

MRS. ROOSEVELT MEETS THE PUBLIC

April 1st, 1951

Description: In this episode, ER discusses the problems of inflation and price control during the Korean War with Leon Keyserling, chairman of the Council of Economic Advisers, Allen B. Klein, president of the American Farm Bureau, and George Harrison, Brotherhood of Railway and Steamship Clerks. ER and her guests answer questions from the audience.

Participants: Leon Kesserling, Allen B. Klein, George M. Harrison, and Nils Olsen

(31:06)

[NBC Announcer:] Next, Mrs. Roosevelt discusses inflation with Mr. Leon H. Kesserling. WMBT New York Channel Four.

[Theme Music 31:17-31:37]

[Unknown Announcer:] Today our domestic economy is under an unprecedented strain, and to examine some of these problems involved NBC television presents from the Park Sheraton hotel in New York City, *Mrs. Roosevelt Meets the Public*. With Mrs. Roosevelt, our three distinguished guests as well as members of the general public who have questions they will ask these guest. And now to introduce the discussion and its participants here is Mrs. Roosevelt.

[ER:] Good Afternoon. Inflation is upon us, there can be no doubt about it. Cost of living is at an all-time high and there is an almost universal conviction that it is going higher. Our national economy is being strained beyond any test that it has ever previously had to meet because we have more people working than ever before and enjoying a higher standard of living. The demand for consumer's goods has reached a new peak. These demands are coupled with our tremendous defense requirements in both manpower and production, so because of our national good fortune and international misfortune we find ourselves faced with problems which affect our entire way of life and the future of the country. It would take a great many television programs even to begin to present these problems, but we are fortunate today in having as our guests three gentlemen who are prominent spokesmen for three key segments of this complex domestic picture. I would like to introduce to you Mr. Leon Kesserling, who is chairmen of President Truman's Council of Economic Advisors, Mr. Allen B. Klein who is president of The American Farm Bureau and Mr. George M. Harrison president of the Brotherhood of Railway and Steamship Clerks AF of L. Now I know our other guests have their questions and they would like to hear them discussed and answered if possible so without further delay I think we'll move on to the questions and I will first ask Mrs. Nils Olson a housewife from New York City to ask the first question.

[Mrs. Nils Olson:] Well it would seem that Washington is just been trying out a lot of halfway measures. Does the government have any real policy for controlling prices and wages?

[ER:] Well I think that Mr. Kesserling we'll ask you to start out on. (34:33)

[Leon Kesserling:] Well I suppose I am here as spokesman for government, although in a free government there is no one spokesman. I'm certainly not here as an apologist for government. I think that we have moved slower than we should have in meeting both our international and out domestic responsibilities. On the other hand, I think in the perspective of time we may have moved faster with

both than we have in the past. Therefore, Mrs. Olson when you ask the question "are we going only half way?" I would say we certainly have not even gone even halfway to the solution to the problems we have to solve, we must go much further, but, with public understanding, with cooperation, with the support of all groups I think we will meet our problems as we have in the past satisfactorily.

[ER:] I wonder if either of you gentlemen would like to say anything on that question.

[Allen B. Klein:] Well, uh this is uh this is a difficult question to give a categorical answer to and I'm certainly not uh part of the government, I'm only one of the citizens in these United States. It would seem to me that we have uh planned a little uh bit oh fuzzily, less than concretely as to what it was we were trying to do and what our objectives were and that if we understood as a nation fully that our objective was first to avoid the third world war and second to come through with the American way, with its opportunities and incentives intact we would be making a lot of progress toward the answer toward the question that has been asked.

[ER:] Thank you Mr. Klein, I think that is a help. How about you Mr. Harrison, do you want to say anything on it?

[George M. Harrison:] Well I doubt very much uh that we can get an effective uh control of uh prices under the present Defense Production Act. I think it is so full of infirmities that uh we just can't develop an effective control program. What little uh government has done thus far in its efforts to control prices I think have been directed at the wrong end of the problem. Rather than attempting to control uh some of the retail outlets they ought to attack the-the basic cause of the price rise, and that's in our basic commodities. Profits are too high and people are being charged uh prices uh higher than they ought to be charged. And if uh we would undertake to use what power we now have to tackle the basic problem we might slow up the price rise. Fundamentally as I indicted I think we've got to revise the Defense Production Act before we have any effective control.

