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**Franklin D. Roosevelt — “The Great Communicator”**  
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**1942 September 7**

**Message to Congress re  
Price Stabilization and Inflation**

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September 7, 1942.

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STEPHEN E. RALPH  
Secretary to the President

TO THE CONGRESS OF THE UNITED STATES:

Four months ago, on April 27, 1942, I laid before the Congress a seven-point national economic policy designed to stabilize the domestic economy of the United States for the period of the war. The objective of that program was to prevent any substantial further rise in the cost of living.

It is not necessary for me to enumerate again the disastrous results of a runaway cost of living -- disastrous to all of us, farmers, laborers, businessmen -- the nation itself. When the cost of living spirals upward, everybody becomes poorer, because the money he has and the money he earns buys so much less. At the same time the cost of the war, paid ultimately from taxes of the people, is needlessly increased by many billions of dollars. The national debt, at the end of the war, would become unnecessarily greater. Indeed, the prevention of a spiraling domestic economy is a vital part of the winning of the war itself.

I reiterate the seven-point program which I presented April 27, 1942:

1. To keep the cost of living from spiraling upward, we must tax heavily, and in that process keep personal and corporate profits at a reasonable rate, the word "reasonable" being defined at a low level.
2. To keep the cost of living from spiraling upward, we must fix ceilings on the prices which consumers, retailers, wholesalers and manufacturers pay for the things they buy; and ceilings on rents for dwellings in all areas affected by war industries.
3. To keep the cost of living from spiraling upward, we must stabilize the remuneration received by individuals for their work.
4. To keep the cost of living from spiraling upward, we must stabilize the prices received by growers for the products of their lands.
5. To keep the cost of living from spiraling upward, we must encourage all citizens to contribute to the cost of winning this war by purchasing War Bonds with their earnings instead of using those earnings to buy articles which are not essential.

6. To keep the cost of living from spiraling upward, we must ration all essential commodities of which there is a scarcity, so that they may be distributed fairly among consumers and not merely in accordance with financial ability to pay high prices for them.
7. To keep the cost of living from spiraling upward, we must discourage credit and installment buying, and encourage the paying off of debts, mortgages, and other obligations; for this promotes savings, retards excessive buying and adds to the amount available to the creditors for the purchase of War Bonds.

In my message of four months ago, I pointed out that in order to succeed in our objective of stabilization it was necessary to move on all seven fronts at the same time; but that two of them called for legislation by the Congress before action could be taken. It was obvious then, and it is obvious now, that unless those two are realized, the whole objective must fail. These are points numbered one and four: — namely, an adequate tax program, and a law permitting the fixing of price ceilings on farm products at parity prices.

I regret to have to call to your attention the fact that neither of these two essential pieces of legislation has as yet been enacted into law. That delay has now reached the point of danger to our whole economy.

However, we are carrying out, by executive action, the other parts of the seven-point program which did not require Congressional action.

Price ceilings have been fixed on practically all commodities (other than certain exempted agricultural products), and on rents in war production areas of the United States.

This process of keeping prices and rents at reasonable levels constitutes one of the most far-reaching economic steps that this nation has ever taken — in time of peace or war.

Our experience during the last four months has proved that general control of prices is possible — but only if that control is all inclusive. If, however, the costs of production, including labor, are left free to rise indiscriminately, or if other major elements in the costs of living are left unregulated, price control becomes impossible. If markets are flooded with purchasing power in excess of available goods, without taking adequate measures to siphon off the excess purchasing power, price control becomes likewise impossible.

Our entire effort to hold the cost of living at its present level is now being seeped and undermined by further increases in farm prices and in wages, and by an ever-continuing pressure on prices resulting from the rising purchasing power of our people.

Annual wage and salary disbursements have increased from 43.7 billion dollars in 1939 to an estimated 75 billion dollars in 1942. This represents an increase of 71%. To obtain a full appreciation of what that increase means, we should remember that 75 billion dollars is more than our total national income was during any single year in the 1930's. Due to constantly increasing employment, overtime, and wage rate increases, the annual wage and salary bill for the entire country has been rising by more than a billion dollars a month.

It is impossible for the cost of living to be stabilized while farm prices continue to rise. You cannot expect the laborer to maintain a fixed wage level if everything he wears and eats begins to go up drastically in price. On the other hand, it is impossible to keep any prices stable — farm prices or other prices — if wage rates, one of the most important elements in the cost of production, continue to increase.

But even if the process of stabilization of all prices and wages at present levels were to be brought about, there would still remain the great upward pressure on the cost of living created by the vast amount of purchasing power which has been earned in all sections of the country. The national income has been increasing since January 1, 1941, at the average rate of 2% each month. This purchasing power now exceeds by an estimated twenty billions the amount of goods which will be available for purchase by civilians this year. The result obviously is that people compete more and more for the available supply of goods; and the pressure of this great demand compared with the small supply -- which will become smaller and smaller -- continually threatens to disrupt our whole price structure.

A recent study by the Bureau of Labor Statistics has shown very strikingly how much the incomes of the average of families have gone up during the first quarter of 1942. If we assume that the income for the first quarter of 1942 is a fair basis for estimating what the family income will be for the entire year, the results of the study show that whereas less than one-fourth of all families in the United States received as much as \$2,500 in 1941, more than one-third will have \$2,500 or more in 1942. This shows how much the purchasing power of the average American family has gone up as a result of war production and how essential it is to control that purchasing power by taxation and by investment in war bonds.

We also know that as the war goes on there will not be an adequate supply of all civilian goods; that only through strict rationing, wherever necessary, will these goods be equitably distributed. We are determined that no group shall suffer a shrinkage of its normal quota of basic necessities because some richer group can buy all the available supply at high prices.

In normal peace times the ordinary processes of collective bargaining are sufficient in themselves. But in war times and particularly in times of greatly increasing prices, the Government itself has a very vital interest in seeing to it that wages are kept in balance with the rest of the economy. It is still the policy of the Federal Government to encourage free collective bargaining between employers and workers; and that policy will continue. Owing to the fact that costs of production are now, in so many cases, being passed on to the government, and that so large a percentage of profits would be taken away by taxation, collective bargaining between employers and employees has changed a great deal from what it was in peace times. In times of danger to our economy the government itself must step into the situation to see to it that the processes of collective bargaining and arbitration and conciliation are not permitted to break up the balances between the different economic factors in our system.

War calls for sacrifice. War makes sacrifice a privilege. That sacrifice will have to be expressed in terms of a lack of many of the things to which we all have become accustomed. Workers, farmers, white collar people and businessmen must expect that. No one can expect that, during the war, he will always be able to buy what he can buy today.

If we are to keep wages effectively stabilized, it becomes imperative, in fairness to the worker, to keep equally stable the cost of food and clothing and shelter and other articles used by workers.

Prices and rents should not be allowed to advance so drastically ahead of wage rates that the real wages of workers as of today -- their ability to buy food and clothing and medical care -- will be cut down. For if the cost of living goes up as fast as it is threatening to do in the immediate future, it will be unjust, in fact impossible, to deny workers rises in wages which would meet at least a part of that increase.

The cost of all food used by wage earners -- controlled and uncontrolled -- has been going up at the rate of 1½% per month since the price ceilings were set in May, 1942. If this rise should be permitted to continue, the increased cost of food to wage earners next May would be more than 15% over the level which existed when the ceilings were set.

This would be equal to imposing a 15% sales tax on all food purchased by wage earners. Obviously no one would consider imposing such a tax.

This drastic increase has been caused, and will be caused, chiefly by the fact that a number of food commodities are exempt under existing law.

In the case of these exempt commodities the increases are even more startling. The cost of such food used by wage earners has been rising at an average of 3½% per month since May 1, 1942.

Prices received by farmers have risen 85% since the outbreak of the war in September, 1939, and these prices are continuing to rise. Cash farm income, including government payments, has increased from \$7 billion dollars in 1939 to substantially more than 15 billion dollars in 1942. This is an increase of about 75%.

The movement of uncontrolled food prices since May 18, 1942, the date when price regulation became effective, has been so drastic as to constitute an immediate threat to the whole price structure, to the entire cost of living, and to any attempt to stabilize wages.

Within two months after the date that price regulation became effective, the prices of controlled foods actually fell 7/10 of 1%. But uncontrolled foods advanced 7.3% during the same period, and are still going up.

To give some specific examples: From May to August of this year round steak and pork chops, which are controlled, showed a slight decline; but during the same period lamb, which was uncontrolled up to July, advanced more than 10%, and chickens have advanced more than 15%.

To take another example: Lard, which is a controlled product, dropped nearly 5%; whereas butter, which is uncontrolled, went up more than 6% or twice the normal seasonal rate. Oranges have gone up more than 25%, although the normal seasonal increase is only about 6 or 7%.

Uncontrolled agricultural commodities include some of the most important of the foods and include the grain foods necessary for livestock. When you consider that in this category are wheat, corn, oats, barley, rye, dry beans, cotton, sweet potatoes, apples, sheep, butter fat, wholesale milk, chickens, eggs and oranges, you can realize how important these products are to the pocketbook of the housewife.

The greatest danger is in dairy products, which are, as you know, most important items in the American diet. Butter, cheese or evaporated milk are exempt under the Price Control Act. The prices for these have been going up so fast that they constitute a serious threat to an adequate supply of fluid milk. Unless we are able to get control of butter, cheese and other dairy products in the very near future, the price of milk in large cities is certain to go up.

If wages should be stabilized and farm prices be permitted to rise at any rate like the present rate, workers will have to bear the major part of the increase. This we cannot ask. The Congress must realize that unless the existing control over farm prices is strengthened, we must abandon our efforts to stabilize wages and salaries and the cost of living. If that occurs, workers and farmers alike will not only suffer a reduction in real income, but will bring upon themselves and the Nation the unparalleled disaster of unchecked inflation.

The reason why price ceilings have not already been imposed on all food products is, as you know, that paragraph 3 of the Emergency Price Control Act prohibits such ceilings until farm prices as a whole have gone up beyond parity prices -- far beyond -- as high as an average of 15% beyond.

Although that restriction upon establishing ceilings for farm products usually is referred to as the 110% of parity limitation, it is much worse than that. The statute provides other limitations which are more drastic. Ceilings cannot be imposed, under the statute, on any product at a level below the market price on October 1, 1941, or December 15, 1941, or the average price for the period July 1, 1919 to June 30, 1929, or below 110% of current parity, whichever of those four levels is highest. As a result, the lowest average level for all farm commodities at which ceilings may be imposed is not 110%, but 116% of parity -- some of the commodities going almost as high as 150% of parity.

Even more important is the psychological effect of such unfair privilege. It provides fuel for fires of resentment against farmers as a favored class. After all, parity is, by its very definition, a fair relationship between the prices of the things farmers sell and the things they buy. Calculations of parity must include all costs of production including the cost of labor. As a result parity prices may shift every time wage rates shift. Insisting that the ceilings on no farm commodity shall ever be lower than 110% of parity is asking for more than a fair price relationship with other prices.

In fact, the limitations on agricultural ceilings are now being cited by other groups as a reason for resisting economic controls that are needed in their own fields. The limitations will be a rallying point for such opposition as long as they are in effect.

As I urged in my message of April 27, 1942, "the original and excellent objective of obtaining parity for the farmers of the United States should be restored".

Our policy with respect to farm products should be guided by three principles: First, to hold the line against inflationary price increases. Second, to get the required production of necessary farm products. Third, to maintain the principle of parity for agriculture.

