarks I made in response to a question asked by Representative Patman.

I did not predict that the cost of living would increase 10 per cent as a result of the new wage-price policy, nor do I have any data upon which to base such a prediction. What I did say was that there was a possibility of the rise reaching a maximum of 40 per cent over the prewar level, and if it were held to this we would have done a fairly good job, all things considered. I understand that the official figure used by OPA for the amount of inflation so far is 33 per cent, so if we should reach a high of 40 per cent that would be 7 more points. Chester Bowles estimated that a further rise might be 5 per cent, so if there is any difference in our guesses -- and they necessarily have to be guesses -- it amounts to an insignificant matter of 2 points.

Just for your information, I am quoting exactly what I did say in answer to Wright Patman's question:

"Well, of course, there is a good deal of argument as to what our inflation has been. Measured by the increase in the cost of living, I think the Office of Price Administration figures that it is about 30 per cent inflated. Which is as good a job as any country has done. I think maybe Canada has done, if anything, a little better job than we have. But with other countries, there has been a greater inflation than that. I would expect that with the increased wages and prices on your new wage-price policy, that we will get some further increase. It is estimated that there is a possibility of it reaching as high as a maximum of 40 per cent. I would think, if the cost of living can be held to 40 per cent above the prewar level, that we will have done a fairly good job considering the size of this public financing that has been undertaken."

With best regards,

Sincerely yours,

Mr. Edward A. O'Neil, President,
American Farm Bureau Federation,
58 East Washington Street,
Chicago 2, Illinois.

ET:b



TELEPHONE DEARBORN 1633

CHICAGO 2, ILL.

March 5, 1946

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

My dear Marriner:

Thanks for your letter of March 1, explaining the press interpretation of your statement made before the Banking and Currency Committee. I read your statement with deep interest and want to commend you highly for it. While I may have some disagreement on some of the points, I think it is vital that we maintain price control; along with it we must have monetary control, tax control, budget control.

I thought you would be interested in some data I had my economic department get up on food subsidies the other day. I am enclosing a copy of same.

With best regards, I am

Sincerely yours,

Edw. A. O'Neal - President

Enclosure

American Farm Bureau Federation
Department of Information
58 E. Washington St., Chicago
February 25, 1946

STATEMENT PRESENTED BY EDWARD A.
O'NEAL, PRESIDENT, AMERICAN FARM
BUREAU FEDERATION TO THE ADVISORY
BOARD, OFFICE OF WAR MOBILIZATION
AND RECONVERSION FEBRUARY 4, 1946

INFLATIONARY FACTORS

Inflation cannot be controlled by simply trying to control the cost of living index without any regard to the many other factors, including wages, productivity of labor, taxation, and methods of government finance.

From 1939 through 1945 the national income increased from approximately 71 to 157 billion dollars. This is an increase of over 86 billion dollars. Of this increase in the national income, 73 per cent went for wages and salaries, a little over nine per cent to farm operators, and the remaining 18 per cent went to other proprietors and for interest, rents, and profits. It can clearly be seen that most of the increase in our national income went into the pockets of the wage earners.

In 1945 the factory worker was able to buy more food for an hour's work than at any time in our history. In 1914 an hour's wages in the manufacturing industries bought three and one-half loaves of bread. By 1939 this had increased to nearly eight loaves of bread for an hour's work, and by 1945 one hour of factory wages would buy nearly twelve loaves of bread. The same is true for most other agricultural products. An hour's wages in the manufacturing industries in 1945 bought over six and one-half quarts of milk, compared to above five quarts in 1939, and two and one-half quarts in 1914. Almost without exception an hour's wages in the manufacturing industries had more purchasing power in terms of food during the war than it had prior to the war. More bread, more butter, more milk, more pork chops, more bacon, more coffee, more sugar, more cans of corn, and more roast beef could be purchased for an hour's work than during the pre-war period.