[ER:] You have anything you'd like to say Mr. Kesserling or should we go on to the next question?

[Leon Kesserling:] I'd like to have you go on to the next question Mrs. Roosevelt.

[ER:] Alright well then the next question comes from Mr. Roland Glenn, a teacher at St. Bernard's School. Mr. Glenn.

[Roland Glenn:] Well how can we have reasonable control of food prices without first controlling our farm prices?

[ER:] Well now that Mr. Klein I think comes to you. (37:50)

[Allen B. Klein:] Well in the first place I think we have to understand what inflation is. Inflation, uh fundamentally, is a decrease in the purchasing power of money. Uh since Korea we certainly have not attacked inflation at its source as we might have yet there are something which have been done. The first thing to note is that we have had inflation. If a dollar was worth a little less than sixty cents of a 1940 level at the beginning of Korea it's now worth a little more than fifty cents, and this is serious. Uh two things have happened which were on the side of making the dollar good, the economy has worked fine we have had a plentiful supply of goods. Second we have had an overbalanced federal budget so we haven't been doing the traditional thing which destroyed the value of money, which was to unbalance the federal budget and pay the bill in new money. Well what have we done which created inflation? First we created the psychology that money was going to get cheap and goods were going to get scarce, we did this by

creating the impression that the bill was going to get higher and higher and yet higher without any definite limits on the bill so we could plan to pay it.

We did it by suggesting that there were going to be uh various controls over productions, and over prices and over rationing and so forth. And the people aren't so foolish they said "well if this is going to happen it's going to be like the second world war, money's going to get cheap, prices are going to get high, goods are going to get scarce the thing to do is to buy now what I might have bought next June." And then we handled the money supply in such a way that there was plentiful money to do, to live up to the psychology that you ought to buy. In a free economy you have consumer's preference in the marketplace and we just furnished the money. This was in the management of the national debt where we made it possible for the banks unlimited money by being able to get unlimited reserves. If we wish to control food prices, or any other prices, and if we wish to maintain a free economy in the United States we have to control inflation at its source. And that mean to-to control the money supply among other things, we got to pay the bill we got to control the money supply. We of course have to get to the production, because that is essential both to winning the war and coming through with our morale intact. Now money supply is not created by the weather or by an act of god or something, uh it derives from actions of government. And we have to direct our attention towards this proposition because we can see in the post-Korea thing that we could take ourselves white and still have very outstanding production I mean inflation and after all the-the price controls won't prevent it. (40:25)

[ER:] Well that's very interesting do you want to say anything on this Mr. Harrison or?

[George M. Harrison:] Well my view of the matter is that fundamentally we've got to have some legislation that will uh-uh go after the tax problem. So long as uh we permit the making of uh exorbitant profits uh we permit the-the unbridled uh incentive to-to operate to increase prices. We've got to have some legislation that will prevent these exorbitant profits and uh those taxes have got to be raised with that objective in mind. And thereby get enough revenue to buy the things that we've got to have for the defense program. Of course the program of taxes should be fair and the burden should be passed on as far as possible with that general objective in mind. That means [unclear term] but one is going to have to pay more taxes.

[ER:] Well now one is that we should have uh less uh ability to-to borrow money easily and the other is that we should have equitable taxation, uh at least uh really equitable so that high-high profits in certain places should not be permitted. Now how about you Mr. Kesserling?

[Leon Kesserling:] Well Mrs. Roosevelt I was very uh impressed by your initial remark that we are the strongest nation that even lived and yet faced with the greatest international problems. That means to my mind that the only way that we can fail in solving our international problems is that if we fail to realize our true national strength. I don't think we can realize our true national strength by moving directly on the problem of inflation, the problem of inflation is a byproduct of other problems. If the people understand those problems, they will incidentally solve the problem of inflation. First the people must understand that they must not shilly-shally on the problem of national defense that they must not because prices are high or taxes are high or burdens are high move one day from the feeling because our armies are moving northward in Korea that there's nothing that needs to be done and the next day because they're moving southward that everything needs to be done.

