

Proceedings of Meeting No. 5
of the
SPECIAL INDUSTRIAL RECOVERY BOARD

held in
The Conference Room, No. 5842
Department of Commerce
July 18, 1932³

PERSONAL AND CONFIDENTIAL

Copy No. 6

For Hon. Frances Perkins

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ATTENDANCE AT MEETING NO. 5

July 18, 1933

Hon. Daniel C. Roper, Chairman, Secretary of Commerce

Hon. Homer S. Cummings, Attorney General

Hon. Henry A. Wallace, Secretary of Agriculture

Hon. Rex Tugwell, Assistant Secretary of Agriculture,
representing the Secretary of the Interior

Hon. Turner Battle, Assistant Secretary of Labor,
representing the Secretary of Labor

Hon. Lewis W. Douglas, Director of the Budget

Hon. Hugh S. Johnson, Administrator of the National Industrial
Recovery Act

Hon. Harold M. Stephens, Assistant Attorney General

Hon. George Peek

Hon. Donald Richberg

Hon. John Dickinson, Executive Secretary

Mr. E. W. Jensen, Assistant Secretary

Mr. B. P. Foote, Reporter

Proceedings of the Fifth Meeting
of the
SPECIAL INDUSTRIAL RECOVERY BOARD

July 18, 1933

3:37 P. M.

CHAIRMAN ROPER: I suggest you go ahead, General.

GENERAL JOHNSON: I called this meeting for the purpose of discussing the proposed agreement that the President will ask all employers to sign. We cannot impose this on anybody, but he is going to ask every employer of labor to sign this agreement pending the submission of a code. I am sorry this agreement is as long as it is and as complex as it is, but it has been worked out after a great deal of study with the groups involved.

General Johnson then passed out copies of the agreement for the consideration of the members of the Board.

MR. BATTLE: Is there any provision about working two shifts?

GENERAL JOHNSON: No, there is no machine limitation.

CHAIRMAN ROPER: I thought we might extend our visitor, Mr. Peek, the opportunity of discussing this matter first. What have you to say, Mr. Peek, in regard to the situation?

MR. PEEK: Frankly, we would like to see the food industries excluded from the application of any general code, relying upon the administration of the Agricultural Adjustment Act, the President's order, plus the code in the usual form covering the hours of labor and minimum wage. I have not seen this before. I wrote the General a note yesterday and suggested that we confer on it before any general program of minimum wages and maximum hours is put into effect. We have had a great many of the larger food industries call up or telegraph

in the last 24 hours, since yesterday noon, saying they understood that some program of this kind was to be launched, calling attention to the differences between the perishable and non-perishable industries, and the fact that perishables cannot always conform to regular hours on account of the necessity for getting canning and things of that kind done in a limited period, especially in localities where there is not an abundance of labor; and the demand was so general upon us that I thought it was well worth while to bring the matter up before such action as this were taken and to arrange that we be given an opportunity to present a memorandum to the President in the event that the General's organization and ours cannot agree on procedure. We are charged with certain responsibilities in our law, primarily the raising of farm prices, and the imposition of additional labor costs on top of rising farm prices is liable to create a situation with the consumer that may react disasterously against the Administration.

GENERAL JOHNSON: About thirty-six hours ago one single very great and powerful interest which I could name began, for some reason all their own, a campaign against this plan. I received this morning 150 telegrams almost all couched in the same language and many of which I could trace to a single source,-- a large grocery chain. On the other hand we had canvassed the situation thoroughly with grocery chains, and while they did not like this, the forward looking people in those industries want to do it because they think the spreading of employment and raising of wages will overcome the thing they are up against. The large chain I spoke of is the A, & P. There are 15,500 stores, and they have better figures than any other organization. The telegrams which you got are probably exactly what I got, and I do not expect to go through with the execution of this act, and not receive protest. We have been working on this for six weeks, and found out whether any applicarts were being upset. We canvassed the matter thoroughly.

These hours and conditions of labor and wages had their unanimous approval. It was also studied by representatives of the labor group who have adopted a social point of view, and it has their unanimous approval.

You say that people who have perishables state that they cannot handle them. This does not restrict anybody's hours; they can keep their stores open as long as they want to. Some of these telegrams say the plan will require keeping their stores open at hours when the people do not buy, but this is all hastily manufactured sentiment by one great particular interest. But we just cannot make exceptions only as they are presented in a code.

MR. PEEK: There can be no question but what if you are raising the cost of raw material, which is the price to the farmer, you materially advance the cost of food to the consumer.

GENERAL JOHNSON: Of course.

MR. PEEK: We are charged with responsibility by law for doing one thing under the Agricultural Adjustment Act, primarily (there are other things incidentally), and that is to raise these farm prices. That Act was passed before this Act was passed. We want to go ahead with the administration of our Act. We are perfectly willing you should come along and superimpose whatever is contemplated under the Executive Order; but we want an opportunity to discuss the situation with the President, or at least with the council, before such action is taken.

GENERAL JOHNSON: I will discuss it with you. The only point is that in order to get the actual printing job done we had to know what this agreement is. It is a tremendous task, -- a matter of two weeks and probably longer. There is no disposition not to discuss anything with you, and I am rather surprised at this turn of affairs.

MR. PEEK: I wrote you a letter yesterday.

GENERAL JOHNSON: Yes, I got it late yesterday afternoon, but I was not able to consider it then. I am under tremendous pressure.

MR. PEEK: Just a moment ---

GENERAL JOHNSON: I listened until you got through, now you do the same for me. This order which the President got out allocating the function between the National Industrial Recovery Act and the Agricultural Act, reads as follows:

"Pursuant to the authority vested in me by Title I of the National Industrial Recovery Act, approved June 16, 1933, I hereby delegate to the Secretary of Agriculture all the functions and powers (other than the determination and administration of provisions relating to hours of labor, rates of pay, and other conditions of employment)," etc.

You note that it exempts "provisions relating to hours of labor, rates of pay, and other conditions of employment." It goes on and mentions such industries as those handling milk and its products, tobacco and its products, and all foods and foodstuffs. I do not think you made the point that some of these things do not come under the Industrial Recovery Act.