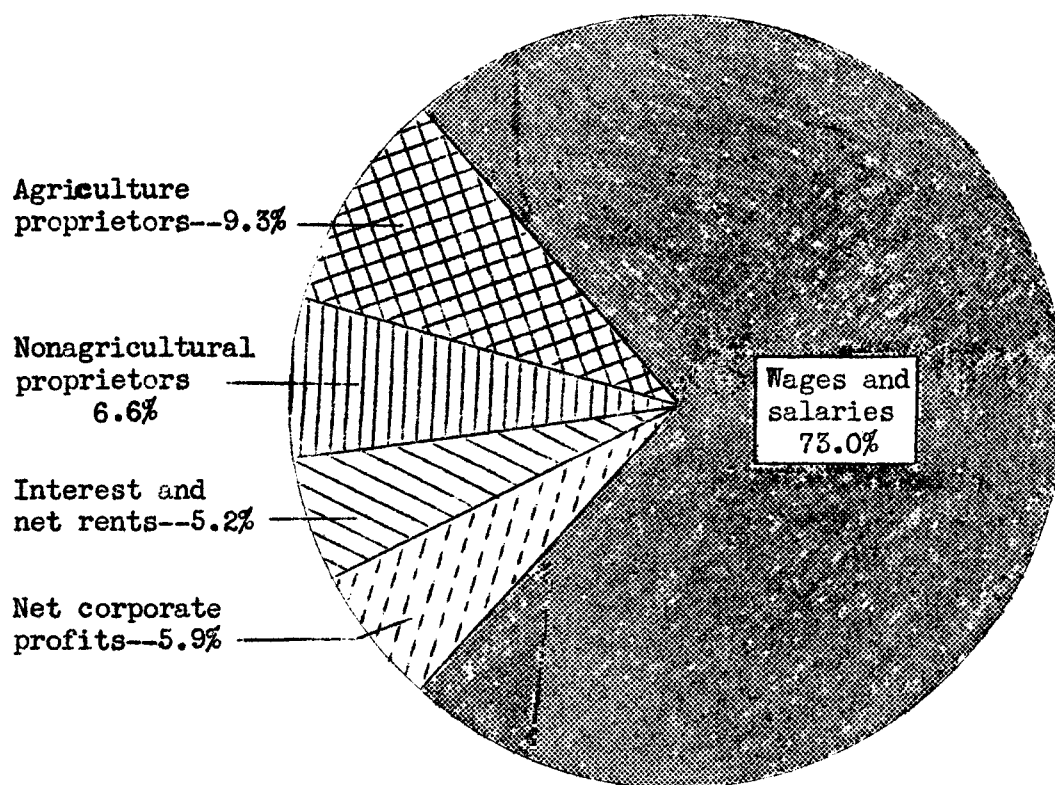
The final effect of increased wages upon prices will be determined by what happens to the efficiency of labor. According to data published by the Bureau of Labor Statistics, from 1939 to 1944 the average output per man hour in 23 civilian industries increased by only 6.3 per cent, while labor costs per unit of product increased nearly 40 per cent. (These figures are based upon a simple, unweighted average of the reports for the various industries.) Nine of these 23 industries experienced a decrease in the output per man hour of labor. This decrease averaged 8.4 per cent. These same nine industries had an increase of over 52 per cent in the labor cost per unit of product. Eight of these 23 industries had an increase in the output per man hour of over 10 per cent. The increase in the unit labor cost in these eight industries averaged only about 20 per cent. It is thus apparent that change in labor efficiency is a very important factor in determining the effect of wages upon costs.

There are many factors in addition to farm prices and wage rates that affect inflation. The Federal debt has increased to gigantic proportions during the war. Currency in circulation has increased from seven to over 28 billion dollars. Bank deposits have increased from about 58 billion dollars in 1939 to over 141 billion dollars in 1945. Cumulative savings by the public have increased by 100 billion dollars. All these are important factors to be taken into consideration by controlling inflation.