Agricultural ceilings should be permitted at either parity or at the price levels which prevailed at some recent date, whichever is higher. In most cases the formula would preserve the general structure of wholesale and retail price controls, and would also call out the volume of production needed. Also, it would preserve the parity principle.

In regard to increasing the total of our food production, one of the worries that a farmer has today is the shortage of labor for cultivating and harvesting crops. The time is soon coming when in many parts of the country we shall have to use seasonally the help of women and grown young people. I feel certain the nation will cooperate wholeheartedly.

It not only would be unfair to labor to stabilize wages and do nothing about the cost of food; it would be equally unfair to the farmer. For we must all remember that the farmer's wife buys many articles of food at the store for the use of her own family, and high prices hurt her pocketbook as much as that of the city housewife.

What is needed, therefore, is an over-all stabilization of prices, salaries, wages and profits. That is necessary to the continued production of planes and tanks and ships and guns at the

present constantly increasing rate.

We cannot hold the actual cost of food and clothing down to approximately the present level beyond October first. But no one can give any assurances that the cost of living can be held down after that date.

Therefore, I ask the Congress to pass legislation under which the President would be specifically authorized to stabilize the cost of living, including the price of all farm commodities. The purpose should be to hold farm prices at parity, or at levels of a recent date, whichever is higher.

I ask the Congress to take this action by the first of October. Action on your part by that date will leave me with an inescapable responsibility to the people of this country to see to it that the war effort is no longer imperiled by threat of economic chaos.

In the event that the Congress should fail to act, and act adequately, I shall accept the responsibility, and I will act.

At the same time that farm prices are stabilized, wages can and will be stabilized also. This I will do.

The President has the powers, under the Constitution and under Congressional Acts, to take measures necessary to avert a disaster which would interfere with the winning of the war.

I have given the most thoughtful consideration to meeting this issue without further reference to the Congress. I have determined, however, on this vital matter to consult with the Congress.

There may be those who will say that, if the situation is as grave as I have stated it to be, I should use my powers and act now. I can only say that I have approached this problem from every angle, and that I have decided that the course of conduct which I am following in this case is consistent with my sense of responsibility as President in time of war, and with my deep and unalterable devotion to the processes of democracy.

The responsibilities of the President in war time to protect the Nation are very grave. This total war, with our fighting fronts all over the world, makes the use of executive power far more essential than in any previous war.

If we were invaded, the people of this country would expect the President to use any and all means to repel the invader.

The Revolution and The War Between The States were fought on our own soil but today this war will be won or lost on other continents and remote seas.

I cannot tell what powers may have to be exercised in order to win this war.

The American people can be sure that I will use my powers with a full sense of my responsibility to the Constitution and to my country. The American people can also be sure that I shall not hesitate to use every power vested in me to accomplish the defeat of our enemies in any part of the world where our own safety demands such defeat.

When the war is won, the powers under which I act automatically revert to the people - to whom they belong.

In March and April, 1933, this nation faced a threatening domestic situation calling for the most drastic measures. The Congress, alive to the needs of that day, formulated and enacted whatever was required to do the job before it — without long debate, without party politics and without heed to the pressures of any special group looking for advantages for itself.

I need not argue the point that the situation facing the nation today is infinitely more critical than it was ten years ago. We are fighting a war of survival. Nothing can yield to the over-all necessity of winning this war, and the winning of the war will be imperilled by a runaway domestic economy.

As a part of our general program on farm prices, I recommend that Congress in due time give consideration to the advisability of legislation which would place a floor under prices of farm products, in order to maintain stability in the farm market for a reasonable future time. In other words, we should find a practicable method which will not only enable us to place a reasonable ceiling or maximum price upon farm products but which will enable us also to guarantee to the farmer that he would receive a fair minimum price for his product for one year, or even two years — or whatever period is necessary after the end of the war. Every farmer remembers what happened to his prices after the last war. We can, I am sure, if we act promptly and wisely, stabilize the farmers' economy so that the post-war disaster of 1920 will not overtake him again.

The farmer, instead of looking forward to a new collapse in farm prices at the end of the war, should be able to look forward with assurance to receiving a fair minimum price for one or two years after the war. Such a national policy could be established by legislation.

In computing parity, we should continue to use the computations of the Bureau of Agricultural Economics made under the law as it stands today. And in determining whether a commodity has reached parity, we should include all the benefits received by the farmer from his government under the AAA program, allocable to the particular commodity. For it is unfair to give a farmer a parity price, and, in addition, to pay him benefits which will give him far more than parity.

I have confidence that the American farmer who has been doing so much in the battle of production of food will do as much in this struggle against economic forces which make for the disaster of inflation; for nobody knows better than the farmer what happens when inflationary, wartime booms are permitted to become post-war panics.

With respect to point seven of the program of April 27, 1942, we have made certain credit rulings designed to curtail unnecessary buying; and whatever else has to be done along these lines will be done.

With respect to point six, rationing is now in effect on some commodities, and, when necessary, will be extended to others.

But with respect to point one — a fair tax program — that still waits upon the Congress to act.

One of the most powerful weapons in our fight to stabilize living costs is taxation. It is a powerful weapon because it reduces the competition for consumers' goods — especially scarce foods.

The cooperation and self-restraint of the whole nation will be required to stabilize the cost of living. The stabilization of the cost of living cannot be maintained without heavy taxes on everyone except persons with very low incomes. With such increases in the tax load, unfair tax distribution becomes less and less tolerable. We can rightfully expect the fullest cooperation and self-restraint only if the tax burden is being fairly levied in accordance with ability to pay.

This means that we must eliminate the tax exemption of interest on State and local securities, and other special privileges or loopholes in our tax law.

It means that in the higher income brackets, the tax rate should be such as to give the practical equivalent of a top limit on an individual's net income after taxes, approximating \$25,000. It means that we must recapture through taxation all wartime profits that are not necessary to maintain efficient all-out war production. Such provisions will give assurance that the sacrifices required by war are being equitably shared.

Next to military and naval victory, a victory along this economic front is of paramount importance. Without it our war production program will be hindered. Without it we would be allowing our young men, now risking their lives in the air, on land, and on the sea, to return to an economic mess of our own making.

The least that we at home can do for them is to see that our production increases every day so as to give them the weapons of war with which to fight, and to make sure that our economy at home continues to be one to which they can return with confidence and security.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

September 7, 1942.

DRAFT #2

September 5, 1942

TO THE CONGRESS OF THE UNITED STATES:

Four months ago, on April 27, 1942, I laid before the Congress a seven-point national economic policy designed to stabilize within reasonable limits the domestic economy of the United States for the period of the war. The prime objective of that program was to prevent any substantial further rise in the cost of living.

It is not necessary for me to enumerate again the disastrous results of a runaway cost of living -- disastrous to all of us, farmers, laborers, businessmen, the nation itself. When the cost of living spirals upward everybody becomes poorer, because the money he has and the money he earns buys so much less.

At the same time the cost of the war, collected partly from taxes of the people is needlessly increased by many billions of dollars. The national debt at the end of the war, would benefit very little.

indeed, for they are subject to pay their debts incurred in a time of normal currency with money which is inflated currency.

Indeed, the prevention of a spiraling domestic economy is a primary task of present day statesmanship; it is a vital part of the winning of the war itself.

I reiterate the seven-point program which I presented

April 27, 1942:

1. To keep the cost of living from spiraling upward, we must tax heavily, and in that process keep personal and corporate profits at a reasonable rate, the word "reasonable" being defined at a low level.
2. To keep the cost of living from spiraling upward, we must fix ceilings on the prices which consumers, retailers, wholesalers and manufacturers pay for the things they buy; and ceilings on rents for dwellings in all areas affected by war industries.
3. To keep the cost of living from spiraling upward, we must stabilize the remuneration received by individuals for their work.
4. To keep the cost of living from spiraling upward, we must stabilize the prices received by growers for the products of their lands.
5. To keep the cost of living from spiraling upward, we must encourage all citizens to contribute to the cost of winning this war by purchasing War Bonds with their earnings instead of using those earnings to buy articles which are not essential.

6. To keep the cost of living from spiraling upward, we must ration all essential commodities of which there is a scarcity, so that they may be distributed fairly among consumers and not merely in accordance with financial ability to pay high prices for them.
7. To keep the cost of living from spiraling upward, we must discourage credit and installment buying, and encourage the paying off of debts, mortgages, and other obligations; for this promotes savings, retards excessive buying and adds to the amount available to the creditors for the purchase of War Bonds.

In my message of four months ago I pointed out that in order to succeed in our objective of stabilization it was necessary to move on all seven points at the same time; but that two of the points called for legislation by the Congress before action could be taken. It was obvious then, and it is obvious now, that unless those two points are made possible the whole objective must fail. The two points are one and four: - namely, an adequate tax program, and a law permitting the fixing of price ceilings on farm products at parity prices.

Although these recommendations were made by me four months

ago I regret to have to call to your attention the fact that neither of the two essential pieces of legislation has as yet been enacted into law. That delay has now reached the point of danger to our whole economy. We cannot afford to wait any longer.

However,

We have begun ~~however~~ by executive action, to carry out the other parts of the seven-point program which did not require Congressional action.

For example, price ceilings have been fixed on practically all commodities (other than agricultural products) and on rents in most of the areas of the United States.

This process of freezing prices constitutes one of the most far-reaching economic steps that this nation ~~or any other~~ ~~has~~ has taken in time of peace or war. As an immediate result of that step on May 18, 1942, the menacing rise in the cost of living, which had been going on month after month since the outbreak of the war in Europe, was temporarily halted. Indeed the over-all cost of living including food, rent, and all other commodities has increased only 1.3 percent from May 15, 1942 to August 15, 1942, on an average of only .4 percent per month.  
~~In three months May 15 to Aug 15 the year the rise was very small~~  
However, it is now impossible any longer to maintain the present level of prices unless we can relieve the various

pressures upon those prices.

Our experience during the last four months has proved that general control of prices is possible -- but only if that control is really general. If, however, the costs of production, including labor, are left free to rise indiscriminately or if major elements in the costs of living are left ~~uncontrolled~~, <sup>the</sup> price control becomes impossible. Or if markets are flooded with purchasing power in excess of available goods, without taking adequate measures to siphon off or sterilize the excess purchasing power, price control becomes likewise impossible. Our entire effort to hold the cost of living at its present level is now being sapped and undermined by further increases in farm prices and in wages and by an ever-continuing increase in the purchasing power of our people. It is still true, as it was four months ago, that to succeed at all, the program must be complete, and each part of it must be carried out with due consideration to all the other parts.

Annual wage and salary disbursements have increased from 43.7 billion dollars in 1939 to an estimated 75 billion dollars in 1942. This represents an increase of 71%. To obtain a full appreciation of what that increase means, we should remember that 75 billion dollars is more than our total national income

during any single year in the 1930's. During the year ended last April, average hourly earnings of factory workers increased by something over 1½ a month. Due to constantly increasing employment, overtime, and wage rate increases, the annual wage and salary bill for the entire country has been rising by more than a billion dollars a month. [Today, average hourly earnings in manufacturing industries and the annual wage and salary bill are increasing at the same rate as they did prior to April 22.]

It is patently impossible for the cost of living to be stabilized while farm prices continue to rise. You cannot expect the laborer to maintain a fixed wage level if everything he wears and eats begins to go up drastically in price. On the other hand it is patently impossible to keep any prices stable -- farm prices or other prices -- if wages, one of the most important elements in the cost of production, continue to increase.