That's problem number one. Problem number two is to realize our great productive resources and to develop programs for production because even during World War Two it was those programs that had more to do both with the overcoming of inflation eventually and with the winning of the great struggle. And third to do that in our kind of nation, we must have cooperation, participation and understanding. The problem of representation of our great groups in the processes of government and in the processes of decision is a much bigger problem than the personalities with which it has been surrounded. We must find some way to really get these great instruments of economic decision working together and helping to

make the decisions. If those three things have done, we will conquer inflation because then with the people understanding, with the people relating the problem of inflation to their other problems they will not look upon sacrifice as something which is useless, as upon sacrifice as something which is related only to them, but they will look upon the higher taxes as something which we need, the stricter credit controls to which you have referred Mrs. Roosevelt and which we need the more effective price stabilization and wage stabilization program, which I think we also need, all as parts of this larger job which must be done. But if the larger aspects of it are not seen we will only have only confusion, diversity, misunderstanding and failure on the related problem of inflation.

[ER:] Well now we come to the third question Mr. George Cornell who is a counter manager of a large hotel in New York City.

[George Cornell:] It would seem that the failure of present controls to halt the price-wage spirals prove that we need much stronger controls on both wages and prices isn't that true?

[ER:] I'll ask Mr. Harrison to start that point off. (44:50)

[George M. Harrison:] Well uh I don't know what uh you had reference to specifically about control of prices. You take uh farm prices, uh they're tied to parity and parity arises out of the prices that the farmer pays for the things he-he buys. Uh wages of course, I take it you mean wages and salary people who are working for wages and salary. Now if we'll control these prices that constitute the parity uh we of course will pretty much we will take the pressure off of the farm prices. (Pause 45:27-45:30). Now it isn't true, let me make that clear, that wages have had anything to do with the present price level. Facts of the matter are that prices start rising right after last May and they have risen very much faster than have wages. Last year 1950, twenty-two and a half million people didn't get any wage increase at all, another twenty million people got less than ten percent, only about two million people got a wage increase of as much as ten percent last year, while prices uh moved way above that, wholesale uh commodity prices are up twenty-one percent over the Korean, uh pre-Korean level. Uh the cost of living for the average uh worker's family uh compared with uh last January of 1950 and February of this year is up ten, four tenths of a percent uh while wages haven't risen near that much.

[ER:] Well, now how about that Mr. Klein? You want to say a word on that?

[Allen B. Klein:] Well I would want to emphasize the proposition that the way to control inflation is to control it at its source. That this business of uh rationing goods is not concerned with the control of inflation, it's concerned with the value of rationing currency and goes in the direction of per-capita distribution of goods which is anything but the American way. The uh inflation control is concerned with the value of money itself, which and individual works to earn, gets what he cans of and decides what he's willing to buy with it. If we really want to control inflation, we got first to pay this bill it's going to be paid anyway, it's going to be paid with inflation or it's going to be paid with taxes. Now it's got to be paid, well the first thing to do to pay it is to get it down where we can pay it so we've got to decide what we're going to do, what makes sense in the light of keeping the Russians deciding not to attack us, what makes cent-sense in the light of using the dynamic uh productive capacities of the American economy, this expansiveness which has always made it impossible for anybody to be right when he says an American can produce about so much but no more. And to keep this thing going in such a way over a long time that our morale is sustained by the evidence of our own successes. There's a great many automatic features in the American economy, when we go in the direction of price controls we take them out at the most crucial point, which is where the individual makes up his mind. I think we can out produce the Russians, I think we can outlast the Russians, I think we have great reasons for confidence providing we build in the techniques which have proved successful to America, but I want no part in trying to out-control the Russians, they're very good at that.