DISTRIBUTION OF INCREASE IN NATIONAL INCOME FROM 1939 TO 1945

	1939	1945	Increase from 1939 to 1945	Percent of in- crease going to various shares
	(Billions of dollars)			(Percent)
Total national income	70.8	157.0	86.2	100.0
Total compensation of employees	48.1	111.0	62.9	73.0
Salaries and wages	44.2	107.9	63.7	73.9
Supplements	3.9	3.1	-.8	-.9
Net income of proprietors	11.1	24.8	13.7	15.9
Agriculture	4.3	12.3	8.0	9.3
Nonagricultural	6.8	12.5	5.7	6.6
Interest and net rents	7.4	11.9	4.5	5.2
Net corporate profits	4.2	9.3	5.1	5.9
Dividends	3.8	4.3	.5	.6
Savings	.4	5.0	4.6	5.3

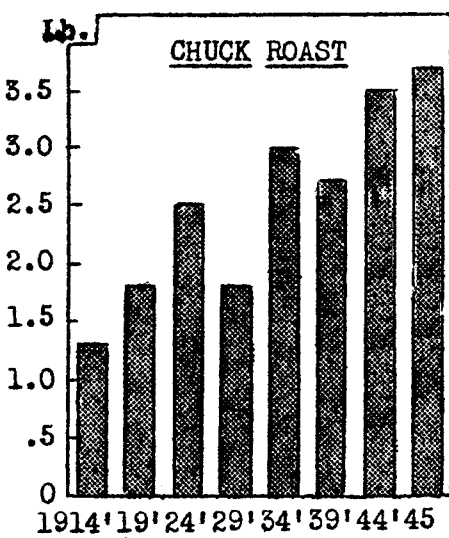
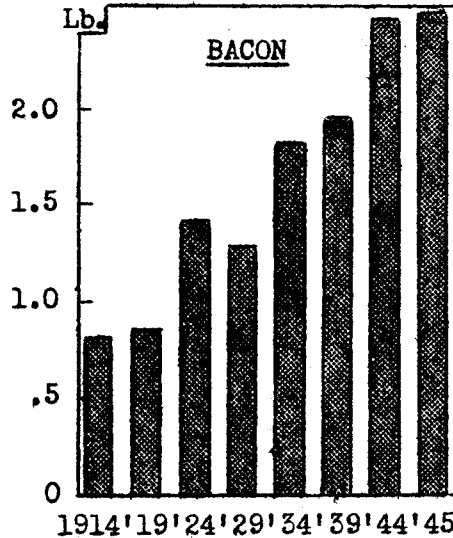
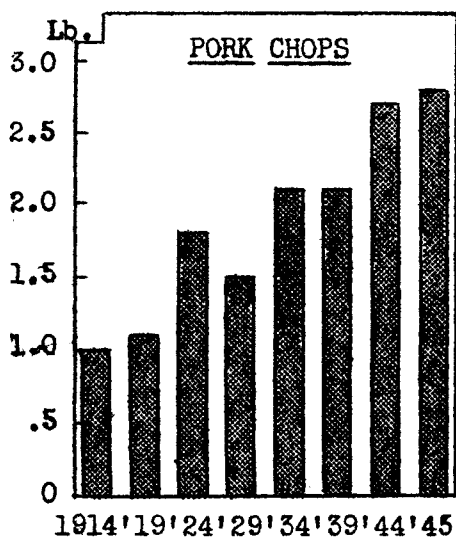
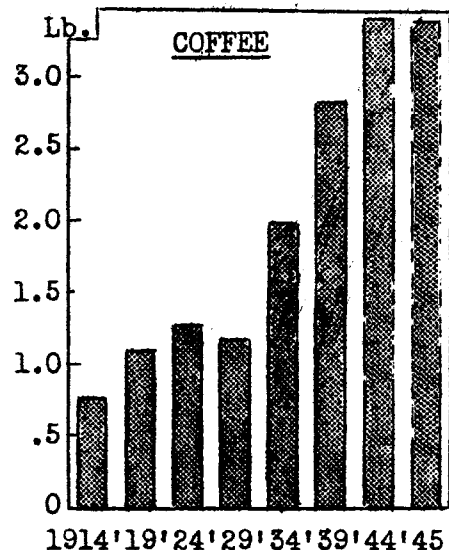
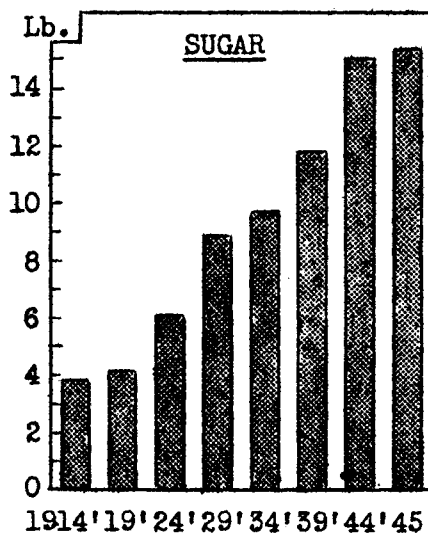
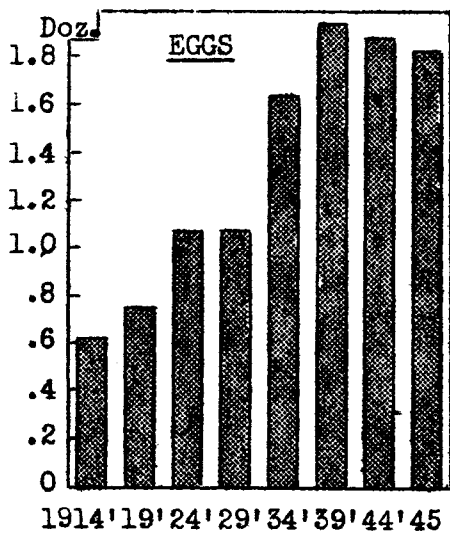
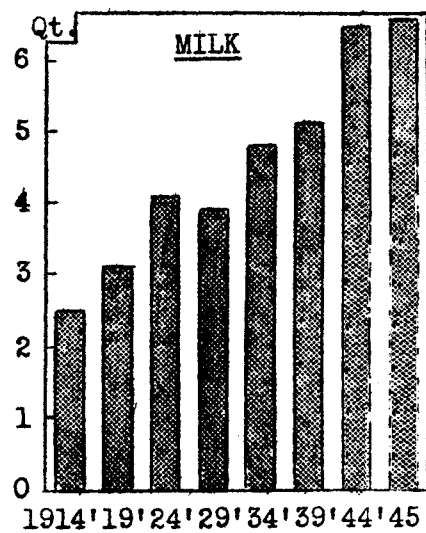
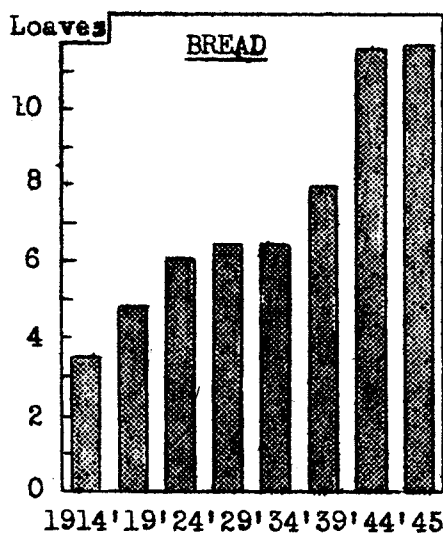
Source: "Survey of Current Business," September 1945, United States Department of Commerce.