P ~~But~~ Even if the process of stabilization of prices and farm prices and wages at certain levels were to be brought about, there would still remain the great upward pressure on the cost of living created by the vast amount of purchasing power which has been earned in the war effort by all groups of citizens in all sections of the country. The national income

has been increasing since January 1, 1941 at the average rate of 2% each month. This purchasing power now exceeds by an estimated twenty billions the amount of civilian goods which can be purchased by civilians. The result obviously is that people with this excess amount of money compete more and more for the available supply of goods; and the pressure of this great demand compared with the small supply which will become smaller and smaller continually threatens to disrupt our whole price structure.

A recent study by the Bureau of Labor Statistics has shown very strikingly how much the income of city families have gone up during the first quarter of 1942. If we assume that the income for the first quarter of 1942 is a fair basis for estimating what the family income will be for the entire year, the results of the study show that whereas less than one-fourth of all families in the United States received as much as \$2,500 in 1941, more than one-third will have \$2,500 or more in 1942. This shows how much the purchasing power of the average American family has gone up as a result of war production and how essential it is to ~~regulate~~ <sup>control</sup> that purchasing power.

Add to this situation the fact that, as the war continues, the amount of war production income will increase while the

amount of goods available for civilian use will constantly decrease. The twenty billion dollar spread will, therefore, get bigger and bigger even if wage rates remain unchanged; and the pressure on the price structure will become <sup>entirely</sup> ~~correspondingly~~ heavier and heavier.

Therefore, more and more of this excess purchasing power must be drained off by taxes ~~and~~ <sup>and investment</sup> by ~~the purchase of war bonds, or by some~~ ~~expenses~~.

We also know that there will not be an adequate supply of all civilian goods; that only through <sup>strict</sup> rationing where <sup>and</sup> necessary, will these goods be ~~more~~ equitably distributed, then in time of peace. We are determined that no group need suffer a shrinkage of its normal quota of basic necessities through not having enough dollars to buy them because of runaway markets.

Strenuous measures must be taken to remove the inflationary threat which is inherent in this vast excess of purchasing power on the market today. And in some instances we will have to face the fact that if we are to maintain the existing price ceilings, or any ceilings near them, it may become necessary to grant subsidies to make up the spread between our price ceilings and increasing costs of production.

All of these questions must be handled and watched at the same time. I have come to the conclusion that they cannot be

It must be remembered that whereas in normal peace times the ordinary processes of collective bargaining are sufficient in themselves, <sup>But</sup> in war times and particularly in times of greatly increasing prices, the Government itself has a very vital interest in seeing to it that wages are kept in balance with the rest of the economy. It is still the policy of the Federal Government, ~~which~~ will be the policy, to encourage free collective bargaining between employers and workers. Owing to the fact that costs of production are now in so many cases being passed ~~on~~ to the government and that so large a percentage of profits is being taken away by taxation, collective bargaining between employers and employees has changed a great deal from peace times. In times of danger to our economy the Government itself must step into the situation to see to it that the ~~normal~~ processes of collective bargaining and arbitration and conciliation are not permitted to break up the balances between the different economic factors in our system.

If we are to keep wages effectually stabilized, however, it becomes imperative to keep equally stable the cost of ~~the~~ food and ~~the~~ clothing and shelter and other articles used by workers.

This does not mean that if prices do go up 1% or 20% after May 1, 1942, for example, wages must necessarily go up 1% or 20%. To follow that principle would be an attempt to maintain intact

the present standard of living of workers during the war. This is just as impossible and as unwise as trying to maintain the standard of living of any person during war time. War calls for sacrifice. War makes sacrifice a privilege. That sacrifice will have to be expressed in terms of a lack of many of the things to which we all have become accustomed. Labor must expect that, as *including the farmer.*  
must all people. No one can expect that during the war he will always be able to buy what he can buy today.

But that is a different thing from saying that prices and rents should be allowed to advance so drastically ahead of wage rates that the real wages of workers as of today — their ability to buy food and clothing — will be cut down overwhelmingly. For if the cost of living goes up as fast as it is threatening to do in the immediate future, it will be unjust, in fact impossible, to deny workers an increase in wages which would meet at least a part of that increase.

The cost of all food used by wage earners — controlled and uncontrolled — has been going up at the rate of 1 $\frac{1}{2}$  per cent per month since the price ceilings were set in May, 1942. If this rise should be permitted to continue, the increased cost

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of food to wage earners next May would be more than 15 per cent over the level which existed when the ceilings were set.

This would be equal to imposing a 15 per cent sales tax on all food purchased by wage earners. Obviously, no one would consider imposing such a tax. It should be equally out of the question to consider permitting this tax to be imposed indirectly by allowing these prices to go up 15 per cent.

This drastic increase has been caused and will be caused chiefly by the fact that a number of food commodities cannot be controlled under existing law. If we were to consider only the cost of <sup>these commodities</sup> food which cannot be controlled under the terms of existing law, the increases would be even more startling.

*This non-controlled*  
The cost of food used by wage earners which cannot be controlled under the terms of the existing law has been rising at an average of 3½% per month since May 1, 1942. It is estimated that this rate of increase will raise the cost of these foods by 40% in one year from May 1, 1942, unless checked.

During a single month, from mid-May to mid-June, 1942, those retail food prices which are exempted from price freezing by the statute, rose by nearly 5%. This was the average increase in the prices of these foods. Many of them rose by much more than

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✓

that average. Prices received by farmers have risen 85% since the outbreak of the war in September, 1939, and these prices are continuing to rise. Cash farm income, including Government payments, has increased from \$7 billion dollars in 1939 to substantially more than 15 billion dollars in 1942. This is an increase of about 75%.

The movement of uncontrolled food prices since May 18, 1942, the date when price regulation became effective, has been so drastic as to constitute an immediate threat to the whole price structure, <sup>to</sup> the entire cost of living, and to any attempt to stabilize wages. Within two months after the date that price regulation became effective, the prices of controlled foods, that is, foods on which it was permissible under the law to place a price ceiling, actually fell 7/10 of one per cent. But uncontrolled foods, that is, foods on which it was forbidden to place a ceiling, have advanced 7.3 per cent and are still going up.

To give some specific examples: From May to August of this year round steak and pork chops, which are controlled, showed a slight decline; but during the same period lamb, which was uncontrolled up to July, advanced more than 10 per cent, and chickens have advanced more than 16 per cent.

To take another example: Lard, which is a controlled product, dropped nearly 5 per cent, whereas butter, which is uncontrolled, went up more than six per cent or twice the normal seasonal rate. <sup>W</sup>hanges have gone up more than 25 per cent, although the normal seasonal increase is only about 6 or 7 per cent.

These are retail prices. The Office of Price Administration places its ceilings on retail prices, but the ceiling cannot be below a price which will reflect to the farmers a price equal to the 110 per cent or more of parity. It is obvious that as farm prices go up the pressure on the retail price ceiling becomes heavier and heavier. The fact is that some grades of steers have been selling at the highest prices since 1929. Egg prices in the Chicago market have been the highest for any August since the inflation of 1920. *We ought not to repeat the mistakes of those days.*

The agricultural commodities, the present price of which is below the ceiling which is possible under existing law, include some of the most important of the foods and include the grain foods necessary for livestock. When you consider that in this category are wheat, corn, oats, barley, rye, dry beans, cotton, sweet potatoes, apples, sheep, butter fat, wholesale milk, chickens,

eggs and oranges, you can realize how important these products are to the pocketbook of the housewife. On all of these products it is impossible, under existing law, to place any ceiling until they have risen to 110% of parity or more.

The greatest danger is in dairy products, which are, as you know, most important items in the American diet. We cannot put a ceiling at present on butter, cheese or evaporated milk. The prices for these have been going up so fast that they even constitute a serious threat to the fluid milk prices themselves, although we do have a ceiling on fluid milk. The present high prices for butter and other dairy products are taking away a great deal of the milk which would otherwise go into the milk market. Unless we are able to get control of butter, cheese and other dairy products in the very near future, the price of milk in New York, Boston and other large cities is certain to go up.

If farm prices are permitted to rise at any rate like the present rate, while wages are stabilized, workers will have to bear the major part of the increase. This we cannot ask. The Congress must realize that unless the existing control over farm prices is strengthened, we must abandon our efforts to stabilize wages and ~~incomes~~ salaries and the cost of living.

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during the present war. If that occurs, workers and farmers alike will not only suffer a reduction in real income, but will bring upon themselves and the Nation the unparalleled disaster of unchecked inflation. No increase in wages, no increases in farm prices, will compensate this generation and perhaps other generations for such a tragedy.

The reason why price ceilings have not already been imposed on all food products is, as you know, that paragraph 3 of the Emergency Price Control Act prohibits such ceilings until the prices have gone up beyond parity prices — far beyond, — as high as an average of 16% beyond.  
Although that restriction upon establishing ceilings for farm products usually is referred to as the 110 per cent of parity limitation, it is much worse than that. The statute provides other limitations which are more drastic. Ceilings cannot be imposed, under the Statute, on any product at a level below the market price on October 1, 1941, or December 15, 1941, or the average price for the period July 1, 1919, to June 30, 1929, or below 110 per cent of current parity, whichever of those four points is highest. As a result, the lowest average level for all farm commodities at which ceilings may be imposed is not 110 per cent, but 116 per cent of parity — some of the commodities going almost as high as 150 per cent of parity.

[During recent months prices of farm products have gone up considerably — many of them for good reason. Some of them have gone above parity — and in many instances there is good reason for this, too. It would neither be fair to farmers, nor in the national interest, to seek any great reduction in the prices farmers now are receiving. In other words, I do not think that present farm ~~xx~~ prices, even those now above parity, should be reduced to parity.]

However, I am convinced that it is not in the national interest, nor in the long-range interest of farmers themselves, to continue a situation which makes it impossible to control the price of any farm commodity until it has reached 110 per cent, or more, of the parity level.

The existing limitation is preventing, or may prevent, action which is essential to preserving the whole structure of wholesale and retail price control and the whole system of stabilizing the cost of living.

*Even*  
More important is the psychological effect of the ~~present~~ <sup>An existing</sup> unfair privilege being given to the farm group. It provides fuel for fires of resentment against farmers as a favored class. After all, parity itself is by its very definition a fair relationship.

between the prices of the things farmers sell and the things they buy. Calculations of parity must include all costs of production including the cost of labor, so that parity prices may shift every time wage rates shift. Insisting that the ceilings on no farm commodity shall ever be lower than 110 per cent of parity is asking for more than a fair price relationship with non-farm prices.

In fact, the limitations on agricultural ceilings are now being cited by other groups as a reason for resisting economic controls that are needed in their own fields. The limitations will be a rallying point for such opposition as long as they are in effect.

As I urged in my message of April 27, 1942, "the original and excellent objective of obtaining parity for the farmers of the United States should be restored".

At the time the 110 per cent, and higher, limitation was adopted, those who favored it contended that farm products as a whole never could average parity throughout the year, unless ceilings on any product at less than 110 per cent of parity were forbidden. Since the legislation was adopted, however, the ~~Average of~~ all farm prices has already risen seven per cent above parity, and the prevailing tendency is up, not down. Our ruling objective now is to win the war. This means harnessing our whole

economy to that end. It means heading off inflation by any and every legitimate means.

I realize that many thousands of farmers still have sub-standard incomes, just as the wages of many thousands of laborers still are below a decent minimum. Attention must be paid to the need of such low-income groups — farmer and labor alike. The fact is, however, that the national average of farm prices is now seven per cent above parity, and that the farm income for 1942 will be the largest on record.