You always can talk to me any time you want to, but yesterday was a hard day for me, the worst I have had. I got your letter, but was not able to call you.

MR. PEEK: I want to clear up that point, because I think it is important. I called you yesterday, but you were out, and Mr. Straus was out, and I talked to Miss Robinson.

GENERAL JOHNSON: I got the letter.

MR. PEEK: I sent the note over and Straus called me up and told me about it. That was about one or two o'clock yesterday. I heard yesterday afternoon that this thing was going to be made public today. So far as the Industries under the Agricultural Adjustment Act are concerned, no public notice of this should be made until we have had an opportunity to discuss the matter to a conclusion.

GENERAL JOHNSON: We should do that, and do it tonight.

MR. PEEK: If we do not agree, I want to reserve right of appeal to the council or the President.

CHAIRMAN ROPER: This is a matter to be cared for by General Johnson and Mr. Peek. Who would like to be heard next? How about the Secretary of Agriculture?

SECRETARY WALLACE: Inasmuch as the largest complaint has come from the food trade, I am wondering --- just as a matter of technical information--- to what extent they are really acquainted with the 52-hour provision.

GENERAL JOHNSON: This is the most remarkable leak that we have had yet. Some of the telegrams I have received repeated this thing almost verbatim.

SECRETARY WALLACE: I received a telephone call last evening and it seemed they were talking about the 52-hour provision. They said they were at present working 52 and did not want to be cut down to 40 hours.

GENERAL JOHNSON: They are not as far as the stores are concerned.

SECRETARY WALLACE: Under No. 6, apparently the misapprehension was that this minimum wage would be the same in every community. This will probably take care of that. I wonder if that has been worked out.

GENERAL JOHNSON: We have had in everybody we could get.

ATTORNEY GENERAL CUMMINGS: Who determines what the population is?

GENERAL JOHNSON: We will have to take the census population.

ATTORNEY GENERAL CUMMINGS: I wonder if you care to indicate the population according to a certain census, or something of that sort?

GENERAL JOHNSON: I think I would rather state that in some kind of accompanying document. We are going to have that in several things.

ATTORNEY GENERAL CUMMINGS: It is all right so long as it is understood.

CHAIRMAN ROPER: Why not say the last Federal census?

SECRETARY WALLACE: You are not making any differentiation between North and South.

GENERAL JOHNSON: Yes, in individual industries, but you do not see it.

It is packed away out of sight.

CHAIRMAN ROPER: That is quite a delicate question in my country.

ATTORNEY GENERAL CUMMINGS: I have no special interest in this matter except to help clarify things, and I wonder, in view of what Mr. Peek says, if he has any objections to No. 11.

GENERAL JOHNSON: May I just say why that was put in?

ATTORNEY GENERAL CUMMINGS: Yes, I wondered if it would scare away some of the food interests.

GENERAL JOHNSON: O, you mean No. 12.

ATTORNEY GENERAL CUMMINGS: I did say 11 but meant 12.

GENERAL JOHNSON: All they have to do is file a code. The larger ones are almost ready with their codes anyway. I want to apologize for the wording of this thing, and I think it is a mess, but it was arrived at by compromise and we have the unanimous approval of the several committees and I do not want to change it because it would require another agreement.

JUDGE STEPHENS: We would like to have a chance to look it over more thoroughly. I do not think of any thing else.

CHAIRMAN ROPER: The General has another conference which he must attend.

GENERAL JOHNSON: (presenting copies of bulletin No. 3): I would like to have you consider the setting up of these boards.

CHAIRMAN ROPER: I will now call on Secretary Tugwell, who is representing Secretary Ickes.

DOCTOR TUGWELL: In that case I can speak freely! (laughter)

CHAIRMAN ROPER: We are now to hear from the Secretary of the Interior through Doctor Tugwell.

DOCTOR TUGWELL: I feel very sympathetic with this general plan. I think we are agreed that there has been a rise of retail prices without purchasing power being present, and this is an effort to put that purchasing power there. I do think some of us have very serious misgivings as to whether the thing will work or not. I think I feel a little more strongly about that than he does. I am just scared to death. I am afraid of the commitment and of getting the President into this. If we strike what a number of us anticipate, which is a flattening out of markets and maybe a precipitous drop right in the midst of a bally-hoo campaign, we will look like ten cents.

GENERAL JOHNSON: There is not going to be any bally-hoo campaign.

DIRECTOR DOUGLAS: I do not think that it is so very disturbing to see production proceed more rapidly than employment, when the bottom of the spiral of deflation has been reached. That is always what has happened in the past whenever the turn has come, and there are very good reasons for it; and employment has caught up with production and frequently passed it. Historically what is happening now, if it is not an abnormal spread between the two lines, - I do not think is anything to get excited about.

GENERAL JOHNSON: The mere fact that it has happened before is an evil.

DIRECTOR DOUGLAS: I am not certain that it is not a perfectly natural thing.

GENERAL JOHNSON: There is a great deal more to be said about it than that.

DIRECTOR DOUGLAS: I think there is another factor, and that is the factor of inflation. I do not think that you can ever keep up with inflation, if it starts.

GENERAL JOHNSON: I doubt if you will find any place in the whole history of economics a situation in which the lag in employment began with twelve million people out of employment. With that many people out of employment you can stage recovery by inflation.

DIRECTOR DOUGLAS: I would not agree with that. I think that the one great factor in this whole thing is the factor of inflation. If we start I do not believe we can keep up to it.

GENERAL JOHNSON: I think unless there is a stabilizing influence the whole thing is gone.

DOCTOR DICKINSON: We have gotten down to the fundamental issues of policies in this matter and I wonder if we should not stop and consider matters of policy until we can thoroughly agree on them.

CHAIRMAN ROPER: I wonder whether, in the light of what I have heard here, if there is not also a question of time involved in this. Isn't that really the major question here?

DOCTOR DICKINSON: Therefore, is it not desirable to have the question of policy thrashed out and settled just as early as possible so that if we have to act quickly we can act quickly?