[ER:] How about you Mr. Kesserling is there anything you want to say? (48:24)

[Leon Kesserling:] Well I think this shows that uh there is great danger of important problems bogging down in segmental approaches. I think that the important thing is this. The reality of the economic situation is that we are deciding quickly to take one-fifth or one-sixth of our total product and put it into nation defense. I believe that's right I believe a majority of the American people think that that is right. Now we can't do that and at the same time have those goods available for other kinds of enjoyment. Inflation, rising prices, the other aspects of inflation are simply a reflection of the fact that this great production program is generating income, profits, wages, farm income and people are trying to buy with that income but there isn't as much to buy as there would be if we didn't have a big defense program. Now price control or any other kind of control may distribute the burden more equitably, may put some breaks on the upward movement, but cannot get away from the fundamental fact that the people, all of the people, the people in labor unions and farm organizations and in business organizations and the great masses of consumers must be willing to put some sacrifice on the altar of freedom if they are going to preserve freedom and anyone in any sector who says that we can buy freedom on the cheap, is I think, being demagogic. Now we must have a control program to make the burdens fair, but I think the only way we can do that is to start by saying "how much of a sacrifice do we want to put on this altar of freedom? How much of a strain is it going to impose on us? How can we all work together, not as competing groups or as spokesmen for interests, how can we all work together in a common program with common representation to do the things that we need to do?" And if we have the understanding of what basically we're trying to do I think all of our groups will get common results and common objectives towards which to work together.

[ER:] You get that representation only through government in Washington, don't you? I mean that's where you have to get the representation.

[Leon Kesserling:] I think the government has to be the focal point for representation [ER: focal point through which] Mrs. Roosevelt, I agree with that completely.

[ER:] Uh Mr. Miller is our next uh person to ask a question, Mr. Charles Miller a business from Wooster Massachusetts.

[Charles Miller:] Well what is the basic cause of the price rise which has taken place since Korea?

[ER:] That's I'll ask Mr. Kesserling. (50:59)

[Leon Kesserling:] The basic cause of the price rise is that war production as well as peace production generates income, but the only goods available for people to buy is what's produced for civilian use so you have people getting incomes both from war production and from peace production but they can goods only the peace production side of it. Now the war production side of it is being bought by the government therefore if the government does not tax heavily enough to withdraw from the people buying power equal to what the government is buying then you have a great force for inflation, that's why I agree with these other gentlemen that a higher tax program which draws off that surplus purchasing power is the first and foremost step.

[ER:] In other words that's the way you pay the bill for what the government has to buy [Leon Kesserling: Very definitely] to keep the country free. That's or to defend the country. Uh do you want to say anything on that uh Mr. Klein?

[Allen B. Klein:] Well I agree completely that this is one of the fundamental, the traditional method by which national governments have destroyed the value of currency is by unbalancing the-their national

budgets and paying the bill with new money. But as I pointed out a while ago, we have the basis carried through from the Second World War, from the inflation of the Second World War, we have the basis currently for a very extraordinary inflation which would make money cheaper, and cheaper and still cheaper in this country and have the budget balanced. No, I'm saying the reverse that if we don't balance the budget of course we've going to have inflation, but I find that the American people have a lot of courage, I have great confidence if the story is told straight the American people are willing to make a great sacrifice on the altar of freedom, they believe in freedom. But second I want to say that controls are misunderstood if they are considered a-an appropriate sacrifice on the altar of freedom. I think that if we go this control route we'll lose twelve to fifteen of our potential production in the next five years, we can't afford it.

This is a personal opinion but I know why I think so. Furthermore, controls are very, very difficult to get rid of. I can guarantee for instance that if we go in this direction and agricultural costs rise slowly and agricultural prices were actually fixed we'll go the subsidy route. They'll come along and say "we can't produce it for this, we have to have a subsidy." You can't get rid of the subsidy because you've fixed the prices of agricultural commodities in the marketplace, you've fixed the costs in the marketplace at a higher level you pay the difference with subsidies this is the people's money anyway and the government has to get it either with inflation or taxes and the observations of this country and abroad, my observations are that it's very-very difficult to get rid of an it is not the American way, it's not the free way it's not the highly product it isn't the-the way you encourage uh individual initiative and incentive. It furthermore is the way that breaks down the morality of government by inducing black markets and circumventions and it takes a lot of people in government to try to administer it, a lot of effort outside of government to oh keep out of jail and still live within the law and some very high class brains to circumvent the law and still stay out of jail.

[ER:] [ER laughs] That sounds very firm. Now Mr. Harrison have you got anything that you want to say before you move on?

[George M. Harrison:] No I don't want to add anything, I just want to reemphasize what I said a moment ago that basically we got to tackle the problem at its source uh through the means of uh levying the right amount taxes and the right kind of taxes and remove the incentives for what has occurred uh profits are up about eight billion dollars over uh 1949, inventories are up another ten billion dollars uh bank loans uh for industrial purposes have been expanded eight billion dollars. No wonder we got inflation, we'll continue to have it if we continue with that kind of a program.