DISTRIBUTION OF INCREASE IN NATIONAL INCOME FROM 1939 TO 1945
(National income increased from 70.8 billion dollars in 1939 to 157 billion dollars in 1945, a rise of 86.2 billion dollars.)

American Farm Bureau Federation
Chicago, Illinois - 1/29/46

(Average hourly earnings in all manufacturing industries divided by the retail prices for the respective foods.)



American Farm Bureau Federation
Chicago, Illinois - 1/29/46

CHANGES IN AMOUNT OF FOOD THAT ONE HOUR'S WAGES WOULD BUY, 1914-45*

	Bread (Loaves)	Butter (Lb.)	Milk (Qt.)	Eggs (Doz.)	Sugar (Lb.)	Coffee (Lb.)	Pork chops (Lb.)	Bacon (Lb.)	Chuck roast (Lb.)	Corn (Cans)	Oranges (Doz.)
1914	3.5	.6	2.5	.6	3.8	.8	1.0	.8	1.3	-	-
1919	4.8	.7	3.1	.8	4.2	1.1	1.1	.9	1.8	2.5	.9
1924	6.1	1.0	4.1	1.1	6.1	1.3	1.8	1.4	2.5	3.4	1.2
1929	6.4	1.0	3.9	1.1	8.8	1.2	1.5	1.3	1.8	3.6	1.3
1934	6.4	1.7	4.8	1.6	9.7	2.0	2.1	1.8	3.0	4.6	1.6
1939	7.9	1.9	5.1	1.9	11.7	2.8	2.1	2.0	2.7	6.0	2.3
1944	11.6	2.0	6.5	1.9	15.0	3.4	2.7	2.5	3.5	7.0	2.2
1945**	11.7	2.1	6.6	1.8	15.4	3.4	2.8	2.5	3.7	7.0	2.1

* Average hourly earnings in all manufacturing industries divided by the retail prices of the respective foods.

