

UNIVERSITY OF MICHIGAN  
ANN ARBOR

SHIRLEY W. SMITH  
VICE PRESIDENT AND SECRETARY

April 3, 1943

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

Dear Mr. Eccles:

I have just been reading in "Finance" for March 22 a resume of an address you recently made in Chicago to the Investment Bankers Association. May I say, first, that with almost all of this speech I heartily agree. There seems to be no "politics" in your thinking.

The plight of one considerable class of people, among white collar workers in general, under present circumstances seems to be ignored by everybody. The institutional employee,--the faculties of colleges and universities being an outstanding example,--is, it seems to me today, the forgotten man. The faculty and the clerical and other similar employees of the University of Michigan, for example, took two substantial pay reductions early in the 1930's, and many of these salaries have not been restored to what they were. I am sure I do not need to say anything about the higher cost of living which is still going up.

Institutions cannot meet the demands for increased pay as industrial concerns may do. This is obvious and I do not need to elaborate it. The result has been, at the University of Michigan, that our non-academic and non-clerical force has been depleted by the wages paid at the Willow Run plant and any number of other war plants in Detroit and in Ann Arbor and vicinity. We ordinarily have seven night watchmen to patrol over sixty monumental buildings and numerous smaller ones. Now we have two or three. The ranks of janitors, mechanics, laundry workers, etc., etc., are only a skeleton of a proper organization. Our Hospital, which has normally over a thousand beds, is now much reduced in available capacity because of departure of doctors and nurses to the Army and Navy and of other employees to the war plants.

The above facts with regard to institutional problems are not particularly pertinent to your remarks as quoted. They do illustrate, however, a phase of institutional problems today.

Honorable Marriner S. Eccles, #2

April 3, 1943

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The institutional problem which is directly related to your remarks and to the taxation policies of the Government lies in the plight of the salaried man who has no hope of any increase in compensation but who in whatever direction he turns or listens, is confronted with Washington measures and noise about how much loose money there is in the country which must be taxed in order to avoid inflation. Obviously the "Washington theory" is correct, I think, but it is utterly unfair the way it is being applied to men with families who not only don't have any more money than they ever had, if as much, but who must use more and more of it every day to live. I long ago made the suggestion to various economic committees that some adaptation to individual incomes should be made along the line of excess profits tax for corporations, but the reply was always that such a plan would be too difficult to administer. May be so. But it would not be any more difficult than the tax problems which the white collar worker has to meet today. If somebody in power could give him some consideration it would help his morale tremendously.

I repeat that it seems to <sup>me</sup> every one with any sense must agree with you in your emphasis on the dangers of inflation and the necessity of planning and acting against these dangers. I have a personal stake in it as within two years at the outside I shall retire on a pension. I want my pension dollar to have reasonable purchasing power. I had a son in the first world war; I have another son in this one. I want to do and expect to do my full share in the war effort today. I put over 30% of my 1942 salary into war bonds. Anything that fosters the idea that nobody is being forgotten and unduly loaded with the war effort of today I think will help in this effort. Certainly, however, the white collar worker and university and college faculties in particular are not contributing to the inflation peril.

I must beg your pardon for this more or less rambling intrusion on your larger affairs. I do believe, however, that you are an honest and wise man in a powerful position and on the whole I feel justified in pointing out one of the ways in which Federal taxation to date is in my opinion unfair and consequently unfortunate.

Yours very truly,

Shirley W. Smith

SWS/EH

Do the men elected & appointed to Washington lead the idea that they have been chosen to preside over the liquidation of the "white-collar" salaried men & women?

April 6, 1943.

Mr. Shirley W. Smith,  
Vice President and Secretary,  
University of Michigan,  
Ann Arbor, Michigan.

Dear Mr. Smith:

This is to acknowledge your letter of April 3. As I have never been and am not now in politics, I trust that anything I may have to say publicly will not give off the odor of political thinking, in which I do not ever consciously indulge.

I am well aware of the plight of the white-collar workers. They are feeling the impact of the war with particular force. Sacrifices in wartime cannot be equally distributed and shared. Certainly all those who go to the fighting fronts, those who lose their lives, are obliged to make the greatest sacrifices. Innumerable businesses inevitably suffer. There is no legislative way so far as I have heard to spare the white-collar groups.

It is true, of course, that national income is redistributed in a time like this by being in effect skimmed from the top and spread around to millions who were out of work and living below a decent subsistence level before. That has happened in every country at war.

I think your own personal record as you relate it is admirable. I take exception only to your appended remark as to whether men elected and appointed to Washington have the idea that they have been chosen to preside over the liquidation of the white-collar salaried men and women. You must bear in mind that the government people, from the Congress on down to the lowliest clerks and messengers in the many departments, belong to the white-collar salaried groups whose incomes are fixed and have been but little if at all improved. If anybody had reason to want to protect the white-collar groups, this great mass of government workers, whether elected or appointed, would have.

Sincerely yours,

M. S. Eccles,  
Chairman.

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