

March 19, 1945.

Honorable Frank E. Hook,
House of Representatives,
Washington 25, D. C.

Dear Mr. Hook:

I was very much interested in having the reprint from the Congressional Record of your remarks on the need for keeping prices from getting out of hand, in which you did me the honor of referring to statements that I have made on this subject.

It occurred to me that you might care to see the text of the enclosed statement on the subject of the capital gains tax, which seems to me a most important instrument to use in preventing prices of farms, homes, as well as stocks from being driven up by the speculator who takes advantage of the present capital gains tax loophole in the tax structure. I know you will recognize immediately that if these prices get out of hand it will be impossible to hold the line of wages and prices in the now controlled sectors of the economy.

I wanted you to know that I appreciated seeing the copy of your remarks, which prompted me to take the liberty of sending you this statement on the problem of preventing inflation of capital values.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosure

ET:b

(Not printed at Government expense)

Congressional Record

PROCEEDINGS AND DEBATES OF THE 79th CONGRESS, FIRST SESSION

Prices Must Be Kept to the 1941-42 Level

REMARKS

OF

HON. FRANK E. HOOK

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, January 16, 1945

Mr. HOOK. Mr. Speaker, in a few weeks, I have been assured, this Congress will be given the opportunity to consider legislation on the most important problem to come before this session of Congress, the problem of providing a stable, highly productive post-war economic system in this country. This is the most important problem before us because on its successful solution will depend not only the welfare of the American people, but also the preservation of the American system of production and the American way of living. I do not think it is at all an exaggeration to say that the possibility of maintaining international peace also depends on our ability to solve the problem of post-war full employment. For, unless we can have stability and prosperity here at home, how can we hope to have it in our international relations?

Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve Board, recently told the National Industrial Conference Board that, "a

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high level of consumers' expenditures is the basic requirement for post-war prosperity." He went on to say that "a high level of consumers' expenditures is not possible without a large volume of wage and salary income. If our economy is to operate at full capacity, average wage and salary incomes must be high enough at normal hours of work to give the people sufficient purchasing power to take the product off the market. When, after the war, hours return to normal and overtime pay is discontinued, total wage and salary income will decline sharply. If we are to avoid sharply declining prices and loss of markets which discourage production and business expansion, a gradual upward adjustment will be necessary in the wages and salaries of the great mass of comparatively low-paid workers. This must be accomplished without increasing prices. Otherwise the desired increase in consumption would be absorbed by a rise in the cost of living."

Let me repeat the last part of this quotation because it is so important now. Mr. Eccles says:

This must be accomplished without increasing prices. Otherwise the desired increase in consumption would be absorbed by a rise in the cost of living.

Because this point is so important, I want to call to the attention of this Congress a most important statement on reconversion pricing recently issued by the Labor Policy Committee of the Office of Price Administration. It bears the signatures of the representative of the three largest labor groups in the country, the C. I. O., the A. F. of L., and the standard railway labor organizations. It is called, *What Workers Can Do About Reconversion Pricing*.

I especially want to urge that this statement be given consideration by the Office of Price Administration, and by every other agency of the Federal Government, because there is no use in even considering legislation for full employment if the Federal agencies are going to permit prices to go up and thus wreck the possibility of our people being able to buy the output of our plants and our workers.

Under the permission granted me, I am including the statement on what workers can do about reconversion pricing:

WHAT WORKERS CAN DO ABOUT RECONVERSION
PRICING
THE PROBLEM

After the war, full employment will depend on the people being able to buy everything that our workers will be able to produce. This means that prices must be low enough and wages high enough so that there is money enough to buy all the goods and services which our farms and factories can provide.

If 1941-42 prices were to prevail, prices would be so high in relation to present wages that widespread unemployment would be forced upon the people of this country.

However, most industries which were converted to wartime production are demanding even higher than 1941-42 prices for their new peacetime goods. Every increase in

prices over the 1941-42 level will increase the number of unemployed, and increase the number of jobs which Government will have to provide to save the country from a severe post-war depression.

While O. P. A. can do nothing to force prices back below their pre-war level, labor is convinced that O. P. A. must not permit prices to go any higher than they were in 1941 and 1942. For this reason labor is urging O. P. A. to require producers, with very few exceptions, to stick to their old prices when they go back into civilian production again. This position is supported by competent, impartial economists, by the evidence produced by governmental and other fact-finding agencies, and even by the statements of a few of the Nation's enlightened business leaders.

You can help to protect your job and the welfare of your country by helping to get these facts out to labor and the general public.