** Average of first ten months.

Source: Calculated from data of the Bureau of Labor Statistics, United States Department of Labor.

In 1945 the factory worker was able to buy more food for an hour's work than at any time in our history. In 1914 an hour's wages in the manufacturing industries bought three and one-half loaves of bread. By 1929 the purchasing power of wages had increased to nearly eight loaves of bread for an hour's work, and by 1945 one hour of factory wages would buy nearly twelve loaves of bread. The same is true for most other agricultural products. An hour's wages in the manufacturing industries in 1945 bought over six and one-half quarts of milk, compared to about five quarts in 1939, and two and one-half quarts in 1914. Almost without exception an hour's wages in the manufacturing industries had more purchasing power in terms of food during the war than it had prior to the war. In 1945 more bread, more butter, more milk, more pork chops, more bacon, more coffee, more sugar, and more roast beef could be purchased for an hour's work than during the pre-war period.

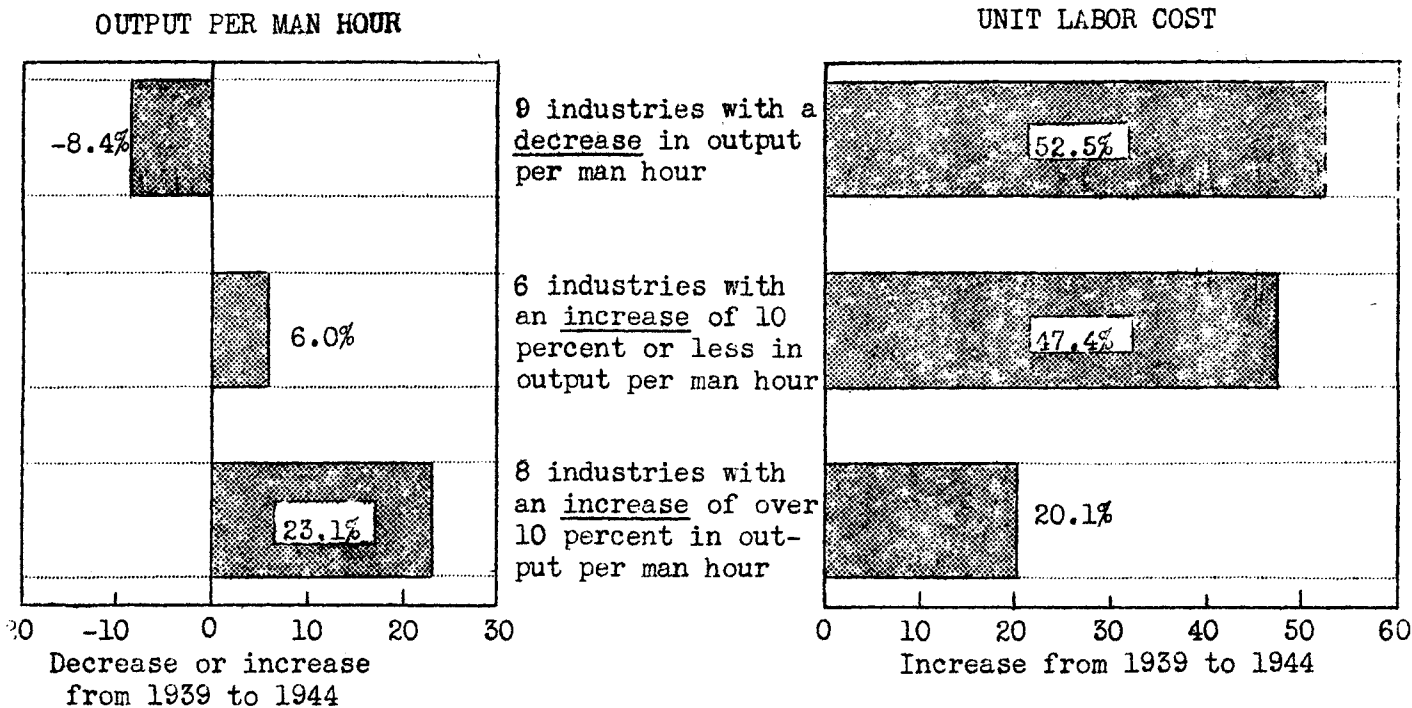
American Farm Bureau Federation
Chicago, Illinois - 1/29/46.

