

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date March 11, 1937.

To Chairman Eccles

Subject: Committee in connection with

I n Lauchlin Currie

price movements.

In connection with the proposed fact-finding and policy-recommending committee, I should like to make a suggestion. It has been my experience that the work of regular inter-departmental staff committees is all too often vitiated by personal jealousies and differences in political philosophy. If you really want results from the proposed committee I think you need a group of men who are personally congenial and who all see eye to eye on the urgency of the problem. With this in mind I should like to suggest the following:

- Lubin (Labor)
- Means (National Resources Board)
- White (Treasury - trade treaties, etc.)
- Cohen and Corcoran (Legal and White House contact)
- Henderson (Knowledge of individual situations, from
NRA experience)
- Currie (Liason with you)

March 10, 1937.

THE RISE OF PRICES AND THE PROBLEM OF MAINTAINING AN ORDERLY REVIVAL

1. Extent of price rise from October to February.
 - B.L.S. industrial price index 80.1 to 84.2 or 5%.
 - Building materials 87.3 - 92.9 or 6.4%.
 - Finished steel 2.20 - 2.56 cents per lb. to date, or 16.4%.
 - Non-ferrous metals 71.7 - 89.3 or 24.5%.
2. What this means in terms of:
 - (a) orderly business revival (speculative inventory buying, duplication of orders, etc.)
 - (b) profits (stock market and overexpansion).
 - (c) cost of living (agriculture, unorganized workers).
 - (d) future slump.
3. What should be done about it:
 - (a) shouldn't use restrictive monetary or fiscal policy now (9,000,000 unemployed).
 - (b) put industry on notice that excessive price advances will not be tolerated.

U. S. Steel earnings last quarter 1935-	\$6.4 m.
3rd " 1936-	13.7 m.
last " 1936-	21.7 m.

Price rise Jan. 1st- 6%.

Last price rise - 12%, while increase in cost due to per unit wage advance was 4%. Increased wage bill for industry- \$125. million. Increased gross income for industry- \$458. million. (Lubin's preliminary estimate).

1. Appoint secret (?) committee to investigate possibilities of restraining excessive price advances thru:
 - a. anti-trust proceedings
 - b. tariff reductions
 - c. Congressional investigations
 - d. limitation of copper and steel exports for armament purposes.
- (c) Avoid labor shortages and excessive wage advances.
 1. Avoid drastic and rigid shorter hours legislation.
 2. Provide technical training in skilled building trades. (800,000 housing units per year for five years required. 270,000 in 1936).

Plasterers in N.Y. \$2.00 per hr., 6 hr. day, \$4.00 per hr. overtime; \$20.00 - 8 hr. day.
 3. Taper off Federal building program and exert pressure on other public bodies to do the same.

EXCERPT FROM PRESIDENT'S RADIO SPEECH

MARCH 9th, 1937

In 1933, you and I knew that we must never let our economic system get completely out of joint again -- that we could not afford to take the risk of another great depression.

We also became convinced that the only way to avoid a repetition of those dark days was to have a government with power to prevent and to cure the abuses and the inequalities which had thrown that system out of joint.

We then began a program of remedying those abuses and inequalities -- to give balance and stability to our economic system -- to make it bombproof against the causes of 1929.

Today we are only part-way through that program -- and recovery is speeding up to a point where the dangers of 1929 are again becoming possible, not this week or month perhaps, but within a year or two.