

Hinsdale, Illinois

June 25, 1945

Chairman, Federal Reserve Board
Washington, D. C.

AIR MAIL

Dear Sir:

I have noticed in this morning's press (Chicago) the substance of your letter to Chairman Wagner of the Senate Banking Committee, relative to the economics of the so-called "full employment bill," now undergoing hearing.

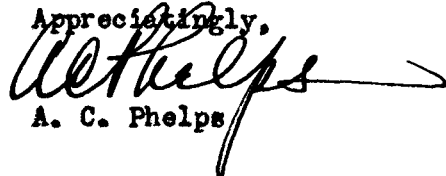
I very much indorse your views, as the article I read gave them, especially these words of the AP dispatch:

CONGRESSIONAL IDEAS FOR MAINTAINING THE NATION'S ECONOMY SHOULD EMPHASIZE STABILITY RATHER THAN WHAT TO DO WHEN INSTABILITY HAS BEEN ALLOWED TO DEVELOP, CHAIRMAN ECCLES OF THE FEDERAL RESERVE BOARD SAID TODAY.

I have kept an individual file on this subject, for in essence the very reason you have stated - though my words were, "Why the negative approach?". You have stated ^{you view} ~~it~~ so clearly and so aptly that I trust that your message will reach every town and city in the country?

Is it possible to obtain copy of your letter to Chairman Wagner, or the press release probably I should say?

Appreciatingly,


A. C. Phelps

Self-addressed, stamped envelope herewith for convenience.

June 30, 1945.

Mr. A. C. Phelps,
Hinsdale, Illinois.

Dear Mr. Phelps:

Chairman Eccles asked me to thank you for your letter of June 25 commenting upon his letter to Senator Wagner in regard to the so-called Full Employment Bill. It is very gratifying to have your favorable comment. In accordance with your request, I am enclosing a copy of the text of the letter.

Sincerely yours,

(Signed) Elliott Thurston
Elliott Thurston,
Assistant to the Chairman.

Enclosure

ET:mla

Mr. C. Morris
Mr. Morrill
Mr. Eccles
To note!
et

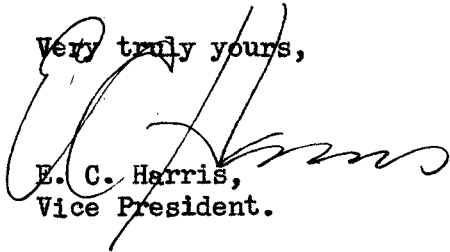
DETROIT BRANCH
FEDERAL RESERVE BANK OF CHICAGO
DETROIT 31, MICHIGAN
June 26, 1945

Mr. Chester Morrill, Secretary
Board of Governors of the
Federal Reserve System
Washington 25, D. C.

Dear Mr. Morrill:

There is attached hereto clipping from
the editorial page of this morning's Free Press, approv-
ing the philosophy involved in Mr. Eccles' recent ap-
pearance before Congress.

Very truly yours,



E. C. Harris,
Vice President.

ECH/ie

June 30, 1945.

Mr. E. C. Harris, Vice President,
Detroit Branch,
The Federal Reserve Bank of Chicago,
Detroit 31, Michigan.

Dear Mr. Harris:

On behalf of the Chairman, may I thank you for your note of June 26 to Mr. Morrill enclosing the clipping from the Detroit Free Press, which gratifyingly indicates that Mr. Eccles makes sense. Mr. Morrill passed it along to the Chairman who asked me to express his appreciation to you for your thoughtfulness.

Sincerely yours,

(Signed) Elliott Thurston

Elliott Thurston,
Assistant to the Chairman.

ET:mla

HELMUTH R. RENSLOE
FORTY WALL STREET
ROOM 1910
NEW YORK 5, N. Y.

DIGBY 4-7500

July 9, 1945.

Mr. Marriner S. Eccles,
Chairman,
Federal Reserve Board,
Washington, D. C.

Dear Mr. Eccles,

A week or so ago, the press reprinted excerpts of your comments on the "Full Employment Bill" made in answer to a request by the Senate Banking Committee.

You were reported as saying that an over-all guide or mandate by Congress is desirable but you questioned whether 'continuing full employment' is a proper definition for the bill's objective.

"The real thing sought", in your opinion, "is a declaration that Government action and policy should be directed toward the goal of stabilizing economic progress with the greatest possible encouragement to individual initiative and private enterprise and with the fullest sustainable employment of labor."

Every informed person, in my humble opinion, should subscribe to your views as expressed above and give them all possible support. In this sense I like to develop below and very briefly some thoughts on a potential improvement of our stabilizing mechanism and on the fullest sustainable employment of labor.

In most of the recent forecasts, full employment in the postwar era is predicated upon a national gross product of between 140 to 180 billion dollars based on 1943 prices. You will agree that this could mean only that full employment is predicated upon the production, or more correctly the sale, of a certain quantity of goods and services measuring in 1943 prices the above dollar figures. It appears immediately that

the number of working hours put in and the output per manhour, to a very large extent, will determine the quantity of goods and services produced and sold.