(NOTE.—We are talking about goods which have been out of production and will soon be coming into production again. Don't let anyone confuse the issue by dragging in questions about goods which have been continuously in production during the war. That is another issue which must be dealt with, but it's different from the one we're discussing here.)

THE FACTS

I. The cost of labor has gone down during the war

Even while wages go up, the cost of labor may go down. This can be true because new machines and new processes increase output per worker. In some industries productivity has increased as much as 40 and 50 percent.

Business analysts say that the possibilities of reducing labor costs through improvements already made have not yet been exhausted and that the benefits of these improvements can be carried over into peacetime production. We believe that this will

be found true in most mechanized industries.

2. The prices of materials have gone up very little during the war

Steel prices have not gone up since 1941. The prices of other metals and materials are up about 5 percent. However, new metals which are cheaper and stronger will be available for use in civilian production. Also, many industries are redesigning their products to make them lighter.

As a result of these things, the cost of materials used will in many cases be lower even where the prices of the same quantities of these materials may be a little higher.

3: Production at capacity will be low-cost production

Soon after the war ends production can be at capacity levels because demand will be great. This will reduce production costs because the cost of producing each unit goes down as volume goes up.

The public must not be required to pay high prices for goods produced at low cost.

4. Reconversion costs are already paid for

Prices on war production were set high enough so that industry could set aside money to pay reconversion costs. Over \$40,000,000,000 has been put aside by industry for this purpose.

The public paid the costs of reconversion once—in advance. We should not pay for them again through increased prices on peacetime production.

5. Industry has other protection against short-time losses

Congress has insured industry against losses for 2 years after the war. The Government will refund taxes already collected from industry to pay for losses which may be incurred during the first 2 years after the war. Long before this period is over, production will be at a high, profitable level.

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6. Selling and promotion costs will be way down

For sometime after the war demand will be high, and sales resistance will be at an all-time low. Consumers will buy without urging. Since the cost of distribution is such a large part of the price of an article, this should save manufacturers and dealers millions of dollars.

7. Exceptions will be few and far between

A company may require a price increase because it paid scab wages before the war and is paying a union scale now. Some other unusual conditions may justify a price increase, but such conditions will be rare.

Moreover, such conditions among few manufacturers should not justify a price increase for many, nor should such a condition in a plant be used to boost prices more than is necessary to cover the increase.

WHAT TO DO

Talk about it in your shop, your union, and your neighborhood—prices need not be and must not be higher than in 1941 and 1942.

Nobody knows better than the man in the shop that new processes and labor-saving devices have been developed. Tell everybody you can what this has meant in increased production per hour of work and in savings in materials used in production.

Arrange with your O. P. A. Labor Advisory Committee to talk the matter over with the O. P. A. district director and his price staff. Give them the information that will help them to see why prices must—and can—be held.

Have your union show you what the profits have been in the company you work for. Find out what that means in the ability of the company to absorb temporary losses while production is still going up. Tell that story to those who feel that higher prices are necessary for the period immediately following reconversion.

Get articles and letters into your union paper and the daily press. Have meetings in your union hall; send speakers to community meetings to explain that prices can be held down and must be held down for post-war prosperity.

If management tells you that an increased price is necessary to protect your job or your wage rate, demand the facts before you accept that statement. Tell management to prove to you—

1. What has happened to the labor cost per unit during the war? Remember that labor costs may go down while wage rates go up. Wage adjustments should therefore not be used as an excuse for automatic price increases.

2. On what level of output is management figuring? Remember that how high costs go depends on the level of output at which a plant operates.

3. What is the financial condition of the company as far as reserves are concerned? The Federal Reserve Board says that, in general, small corporations as well as large are in good position to finance their reconversion costs out of savings.

4. What tax refunds are available to the manufacturer in case his earnings should be

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temporarily reduced during reconversion? Congress has already provided for tax refund to offset reduced earnings that manufacturers are expected to encounter when war production ends and before civilian production gets fully under way.

5. In saying that his labor costs are higher, has the manufacturer taken into account the lower average hourly costs of labor due to the reduction of overtime, night shift differentials, etc.?

6. When he says that material costs have been increased, is he allowing for possible saving in material due to technical improvements developed as a result of war expense?

Get everybody you can to see that prosperity depends on high wages and jobs, and jobs depend on low prices.

Write to your Congressman as often as may be necessary and to the Federal agencies involved in economic stabilization: The Office of War Mobilization and Reconversion, the Office of Economic Stabilization, the Office of Price Administration, and the War Production Board.

Remember that prices can be kept to their 1941-42 level. Do your part to keep them there.

Thank him - tell him of capitalist justice
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