RELATION OF OUTPUT PER MAN HOUR TO UNIT LABOR COST IN CIVILIAN INDUSTRIES

	Percentage increase or decrease from 1939 to 1944 in:	
	Output per man hour* (Percent)	Unit labor cost* (Percent)
Average of 9 industries with a <u>decrease</u> in output per man hour	-8.4	52.5
Average of 6 industries with an <u>increase</u> of 10 percent or less in output per man hour	6.0	47.4
Average of 8 industries with an <u>increase</u> of over 10 percent in output per man hour	23.1	20.1
Average of 23 industries	6.3	39.9

*Simple, unweighted averages of the various industries classified by percent increase or decrease in output per man hour, 1944 over 1939.

Source: Basic data from "Productivity and Unit Labor Cost in Selected Manufacturing Industries, 1939-44," May 1945, Bureau of Labor Statistics, United States Department of Labor.



American Farm Bureau Federation
Chicago, Illinois - 1/29/46

CHANGE IN OUTPUT PER MAN HOUR AND UNIT LABOR COST IN CIVILIAN INDUSTRIES
FROM 1939 TO 1944

Industry	Percentage increase or decrease from 1939 to 1944 in:	
	Output per man hour (Percent)	Unit labor cost (Percent)
Flour and other grain mill products	-16.0	+68.7
Cement	-15.5	+52.2
Chewing and smoking tobacco	-14.9	+51.7
Newspaper and periodical printing and publishing	-12.5	+35.9
Paper and pulp group	-7.3	+52.3
Cane-sugar refining	-4.0	+38.2
Non-ferrous metals	-3.4	+52.6
Lumber and timber products	-1.0	+69.7
Fish (canning)	- .7	+51.5
Cotton goods	+ .3	+61.2
Meat packing and slaughtering	+2.3	+32.7
Boots and shoes	+5.2	+47.8
Fertilizers	+9.0	+58.4
Confectionary	+9.3	+36.0
Cigars	+10.0	+48.2
Bread and other bakery products	+11.2	+22.9
Cigarettes	+12.6	+18.4
Paints and varnishes	+14.1	+17.2
Leather	+14.2	+27.9
Woolens	+16.9	+39.9
Fruits and vegetables (canning)	+24.6	+41.9
Rayons	+41.5	- .3
Ice cream	+49.4	-6.9

Source: Basic data from "Productivity and Unit Labor Cost in Selected Manufacturing Industries, 1929-44," May 1945, Bureau of Labor Statistics, United States Department of Labor.

American Farm Bureau Federation
Chicago, Illinois - 1/29/46.

EXTENT OF THE INFLATIONARY FORCE NOW ACCUMULATED

	1939 figure Billions	Current figure Billions*	Percentage increase
Accumulated savings by the public	\$65	\$165	154
Liquid assets, personal and business	66	194	194
Currency in circulation	7	28	300
Federal debt	46	267	480

*Involving some interpolations to bring published figures up to date.

Source: "The Crisis of the Free Market," F. A. Harper, National Industrial Conference Board, Studies in Business Economics, Number Two, December 1945.

UNITED STATES GOVERNMENT SURPLUS OR DEFICIT AND TOTAL GROSS DEBT,
FISCAL YEARS, 1930-46

Year	United States government sur- plus or deficit (Millions of dollars)	Total gross debt
1930	738	16,185
1931	-462	16,801
1932	-2,529	19,487
1933	-1,784	22,539
1934	-2,895	27,053
1935	-3,210	28,701
1936	-4,550	33,779
1937	-3,148	36,425
1938	-1,384	37,165
1939	-3,542	40,440
1940	-3,611	42,968
1941	-5,103	48,961
1942	-19,598	72,422
1943	-55,897	136,696
1944	-49,595	201,003
1945	-53,948	258,682
1946	-41,275*	292,300*

*Estimated as of June 30, 1946.