Our policy with respect to farm products should be guided by three principles: ~~to stop the downward movement of farm products~~. First, to hold the line against inflationary price increases. Second, to get the required production of farm products necessary. Third, to maintain the principle of parity for agriculture.

Agricultural ceilings should be permitted at either parity or ~~permitted at some recent date, whenever is higher~~ at the price levels which ~~are~~ prevail. In most cases the formula would preserve the general structure of wholesale and retail price controls, and would also call out the volume of production needed. Also, it would preserve the parity principle.

(S.A.)

It not only would be unfair to labor to stabilize wages  
and do nothing about the cost of food; it is equally unfair to  
the farmer not to stabilize the cost of food. For we must all  
remember that the farmer's wife buys many articles  
of food at the store for the use of her  
own family and high prices hurt her  
pocketbook as much as the city  
housewives.

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by the Attorney-General

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I have been advised that under the second War Powers Act enacted March 27, 1942, subsequently to the Price Control Act, there is sufficient authority in the President to allocate the supply of food in the United States required for our armed forces, our Lend-Lease program and our civilian population.

*Invert Speech*

The statute provides that such allocation may be made "upon such conditions" as the President "deems necessary or appropriate in the public interest and to promote defense". I am advised that under this statute, as a condition, the price of the farm products may be fixed not only in its processed form in the wholesale and retail establishments <sup>also</sup> *P* but on the farm. Shortages in food have developed. The diversion of huge quantities of foods to our armed forces and to our allies has left less than enough for all our civilians who require the foods at a reasonable price. The danger is that the division of the existing short supply will continue to be based on who is able to pay the higher prices rather than on fairness. A just allocation of the inadequate supply could be accomplished by dividing the quantity available on fair terms and by limiting the price. It is vital to the winning of the war that essential commodities which are now inadequate in amount for all the needs of the

war be allocated not haphazardly and inequitably by the mechanism of uncontrolled high prices but through government action aimed only at promoting the war effort and the public interest.

The Attorney General advises me that even without recourse to the President's constitutional powers as Commander-in-Chief, the second War Powers Act authorizes the President to attach conditions of price to the process of allocation in order to promote the war effort and the general welfare.

This statute, in the opinion of the Attorney General, is not controlled by the restrictions in the Emergency Price Control Act which limits the control over prices of agricultural commodities.

I have previously used the powers granted to me by the second War Powers Act chiefly to control the supply of critical goods for war production purposes. Conditions have changed so much since the enactment of the Emergency Price Control Act that the <sup>should</sup> war powers of the President be applied to the problem of the cost of living now before us.

I have given long and careful consideration to the question as to whether I shall exercise these powers forthwith,

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especially in view of the fact that the Congress has had my specific recommendations that the statute regulating farm prices be amended to permit the establishment of the parity principle.

I have decided, however, not to use them without first appealing to the Congress again and requesting the enactment of such legislation. The war powers of the President are not to be used lightly and are to be used only when the circumstances require it.

I believe that we can wait at least until the first of October without danger of the cost of living rising more than a small amount. I am convinced that the action proposed by me would have additional weight if concurred in ~~specifically~~ by the Congress by specific statute rather than by reference to a general delegation of war powers. What has to be done in order to meet this emergency will have an impelling impact upon the daily lives of every man, woman and child in the United States -- workers, farmers, house wives, shop keepers, clerks. Therefore, with my deep and unalterable devotion to the democratic process, I have preferred that ~~this~~ matter should be referred first to the Congress.

*St. P.  
use  
J. S. P.  
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~~How far conditions go and what can be done about it.~~

~~On the 1st of October I am sure that if the Congress sets its hand to it, it can pass the necessary legislation by that time.~~

*(Signature)*

In March and April, 1933 this nation faced a threatening domestic situation calling for the most drastic measures. The Congress, alive to the needs of the day, formulated and enacted whatever was required to do the job before it — without long debate, without party politics and without heed to the pressures of any special group looking for advantages for itself.

I need not argue the point that the situation facing the nation today is infinitely more critical than it was ten years ago. We are fighting a war of survival. Nothing can yield to the over-all necessity of winning this war and the winning of the war will be imperilled by a runaway domestic economy.

*(Signature)*

What will have to be done will be to establish controls over wages and farm prices and profits and subsidies so that the factors entering into the cost of living can all be held in check.

I have said that we can afford to wait until October 1. I do not believe we can wait any longer than that date.

Unless adequate action is taken by the Congress by that

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date I shall have to face the responsibilities which I have under the Constitution as Commander-in-Chief and under the statute conferring war powers upon me to move by executive action. That is not only my responsibility. I consider it <sup>as</sup> my solemn duty in connection with the job of winning the war. In a most realistic sense failure to act promptly will bring about a situation which would demoralize not only war workers but all Americans, including those at the fighting front. This ~~would~~ <sup>might</sup> be as dangerous to the national defense as a great military or naval disaster.

As a part of our general program ~~on~~ farm prices I recommend that Congress in due time give consideration to the advisability of legislation which would also place a floor under <sup>or</sup> ~~farm products~~ farm prices in order to maintain stability in the farm market for a reasonable future time. In other words, we should find a practicable method which will not only enable us to place a reasonable ceiling or maximum price upon farm products but

which ~~would~~ <sup>will</sup> enable us also to guarantee to the farmer for one year, — or whatever period is necessary — or even two years after the end of the war that he would

receive a fair minimum price for his product. Every farmer

<sup>This</sup> ~~farmer~~ remembers what happened after the last war. We can, I am sure,

*Skt*

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if we act promptly and wisely, stabilize the farmers' economy  
so that the post-war disaster of 1940 will not overtake him  
again. The farmer, instead of looking forward to repetition of  
the collapse in farm prices at the end of the war, should be able  
to look forward with assurance to receiving a fair minimum price  
for one or two years after the war. This could be done by  
legislation and adequate appropriations to guarantee now to the  
farmer that we will buy his crop <sup>at</sup> ~~the~~ minimum prices. I am sure  
that when the war is over we will be able to use these products  
not only for ourselves but to aid in feeding and rehabilitating  
the overrun, war-stricken countries. In computing parity we  
should continue to use the computations of the Bureau of Agri-  
cultural Economics made under the law as it stands today. And  
in determining whether a commodity has reached parity we should  
include all the benefits received by the farmer from his govern-  
ment under the AAA program, allocable to the particular commodity.  
For it is unfair to give a farmer a parity price and then in  
addition <sup>to</sup> pay him benefits which will give him more than parity.  
While so far we have just made a beginning in the use of  
subsidies to cut down living costs, we shall have to extend this  
program gradually. But subsidies should not be used merely to

continue unequal privileges which one group may now have as compared with the others. They should be used primarily where it is fair and equitable to maintain a stable price level in spite of increased costs of production or transportation, or where it is the only way of keeping the cost of necessities of life down.

The use of subsidies in a limited and cautious way will cost the Government only a fraction of what ~~would happen~~ if prices were permitted to rise every time there is an increase in costs. One man's price is another man's cost; and if prices are permitted to rise in the earlier stages of production, the effect gets to be multiplied in all subsequent stages several fold before it reaches the final stage of consumption either by government or by consumers. At each stage the producer or distributor adds a percentage margin to his cost and the ultimate cost will inevitably greatly exceed the initial increase in cost which touched off the development. In most cases it will be much cheaper to offset the original increase in cost by a subsidy. To permit any price to move up at this time is to create incentives and to set the stage for increases in other prices.

Canada which has had a general price ceiling since December 1941 has used subsidies as an effective technique in its battle against inflation. And in Great Britain where there

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is no general price ceiling, subsidies have been granted very effectively for food products. This whole question of subsidies for farm products as well as other products -- to keep the consumers' cost of living down -- is one of the major matters left for determination by the Executive Order to the Economic Stabilization Administrator.

I have confidence that the American farmer who has been doing so much in the battle of production of food will do as much in this struggle against economic forces which make for the disaster of inflation, for nobody knows better than the farmer what happens when inflationary, wartime booms are permitted to become post war panics.

With respect to point seven of the program of April 27, 1942, we have made certain credit rulings designed to curtail unnecessary buying; and whatever else has to be done along these lines will be done.

With respect to point six, rationing is now in effect on some commodities, and when necessary will be extended to others.

But with respect to point one -- a fair tax program -- that still waits upon the Congress to act.

(The following is suggested by the Secretary of the Treasury  
to be included in the message with respect to taxes:)

One of the most powerful weapons in our fight to stabilize  
living costs is taxation. It is a powerful weapon because it

reduces the competition for consumers' goods... especially scarce  
goods.

The provisions of the tax bill pending before Congress would  
increase revenue by much more than any previous measure in our  
history. If the bill became law in the form passed by the House,  
a full year's Federal tax collection would approach \$24 billion.

But in the fiscal year 1943 our Federal expenditures are expected  
to reach \$77 billion. To help offset the pressure of this huge  
expenditure on our price structure and cost of living, a much more  
drastic tax measure is necessary. I recommend to the Congress the  
recent proposals of the Secretary of the Treasury for heavy taxes  
on spending and the provision for the post-war rebate of part of  
these taxes. They provide a valuable instrument for combating  
price rises.

Heavy wartime taxes do not create the economic sacrifices  
of war. The burden is already with us whether or not taxes are  
levied. The function of wartime taxation is to distribute the inevitable

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burden more equitably. Fair distribution of the burden will be promoted by taxes which help in preventing a damaging rise in the cost of living.

The cooperation and self-restraint of the whole Nation will be required to stabilize the cost of living. The stabilization of the cost of living cannot be maintained without heavy taxes on everyone except persons with very low incomes. With such increases in the tax load unfair tax distribution becomes less and less tolerable. We can rightly expect the fullest cooperation and self-restraint only if the tax burden is being fairly levied in accordance with ability to pay. This means that we must eliminate the tax exemption of interest on State and local securities and other special privileges or loopholes in our tax law. It means that in the higher income brackets the tax rate should be such as to give the practical equivalent of a top limit on income after taxes, approximating \$25,000. It means that we must recapture through taxation all wartime profits that are not necessary to maintain efficient all-out war production. Such provisions will give assurance that the sacrifices required by war are being equitably shared.  
*are individuals*

~~As much of the income tax as is practicable should be collected at the source. Such a collection mechanism would ease the burden of the heavy taxes the war requires; it would assure collection from the many added millions of taxpayers; and it would make possible prompt adjustments in rates of collection necessitated by changing economic conditions.~~

~~Heavy wartime taxes will fall on all of us. We must spare only those whose incomes are at the minimum necessary for productive efficiency and decent living. We should avoid such taxes as general sales taxes, which would cut into that necessary minimum and, by raising the costs of goods, threaten to destroy the stabilization of living costs which we seek to maintain. The recently proposed spending tax would go far beyond the sales tax in discouraging spending, and would do so without cutting into the minimum living standard.~~

Next to military and naval victory, a victory along this front is of paramount importance. Without it, our war production program cannot succeed. Without it, we would be allowing our young men now risking their lives in the air, on land, and on the sea to return to an economic mess of our own making. The least that we can do for them at home is to see that our production increases every day so as to give them the weapons of

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war with which to fight and that our economy at home continues  
to be one to which they can return with confidence and security.

DRAFT #3

September 7, 1942.

TO THE CONGRESS OF THE UNITED STATES:

Four months ago, on April 27, 1942, I laid before the Congress a seven-point national economic policy designed to stabilize [what responsible people] the domestic economy of the United States for the period of the war. The [point] objective of that program was to prevent any substantial further rise in the cost of living.