CHAIRMAN ROPER: It won't take many minutes, will it, Doctor?

DOCTOR DICKINSON: My thought was this, as suggested by the Director of the Budget. After all, we are dealing with a situation that is very largely created by inflation. We are accepting that condition by this line of policies that has been outlined, and we are trying to keep up with it. The question in my mind is whether or not we want to accept that inflationary situation and try to keep up with it by means of the Industrial Recovery Act, or whether the method of attack is not rather an attack on the inflationary situation rather than an attempt to keep up with the inflationary situation through the Administration of the Recovery Act.

GENERAL JOHNSON: It seems to me that is a question of fiscal policy, and not for us.

DOCTOR DICKINSON: The two tie together. I would like to suggest for just a few moments in the form of this memorandum, some considerations that ought to be in the minds of the Board before we go into this thing so that if we go into it, we will go into it with those considerations fully in mind, and having made our decision on the basis of them. It will take about seven or eight minutes to read what I have to read here.

CHAIRMAN ROPER: I take it the Board would like to give the Doctor seven or eight minutes to read what he has.

Doctor Dickinson then read the following memorandum:

MEMORANDUM ON PROPOSED CAMPAIGN TO PLACE INDUSTRIAL
RECOVERY ACT IN FORCE

There is agreement that quick action must be taken to effectuate the policy of the Industrial Recovery Act by shortening hours and establishing minimum wages promptly. The question may be raised, however, whether it would not be better to postpone a nation-wide propaganda campaign designed to bring all small establishments into line until after the fifteen or twenty major industries have been brought under codes. The latter work is going forward promptly. It might be further speeded up by carrying on negotiations with a larger number of industries simultaneously. Would it not be better to postpone the nation-wide campaign until a basis has been laid in these important industries?

A mammoth, nation-wide campaign conducted by means of speakers, radio talks, posters, and the like in the fashion of the Liberty Loan campaigns would bring pressure upon every cross-roads grocery store and filling station in the country to enter into the projected agreements to lower working hours without lowering wages. Such a method of procedure will depend for its effect, and will bear hardest, upon small employers. The effectiveness of the plan rests entirely upon propaganda and the pressure of local opinion stimulated by propaganda as during the War. Everything will turn on whipping up local opinion against local establishments. The force of these methods will be very greatly minimized against large concerns employing considerable bodies of labor because such concerns market their product at a distance and indirectly, so that they are not greatly dependent upon local public favor and also because they frequently dominate the community in which their plants are located.

A nation-wide propaganda campaign conducted before the larger industries are organized thus opens the door to a possible feeling that greater leniency is being shown to large employers than to small local establishments. This feeling, if it takes root, coupled with the fact that at present public opinion is more hostile to propaganda than during the War, may greatly weaken the effectiveness of the proposed campaign. If the weight of the Administration is thrown behind such a campaign, and if the campaign is inaugurated with a great initial stimulus and then collapses, the blow to the prestige of the Administration will be great and the Industrial Recovery Act will perhaps be made ridiculous and stamped as a ballyhoo measure rather than as a serious attempt to correct industrial conditions.

This would be particularly true if after a great nationwide effort to get in agreements from the entire industry of the country, the number of agreements actually submitted were not sufficiently large to justify putting them into effect.

Nothing must be done to create the impression that the Administration is seeking to apply the Act to the small run of business throughout the country before the great employing industries are brought into line. This is not merely sound psychology, but sound economics also. Steps are already in process towards the hearing and approval of codes in eight or ten of the major industries. These steps could undoubtedly be hastened by confining present negotiations to the labor features of the codes. The process could also be speeded up by increasing the staff of the Administrator and conducting simultaneous negotiations with the remaining ten or a dozen principal industries. If codes were carried to completion in all these industries within the next three weeks or a month, a much more solid basis would be laid for a nationwide campaign and a greater impetus would be behind such campaign than if it were undertaken at the present time.

Indeed a campaign undertaken at the present time to make agreements with business concerns individually would very likely tend to discourage the orderly organization of industries and the formation of codes.

There are two methods of approaching the administration of the Industrial Recovery Act. The one rests on the assumption that the Act promotes industrial organization and through such organization makes possible reasonable allowance for the actual problems of an industry. By this method codes dealing with labor and other practices can be worked out in such a way as to deal realistically and safely with the issues peculiar to each large industry. This is the method now being followed by the Industrial Recovery Administration in connection with the codes which it has under consideration.

While this process involves a certain amount of time, still it can go forward with reasonable speed and result in the preparation of a code within a month or so for each industry. If the process goes on simultaneously for different industries there is no reason why codes prepared along this line can not be whipped into final shape for twenty industries in the course of the next month or six weeks.

The attempt to make individual agreements separately with every business concern in the country reverses this process completely. It is necessary by this method to lay down flat rules for hours of work and minimum wages for all industry generally. No matter how such general rules are framed, they are bound to work unsuspected and unpredictable hardship in a great many industries.

Such an emergency program would almost certainly destroy at the outset the great permanent advantages which may be expected from organizing the industries of the country one by one in connection with the drafting of codes. If the emergency plan of separate agreements is employed, the incentive to work out carefully the problems of the industry in the form of a code will be greatly reduced. At any rate, during the period of the emergency agreements the countless instances of inevitable hardship which will result may so react against the Industrial Recovery Act as to destroy its promise.

Finally, it is impossible to revise over night the hours and working conditions of the entire country in such a way as to be economically sound. To attempt to do so is likely to create a state of affairs which may soon get beyond control and lead to a collapse of business in the process. The conditions which seem to call for such speedy action, namely, rapidly rising prices, can be and, it is submitted, should be corrected by more effective means than an attempt to over-speed the Recovery Act. The corrective methods which seem clearly suggested are:

1. Immediate efforts to check the further decline of the dollar; and
2. An attempt to check stock speculation by action of the Federal Reserve Board, which would put an end to the rapidly mounting volume of brokers' loans.

JD/nw

July 18, 1933.

