

J. C. PENNEY COMPANY

INCORPORATED

330 WEST 34TH STREET

NEW YORK 1, N.Y.

January 13, 1948

Mr. Marriner S. Eccles, Chairman
Board of Governors
Federal Reserve System
20th and Constitution Avenue, N.W.
Washington, D. C.

Dear Mr. Eccles:

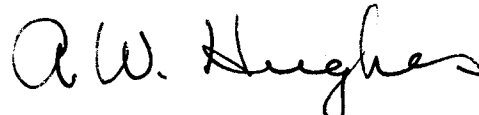
This is a personal note, which may be an intrusion on the time of a very busy man. However, I did want to express my personal appreciation for your thoughtful and your patient answering of questions at the meeting of the American Retail Federation last Friday night. I am sure I speak for all of the men present in saying that it was a most instructive and interesting session because of your participation in it.

Mr. Herbert was delighted to hear from you and from Mr. Clayton, and expressed the hope that one of these times he might have a chance of visiting with you again personally.

You emphasized in a way that we don't quite dare to put into our advertisements the advantage and the soundness of buying and selling for cash, particularly under today's conditions. Because of your emphasis on the other two things that retailers could do to prevent inflation, namely, postponing construction activities and controlling inventories, I thought you might be interested in the enclosed bulletin. This was written last Thursday to all Penney managers before I had the opportunity of hearing you. However, it may interest you as an indication that at least one retail organization is doing three of the things which you emphasized as sound and as contributing to stemming the inflation tide. Of course, this is a personal communication and I would not like this bulletin to be used in any public way.

Again thank you for your part in our retail program and every good wish to you in your fight against this inflationary spiral which we all dread.

Sincerely yours,



President

AWH RN

January 19, 1948.

Dear Mr. Hughes:

Thank you for your very kind letter of January 13. I was interested to read the confidential communication which you had previously sent to all of your managers. It is certainly on the right track, in my opinion, and represents sensible business judgment.

I, too, hope I may have an opportunity of visiting with Mr. Herbert as well as yourself.

Sincerely yours,

Mr. A. W. Hughes, President,
J. C. Penney Company, Inc.,
330 West 34th Street,
New York 1, New York.

TO THE MANAGERS:

Nearly a year ago, on March 12, 1947, I wrote you outlining our Company's position and plans with respect to alterations and improvements. That letter was prompted by the flood of requests coming from you men, asking for enlarged plants, new buildings, refixturing, etc. Recently a similar flood of requests has been rolling in.

Our position today is the same as it was a year ago. "THE COMPANY IS NOT PLANNING ANY LARGE OVER-ALL PROGRAM OF RENOVATIONS FOR 1948. THIS IS NEITHER POSSIBLE NOR SOUND UNDER TODAY'S CONDITIONS."

I do not believe it is necessary to review in detail the reasons for this statement. These were given you in my previous letter. They have not changed materially. Costs are still prohibitively high. There are shortages in labor and material, which may be even more acute in the months ahead. Fixtures are nearly three times what they were in 1939. WE CANNOT AFFORD, AS A COMPANY, TO PLACE A HEAVY MORTGAGE ON FUTURE OPERATIONS BY MAKING EXTENSIVE IMPROVEMENTS TO BE CHARGED OFF OVER THE YEARS AHEAD. Few of you managers can afford, as individuals, particularly in the face of today's unsettled conditions, to risk the loss of a substantial part of a year's compensation, which could result from a major alteration job.

There are a certain number of improvements that have to be made. Some leases are expiring and new or different plants have already been arranged for and will be completed. There are other stores with leases entered into during the war, where the Company is obligated to proceed with improvements. These will be made. Even these necessary jobs total a larger number than we like. They will tax the manpower and resources of our Real Estate & Construction Department.

Therefore, I am again writing you men not to spend the time or effort in planning improvements and not to write pressing the Real Estate Department here for added room. Of course, Mr. Brown and his associates would like to give you the help you want, but it is not possible at the present time. The Company is not standing still. A sizable group of stores were renovated last year. We shall make other improvements this year, but they will be made only where we have definite obligations to make them.

This Company has grown steadily and soundly by moving carefully and not by taking foolish chances. 1948 is certainly not the year to gamble either on store improvements or on merchandise. It is a year that should reward well the Penney manager who thinks always in terms of a profitable operation, who devotes his attention to running his store, who makes the most of the tools he has, and who controls his expenses and merchandise investment.

In this connection there is one matter which should be constantly in the thoughts of every store manager and of every associate responsible for buying merchandise. You men know that we are operating on the highest price-level in twenty-five years. When that price-level will change, no one knows, but we do know that it can change fast and that any decided change will be downward.

