

**1946 EXTENSION OF THE EMERGENCY PRICE CONTROL
AND STABILIZATION ACTS OF 1942, AS AMENDED**

HEARINGS

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY

UNITED STATES SENATE

SEVENTY-NINTH CONGRESS

SECOND SESSION

ON

S. 2028

A BILL TO AMEND THE EMERGENCY PRICE CONTROL
ACT OF 1942, AS AMENDED, AND THE STABIL-
IZATION ACT OF 1942, AS AMENDED,
AND FOR OTHER PURPOSES

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CONTENTS

Statement of—	Page
Achenbach, Lloyd, Cedar Rapids, Iowa.....	639
Anderson, Hon. Clinton, Secretary of Agriculture, Washington, D. C.....	1043
Carey, James B., secretary-treasurer, Congress of Industrial Organizations.....	573
Carpenter, Cliff D., president, Institute of American Poultry Industries.....	375
Cheney, Roy A., president, Underwear Institute.....	348
Colgan, Richard A., Jr., executive vice president, National Lumber Manufacturers Association.....	699
Conover, Julian D., secretary, American Mining Congress, Washington, D. C.....	436
Benjamin, Earl W., president, National Poultry, Butter, and Egg Association, and executive representative of the Washington Co-operative Farmers' Association of the State of Washington, 11 Park Place, New York, N. Y.....	373
Besse, Arthur, president, National Association of Wool Manufacturers.....	275
Bilharz, O. W., president, Tri-State Zinc and Lead Ore Producers Association, Picher, Okla., and president of the Bilwil Mining Co., Baxter Springs, Kans.....	463
Bowles, Chester, Director, Office of Economic Stabilization, Washington, D. C.....	6, 31
Boyd, William R., chairman, American Petroleum Institute.....	570
Boyle, Douglas, consultant to the American Hotel Association, representing J. E. Frowley, president of the American Hotel Association.....	388
Devereaux, F. R., vice president, Underwear Institute; president, Oneida Knitting Mills, Utica, N. Y.....	229
Englar, George M., president, National Apartment Owners Association, Baltimore, Md.....	969
Foreman, H. E., managing director, the Associated General Contractors of America, Inc., Washington, D. C.....	228
Frowley, J. E., president, American Hotel Association.....	1017
Gaumnitz, E. W., executive secretary, National Cheese Institute, Chicago, Ill.....	842
Gent, Ernest V., secretary, American Zinc Institute, Inc.....	479
Gorsica, Bernard, member of Local 1272, United Steel Workers, Jones & Laughlin Corp., South Side Works, Pittsburgh, Pa.....	609
Goss, Albert S., National Grange.....	673
Green, William, president, American Federation of Labor, Washington, D. C.....	779
Groh, Mrs. Louise, Red Bank, N. J.....	644
Hallonan, Walter S., chairman, special committee, American Petroleum Institute, Pittsburgh, Pa.....	560
Haynie, R. G., vice president, Wilson & Co., Inc., Chicago, Ill.....	1114
Heflebower, R. B., economic adviser to the Deputy Administrator, Office Price Administration, Washington, D. C.....	524
Holman, Charles W., secretary, the National Cooperative Milk Producers' Federation, Washington, D. C.....	723
Howe, D. K., president, American Butter Institute, Omaha, Nebr.....	846
Hunter, Frank, president, Hunter Packing Co., appearing on behalf of the American Meat Institute, accompanied by Robert Eggert and R. C. Haynie.....	1089
Kelly, William J., president, Machinery and Allied Products Institute, Chicago, Ill.....	209
Kerr, Hon. Robert S., Governor of the State of Oklahoma.....	1083
Kranis, Jack, chairman of a committee representing small business, labor, and consumers, New York, N. Y.....	614