It is not necessary for me to enumerate again the disastrous results of a runaway cost of living -- disastrous to all of us, farmers, laborers, businessmen -- the nation itself. When the cost of living spirals upward, everybody becomes poorer, because the money he has and the money he earns buys so much less. At the same time the cost of the war, ~~collected~~ paid ultimately from taxes of the people, is needlessly increased by many billions of dollars. The national debt, at the end of the war, would become ~~unnecessarily~~ unnecessarily much greater. Indeed, the prevention of a spiraling domestic economy is a ~~primary~~ vital part of ~~task of present-day statesmanship; it is~~ the winning of the war itself.

I reiterate the seven-point program which I presented  
April 27, 1942:

1. To keep the cost of living from spiraling upward,  
we must tax heavily, and in that process keep  
personal and corporate profits at a reasonable  
rate, the word "reasonable" being defined at a  
low level.
2. To keep the cost of living from spiraling upward,  
we must fix ceilings on the prices which consumers,  
retailers, wholesalers and manufacturers pay for  
the things they buy; and ceilings on rents for  
dwellings in all areas affected by war industries.
3. To keep the cost of living from spiraling upward,  
we must stabilize the remuneration received by  
individuals for their work.
4. To keep the cost of living from spiraling upward,  
we must stabilize the prices received by growers  
for the products of their lands.
5. To keep the cost of living from spiraling upward,  
we must encourage all citizens to contribute to  
the cost of winning this war by purchasing War  
Bonds with their earnings instead of using those

earnings to buy articles which are not essential.

6. To keep the cost of living from spiraling upward, we must ration all essential commodities of which there is a scarcity, so that they may be distributed fairly among consumers and not merely in accordance with financial ability to pay high prices for them.
7. To keep the cost of living from spiraling upward, we must discourage credit and installment buying, and encourage the paying off of debts, mortgages, and other obligations; for this promotes savings, retards excessive buying and adds to the amount available to the creditors for the purchase of War Bonds.

In my message of four months ago, I pointed out that in order to succeed in our objective of stabilization it was necessary to move on all seven points at the same time; but that two of the points called for legislation by the Congress before action could be taken. It was obvious then, and it is obvious now, that unless those two points are resigned, ~~made possible~~ the whole objective must fail. [ ] These are points [ ] one and four: -- namely, an adequate tax program,

and a law permitting the fixing of price ceilings on farm products at parity prices.

~~Although these recommendations were made by me four months ago,~~  
I regret to have to call to your attention the fact that ~~these~~ neither of the two essential pieces of legislation has as yet been enacted into law. That delay has now reached the point of danger to our whole economy. ~~We cannot afford to wait any longer.~~

~~we carry out~~  
However, we have begun, by executive action, ~~to carry out~~ the other parts of the seven-point program which did not require Congressional action.

~~For example,~~ Price ceilings have been fixed on practically all commodities (other than agricultural products) and on rents ~~in war production areas of the United States.~~

This process of ~~fixing~~ prices constitutes one of the most far-reaching economic steps that this nation has taken — in time of peace or war. ~~As an immediate result of that step on May 18, 1942, the menacing rise in the cost of living, which had been going on month after month since the outbreak of the war in Europe, was temporarily halted.~~

[In these months, May 15th to August 15th, this year, the rise was very small.]

[However,] it is now impossible any longer to maintain the present level of prices unless we can relieve the various pressures upon those prices.

Our experience during the last four months has proved that general control of prices is possible -- but only if that control is ~~really generally~~ all inclusive. If, however, the costs of production, including labor, are left free to rise indiscriminately, or if other major elements in the costs of living are left unregulated, price control becomes impossible. Or if markets are flooded with purchasing power in excess of available goods, without taking adequate measures to siphon off [or] stabilize the excess purchasing power, price control becomes likewise impossible. Our entire effort to hold the cost of living at its present level is now being sapped and undermined by further increases in farm prices and in wages and by an ever-continuing pressure on prices resulting from the rising purchasing power of our people.

[It is still true, as it was four months ago, that to succeed at all, the program must be complete, and each part of it must be carried out with due consideration to all the other parts.]

Annual wage and salary disbursements have increased from 43.7 billion dollars in 1939 to an estimated 75 billion dollars in 1942. This represents an increase of 71%. To obtain a full appreciation of what that increase means, we should remember that 75 billion dollars is more than our total national income during any single year in the 1930's. ~~During the year ended last April, average hourly earnings of factory workers increased by something over 1% a month.~~ Due to constantly increasing employment, overtime, and wage rate increases, the annual wage and salary bill for the entire country has been rising by more than a billion dollars a month.

It is ~~presently~~ impossible for the cost of living to be stabilized while farm prices continue to rise. You cannot expect the laborer to maintain a fixed wage level if everything he wears and eats begins to go up drastically in price. On the other hand, it is ~~presently~~ impossible to keep any prices stable -- farm prices or other prices -- if wages, one of the most important elements in the cost of production, continue to increase.

even  
But if the process of stabilization of prices ~~and~~ were ~~process~~ <sup>all</sup> and wages at <sup>arbitrary</sup> ~~certain~~ levels were to be brought about, there would still remain the great upward pressure on the

cost of living created by the vast amount of purchasing power which has been earned in the war effort of all groups of citizens in all sections of the country. The national income has been increasing since January 1, 1941, at the average rate of 2% each month. This purchasing power now exceeds by an estimated twenty billions the amount of ~~military~~ goods which <sup>will</sup> ~~available for~~ <sup>this year,</sup> can ~~be~~ purchased by civilians. The result obviously is that people ~~with their excess amount of money~~ compete more and more for the available supply of goods; and the pressure of this great demand compared with the small supply -- which will become smaller and smaller -- continually threatens to disrupt our whole price structure.

A recent study by the Bureau of Labor Statistics has shown very strikingly how much the incomes of the average of ~~any~~ families have gone up during the first quarter of 1942. If we assume that the income for the first quarter of 1942 is a fair basis for estimating what the family income will be for the entire year, the results of the study show that whereas less than one-fourth of all families in the United States received as much as \$2,500 in 1941, more than one-third will have \$2,500 or more in 1942. This shows how much the purchasing power of the average American family has

gone up as a result of war production and how essential it is to control that purchasing power by Taxation and by investment in war bonds.

Add to this situation the fact that, as the war continues, the amount of war production income will increase while the amount of goods available for civilian use will constantly decrease. The twenty billion dollar spread will, therefore, get bigger and bigger, even if wage rates remain entirely unchanged; and the pressure on the price structure will become correspondingly heavier and heavier. Therefore, more and more of this excess purchasing power must be drained off by taxes and by investment in War Bonds.

As the war goes on, we also know that during this war there will not be an adequate supply of all civilian goods; that only through strict rationing, wherever necessary, will these goods be equitably distributed. We are determined that no group shall suffer a shrinkage of its normal quota of basic necessities because some richer groups can buy all the available supply at not having enough dollars to buy them because of runaway high prices. Strenuous measures must be taken to remove the inflationary threat which is inherent in this vast excess of purchasing power on the market today.

And in some instances we will have to face the fact that if we are to maintain the existing price ceilings, or any ceilings near them, it may become necessary to grant subsidies to make up the spread between our price ceilings and increasing costs of production.

In normal peace times the ordinary processes of collective bargaining are sufficient in themselves. But in war times and particularly in times of greatly increasing prices, the Government itself has a very vital interest in seeing to it that wages are kept in balance with the rest of the economy. It is still the policy of the Federal Government to encourage free collective bargaining between employers and workers. Owing to the fact that costs of production are now in so many cases being passed on to the government and that so large a percentage of profits is being taken away by taxation, collective bargaining between employers and employees has changed a great deal from what it was in peace times. In times of danger to our economy the government itself must step into the situation to see to it that the processes of collective bargaining and arbitration and conciliation are not permitted to break up the balances between the different economic factors in our system.

If we are to keep wages effectually stabilized, ~~he~~  
it becomes imperative, in fairness to the worker, to keep  
equally stable the cost of food and clothing and shelter and  
other articles used by workers.

This does not mean that if prices do go up 1% or 20%  
after May 1, 1942, for example, wages must necessarily go up  
1% or 20%. To follow that principle would be an attempt to  
maintain intact the present standard of living of workers  
during the war. This is just as impossible and as unwise  
as trying to maintain the standard of living of any person  
~~during war time~~. War calls for sacrifice. War makes  
sacrifice a privilege. That sacrifice will have to be  
expressed in terms of a lack of many of the things to which  
we all have become accustomed. ~~Workers, farmers, white collar people~~  
~~Labor must expect that~~  
~~must all people, including the farmer~~  
No one can expect  
that during the war he will always be able to buy what  
he can buy today.

But ~~that is a different thing from saying that prices~~  
~~not~~  
and rents should be allowed to advance so drastically ahead  
of wage rates that the real wages of workers as of today --  
~~and medical care~~  
their ability to buy food and clothing -- will be cut down.  
~~A~~

overwhelmingly. For if the cost of living goes up as fast as it is threatening to do in the immediate future, it will be unjust, in fact impossible, to deny workers <sup>an increase</sup> ~~an increase~~ in wages which would meet at least a part of that increase.

The cost of all food used by wage earners -- controlled and uncontrolled -- has been going up at the rate of 1½ per cent per month since the price ceilings were set in May, 1942. If this rise should be permitted to continue, the increased cost of food to wage earners next May would be more than 15 per cent over the level which existed when the ceilings were set.

This would be equal to imposing a 15 per cent sales tax on all food purchased by wage earners. Obviously no one would consider imposing such a tax. It should be equally out of the question to consider permitting this tax to be imposed indirectly by allowing these prices to go up 1½ per cent.

This drastic increase has been caused, and will be caused, chiefly by the fact that a number of food commodities

cannot be controlled under existing law.

~~for the case of these exempt commodities  
If we were to consider only the cost of these commodities  
which are  
which cannot be controlled under the terms of existing law,~~

the increases ~~would be~~ even more startling. The cost of ~~other~~ <sup>me</sup> fresh non-controlled food used by wage earners has been rising at an average of 3½% per month since May 1, 1942. It is estimated that this rate of increase will raise the cost of these foods by 40% <sup>quickly,</sup> in one year from May 1, 1942, unless checked.

During a single month, from mid-May to mid-June, 1942, those retail food prices which are exempted from price freezing by the statute, rose by nearly 5%. This was the average increase in the prices of ~~these~~ foods. Many of them rose by much more than that average. Prices received by farmers have risen 85% since the outbreak of the war in September, 1939, and these prices are continuing to rise. Cash farm income, including government payments, has increased from 8.7 billion dollars in 1939 to substantially more than 15 billion dollars in 1942. This is an increase of about 75%.

The movement of uncontrolled food prices since May 18, 1942, the date when price regulation became effective, has been so drastic as to constitute an immediate threat to the whole price structure, to the entire cost of living and to any attempt to stabilize wages.

Within two months after the date that price regulation became effective, the prices of controlled foods, that is, foods on which it was permissible under the law to place a price ceiling, actually fell 7/10 of one per cent. But uncontrolled foods, that is, foods on which it was forbidden to place a ceiling, <sup>during the same period</sup> ~~have~~ advanced 7.3 per cent and are still going up.

To give some specific examples: From May to August of this year round steak and pork chops, which are controlled, showed a slight decline; but during the same period lamb, which was uncontrolled up to July, advanced more than 10 per cent, and chickens have advanced more than 16 per cent.