DOCTOR DICKINSON: That is on the records.

ATTORNEY GENERAL CUMMINGS: Will you please read the last thirty or forty words again.

CHAIRMAN ROPER: The last two paragraphs, and then turn it over to the stenographer.

Doctor Dickinson then read again the last two paragraphs in the memorandum.

SECRETARY WALLACE: I would like to suggest, that you also include in that something about commodity speculation.

DOCTOR DICKINSON: We cannot do that so well.

DIRECTOR DOUGLAS: If you check the decline of the dollar, you automatically check speculation in commodities.

SECRETARY WALLACE: We had a variation of about thirteen cents a bushel in barley futures today. Might it not be worth while to put in a limitation as to rises and falls in any one day, as they have on the cotton market?

GENERAL JOHNSON: I have a conference that I have simply got to go to.

CHAIRMAN ROPER: I suggest that we remain here and discuss this thing for a few minutes.

SECRETARY BATTLE: I would like to know if this discussion between Mr. Johnson and Mr. Peek also includes the tobacco industries, besides food?

SECRETARY WALLACE: Tobacco and its products are covered by executive order.

SECRETARY BATTLE: We of the Department of Labor are very much interested in the tobacco industry, which employs a great many people. At the Department of Labor we hear more about unemployment than any other department in town, and the conditions in some areas are getting quite critical. Prices are going up. People have spent all their money; and it is getting to be quite a serious problem among the laboring people of the United States.

ATTORNEY GENERAL CUMMINGS: I do not quite understand the situation in which we find ourselves.

CHAIRMAN ROPER: Will you confirm this? General Johnson has come in evidently with the hope that this matter could be approved immediately by the Board. Mr. Peek has expressed the feeling, which no doubt the Secretary of Agriculture shares, that further consideration should be given to this matter from the standpoint of the food industries, and you remember Mr. Peek also requested that in the event of disagreement he would have opportunity to speak to the President about it. So on behalf of the Board we will hold this matter up until tomorrow, so that he may have opportunity for another meeting.

ATTORNEY GENERAL CUMMINGS: I understood that Mr. Peek wanted to bring the matter before the full Board.

CHAIRMAN ROPER: Mr. Richberg has come in and will represent General Johnson. He has that authority, and we will ask Mr. Richberg to arrange so that, as I have just said, we will not have to delay after tomorrow noon, when I hope we may be able to act on the matter formally. Is that all right?

ATTORNEY GENERAL CUMMINGS: I see no objection to that. Are we through with that subject? If so, I wanted to continue what I started to say.

CHAIRMAN ROPER: I would like to suggest that we have that meeting tomorrow at 11:30. If that is all right we will have Mr. Richberg undertake to carry that out. It will be in this room at 11:30 tomorrow.
Now you may go ahead, Mr. Attorney General.

ATTORNEY GENERAL CUMMINGS: This well-reasoned statement that we have heard raised a question as to recommendations dealing with the fiscal policy. How do we function in that respect? What does it propose that we should do?

DR DICKINSON: Mr. Attorney General might I say this: I do not think that this Board, of course, can do anything in regard to fiscal policy. The Administration, however, can. My point is that what we are headed toward doing in this Board here assumes that a certain financial or fiscal situation is to be accepted as a matter of fact, and that we on this Board must adopt a policy to meet that situation. My suggestion is that if the Administration were to take action with regard to that situation, then it would not be necessary for this Board--or the Industrial Recovery Administration--to meet the situation in question by taking this proposed step toward a nation-wide publicity campaign, some doubts as to which were raised in the earlier part of the memorandum.

SECRETARY WALLACE: It is obvious that the President is committed to the restoration of the price level; perhaps not to 1926 or 1925, but his public utterances would rather make us think that he had almost that in contemplation.

DR. DICKINSON: That, of course, is in part, Mr. Secretary, a matter of time and a matter of method. There are two ways of restoring the price level. One is by a more or less gradual process which would build step by step on a solid foundation; and the other method would be permitting a speculative course of events to develop itself which might result in the restoration of the price level on an unsound basis. What has been happening has been a very sudden rise in the price level, and it is to meet this very sudden rise in the price level, as I understand it, that this large, rapid, immediate campaign of publicity is being proposed with these separate agreements; and what I am very much afraid of is that a complicated document of this kind-- because after all it is a complicated document--going in the mail, through the

post offices to every one of the seven or eight million establishments in the country--little dining car restaurants, barber shops, corner grocery stores--is rather different from asking people to contribute \$5 to the Red Cross. It is a little different, even, from asking them to refrain from buying non-American goods. It is a complicated document; and going to those people throughout the country, people without legal advice, I am quite uncertain in my own mind as to whether any majority of them are actually going to put their head into a noose by signing this document and following it; and if we find, as the General said yesterday, that a preponderant majority in a given industry does not sign the document, then it is not his purpose to put it into effect; and if we had this hullabaloo and ballyhoo and then at the last minute had to give it up and say we are not going to do anything about it, I am not sure that the effect is going to be altogether wholesome.

I think, in the second place, the other major point is worthy of consideration; namely, the effect of this thing on the orderly process of going forward with the codes. What incentive will there be to industry to go ahead and meet its own problems by means of codes if--

SECRETARY WALLACE: Look under no. 12.

DR. DICKENSON: That is a mere unenforceable promise, and the whole direction of the effort, to my mind, may be veered toward this rather ineffective method of going to a great amount of expense and trouble in order to get a document signed that does not mean anything after it is signed. These things are not enforceable. They depend altogether upon the force of local opinion--whether Mrs. Jones and Mrs. Smith can be induced to not deal with the corner grocer because *he*

has not a pennant hanging over his store. In the past we have used propaganda with success, getting people to not use wheat flour, to contribute \$5 to the Red Cross, etc.; but here we have an enormously complicated thing, and it seems to me that the public mind has gone sour on propaganda. We had so much propaganda during the War that there arose a feeling against it, and one of the mistakes of the last administration was that it dealt very largely on propaganda atmosphere. The press almost seems to assume that the administration, in whatever it gives out, is trying to propagandize them and put something over on them. As Secretary Tugwell said a little while ago, I am afraid of this, very much afraid of it -- perhaps more afraid of it than he is.