Source: Reports of the Secretary of the Treasury.

American Farm Bureau Federation
Chicago, Illinois - 1/29/46.

TOTAL BANK DEPOSITS AND TOTAL CURRENCY IN CIRCULATION,
DECEMBER 1939-NOVEMBER 1945

	Total bank deposits (adjusted)	Total currency in circulation
	(Millions of dollars)	
December 1939	57,698	7,598
" 1940	63,436	8,732
" 1941	68,616	11,160
" 1942	85,755	15,410
" 1943	103,975	20,449
" 1944	127,483	25,307
November 1945*	141,600	28,211

*Preliminary.

Source: "Federal Reserve Bulletin, January 1946.

CONSUMER EXPENDITURES FOR GOODS AND SERVICES, 1939-45

	1939	1940	1941	1942	1943	1944	1945*
	(Billions of dollars)						
Total (current dollars)	61.7	65.7	74.6	81.9	90.9	97.6	100.8
Durable goods	6.4	7.4	9.1	6.3	6.6	6.7	8.0
Nondurable goods	32.6	34.4	40.1	47.9	55.1	60.0	61.0
Services	22.7	23.9	25.4	27.6	29.3	30.9	31.8
Total (1939 dollars)	61.7	64.9	69.7	68.8*	70.8*	73.6*	---

*Preliminary, subject to revision.

Source: "Survey of Current Business," December 1944, July and September 1945, United States Department of Commerce.

American Farm Bureau Federation
Chicago, Illinois - 1/29/46.

March 12, 1946.

Mr. Edw. A. O'Neal, President,
American Farm Bureau Federation,
58 E. Washington Street,
Chicago, Illinois.

Dear Ed:

The material attached to your letter of March 5 is very interesting and I am sure it will give a better idea of the relationship that exists at the present time between prices of agricultural commodities and income of various groups.

I was wondering if your charts would be a little more complete if they contained one showing how the increased wages of labor resulted in an increased consumption of agricultural commodities, particularly meat, poultry and dairy products, citrus fruits, etc.

We must not lose sight of the fact that our main objective is to prevent inflation and the interests of individual groups must be subordinated to this overall project. From previous experience and from studies which are being made at the present time, I am convinced that the farmers, over the long-time pull, have far more to lose from an inflation followed by deflation than almost any other group. Therefore, I think you should, and I am sure you will be very active in getting the price control legislation continued for another year.

With kind regards,

Sincerely yours,

RME:ET:b

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date March 12, 1946

C Mr. Thurston

Subject: Letter from Edw. A. O'Neal

From Mr. Evans

The material attached to Ed O'Neal's letter to the Chairman, dated March 5, presents an argument to the effect that present prices of farm products are a lighter burden on the wages of labor now than they were in preceding years.

The charts, I think, would be a little more complete if they contained one showing how the increased wages of labor resulted in an increased consumption of agricultural commodities with particular reference to meat, poultry and dairy products, citrus fruits, etc. In good times the demand for these particular products is very brisk but when wages decline the demand is not very great because the people quit buying them.

If I were answering the letter, I would probably write something like this:

"Dear Ed:

"The material attached to your letter of March 5 is very interesting and I am sure it will give a better idea of the relationship that exists at the present time between prices of agricultural commodities and income of various groups.

I was wondering if your charts would be a little more complete if they contained one showing how the increased wages of labor resulted in an increased consumption of agricultural commodities, particularly meat, poultry and dairy products, citrus fruits, etc.

We must not lose sight of the fact that our main objective is to prevent inflation and the interests of individual groups must be subordinated to this over-all project. From previous experience and from studies which are being made at the present time, I am convinced that the farmers, over the long-time pull, have far more to lose from an inflation followed by deflation than almost any other group. Therefore, I think you should, and I am sure you will, be very active in getting the price control legislation continued for ~~one~~ ^{another} year."