To take another example: Lard, which is a controlled product, dropped nearly 5 per cent, whereas butter, which if uncontrolled, went up more than six per cent or twice the normal seasonal rate. Oranges have gone up more than 25 per cent, although the normal seasonal increase is only about 6 or 7 per cent.

~~These are retail prices. The Office of Price Administration places its ceilings on retail prices, but the ceiling cannot be below a price which will reflect to the farmers a price equal to the 110 per cent or more of parity. It~~

~~is obvious that as farm prices go up the pressure on the retail  
marketing becomes heavier and heavier. The fact is that~~

~~S~~ome grades of steers have been selling at the highest prices since 1929. Egg prices in the Chicago market have been the ~~highest~~ for any August since the inflation of 1920. We ~~were~~ <sup>cannot afford</sup> ~~afford~~ to repeat the mistakes of those days.

The agricultural commodities, the present price of which is below the ceiling which is possible under existing law, include some of the most important of the foods and include the grain foods necessary for livestock. When you consider that in this category are wheat, corn, oats, barley, rye, dry beans, cotton, sweet potatoes, apples, sheep, butter fat, wholesale milk, chickens, eggs and oranges, you can realize how important these products are to the pocketbook of the housewife. On all of these products it is impossible, under existing law, to place any ceiling until they have risen to 110% of parity or more.

The greatest danger is in dairy products, which are, as you know, most important items in the American diet. We cannot put a ceiling at present on butter, cheese or evaporated milk. The prices for these have been going up ~~X~~

so fast that they ~~were~~ constitute a serious threat to ~~the~~ fluid milk ~~prices themselves~~, although we do have a ceiling on fluid milk. ~~The present high prices for butter and other dairy products are taking away a great deal of the milk which would otherwise go into the milk market.~~ Unless we are able to get control of butter, cheese and other dairy products in the very near future, the price of milk in ~~New York, Boston and~~ ~~other large cities~~ is certain to go up.

If farm prices are permitted to rise at any rate like the present rate, while wages are stabilized, workers will have to bear the major part of the increase. This we cannot ask. The Congress must realize that unless the existing control over farm prices is strengthened, we must abandon our efforts to stabilize wages and salaries and the cost of living during the present war. If that occurs, workers and farmers alike will not only suffer a reduction in real income, but will bring upon themselves and the Nation the unparalleled disaster of unchecked inflation. ~~No increase in wages, no increase in farm prices, will compensate this generation and perhaps other generations for such a tragedy.~~

The reason why price ceilings have not already been imposed on all food products is, as you know, that paragraph 3 of the Emergency Price Control Act prohibits such ceilings until the prices have gone up beyond parity prices -- far beyond -- as high as an average of 16% beyond.

Although that restriction upon establishing ceilings for farm products usually is referred to as the 110 per cent of parity limitation, it is much worse than that. The statute provides other limitations which are more drastic. Ceilings cannot be imposed, under the statute, on any product at a level below the market price on October 1, 1941, or December 15, 1941, or the average price for the period July 1, 1919 to June 30, 1929, or below 110 per cent of current parity, whichever of those four points is highest. As a result, the lowest average level for all farm commodities at which ceilings may be imposed is not 110 per cent, but 116 per cent of parity -- some of the commodities going almost as high as 150 per cent of parity.

I am convinced that it is not in the national interest, nor in the long-range interest of farmers themselves, to continue a situation which makes it impossible to control the price of any farm commodity until it has reached 110

~~per cent, or more, of the parity level.~~

~~The existing limitation is preventing, or may prevent, action which is essential to preserving the whole structure of wholesale and retail price control and the whole system of stabilizing the cost of living.~~

Even more important is the psychological effect of an existing unfair privilege. It provides fuel for fires of resentment against farmers as a favored class. After all, parity itself is by its very definition a fair relationship between the prices of the things farmers sell and the things they buy. Calculations of parity must include all costs of production including the cost of labor, so that parity prices may shift every time wage rates shift. Insisting that the ceilings on no farm commodity shall ever be lower than 110 per cent of parity is asking for more than a fair price relationship with non-farm prices.

In fact, the limitations on agricultural ceilings are now being cited by other groups as a reason for resisting economic controls that are needed in their own fields. The limitations will be a rallying point for such opposition as long as they are in effect.

As I urged in my message of April 27, 1942, "the original and excellent objective of obtaining parity for the farmers of the United States should be restored".

Our policy with respect to farm products should be guided by three principles: First, to hold the line against inflationary price increases. Second, to get the required production of farm products necessary. Third, to maintain the principle of parity for agriculture.

Agricultural ceilings should be permitted at either parity or at the price levels which prevailed at some recent date, whichever is higher. In most cases the formula would preserve the general structure of wholesale and retail price controls, and would also call out the volume of production needed. Also, it would preserve the parity principle.

In regard to increasing the total of our food production, one of the worries that a farmer has is the shortage of labor for cultivating and harvesting crops. The time is soon coming when in many parts of the country we shall have to use seasonally the help of women and grown young people. I feel certain the nation will cooperate wholeheartedly.

It not only would be unfair to labor to stabilize wages and do nothing about the cost of food; it is equally unfair to the farmer not to stabilize the cost of food. For we must all remember that the farmer's wife buys many articles of food at the store for the use of her own family and high prices hurt her pocketbook as much as the city housewife's.

What is needed, therefore, is an over-all stabilization of prices, salaries, wages and profits. It is necessary to the continued production of planes and tanks and ships and guns. At the present constantly increasing rate I believe that this Administration can hold ~~in~~ the actual cost of food and clothing down to approximately the present level until October first. But no one can give any assurances that the cost of living can be held down after that date. Therefore, I ask the Congress to pass legislation under which the President specifically would be authorized to stabilize the cost of living, including the price of all farm commodities. The purpose should be to hold farm prices at parity, or levels of a recent date, whichever is higher. At the same time as farm prices are stabilized, wages can be and will be stabilized, including voluntary increases. The purpose should also be to keep wages at a point

stabilized with today's cost of living. Both must be regulated at the same time; and neither can or should be regulated without the other.

I ask the Congress to take this action by the first of  
Action  
October. ~~Inaction~~ on your part by that date will leave me with an inescapable responsibility to the people of this country to see to it that the war effort is no longer imperiled by threat of economic chaos.

In the event that the Congress should fail to act, and act adequately, I shall accept the responsibility and I will act. ~~as soon as farm prices are stabilized, wages can and will be stabilized also, including voluntary increases.~~ This I will do.  
The President has the powers, under the Constitution and under Congressional Acts, to avert a disaster which would interfere with the winning of the war.

I have given the most thoughtful consideration to meeting this issue without further reference to the Congress. I have preferred, however, to consult with the Congress. This is a people's war, and there should be full consultation with the people's representatives.

There may be those who will say that, if the situation is as grave as I have stated it to be, I should use my powers

and act now. I can only say that I have approached this problem from every angle, and that I have decided that the course of conduct which I am following in this case is the only one that is consistent with my sense of responsibility as President in time of war and with my deep and unalterable devotion to the ~~democratic~~ processes of democracy.

The responsibilities of the President in war time to protect the Nation are very grave. Modern warfare with our fighting fronts all over the world, makes the use of executive power, flowing from those responsibilities, far more essential. The Revolution and the War between the States were fought on our own soil but <sup>today</sup> ~~now~~ this war may be won or lost in other continents and remote seas.

If we were invaded the people of this country would expect the President to use any and all means to repel the invader.

I cannot tell what powers may have to be exercised in order to win this war. But the American people can be sure they will be used by me with a full sense of my responsibility to the Constitution and my country. The American people can also be sure that I shall not hesitate to use every power vested in me to accomplish the defeat

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of our enemies in any part of the world where our own safety demands such defeat.

And when the war is won the powers under which I act automatically revert to the people to whom they belong.

In March and April, 1933 this nation faced a threatening domestic situation calling for the most drastic measures. <sup>That</sup> The Congress, alive to the needs of ~~a~~ day, formulated and enacted whatever was required to do the job before it -- without long debate, without party politics and without heed to the pressures of any special group looking for advantages for itself.

I need not argue the point that the situation facing the nation today is infinitely more critical than it was ten years ago. We are fighting a war of survival. Nothing can yield to the over-all necessity of winning this war, and the winning of the war will be imperilled by a runaway domestic economy.

As a part of our general program on farm prices I recommend that Congress in due time give consideration to the advisability of legislation which would also place a floor under prices of farm products in order to maintain stability

in the farm market for a reasonable future time. In other words, we should find a practicable method which will not only enable us to place a reasonable ceiling or maximum price upon farm products but which will enable us also to guarantee to the farmer for one year, or even two years -- or whatever period is necessary after the end of the war, that he would receive a fair minimum price for his product. Every farmer remembers what happened to his prices after the last war. We can, I am sure if we act promptly and wisely, stabilize the farmers' economy so that the post-war disaster of 1920 will not overtake him again.

The farmer, instead of looking forward to ~~restitution~~ a new ~~of the~~ collapse in farm prices at the end of the war, should be able to look forward with assurance to receiving a fair minimum price for one or two years after the war. This could be done by legislation ~~b-and-a-dequate-appropriation~~ to establish a national policy, ~~guarantees now to the farmer that we will buy his crop at those prices.~~ I am sure that when the war is over we will be able to use these products, not only for ourselves but to aid in feeding and rehabilitating the overrun, war-stricken countries.

In computing parity we should continue to use the computations of the Bureau of Agricultural Economics made under

the law as it stands today. And in determining whether a commodity has reached parity we should include all the benefits received by the farmer from his government under the AAA program, allocable to the particular commodity. For it is unfair to give a farmer a parity price and then in addition to pay him benefits which will give him far more than parity.

I have confidence that the American farmer who has been doing so much in the battle of production of food will do as much in this struggle against economic forces which make for the disaster of inflation, for nobody knows better than the farmer what happens when inflationary, wartime booms are permitted to become post war panics.

With respect to point seven of the program of April 27, 1942, we have made certain credit rulings designed to curtail unnecessary buying; and whatever else has to be done along these lines will be done.

With respect to point six, rationing is now in effect on some commodities, and when necessary will be extended to others.

But with respect to point one -- a fair tax program -- that still waits upon the Congress to act.

One of the most powerful weapons in our fight to stabilize living costs is taxation. It is a powerful weapon because it reduces the competition for consumers' goods -- especially scarce foods.

The cooperation and self-restraint of the whole Nation will be required to stabilize the cost of living. The stabilization of the cost of living cannot be maintained without heavy taxes on everyone except persons with very low incomes. With such increases in the tax load unfair tax distribution becomes less and less tolerable. We can rightly expect the fullest cooperation and self-restraint only if the tax burden is being fairly levied in accordance with ability to pay. This means that we must eliminate the tax exemption of interest on State and local securities and other special privileges or loopholes in our tax law. It means that in the higher income brackets the tax rate should be such as to give the practical equivalent of a top limit on an individual's income after taxes, approximating \$25,000. It means that we must recapture through taxation all wartime profits that are not necessary to maintain efficient all-out war production. Such provisions will give assurance

that the sacrifices required by war are being equitably shared.

Next to military and naval victory, a victory along this front is of paramount importance. Without it, our war production program cannot succeed. Without it, we would be allowing our young men now risking their lives in the air, on land, and on the sea to return to an economic mess of our own making. The least that we can do for them at home is to see that our production increases every day so as to give them the weapons of war with which to fight and that our economy at home continues to be one to which they can return with confidence and security.

\* \* \* \* \*

Mrs. Wagner

Original

Please use the symbol for per cent: " % " uniformly.