SECRETARY TUGWELL: I said I was "scared to death."

(Laughter.)

MR. BATTLE: This means delay.

DR. DICKINSON: I believe that it would require four-minute speakers going around, and the sending out of circulars through the postoffices, so it would take a month before you got these agreements in, and then how sure would you be that they would be complied with? There would be nobody to watch, except Mrs. Grundy; and in the meanwhile you could go ahead and put the codes into effect in many industries.

SECRETARY BATTLE: There would be no objection to going ahead hearing the codes.

DR. DICKINSON: No objection, but I think it would appear as a dampening influence. I think you have a problem to solve, whether you are going to change the number of hours of people's work over night, or whether you can go about it promptly, speedily, but in an orderly way getting them in line. I think you would have more people back to work in a month by taking up twice as many industries simultaneously than by the other method, and not be subjected to the newspaper ridicule that I believe you would get if the publicity campaign failed. We are all gathered around the table here, and we are just putting our opinions into the pot, because it seems to me it is a momentous decision that we have to make.

CHAIRMAN ROPER: Is it your thought that if the proper unit could be immediately inaugurated to take care of fifteen or twenty of the leading industries you would make great progress toward employing the many people which these industries are responsible for; and would create a background for any subsequent educational campaign?

DR. DICKINSON: That is my thought. It seems to me that ultimately you have got to reach, in one way or another, these corner groceries and barber shops and people of that kind, and I do not believe they are the people to begin with. I think we have got to move toward employing people as rapidly as possible.

SECRETARY WALLACE: The method of approach you outline would result in putting labor to work again under the old conditions, using the accumulated funds that come as a result of renewed confidence and a gradual speculative enthusiasm rather than a rapid one.

DR. DICKINSON: You have a rapid one already.

SECRETARY BATTLE: But you do not have the consumers' purchasing power.

DR. DICKINSON: I do not believe you can create consumers' purchasing power by magic. I do not believe a campaign should depend upon "white magic."

SECRETARY BATTLE: We would be making a step in the right direction.

DR. DICKINSON: You would if the whole thing did not collapse under you.

But suppose you start all this ballyhoo and then the agreements do not come in, or if they do, the people do not keep them, where will you be?

CHAIRMAN ROPER: The thing that seems important to me in connection with this is to make sure that we have the background to support it. You remember how Woodrow Wilson felt upon that, and how he endeavored to make sure that he had the country's support on a given program before he undertook it; Have we that background, or would a movement of this character endanger even what support we have and bring us ^{through} to an adverse

press, if you please, to something of ridicule that would stop the code procedure?

SECRETARY BATTLE: Dr. Dickinson does bring up a good point; but on the other hand, we are losing the support of the unemployed who are getting to the end of their rope.

DR. DICKINSON: There is the old adage, "Festina lente".

CHAIRMAN ROOPER: I was very much interested some days ago in a newspaper account of the number of employees carried by ten or twelve industries in this country, and that influenced me to think that we ought to go right along with the plan. I am ^{free} pleased to confess, though, that I am not sure about my knowledge of that situation, and in view of that I am going to ask Mr. Richberg to make a statement at this time.

MR. RICHBERG: I would like to say just a word about the speed of these codes. We are facing realities in that, and I am very much concerned with it. The Cotton Textile Code hearing proceeded quite rapidly, and the final adjustment proceeded rapidly; but back of that was an extraordinary situation. Many weeks of work had preceded that. We have taken up three major industry codes: oil, steel, and coal, with also other large industries like lumber, but we should not deceive ourselves as to the speed with which those major industries can be handled, because the oil industry is a mass of complexities. They want something entirely different from everybody else. They want a czar established.

DR. DICKINSON: Would it speed progress up at all if you could get out the labor code?

MR. RICHBERG: That is what I am coming to, Mr. Dickinson. We had to get the labor provisions in and had some understanding that would make rapid action/^{possible} on the Cotton Textile Industry, but some have come forward with tremendously complicated problems. They are simply raising

very unhappy issues. The oil situation is an exceedingly difficult one as to labor. The coal situation is only a part of the industry. Part of the bituminous groups are coming forward, but it is impossible to look forward to codes of that kind being put into operation and getting the industry fully behind them when they are put into operation. I know the Attorney General will agree with my feelings in regard to litigation. We must not run these things into law suits, or we will injure the entire plan. A great many of the industries have come with this proposition: that there should be some blanket adjustment of wages and hours in order to deal with all of them. It is unfair to ask the Cotton Textile, for instance, to raise their wages without allowing them to increase their prices. Therefore, a great many of the manufacturing groups have asked for such a blanket code in order to meet that very difficult problem. We found this effect, that the discussions in the papers have brought the industries to ask the Administration to approve of the labor conditions of the code. The executive orders carried approval of four or five additional industries on that basis. I have every fear that has been expressed around this table. There is tremendous danger in this sort of adventure. We do face this very real fact that the codes cannot move with the speed we desire.

DR. DICKINSON: May I interrupt to ask whether you think the results that you might accomplish by this procedure would be great enough to offset the dangers and the risk you are running?

MR. RICHBERG: That is entirely speculation. I understand that the agreements will be accepted by major groups in large numbers.

MR. DICKINSON: The argument went very largely on the fact that this was a way of reaching the people you could not reach by groups -- the barbers, and the grocers.

MR. RICHBERG: As a matter of fact, we want to reach into the white-collar group that you are not reaching in the retail trades, which is very necessary to reach so far as industry is concerned.

CHAIRMAN ROPER: Mr. Richberg, with me it is not a matter so much as to the advisability of the campaign as to the advisability of the time. That is the important thing, it seems to me.

MR. RICHBERG: Time is of terrific importance.

CHAIRMAN ROPER: Have we created sufficient background to sustain the program at this time?

ATTORNEY GENERAL CUMMINGS: The question comes down to whether we should proceed in the previous way to get the codes in before we embark on this particular project.

