

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date June 12, 1946

TC Chairman Eccles

Subject: OPA Bill

From ^{RRW}
Richard A. Misgrave and
Kenneth B. Williams

The OPA Bill is now being discussed on the Senate floor and a vote is expected this week. The Bill as reported out by the Senate Committee is terribly weak, and unless something is done it will be passed in a form as bad or worse than that passed by the House. It occurred to us that the Board might like to release a public statement, both for the record and for whatever good it may do. We have mentioned this to Mr. Thurston.

The draft of a possible statement is attached.

Attachment

The Board of Governors of the Federal Reserve System, cognizant of its responsibility for the soundness of our currency and the purchasing value of the dollar, feel compelled in this emergency to appeal to the Congress and the public to maintain a balanced economy and adequate measures of economic stabilization. We have emerged from a long, hard war, in which the resources of our country have been mobilized to an unprecedented extent and the economy was held in balance by the use of extraordinary controls. We are now in the process of transition to a high level output of civilian goods and a prosperous peacetime economy. However, this opportunity is in danger of being lost in the disaster of inflation and ensuing collapse.

The magnitude of domestic and foreign demand is difficult to comprehend and for some time is bound to remain in excess of supply even after full peacetime production is reached. This demand is supported not only by a record income, but by a vastly increased volume of money created in the process of war financing. The inflationary potentialities in this situation are enormous. To discard prematurely the safeguards that are left would be a desperate gamble, likely to result in far more hardship than could possibly flow from the inconveniences of continuing controls for a limited period.

Because it feels that the situation is one of extreme urgency the Board is taking this action, unprecedented in its 30 years history, of appealing to the public and the Congress to maintain stabilization safeguards.