11/24/44

Marriner S. Eccles,

Dear Sir -

Would not a proposed increase in wages and salaries as you propose tend to increase the price of products and thus encourage a demand for further wage and salary increase and so continue and extend the "vicious circle" of the present inflationary trend?

Labor is insatiable in its demands and if wages and salaries are to be continually raised where would the value of the dollar go?

You remember the propaganda after World War 1 that we must (and did) lend Germany money to increase her purchasing power.

Isn't there a similarity in the present desire to increase the purchasing power of labor?

People living on fixed incomes, pensions annuities, investments, retirements &c, would be seriously affected, (perhaps some are now) by the cheapening of the dollar.

This prospect also might affect the sale of U.S. bonds having a fixed rate of interest.

No one (or less than a majority I believe) would wish to repeat with the dollar, the exit of the mark.

Yours truly R. G. Wells.

Wellsville N. Y.

November 30, 1944.

Mr. A. G. Wells,
Wellsville, New York.

Dear Mr. Wells:

It occurred to me on reading your well-reasoned letter of November 24 in regard to my recent speech that you may have seen only a necessarily brief newspaper account, and I am therefore venturing to send you a copy of the entire text.

While I think it clear from the text that I would be as concerned as you would be about anything that contributed to an upward spiraling of prices, as a result of your letter I have added a line or two to the text as it will be printed in the Federal Reserve Bulletin so that there will be no possibility of misunderstanding on this point. What I have added points out that unless wages of the lower paid groups can be increased without increasing prices, the desired increase in consumption would not, of course, be brought about.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure

ET:b

Dec. 11/44

[illegible] S. Eccles.
Dear Sir

Thank you for your recent letter and copy of your speech.

If depressions always follow inflationary booms, why not prevent depressions by avoiding inflation.

It seems questionable that a serious inflation can be prevented.

We have gone so far in devaluation and there is no relief in sight for demands from almost any quarter for increased wages and salaries.

Prices must go up and dollars go down. Perhaps you saw the enclosed clipping. The devaluations of the franc it seems did not make France prosperous. How much alike are we to French thought when the church properties were taken over and Assignats issued?

Yours truly
A. G. Wells,
Wellsville, N. Y.

Rise in Prices Held Needed in Steel Industry

Inland Chairman Asserts Solvency Hinges on Move Following Pay Changes

The steel industry finds it impossible to absorb further increases in costs caused by wage adjustments without raising prices of its products if it is to remain solvent, Edward L. Ryerson, chairman of Inland Steel Co., said yesterday.

Discussing War Labor Board proposals for still higher wage rates for steel workers, Mr. Ryerson asserted that because of ceiling prices on products and higher costs of operations, the industry is already showing a subnormal return on invested capital.

"Our present schedule of prices remains unchanged since 1939, yet we have already had two general wage advances and under the recent Labor Board directive we will have to make additional upward adjustments," the statement said. "The latter, though indeterminable, [illegible] be substantial.

"Be[illegible]s the wage increases, our costs have risen due to a variety of other causes, including advances in the prices of many of the materials we purchase. As a result, our operations show direct losses on a number of products and this must be true in the steel industry as a whole."

Mr. Ryerson recalled a recent survey by National City Bank of New York, showing that in the first nine months of 1944 twenty-six iron and steel companies showed earnings of 4.9 per cent, annual basis, on net worth, compared with 8.9 per cent for 246 companies in various manufacturing activities reckoned on an annual basis from the like period.

Suggesting that the steel industry has been discriminated against, Mr. Ryerson said that "it seems clear the steel price schedule should be properly adjusted if sufficient risk capital is to be attracted to this key industry in order that it may be prepared to provide a high level of employment in the post-war period."

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