[ER:] Well now we will, unless some one of you gentlemen wants to go on, we'll go on to the next question. Uh Mrs. Olson, do you want to ask another question?

[Mrs. Nils Olson:] Well aren't the new controls of food prices as announced this last week both impractical and unfair to the small store owner? He will probably be forced to charge such high prices that he will be driver out of business.

[ER:] Well Mr. Kesserling how about that? (55:24)

[Leon Kesserling:] The uh new controls which are being put on are partly drawn from experience during World War Two and partly drawn from an attempt to distinguish this situation from that situation. No series of government controls can be exactly and precisely fair to every individual because in dealing with an overall situation you have to move more rapidly and you have to move in a more general way than would make it possible to do that. Within that limitation I think an effort is being made to make the controls fair and I would say this one thing let us not in our haste uh discard that tolerant feature of remembering that neither in World War Two, nor in World War One nor in any time of crisis did we immediately proceed to a complete solution. The first maximum price control in World War Two was put

on in 1942 after Pearl Harbor, three years after the outbreak of war in Europe. The government at this time has attempted a price freeze in a situation surely short of that, I'm saying that neither critically nor apologetically but merely to put in perspective that in a great nation the people can't expect all the answers right away, they must of course be critical and they must constantly watch what the government is doing to see whether it is moving in the right direction and imposing the corrective of public criticism but I think by and large it will be found as we go along that the various control measures which are being taken are benefitting by experience and will bring us to a plateau of stability within a few months' time if we don't have a new outbreak in the international field.

[ER:] Well now I want to hurry on with questions. Mr. Glenn do you want to ask your next question we have time for more.

[Roland Glenn:] Is it true that uh escalator clauses in the present wage contracts uh will permit another big wage hike, and won't this just give another spiral to the inflation.

[ER:] Uh I'd like to ask Mr. Harrison how he feels about that.

[George M. Harrison:] No uh my uh information is that uh there only about three and a half million workers covered by cost-of-living escalator clauses in their wage contracts. And uh cost of living uh wage escalator clause simply means that if the cost of living goes up then wages will be increased to compensate for the rise in the cost of living. And I don't think we could say that uh if a small segment of the wage-earning population have cost-of-living escalator clause that that's going to mean uh any problem about inflation, it won't add any real pressure to inflation. The way the way to nullify wage uh escalator clauses is to control the cost of living then they then they become uh become of no-no force of no-no substance because they only operate when the cost of living goes up. Certainly we can't deny our people in the wage earning group, in the salary earning group some uh opportunity to maintain uh parity of their wages with their c-with cost of living.

[ER:] Uh do you want to say anything for that Mr. Klein?

[Allen B. Klein:] Well I'd like to reemphasize the point that what we're try to do is to continue to avoid a situation of a third world war, and to do it in such a way that we come out with the American way intact. And what this means is we better not get into some holes that we can't get out of and uh reemphasize the proposition that we better pay the bill as we go along, restrain credit and keep the initiative and incentive of the American system.

[ER:] How about you Mr. Kesserling? You have a few minutes do you want to say something else? (59:29)

[Leon Kesserling:] Well I think there's a basic truth in-in what Mr. Klein has said we're trying to win a peace rather than to win a war. If that favorable hypothesis is correct then we're going to have a long and enduring strain without the galvanizing impact of an all-out war, and that imposes upon a democracy much harder problems of the mobilization both of the material efforts and of the conscious of the people in some ways than an all-out war does. It means that with respect to controls, we have to I believe to a little bit slower, with respect to production we have to go faster with respect to getting cooperation through the government as a focal point I think we have to try much harder.

[ER:] Um I think that really is a summing up of what we have all been talking about today. I want to thank all of you very much, Mr. Kesserling, Mr. Harrison and Mr. Klein for being with us and also our public guests for asking the questions. (1:00:34)

[Unknown Announcer:] Portions of today's program were on motion picture film.

[Theme music 1:00:41-1:00:44]

[NBC Announcer:] NBC Television

[NBC Notes]

(1:00:50)

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