September 7, 1942

W. D. H.

DRAFT FOUR

TO THE CONGRESS OF THE UNITED STATES:

Four months ago, on April 27, 1942, I laid before the Congress a seven-point national economic policy designed to stabilize the domestic economy of the United States for the period of the war. The objective of that program was to prevent any substantial further rise in the cost of living.

It is not necessary for me to enumerate again the disastrous results of a runaway cost of living — disastrous to all of us, farmers, laborers, businessmen — the nation itself. When the cost of living spirals upward, everybody becomes poorer, because the money he has and the money he earns buys so much less. At the same time the cost of the war, paid ultimately from taxes of the people, is needlessly increased by many billions of dollars. The national debt, at the end of the war, would become unnecessarily ~~much~~ greater. Indeed, the prevention of a spiraling domestic economy is a vital part of the winning of the war itself.

I reiterate the seven-point program which I presented  
April 27, 1942:

1. To keep the cost of living from spiraling upward, we must tax heavily, and in that process keep personal and corporate profits at a reasonable rate, the word "reasonable" being defined at a low level.
2. To keep the cost of living from spiraling upward, we must fix ceilings on the prices which consumers, retailers, wholesalers and manufacturers pay for the things they buy; and ceilings on rents for dwellings in all areas affected by war industries.
3. To keep the cost of living from spiraling upward, we must stabilize the remuneration received by individuals for their work.
4. To keep the cost of living from spiraling upward, we must stabilize the prices received by growers for the products of their lands.
5. To keep the cost of living from spiraling upward, we must encourage all citizens to contribute to the cost of winning this war by purchasing War Bonds with their earnings instead of using those earnings to buy articles which are not essential.

6. To keep the cost of living from spiraling upward, we must ration all essential commodities of which there is a scarcity, so that they may be distributed fairly among consumers and not merely in accordance with financial ability to pay high prices for them.

7. To keep the cost of living from spiraling upward, we must discourage credit and installment buying, and encourage the paying off of debts, mortgages, and other obligations; for this promotes savings, retards excessive buying and adds to the amount available to ~~to~~ to the creditors for the purchase of War Bonds.

In my message of four months ago, I pointed out that in order to succeed in our objective of stabilization it was necessary to move on all seven <sup>points</sup> ~~points~~ at the same time; but that two <sup>of them</sup> ~~of the points~~ called for legislation by the Congress before action could be taken. It was obvious then, and it is obvious now, that unless those two ~~points~~ <sup>points</sup> are realized, the whole objective must fail. These are points numbered one and four: — namely, an adequate tax program, and a law permitting the fixing of price ceilings on farm products at parity prices.

I regret to have to call to your attention the fact that

neither of these two essential pieces of legislation has as yet been enacted into law. That delay has now reached the point of danger to our whole economy.

However, we are carrying out, by executive action, the other parts of the seven-point program which did not require Congressional action.

Price ceilings have been fixed on practically all commodities (other than certain exempted agricultural products), and on rents in war production areas of the United States.

This process of keeping prices and rents at reasonable levels constitutes one of the most far-reaching economic steps that this nation has ever taken — in time of peace or war.

Our experience during the last four months has proved that general control of prices is possible — but only if that control is all inclusive. If, however, the costs of production, including labor, are left free to rise indiscriminately, or if other major elements in the costs of living are left unregulated, price control becomes impossible. If markets are flooded with purchasing power in excess of available goods, without taking adequate measures to siphon off the excess purchasing power, price control becomes likewise impossible.

Our entire effort to hold the cost of living at its present level is now being sapped and undermined by further increases in farm prices and in wages, and by an ever-continuing pressure on prices resulting from the rising purchasing power of our people.

Annual wage and salary disbursements have increased from 43.7 billion dollars in 1939 to an estimated 75 billion dollars in 1942. This represents an increase of 71%. To obtain a full appreciation of what that increase means, we should remember that 75 billion dollars is more than our total national income ~~in the~~ during any single year in the 1930's. Due to constantly increasing employment, overtime, and wage rate increases, the annual wage and salary bill for the entire country has been rising by more than a billion dollars a month.

It is impossible for the cost of living to be stabilized while farm prices continue to rise. You cannot expect the laborer to maintain a fixed wage level if everything he wears and eats begins to go up drastically in price. On the other hand, it is impossible to keep any prices stable — farm prices or other prices — if wage rates, one of the most important elements in the cost of production, continue to increase.

But even if the process of stabilization of all prices and wages at present levels were to be brought about, there would still remain the great upward pressure on the

✓ cost of living created by the vast amount of purchasing power which has been earned in the war effort ~~and among citizens~~ in all sections of the country. The national income has been increasing since January 1, 1941, at the average rate of 2% ~~per~~ each month. This purchasing power now exceeds by an estimated twenty billions the amount of goods which will be available for purchase by civilians this year. The result obviously is that people compete more and more for the available supply of goods; and the pressure of this great demand compared with the small supply -- which will become smaller and smaller -- continually threatens to disrupt our whole price structure.

A recent study by the Bureau of Labor Statistics has shown very strikingly how much the incomes of the average of families have gone up during the first quarter of 1942. If we assume that the income for the first quarter of 1942 is a fair basis for estimating what the family income will be for the entire year, the results of the study show that whereas less than one-fourth of all families in the United States received as much as \$2,500 in 1941, more than one-third will have \$2,500 or more in 1942. This shows how much the purchasing power of the average American family has

gone up as a result of war production and how essential it is to control that purchasing power by taxation and by investment in war bonds.

✓ We also know that as the war goes on, there will not be an adequate supply of all civilian goods; that only through strict rationing, wherever necessary, will these goods be equitably distributed. We are determined that no group shall suffer a shrinkage of its normal quota of basic necessities because some richer group can buy all the available supply at high prices.

In normal peace times the ordinary processes of collective bargaining are sufficient in themselves. But in war times and particularly in times of greatly increasing prices, the Government itself has a very vital interest in seeing to it that wages are kept in balance with the rest of the economy. It is still the policy of the Federal Government to encourage free collective

✓ bargaining between employers and workers; Owing to the fact that costs of production are now, in so many cases, being passed on to the government, and that so large a percentage of profits <sup>and that policy will continue.</sup> ~~should be~~ taken away by taxation, collective bargaining between employers and employees has changed a great deal from what it was in peace times. In times of danger to our economy the government

itself must step into the situation to see to it that the processes of collective bargaining and arbitration and conciliation are not permitted to break up the balances between the different economic factors in our system.

If we are to keep wages effectually stabilized, it becomes imperative, in fairness to the worker, to keep equally stable the cost of food and clothing and shelter and other articles used by workers.

War calls for sacrifice. War makes sacrifice a privilege. That sacrifice will have to be expressed in terms of a lack of ~~many~~ many of the things to which we all have become accustomed. <sup>business men</sup> Workers, farmers, white collar people and ~~self employees~~ must expect that. No one can expect that, during the war, he will always be able to buy what he can buy today.

~~not~~ Prices and rents should ~~be not~~ allowed to advance so drastically ahead of wage rates that the real wages of workers as of today -- their ability to buy food and clothing and medical care -- will be cut down. For if the cost of living goes up as fast as it is threatening to do in the immediate future, it will be unjust, in fact impossible, to deny workers rises in wages which would meet at least a part of that increase.

The cost of all food used by wage earners -- controlled and uncontrolled -- has been going up at the rate of 1 $\frac{1}{2}$  per cent per month since the price ceilings were set in May, 1942. If this rise should be permitted to continue, the increased cost of food to wage earners next May would be more than 15 per cent over the level which existed when the ceilings were set.

This would be equal to imposing a 15 per cent sales tax on all food purchased by wage earners. Obviously no one would consider imposing such a tax.

This drastic increase has been caused, and will be  
caused, chiefly by the fact that a number of food commodities ~~cannot~~  
~~be controlled~~ under existing law. <sup>are exempt</sup>

In the case of these exempt commodities the increases are even more startling. The cost of such food used by wage earners has been rising at an average of 3 $\frac{1}{2}\%$  per month since May 1, 1942. ~~It is estimated that this rate of increase will raise the cost of these foods by 10% in one year from May 1, 1942 unless~~  
~~control is enforced.~~

Prices received by farmers have risen 85% since the outbreak of the war in September, 1939, and these prices are continuing to rise. Cash farm income, including government payments,

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has increased from 8.7 billion dollars in 1939 to substantially more than 15 billion dollars in 1942. This is an increase of about 75%.

The movement of uncontrolled food prices since May 16, 1942, the date when price regulation became effective, has been so drastic as to constitute an immediate threat to the whole price structure, ✓ to the entire cost of living, and to any attempt to stabilize wages.

Within two months after the date that price regulation became ✓ effective, the prices of controlled foods, that is, foods on which ✓ it was impossible under the law to place a price ceiling, actually ✓ fell 7/10 of one per cent. But uncontrolled foods, that is, foods ✓ on which it was forbidden to since a ceiling, advanced 7.3 per cent during the same period, and are still going up.

To give some specific examples: From May to August of this year round steak and pork chops, which are controlled, showed a slight decline; but during the same period lamb, which was uncontrolled up to July, advanced more than 10 per cent, and chickens have advanced more than 16 per cent.

To take another example: Lard, which is a controlled product, ✓ dropped nearly 5 per cent, whereas butter, which is uncontrolled,

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went up more than six per cent or twice the normal seasonal rate.

Oranges have gone up more than 25 per cent, although the normal seasonal increase is only about 6 or 7 per cent.

Some grades of steers have been selling at the highest prices since 1929. Egg prices in the Chicago market have been the highest for any August since the inflation of 1920. We cannot afford to repeat the mistakes of those days.

Uncontrolled

~~The agricultural commodities, the present price of~~

~~which is below the ceiling which is possible under existing law,~~  
include some of the most important of the foods and include the grain foods necessary for livestock. When you consider that in this category are wheat, corn, oats, barley, rye, dry beans, cotton, sweet potatoes, apples, sheep, butter fat, wholesale milk, chickens, eggs and oranges, you can realize how important these products are to the pocketbook of the housewife. ~~On all of these products it is impossible, under existing law, to place any ceiling until they have risen to 120% of cost.~~

The greatest danger is in dairy products, which are,

as you know, most important items in the American diet. ~~We cannot put a ceiling on~~ Butter, cheese or evaporated milk are exempt under the Price Control Act.  
The prices for these have been going up

so fast that they constitute a serious threat to an adequate supply of fluid milk, ~~and~~ ~~the~~ ~~in~~ ~~the~~ ~~ceiling~~ ~~on~~ ~~farm~~ ~~price~~ ~~of~~ ~~milk~~  
✓ ~~white.~~ Unless we are able to get control of butter, cheese and other dairy products in the very near future, the price of milk in large cities is certain to go up.

| *wages should be stabilized and*  
| *farm prices ~~are~~ permitted to rise at any rate like*  
| *the present rate, ~~which~~ ~~is~~ ~~now~~ ~~being~~* workers will have to bear the major part of the increase. This we cannot ask. The Congress must realize that unless the existing control over farm prices is strengthened, we must abandon our efforts to stabilize wages and salaries and the cost of living, ~~during the present~~. If that occurs, workers and farmers alike will not only suffer a reduction in real income, but will bring upon themselves and the Nation the unparalleled disaster of unchecked inflation.

| The reason why price ceilings have not already been imposed on all food products is, as you know, that paragraph 3 of the Emergency Price Control Act prohibits such ceilings until *the farm as a whole* prices ~~have~~ ~~gone~~ ~~up~~ beyond parity prices -- far beyond -- as high as an average of 16% beyond.