CHAIRMAN ROPER: That is the only thing with me. In that connection I just recall now the editorial I referred to a while ago which made such an impression on me, to the effect that the ten leading industries carry something like eight million employees.

ATTORNEY GENERAL CUMMINGS: Which ones are they?

GENERAL JOHNSON: Textiles and their products, railroad and public utilities, construction and building, food and kindred products, mining and quarrying, machinery manufacture, iron and steel, lumber and forest products, and manufacturers of transportation equipment.

ATTORNEY GENERAL CUMMINGS: Is any one able to answer this question: how many unemployed would be put to work, theoretically if we should approve of

the code now under consideration? How big a bite to the problem would that be?

MR. RICHBURG: The thing that is particularly worrying the General is for instance in the cotton textile industry that production is going forward rapidly but the results are accumulating on the shelves rather than going into the hands of the purchasers. If you estimate on the theory that present operations will continue, that we will go on up from 50%,--and that is a dangerous assumption--we will probably get one-half million more, if the present operations continue. But it is very uncertain that they will.

ATTORNEY GENERAL CUMMINGS: Then no one can really answer the question.

MR. RICHBURG: I do not believe your question could be answered except in the widest realms of guessing.

CHAIRMAN ROPER: In your opinion, would this agreement which we have here before us be favorably considered by large industries? Or would it be taken seriously by only the smaller ones, and therefore not be of much help so far as labor is concerned?

MR. RICHBURG: I have not the information as to the number with whom the General has been in contact indicating favorable acceptance of this agreement, but I have two groups, particularly, in mind. There is the manufacturers association, which said their group as a whole was very strongly in favor of this.

CHAIRMAN ROPER: Large industries as a rule are so thoroughly and complicatedly organized that they have their own attorneys and they pass these things through those lines of officers before they dare act; and not many of these officers, say, "now this binds you in advance of your code; let us wait until we get the code". I am asking this question to my-

self and to you, whether this would not therefore drift into the hands of very small industrial groups, and not accomplish the purpose that we have in mind, but on the contrary run into the dangers that have been mentioned here.

MR. RICHBURG: There is one very large group, the Retail Merchandising group that is not being dealt with in the code situation, because of lack of organization. . Reaching them is exceedingly difficult. While they are trying to get some kind of code, their results are not so good.

CHAIRMAN ROPER: Why not tentatively approve the codes as they are filed?

SECRETARY BATTLE: Very few of the codes that have been presented consulted with labor.

CHAIRMAN ROPER: I mean the codes that have taken care of labor.

MR. RICHBURG: The great bulk of labor is unorganized.

SECRETARY BATTLE: About 70%.

MR. RICHBURG: The result is that these codes come in with no labor consideration, -nothing resembling the meeting of minds.

ATTORNEY GENERAL CUMMINGS: If a preliminary inquiry were made and then the codes tentatively approved, would that speed up the codes?

MR. RICHBURG: Yes, that would speed them up. The reason for bringing the labor provision in, in a great many instances, is that it is the particular question to straighten out the problem of their industry.

DOCTOR DICKINSON: We are doing that by asking them to sign this agreement, we are just saying to them in either case, "Come along with the labor provisions first, and then, when we have a little more time, we will give you the can^der."

MR. RICHBURG: The code is more important than the agreement.

JUDGE STEPHENS: Isn't it true, that Mr. Richberg's position on that negatives our fear that they will not come in with the code after signing this agreement?

MR. RICHBERG: I think this will stimulate the code. Isn't the real question here, as to whether General Johnson has an adequate knowledge of the basis of prior assurances as to sufficiently large groups that will take advantage of this?

CHAIRMAN ROPER: That is the major question with me.

MR. RICHBERG: If that is so, then you can assume the risk, losses and lapses in addition to that.

DOCTOR DICKINSON: If you can get enough of the big industries in with your agreement, there will be enough increase of purchasing power on the part of their employees to help things along, without having to take the barbers and corner grocers into it.

CHAIRMAN ROPER: May I ask this question; How would it do to confine the getting of these agreement to fifty industries and get after them.

ATTORNEY GENERAL CUMMINGS: If this goes out all over the country, there will be the chance of getting bad publicity on it. Why not take a selected list, maybe one hundred, maybe two hundred, but enough tangible groups of substantial employers of labor, and try to get them into this preliminary arrangement. What is the objection to that, Mr. Richberg?

MR. RICHBERG: I probably can't answer adequately. I think there was a discussion some time ago as to the possibility of confining this within such groups and as to whether it would work out in selected classes. Take, for example, some of the large groups, such as railroads, public utilities and construction industry. You cannot start them up as you can a factory and when you pair those off and then eliminate the retail trade, it takes out the enormous employment in the white collar group.

DOCTER TUGWELL: We are going to take care of the construction industry in Public Works. What other industries are there in the first twenty that cannot be approached by direct methods?

MR. RICHBERG: I would say the retail merchandising group. They are not organized. Some of the big industries, like iron and steel are highly organized; but these retail groups are entirely without ^{such} any/organization.

CHAIRMAN ROPER: Suppose we had a hundred industries--we have a list of them here--couldn't you invite in, if you please, a hundred of them within a very short time and take up this matter with them? Suppose you get fifty out of the hundred who would sign this agreement on the spot, with the understanding we were going to approach the codes just as quickly as possible, but that we want them to sign this agreement in the interim. I believe they would do it.

DOCTER TUGWELL: If they would not do it/^{they would not do it} the other way; and if they would not, the whole campaign would fail anyway.

CHAIRMAN ROPER: I am afraid this would simply catch the little fellow.

SECRETARY BATTLE: On the other hand, they would not sign if the minority were allowed to go ahead and operate without any agreement.

CHAIRMAN ROPER: It would be the same thing, so far as that is concerned.

ATTORNEY GENERAL CUMMINGS: What you are proposing to do is to send this piece of paper out by the millions, to millions of people--about seven million. That is a tremendous undertaking. Would not a hundred people invited to come here by telegram to confer, be more apt to sign this by that method, than if it were sent to them through the mail?