The higher labor's (and management's) productivity, the higher the output per manhour , the less working hours would be required to assure that national gross product that makes for full employment.

In brief, reduction in the work week will have a definite part to play in any attempt to stabilize economic progress. That is nothing new. Traditionally we have shortened working hours while we raised wages and lowered prices. But have we ever done so on a systematic basis, in pursuance of a declared economic policy ?

Legally, we have as basis the forty hour week. A broad policy of gradual reduction in the long run appears advisable. A thirty-five hour week f.i. might be set as a desirable objective to be attained within say ten years. This would represent a $12\frac{1}{2}\%$ cut over that period. Still lower objectives might be set for later periods, all to be clearly tentative since their purpose is to balance the technological progress and increase in personal skill and ingenuity yet to be demonstrated.

Obviously, such goals cannot be reached simply by being written into the law or by " compensatory " public spending. They will materialize and prove lasting only through concerted efforts of labor, management and government toward more productive work. That should not be hard for anybody to see and understand.

Almost immediately, however, the forty hour week should be made adjustable within a certain range, say ~~20%~~ 20%. During this emergency, work has been extended to 48~~40~~ or by 20%. At times, a cut may prove desirable nationally or regionally.

Discretion to do so, within the pre-determined range, should rest with some high independent body or regional bodies, similar to the Federal Reserve Banks. Monetary and credit control would thus gain a valuable supplement. It seems rather timely that the highly intricate machinery of a modern national economy be made more flexible and elastic and less unwieldy.

Adjustability of the work week would be, I believe, an improvement lending itself both, as a corrective and preventative measure.

Corrective long range reduction would assure the common man more free time and, thus, the possibility of a greater participation in the benefits springing from economic and technological progress. It would serve as an added incentive for more productive work. It would also provide the additional

leisure needed to permit utilization and consumption of the multiplying quantity, and growing variety, of goods and services which are likely to come on the market in the postwar era.

Preventative adjustment would act as a temporary curb or stimulant, raising or reducing costs just as a change in the Bank Rate does. Were f.i. the work week temporarily adjusted to 38 hours every hour over 38 would count as overtime and be so payable. Conversely, an extension above 40 hours would save so much overtime and correspondingly reduce costs. This is different from the provision regarding the present 48 hour week.

A flexible work week should prove helpful in keeping our economy on a more even keel and lead up, gradually and almost automatically, to the next objective in the national program for long range reduction.

Reduction in the work week, as a means to raise living standards, should have a place next to low prices, and high wages and profits, in a national economic policy which is to contain all the elements for the greatest possible encouragement to individual initiative and private enterprise and the fullest sustainable employment of labor.

I submit the idea for your personal consideration. I would greatly appreciate, and treat as strictly personal, any comments you would care to make if your time so permits.

Respectfully yours,



hrr/ac

July 12, 1945.

Mr. Helmuth R. Rensloe,
Room 1910,
40 Wall Street,
New York 5, New York.

Dear Mr. Rensloe:

As Mr. Eccles is necessarily out of the city, I wish to acknowledge and thank you for your letter of July 9 commenting on press reports of his letter on the so-called Full Employment Bill. It occurred to me that you might be interested in seeing the full text of the letter, and I accordingly enclose a copy, together with a reprint of an address which Mr. Eccles made last November before the National Industrial Conference Board which touches on the subject which you raise and in which I am sure he will be interested.

I shall see that it is brought to his attention upon his return to Washington.

Sincerely yours,

Elliott Thurston,
Assistant to the Chairman.

Enclosures 2

ET:b

FEDERAL RESERVE BANK
OF ATLANTA

DEPARTMENT OF
RESEARCH AND STATISTICS

August 9, 1945

Hon. Marriner S. Eccles, Chairman
Board of Governors
Federal Reserve System
Washington 25, D. C.


Dear Mr. Eccles:

I found your letter to Senator Wagner, as published in the June 28, 1945, issue of the *American Banker* most interesting and of the utmost importance in setting forth clearly the fundamental proposition which should be understood by the American people with regard to projects proposed for securing "Full Employment."

Because of the present widespread wishful thinking around the happy concept of trying to stabilize the economy at boom levels, your statement, "The inevitable result of forcing a peacetime economy to the levels of employment and production attained under the pressures of wartime would be uncontrollable inflation and subsequent economic collapse. In other words, full employment in this sense could not be long sustained," is especially salutary.

After spending this summer vacation here at the Bank, I will return to the University of Chattanooga on August 31, to be on hand for the beginning of the fall term.

Sincerely yours,


Clyde William Phelps
Senior Economist



August 13, 1945.

Mr. Clyde William Phelps,
Senior Economist,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Phelps:

As Mr. Eccles has not yet returned from
Utah, I wish to acknowledge your letter of August
9. I am sure he will be interested to have your
gratifying comments.

Sincerely yours,

Elliott Thurston,
Assistant to the Chairman.

ET:b