Although that restriction upon establishing ceilings for farm products usually is referred to as the 110 per cent

than parity, it is much worse than that. The statute provides other limitations which are more drastic. Ceilings cannot be imposed, under the statute, on any product at a level below the market price on October 1, 1941, or December 15, 1941, or the average price for the period July 1, 1919 to June 30, 1929, or below 110 per cent of current parity, whichever of those four ~~points~~ <sup>levels</sup> is highest. As a result, the lowest average level for all farm commodities at which ceilings may be imposed is not 110 per cent, but 116 per cent of parity -- some of the commodities going almost as high as 150 per cent of parity.

Even more important is the psychological effect of ~~such~~ <sup>such</sup> existing unfair privilege. It provides fuel for fires of resentment against farmers as a favored class. After all, parity ~~means~~ is by its very definition a fair relationship between the prices of the things farmers sell and the things they buy. Calculations of parity must include all costs of production including the cost of labor ~~as a result~~ <sup>other</sup> ~~labor~~, so that parity prices may shift every time wage rates shift. Insisting that the ceilings on no farm commodity shall ever be lower than 110 per cent of parity is asking for more than a fair price relationship with ~~non-farm~~ <sup>other</sup> prices.

In fact, the limitations on agricultural ceilings are now being cited by other groups as a reason for resisting economic controls that are needed in their own fields. The limitations will be a rallying point for such opposition as long as they are in effect.

As I urged in my message of April 27, 1942, "the original and excellent objective of obtaining parity for the farmers of the United States should be restored".

Our policy with respect to farm products should be guided by three principles: First, to hold the line against inflationary price increases. Second, to get the required production of farm products necessary. Third, to maintain the principle of parity for agriculture.

Agricultural ceilings should be permitted at either parity or at the price levels which prevailed at some recent date, whichever is higher. In most cases the formula would preserve the general structure of wholesale and retail price controls, and would also call out the volume of production needed. Also, it would preserve the parity principle.

In regard to increasing the total of our food production, one of the worries that a farmer has is the shortage of labor for cultivating and harvesting crops. The time is soon coming when in many parts of the country we shall have to use

*today*

*S/T*

~~STEN~~ reasonably the help of women and grown young people. I feel certain the nation will cooperate wholeheartedly.

It not only would be unfair to labor to stabilize wages and do nothing about the cost of food; it ~~would be~~ equally unfair to the farmer, ~~to stabilize the cost of food~~. For we must all remember that the farmer's wife buys many articles of food at the store for the use of her own family, and high prices hurt her pocketbook as much as ~~the city housewife~~ <sup>that of</sup>.

What is needed, therefore, is an over-all stabilization of prices, salaries, wages and profits. It is necessary to the continued production of planes and tanks and ships and guns. At the present constantly increasing rate, ~~I believe~~ <sup>That</sup> ~~we can not~~ <sup>but</sup> ~~the administration can~~ hold the actual cost of food and clothing down to approximately the present level ~~beyond~~ October first. But no one can give any assurances that the cost of living can be held down after that date.

Therefore, I ask the Congress to pass legislation under which the President ~~specifically~~ would be authorized to stabilize the cost of living, including the price of all farm commodities. The purpose should be to hold farm prices at parity, or <sup>at</sup> levels of a recent date, whichever is higher.

DRAFT #4

I ask the Congress to take this action by the first of October. Inaction on your part by that date will leave me with an inescapable responsibility to the people of this country to see to it that the war effort is no longer imperiled by threat of economic chaos.

In the event that the Congress should fail to act, and not adequately, I shall accept the responsibility and I will act.

*At the same time that*  
~~as soon as~~ farm prices are stabilized, wages can and will be stabilized also, ~~including voluntary increases~~. This I will do.

The President has the powers, under the Constitution and <sup>take measures necessary to</sup> under Congressional Acts, to avert a disaster which would interfere with the winning of the war.

I have given the most thoughtful consideration to meeting this issue without further reference to the Congress. *determined, however, on this vital matter*  
I have ~~preferred, however,~~ to consult with the Congress.

~~make a people~~, and there should be full consultation  
~~with the people's representatives~~

There may be those who will say that, if the situation is as grave as I have stated it to be, I should use my powers and act now. I can only say that I have approached this

problem from every angle, and that I have decided that the course of conduct which I am following in this case is  ~~the only one that~~ consistent with my sense of responsibility as President in time of war, and with my deep and unalterable devotion to the processes of Democracy.

The responsibilities of the President in war time to protect the Nation are very grave. <sup>This total war</sup> ~~Modern warfare~~ with our fighting fronts all over the world, makes the use of executive power ~~flowing from these responsibilities~~, far more essential <sup>than</sup>  in any previous war.

If we were invaded, the people of this country would expect the President to use any and all means to repel the invader.

I cannot tell what powers may have to be exercised in order to win this war, <sup>P</sup> <sup>T</sup> The American people can be sure that I will use my powers <sup>with</sup> with a full sense of my responsibility to the Constitution and <sup>A</sup> my country. The American people can also be sure that I shall not hesitate to use every power vested in me to accomplish the defeat.

The Revolution and The War Between The States were fought on our own soil but today this war will be won or lost on other continents and remote seas.

of our enemies in any part of the world where our own safety demands such defeat.

~~and~~ When the war is won, the powers under which I act automatically revert to the people to whom they belong.

In March and April, 1933, this nation faced a threatening domestic situation calling for the most drastic measures. The Congress, alive to the needs of that day, formulated and enacted whatever was required to do the job before it -- without long debate, without party politics and without heed to the pressures of any special group looking for advantages for itself.

I need not argue the point that the situation facing the nation today is infinitely more critical than it was ten years ago. We are fighting a war of survival. Nothing can yield to the over-all necessity of winning this war, and the winning of the war will be imperilled by a runaway domestic economy.

As a part of our general program on farm prices, I recommend that Congress in due time give consideration to ✓ the advisability of legislation which would ~~also~~ place a ✓ floor under prices of farm products in order to maintain )

stability in the farm market for a reasonable future time. In other words, we should find a practicable method which will not only enable us to place a reasonable ceiling or maximum price upon farm products but which will enable us also to guarantee to the farmer that he would receive a fair minimum price for his product for one year, or even two years -- or whatever period is necessary after the end of the war. Every farmer remembers what happened to his prices after the last war. We can, I am sure, if we act promptly and wisely, stabilize the farmers' economy so that the post-war disaster of 1920 will not overtake him again.

The farmer, instead of looking forward to a new collapse in farm prices at the end of the war, should be able to look forward with assurance to receiving a fair minimum price for <sup>such a national policy could be established</sup> one or two years after the war. ~~This could be done by legis-~~  
✓ ~~lation, to establish a national policy.~~

In computing parity we should continue to use the computations of the Bureau of Agricultural Economics made under the law as it stands today. And in determining whether a commodity has reached parity, we should include all the benefits received by the farmer from his government under the AAA program, allocable to the particular commodity.

- ✓ For it is unfair to give a farmer a parity price, and, <sup>then</sup> in addition to pay him benefits which will give him far more than parity.

I have confidence that the American farmer who has been doing so much in the battle of production of food will do as much in this struggle against economic forces which make for the disaster of inflation; for nobody knows better than the farmer what happens when inflationary, wartime booms are permitted to become post-war panics.

With respect to point seven of the program of April 27, 1942, we have made certain credit rulings designed to curtail unnecessary buying; and whatever else has to be done along these lines will be done.

With respect to point six, rationing is now in effect on some commodities, and when necessary, will be extended to others.

But with respect to point one -- a fair tax program-- that still waits upon the Congress to act.

One of the most powerful weapons in our fight to stabilize living costs is taxation. It is a powerful weapon because it reduces the competition for consumers' goods -- especially scarce foods.

The cooperation and self-restraint of the whole nation will be required to stabilize the cost of living. The stabilization of the cost of living cannot be maintained without heavy taxes on everyone except persons with very low incomes. With such increases in the tax load, unfair tax distribution becomes less and less tolerable. We can ~~safely~~ <sup>rightfully</sup> expect the fullest cooperation and self-restraint only if the tax burden is being fairly levied in accordance with ability to pay.

This means that we must eliminate the tax exemption of interest on State and local securities, and other special privileges or loopholes in our tax law.

It means that in the higher income brackets, the tax rate should be such as to give the practical equivalent of a top limit on an individual's net income after taxes, approximating \$25,000. It means that we must recapture

through taxation all wartime profits that are not necessary to maintain efficient all-out war production. Such provisions will give assurance that the sacrifices required by war are being equitably shared.

✓ Next to military and naval victory, a victory along this ~~economic~~ front is of paramount importance. Without it, our war pro-  
duction program ~~cannot succeed~~ <sup>will be hindered</sup>. Without it we would be  
allowing our young men now risking their lives in the air,  
on land, and on the sea to return to an economic mess of our  
own making. <sup>P</sup> The least that we ~~can do for them at home~~ <sup>to make sure</sup> is to  
see that our production increases every day so as to give  
them the weapons of war with which to fight and that our  
economy at home continues to be one to which they can return  
with confidence and security.

\*\*\*\*\*

P.P.E.  
IF

Return to  
M. Murphy

~~STATEMENTS FILE~~

1942

Age  
of dog may be  
8

Sept 7

Mrs Brady  
Take what you  
want and return  
rest. Ed

THE WHITE HOUSE  
WASHINGTON

September 15, 1942

MEMORANDUM FOR MR. MALONEY  
G.P.O.

Will you tie as usual and mark  
box as follows:

F.D.R. Message to Congress Re: Inflation  
September 7, 1942

Dorothy Brady

THE WHITE HOUSE

INFLATION  
SPEECH AND MESSAGE

SIR

9/7/42

Winston Churchill



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Samuel I. Rosenman

(2) by F.D.R.  
Inflation Speech and Message - 9/7/42

Joint Resolution submitted to the President by Leon Henderson.  
1 page with corrections of the President in his hand and  
attached to it is a full page handwritten suggested  
paragraph written on the reverse side of a note from Leon  
Henderson to the President. The note from Henderson is  
also in handwriting.

Message to the Congress of the United States - 5 pages. Page 2 has  
President's corrections in ink. Pages 4 and 5 - corrections  
in pencil.

6-Page Memorandum from General Counsel, Treasury Dept., Washington -  
July 24, 1942 with red penciled copy of Public Law 394.

Suggestion - 3 pages (not corrected).

Drafts of Message to the Congress of the United States

Draft 16 pages (original - not dated). On every page corrections,  
insertions, deletions by S.I.R. - many of them.

Draft Sept. 5, 1942 (original) 24 pages. Corrections, deletions,  
insertions by S.I.R. on every page - many of them.

Draft Aug. 22, 1942 (carbon uncorrected).

Carbon of Reading Copy with typed memo re proofreading, etc.  
attached. Corrections marked by Sherwood and Rosenman  
and pages where they occur marked on first page by Sherwood.

Treasury Draft of tax section for Judge Rosenman  
Seventh Draft, Sept. 4, 1942 (3 pages).

6-Page Draft - with corrections by Oscar Cox (and S.I.R. ?)

Speech of the President, Sept. 7, 1942

First Draft - unmarked carbon

Second Draft - (carbon) 22 pages with S.I.R. corrections  
throughout (and doodles).

Third Draft - (carbon) 19 pages with Sherwood corrections.

Fifth Draft - (carbon) 15 pages. Sherwood corrections  
on p. 14.

Fifth Draft - (carbon) 15 pages. Corrections on p. 14  
(different).