MR. RICHBERG: The difference between sending this by mail and the program suggested is, that the best way seems to be to have a nation-wide drive and do this all at once.

CHAIRMAN ROPER: I am not disputing the advisability of that; I am simply trying to prepare a foundation for it.

ATTORNEY GENERAL CUMMINGS: If you start out to get the whole nation to sign the pledge, you are going to run into enormous difficulty--there is no doubt about that. This is not war time. When the nation is in peril, people can be appealed to on the basis of patriotism, which is a very simple thing to appeal to. This is much more subtle and difficult. The idea of sending out seven million and having six million five hundred eighty thousand of them that never come back worries me.

MR. RICHBERG: That would be very disappointing.

JUDGE STEPHENS: Do you think that we are approaching such a serious unemployment crisis that we could not spend a little more time, and carry the unemployed as we have been doing, in order to lay a deeper foundation?

SECRETARY BATTLE: I have been feeling the pulse in the Department of Labor. I feel the temper of the people. They are at the end of their rope. They have spent their savings, and they are looking for something from the new deal, the National Recovery Act. The people are hungry and they are getting rather short-tempered. In feeling the pulse of the people, we find that there is a lot of talk of nothing being done while prices are going sky high. We get that every single day.

DOCTOR DICKINSON: It would be well to check some of the speculation, and keep prices from going up.

MR. RICHBERG: I would say fine, check the speculation if you can.

SECRETARY WALLACE: Let's close the stock exchanges and commodity exchanges! (Laughter.)

DOCTOR DICKINSON: We do not want to lose our heads. We do not want to get panicky.

CHAIRMAN ROPER: We are all agreed upon the end sought; it is only a matter of the steps to be taken.

DIRECTOR DOUGLAS: There is a great deal of hope, by reason of the fact that people are going back to work everywhere.

SECRETARY BATTLE: The figures show 13.7 over the low point of July, 1932.

DIRECTOR DOUGLAS: Do you expect to get one hundred percent back in thirty days? This is probably the most rapid rise the country has ever seen.

ATTORNEY GENERAL CULLINGS: Is it true, Mr. Richberg, that this rapid production which is going on in certain lines is now going on in the larger lines, which could be brought into the scope of personal negotiation, and that the small fellow that would be reached by ninety percent of these pieces of paper is not rushing into production?

SECRETARY BATTLE: Practically everybody is rushing into production, some of the little cotton mills are bringing in machinery off the junk heap. One large manufacturer reported that a little two-by-four organization was running seven days a week, twenty-four hours a day.

MR. RICHBERG: Behind the whole automobile industry is the supply industry which is a mass of small operations. That is one of the worst sweated industries there is. They are operating at inconceivably low levels. You cannot reach that by any method we are operating under, at the present time, and yet you have this condition of production of cars, that as a matter of fact won't be absorbed at starvation wages.

DOCTOR TUGWELL: The margins of profit are so large it is my belief that if you will increase the production about four times, the cost per unit would come down a great deal, you would find you had new sources of purchasing power. I take it that is what Doctor Dickinson is getting at, when he suggested the stopping of speculating and the pyramiding of prices.

MR. RICHBURG: Would any one want to be responsible for stopping this?

DIRECTOR DOUGLAS: I would.

MR. RICHBURG: I think you would be taking a tremendous responsibility.

DOCTOR DICKINSON: Something should be done to check the further decline of the dollar.

DIRECTOR DOUGLAS: Nobody is opposed to the natural increase in our prices incident to increase in volume of trade; but I think we are on the verge of a precipice, in fact I know we are. If you let a price rise continue, incident purely to inflation, I think the effect will be increased unemployment, and the complete collapse of Industrial Recovery, and everything else.

SECRETARY WALLACE: The danger of inflation is that it increases your lack of balance.

DOCTOR TUGWELL: It does not do anything to correct the real difficulty.

SECRETARY WALLACE: I think it is exceedingly important to obtain results by means of restoring the balance rather than by means of destroying the balance.

DOCTOR DICKINSON: As far as the foreign debts are concerned, we do not have to bother about them any more, and as far as internal debts are concerned, they are not really as serious as some people thought they were.

DIRECTOR DOUGLAS: It seems to me that the whole point is a question of income, rather than a question of prices.

CHAIRMAN ROPER: I wonder if we might bring this matter to a head? Is there a tentative suggestion any one wishes to make that we might discuss with General Johnson, or perhaps pass on through Mr. Richberg for the General to think of tonight, so that when we come together at 11:30 tomorrow, we would be prepared to act.

JUDGE STEPHENS: Are we faced with such a crisis that it requires speedy action, rather than the more orderly progress Mr. Dickinson suggested?

DOCTOR DICKINSON: The question is, whether we could not get better results making these agreements that the General contemplates, by negotiations with forty or fifty or sixty industries, rather than going out and having a bally-hoo campaign.

ATTORNEY GENERAL CUMMINGS: My instinct about the thing which is only a guess is that this document that has been prepared is all right -- a nice document, -- but ought to be used in a slightly different way than originally contemplated. I balk at the idea of sending out seven million of those papers all over the country. I think it is much safer to take that document in hand, then wire to a hundred people, representing a hundred groups, ask them to come on here and sign it, and tell them why you want them to sign it. If you could get those hundred people here and explain the problem in face-to-face discussion, you would have a solid sub-structure for your code that you will not get by any circularization of the people. That is just my hunch of it.

CHAIRMAN ROPER: And in dealing with those one hundred, in conference with them you would be able to determine when to stage your further attack.

ATTORNEY GENERAL CUMMINGS: After you get these hundred people in, and perhaps set up a little machinery, you will be able to determine whether to go out and get another hundred on the same basis, or whether you should proceed on some more wide-flung plan. You would be then taking your steps one at a time as experience warranted.

SECRETARY BATTLE: The question in my mind is whether any group would sign this and have the conditions imposed on them, knowing it would not be imposed on others. A code is mandatory; this is not mandatory upon the recalcitrant.