Many informed observers feel that we are at the crest of the boom, which has carried a lot further than was anticipated. That doesn't mean that we should not buy merchandise. We have to buy or we cannot sell. It does mean that the Penney manager who is carrying an overstock or who is placing commitments beyond a soundly planned sales expectancy is gambling. If there is a break, he will be hurt and he will hurt the Company along with himself. Last year's markdowns were only a forerunner of what could happen in case of a real break in commodity prices. The man who keeps his investment in line will not suffer too much, if there is a price change. He will be out of high-priced merchandise and open to buy when his overstocked fellow-manager is still taking markdowns.

Therefore, the purpose of this letter is twofold: First, to emphasize that this is not the time to upset going stores by embarking on costly improvements: second, to emphasize as strongly as it can be said, that THIS IS THE TIME TO KEEP OUR MERCHANDISE INVENTORY AND COMMITMENTS IN LINE AND TO AVOID THE RISK OF OVERSTOCKS.

If you entered 1948 with an overstock, your first job is to get in line. If you are within your inventory allowance, stay that way. You will have a happier year. May 1948 be the best year yet for you individually and for this J. C. Penney Company!

Sincerely yours,



President

AWH RN

AMERICAN RETAIL FEDERATION

1627 K STREET, NORTHWEST
WASHINGTON 6, D. C.

OFFICE OF
THE PRESIDENT

January 15, 1948

Dear Mr. Eccles:

On behalf of my Executive Committee and the Federation, I want to express appreciation for the part you played in the program of the annual meeting.

I regret that illness prevented my attendance at the banquet. However, reports from our members indicate that your address was both interesting and informative.

You can be sure that the interest aroused by your message will be reflected throughout the retail industry in greater understanding of the economic problems facing our nation.

Yours sincerely,

Walter Morrow

Mr. Marriner S. Eccles



ALLIED STORES CORPORATION

1440 BROADWAY

NEW YORK

January 19, 1948

Address Reply To
Lebanon, Pa.

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

My dear Mr. Eccles:

I have been reading a great deal about the problem that the Reserve Board and the Treasury Division are having in their attempt to curb monetary inflation and to relieve the National situation.

Last night I read a copy of your paper which was presented at the recent meeting of the American Retail Federation. Obviously, one part of your plan is to attempt to sell a great number of Government Bonds to non-commercial bank investors in order to draw down bank deposits and thus prevent more inflation through additional loans and credits through banks.

I am merely expressing a layman's opinion that this plan will fail because there will not be enough interest on the part of the public to sell the required amount of bonds on what seems to be a fixed $2\frac{1}{2}\%$ yield basis.

Therefore, I am taking the liberty to make the suggestion that to make the plan really work you consider the suggestion of offering either a $2\frac{1}{2}\%$ or a 2% Government Bond which would be Federal Income Tax free. This would have a tremendous popular appeal, it would be better than the 1% now being received by savings bank depositors, and it would retain the low interest rate of Government Bonds generally, but would make the investment interesting enough so that you would attract millions of dollars of savings in order to help your plan.

The only disadvantage to the plan would be that the Government would lose the income tax on the interest on the bonds that were sold, but in order to work out something practicable, it seems that this would represent a relatively low cost as compared to the benefits received.

Mr. Eccles

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January 19, 1948

Probably, this is not an original idea and probably it has no merit, but I am taking the liberty of presenting it to you in order to be helpful as a citizen and a businessman.

I would appreciate your comment.

Yours very truly

A handwritten signature in cursive script, reading "Albert Coons". The signature is written in black ink and is positioned below the typed name.

Albert Coons
Vice President

January 21, 1948.

Mr. Albert Coons, Vice President,
Allied Stores Corporation,
Lebanon, Pennsylvania.

Dear Mr. Coons:

This is to thank you for your letter of January 19. I would not like to see the Government go back to tax-free bonds. The objective you have in mind is wholly desirable, of course, but this is not the way, in my opinion, to reach it.

The E bonds now pay 2.9 per cent if held to maturity and, as you know, the Treasury put a limitation on the amount that an individual purchaser could subscribe to each year. In other words, there does not appear to be any reason for offering a tax-free premium so far as the larger income groups are concerned, and I see no reason why that additional inducement should be held out to the smaller investors. Ever since the early 20's the Treasury, rightly in my judgment, has been seeking to undo the mistake of issuing tax-free securities. They offer too easy an escape, especially when income tax rates are high, for the higher bracket groups.

The arguments that apply against Federal tax-free bonds are also applicable to those issued by States and municipalities.

Broadly speaking, I think that bonds should reward investors by interest payments and not by the variable values attached to them under different levels of income tax rates.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b