

February 17, 1946  
WSM

Good Morning, Friends:

The picture of industrial strife has begun to clear, and out of it has come a revised stabilization policy. Hard on the heels of the announcement of the revised stabilization policy came announcement of the steel strike settlement in which President Truman's recommendation of a wage rate was agreed to and a price increase on steel was granted.

Steel is the bellweather and acceptance of a wage increase of  $18\frac{1}{2}\%$  per hour will likely set the pattern which sooner or later will be followed with <sup>small</sup> variations up and down in settling the controversies in the automobile industry, farm machinery, ~~and~~ meat packing and other large industrial wage disputes.

The developments this week on the economic front represent ~~some~~ of a victory for President Truman, who has been having his share of bad luck <sup>recently</sup>. First, the United States Steel Corporation, which had turned down the President's recommendation earlier, accepted <sup>it</sup> ~~his recommendation~~; and second, the President has managed to revise the stabilization program without causing a loss of confidence in the program by the public. If the public lost confidence in the price stabilization program, it would amount, in practical effect, to the same thing as a loss of confidence in paper money. This is what I mean. If the people believed that prices would no longer be controlled and therefore, <sup>would be</sup> left scot-free to go sky high, there would be an <sup>to put money into goods, land, something material.</sup> inordinate rush to buy things. Brokers, manufacturers, jobbers, merchants could then make more money by holding their commodities than by selling them. This is what happened after World War I. And this is what broke so many businessmen. When the crash came, shelves and warehouses were full of goods. Inventories were built up until warehouses were bulging, for there was no real incentive to sell during the dizzy whirl because if one would but hold on to what he had, it ~~would be~~ worth a



good deal more in dollars just a little while later. <sup>have</sup> We see some evidence of ~~that~~ <sup>that same thing</sup> happening now. <sup>for instance,</sup> <sup>1</sup> Shirt and suit manufacturers and jobbers are said to be holding vast numbers of men's suits and white shirts. <sup>holding them?</sup> Why ~~were they~~ <sup>being held?</sup> ~~They were being held~~ because the industry expected to get a raise in price. <sup>What is the result? Only</sup> ~~a few suits & shirts for sale.~~ <sup>and more pressure on prices.</sup>

Now imagine what would happen if this practice of hoarding was followed in all scarce items. The few who could corner the goods and hold them off the market while prices went into a dizzy <sup>upward</sup> whirl would grow rich and fewer things would be available for people to buy at a <sup>an ever</sup> ~~rapidly~~ increasing price. <sup>It was this disastrous</sup> ~~possibility that Pres. T + his adm.~~ <sup>business must avoid.</sup>

In this connection, I would like to read to you a telegram which I sent to President Truman while he was in the midst of his conferences on the revision of the stabilization program.

Telegram Jan. 24

There was grave danger to the country's economy in the <sup>decisions which the</sup> ~~conferences which~~ <sup>Pres. had to make, personally.</sup> ~~have been going on.~~ It was an economic crisis of first magnitude. The thing which the President had to guard against most zealously was a loss of confidence by the people that price rises would be held in check. The President nailed this down in a smart, effective way by elevating Chester Bowles, the man whose name personifies the government's determination to hold prices in check. You will recall that after Leon Henderson left OPA, former Senator Prentice Brown was OPA Administrator, but he just <sup>quite</sup> didn't fit the job. A great Senator he was, but as an Administrator of the complexities <sup>was submerged and</sup> of OPA, he <sup>able</sup> seemed never to get his head above the water.

Mr. Bowles, who ~~has~~ made a fortune as a business man and had retired to private life, was asked to take over. He assumed <sup>the</sup> ~~that~~ <sup>thankless</sup> heavy responsibility not out of a desire



bureaucratic  
to draw a ~~bureaucratic~~ salary because he did not need this, he did it, I am convinced,  
for patriotic reasons. During the months of tribulation<sup>was</sup>, Mr. Bowles has grown more  
in stature before the country than any man within the Administration. His stature  
is <sup>further</sup> increased now not only because of ~~reason of~~ his elevation to the office of  
stabilization director but because he <sup>is ideas</sup> won <sup>out</sup> in the heated conferences in the White  
House and in the plush rugged offices of the high executive <sup>& policy makers</sup> ~~offices~~ of the government.  
~~It was Mr. Bowles' ideas that won out and,~~ As I see it, it is a fortunate thing that  
his ideas did prevail ~~over~~ over those of Mr. John W. Snyder, who impresses me as a  
compromiser and an inflationist, more inclined to give than to stand.

The President made another wise move when he appointed Paul Porter to  
head the OPA. I know Mr. Porter to be a brilliant, fast stepping, hard working young  
man with an incisive as well as decisive mind. The work of the OPA is not new to  
him nor are the nation's economic problems. He has had wide experience as well as  
a record of success in every job in which he has undertaken.

Now let us talk about the revised policy. It apparently means that wage  
controls similar to those exercised during the war will be reinstituted. Those  
controls operated <sup>indirectly</sup> it is true, but excepting a few cases like John  
L. Lewis' successful raid they operated <sup>effectively</sup> ~~successfully~~. Under these controls, the govern-  
ment did not say <sup>just</sup> what wages must be <sup>, did not fix wages,</sup> but ~~the~~ wage increases could be made without  
governmental approval. The government was lenient and compromising in many ways but  
the mere fact that wage increases had to be approved by the government before they could  
become effective ~~and~~ <sup>inflationary</sup> greatly deterred wage increase. Shortly after the surrender of  
Japan, President Truman lifted this requirement and left no controls on wages, thereby  
permitting labor <sup>organization</sup> to get all the wage increase it could under the existing price structure.  
This is where the fly got in the ointment because labor and industry began to ~~write~~ <sup>write</sup>



~~and~~ their own tickets as to what wages<sup>note</sup> would be within the existing price structure, ~~and~~  
~~industry's ability to pay.~~

The result was that <sup>large</sup> wage increases were demanded and in several notable instances,

such as the steel ~~wage agreement~~, the wages could not be paid within the existing

price structure. This <sup>brought about</sup> necessitated the increase in the price of steel and will <sup>granted during the war,</sup>

apparently result in the increase of automobiles, refrigerators, meat and a thousand

and one others. It is clearly recognized, therefore, that if the new stabilization line

was to hold it would have to include some form of wage control, also. This was the

bone of contention before the war, throughout the war and even now. <sup>But</sup> Price control

and wage control go hand in hand. <sup>They are inseparable.</sup> They cannot be separated and President Truman

is to be complimented on his realistic decision. <sup>T</sup> to come out of this ~~difficultly~~

difficult situation <sup>I believe,</sup> as he has, ~~and I think it is~~ President Truman's greatest

triumph ~~as~~ as President thus far.

Secretary of Interior Harold L. Ickes created quite a furor in the Capitol  
by his resignation. Mr. Ickes was regarded by many as an able and fearless  
Administrator and by many others has an old grouch with a vile tongue. His  
resignation and his statements at the time have undoubtedly embarrassed President  
Truman and the Democratic Party. It adds heat to the controversy over the  
confirmation of Mr. Edward Pauley as Under Secretary of the Navy. Some Democratic  
Senators have urged the President to withdraw the nomination but the President stands  
pat and says that Edward Pauley is an honest, able and forth right man, that he did  
a great job for America in reaching a reparations agreement with Russia, Great Britain  
and France and that he expects him to be nominated.

*We will hear more of Mr. Ickes. He  
seems to enjoy pending.*