General Johnson returned to the room at this point and the Stenographer was asked to read back the suggestions that had been made by the Attorney General.

ATTORNEY GENERAL CUMMINGS: In other words I think you could gain an enormous amount of information, and in the light of what you learned, proceed by that process, or by some other process that might be more rapid.

GENERAL JOHNSON: Of course, this thing we propose to do developed from an intensive study of this situation which has gone on for weeks. It was a part of the plan from the beginning. The idea has been to produce results as quickly as possible. That was the original plan. It was the philosophy of the Administration even while the Act was being written. The fundamental principle of this Administration (I do not mean of my Administration, but the fundamental principles developed from this situation) is this: that what nobody can do by himself towards the betterment of a lot of these conditions, it is not so hard to do when everybody takes hold at the same time. For instance, those hundred people that you might draw in would each doubt as to whether or not

they could do that because they do not know whether their competitors will do it. That is the very basis of this thing. If you depart from that, you find yourselves up against a brick wall; but as you stick to that you get a result like the wiping out of child labor which of course everybody wanted to be done.

The codes coming in will not solve this problem. I am absolutely aware of that. I arrived at that conclusion after working on it hours every day since this thing began. It is easy enough to stand outside and conjecture what the result would be; it is a different matter to come down here and live with it every day. I have come to the conclusion that the time to make this campaign has arrived. Of course it is a gamble, but I do not think it is a very great gamble. While I would like to follow the plan of bringing in 100 people and asking them to sign the agreement, I could not feel free to tell them that substantially everybody was going to do it.

DOCTOR DICKINSON: I think the point we were talking to is this, whether or not it would be advisable instead of conducting a general publicity campaign among all these concerns indiscriminately, to select 50 or 60 industries.

GENERAL JOHNSON: You cannot select 50 or 60 industries and get the desired results.

MR. STEPHENS: Mr. Richberg raised a point; he suggested that the real answer to a large part of the problem is what assurance have you that a majority of the industry will respond.

GENERAL JOHNSON: I have not any assurance, but I think this plan will work. I have said right along that it is a gamble. I think it is a good gamble. I think I can put this thing over. I have a close contact

with the thing. When the Textile Code was signed, that was alright because it was a part of a thoroughly organized industry; but when you get into the retail stores, which is a big field or reemployment, that is a very different matter. There are some very interesting features about this whole thing. I think the natural tendency of this Act is to organize industry very promptly. We thought we could aid that process, but you just have to recognize the fact that you are not there now. It will take a long while. You saw the kind of codes in here the other day. That is an interminable process. It is out of the question to do it along that line. We would have to give that up. My word will have to be taken for some of that, and my judgment, from the experience I have had. My judgment is that if we go on with this without some broadcast of this kind, the crash will overtake us before we have been able to do the thing we might have done to prevent it. I know we are on the verge of a stupendous vertical retail price rise. I think the A. & P. figures, with fifteen thousand stores throughout the country, are better than anybody's statistics. The demand of those people who have come in is that we must protect them from those who have not come in. I am surprised at this recent opposition. It comes as a shock to me.

CHAIRMAN ROBER: I think we should say that so far as we have learned from the conference in your absence that we are all agreed upon the real objectives. There is no doubt relative to the canvass, but there is doubt as to the time of projecting the canvass; that is, whether we should not take a step or two in advance.

GENERAL JOHNSON: It takes about three weeks to get this ready. This could not go into effect before the first of August.

SECRETARY WALLACE: There is one thing I would like to examine in some little detail, and that is your assumption that this situation is similar to the War-time situation. I will grant that in some ways it is even more serious, but I am wondering if the psychological response will be similar. You must remember also that a war ends, and that back in the Food Administration days certain things were tolerated for the time of the emergency, and that certain resistances were being built up, waiting to manifest themselves the moment the War ended. If you are going to go ahead with this thing it will be necessary to back it up with a genuine educational campaign.

CHAIRMAN ROOPER: I think there is this to be said: Of course the General contemplates backing it up with a campaign. I have been advised that those who were getting statistics from the standpoint of educational inquiry before the World War, that they expected to get, and did get, from forty to fifty per cent returns. After the War that declined materially and has been declining for some time, until now they expect twelve and a half per cent, which indicates, of course, that it is harder to put these things over now than it was a few years ago. I think probably, General, that question somewhat influences this point as to whether you have the background. Let me suggest this: that probably both of these things could be operated in a careful way at the same time. That is the suggestion which the Attorney General has made.

GENERAL JOHNSON: Here is my thought on the question Mr. Wallace asks: When you compare results on drives the question is, what was the human element involved? How complex was the message, and what was the reason for the reaction from human beings for a particular appeal to them?

In the War it was, I must say, largely a manufactured something. There was no very great real danger, but pretty deliberately it was pointed to the whole public, and then the thing was pushed over. Now we have a record of some three years of the most distressing depression that anybody has ever known. Almost every individual has either suffered terribly, or knows of friends and relatives who have; so there is waiting there to be appealed to what I regard as the most fertile psychology that you could imagine for such a thing; namely, that the President of the United States has a plan by which all can do things together and get back to work. I don't think there was anything in the War that lent itself to a sounder psychological field than this. I think this has anything that happened during the War backed off the board. The question is as to the skill with which it is done. I do not believe it is a question of war psychology or no war psychology. It is a question of human psychology, a question of human distress. If I did not think that I would not suggest this thing.

SECRETARY WALLACE: I would like to ask a question of Mr. Dickinson relating to his interpretation of the danger of inflation. Would not General Johnson's program, provided it succeeds, in some measure avoid that part of the danger of inflation which flows from lack of balance?

DOCTOR DICKINSON: I think it is extremely difficult to control. The difficulty about inflation is that it hasn't any brakes.

SECRETARY WALLACE: There are plenty of brakes available.

DOCTOR DICKINSON: Yes, provided we use them. That was my suggestion, that the time has come to use some of these brakes.

GENERAL JOHNSON: I feel that if I cannot go into this thing with this Board behind me, there is a very grave question as to whether I should go