Statement of—Continued	Page
LeSauvage, George R., chairman, Government relation committee of the National Restaurant Association.....	382
Lieberman, Jerome, price executive, Office of Price Administration, Washington, D. C.....	348
Michl, H. E., economist, Cotton Textile Institute.....	966
Miller, Harry L., president, Chester Dairy Supply Co., Chester, Pa.....	838
Moore, Harvey W., representing the American Cotton Manufacturers' Association, Concord, N. C.....	937
Morrow, Hugh, representing the Merchant Pig-Iron Industry.....	546
Murhison, C. T., president, the Cotton Textile Institute, Inc., New York, N. Y.....	948
Nystrom, Paul H., chairman, central council of National Retail Association.....	861
O'Neal, Edward A., American Farm Bureau Federation, Chicago, Ill.....	645
Paterson, Cleat, national legislative representative, American Veterans' Committee.....	821
Patton, James G., president, National Farmers Union, Denver, Colo.....	691
Porter, Paul, OPA Administrator, Washington, D. C.....	77, 166
Pray, Gordon D., vice president, Globe Knitting Works, Grand Rapids, Mich.....	247
Proedehl, John, Philadelphia, Pa.....	637
Reed, Mrs. James A., president, Donnelly Garment Co., Kansas City, Mo.....	534
Ryan, M. O., representing American Hotel Association, Washington, D. C.....	1022
Saccocio, John C., member of Local 301, United Electrical, Radio, and Machine Workers, General Electric Co., Schnecktady, N. Y., accompanied by Mrs. John C. Saccocio.....	604
Schmidt, Emerson P., director, department of economic research, Chamber of Commerce of the United States.....	495
Sherrard, Glenwood J., chairman, board of directors, American Hotel Association.....	985
Todd, Leon, secretary, Associated Poultry and Egg Industries; also secretary of the National Poultry Producers Federation, Trenton, N. J.....	339
Van Arnun, John R., secretary, National League of Wholesale Fresh Fruit and Vegetable Distributors, Washington, D. C.....	326
Ware, Dr. Caroline, representing the American Association of University Women and 24 other national organizations.....	802
Wason, Robert R., National Association of Manufacturers.....	392
Wentworth, W. A., treasurer, Dairy Industry Committee, New York City.....	827
Whitlock, Douglas, chairman, advisory board, the Producer's Council, Inc., Washington 5, D. C.....	301
Wormser, Felix Edgar, secretary, Lead Industries Association.....	481
Exhibits, statements, letters, etc., submitted for the record—	
Abbott Fox Lumber Co., statement.....	710
Actual prices of commodities for which percentage increases were shown in Mr. Bowles' statement.....	9
Aide Calls Wyatt's '46 Aim Impossible, article in the Courier-Journal, Louisville, Ky.....	173
American Business Congress, letter.....	433
American Business Congress, list of officers and directors.....	931
American Business Congress, New York City, telegram by Heyman Rothbart.....	931
American Hotel Association, statement by Mr. J. E. Frawley.....	388
American Meat Institute, Chicago 5, Ill., New Facts On the Meat Black Market.....	1104
American Mining Congress charts:	
Chart 1. Basic nonferrous metals—fixed price and subsidies on lead, copper, and zinc.....	437
Chart 2. Lead.....	441
Chart 3. Copper.....	441
Chart 4. Zinc.....	442
American Oak Leather Co., letter.....	1140
Application for price adjustment forms.....	910

CONTENTS

V

Exhibits, statements, letters, etc., submitted for the record—Continued	Page
Associated General Contractors of America, Inc., resolution.....	228
Bill H. R. 6042, and amendment offered by Mr. Gossett.....	768
Bill S. 2028.....	2
Board of Governors of the Federal Reserve System, statement.....	415
Buck Privates Association, Washington 4, D. C., letter, creed, and platform.....	1154
California State Apartment Conference, resolution.....	983
Chamber of Commerce of the United States of America, statement on Price Control or Decontrol?.....	496
Changes in milk production on farms from corresponding months of previous year, 1945-46, chart.....	829
Conservation of Tri-State Ore Reserves, summary of booklet.....	463
Coordinating Committee for Social Work Action Committee of Allegheny County, etc., letter.....	776
Crop production reports of the United States Department of Agriculture, table.....	835
Current land values in 15 States which exceed the 1920 levels, statement.....	1083
Dairy situation, February-March 1946, by United States Department of Agriculture, table.....	830
Department of Commerce statistics furnished by Senator Robert A. Taft.....	42
Family food bill, Nos. 1, 2, 3, and 4, by George Hagedorn of NAM.....	396
Farmers Educational and Cooperative Union of America, letter to Mr. Walter D. Fuller, president, Curtis Publishing Co.....	696
Folger, Hon. John H., letter to Hon. Kenneth McKellar.....	766
Gamble Bros., Louisville, Ky., statement.....	720
Haynie, R. G., charts submitted by:	
Chart A.....	1116
Chart B.....	1118
Charts Nos. 1, 2, and 3.....	1123
Chart No. 4.....	1127
Chart No. 5.....	1128
Chart No. 6.....	1129
Chart No. 7.....	1130
Charts Nos. 8 and 9.....	1131
Chart No. 10.....	1133
Chart No. 11.....	1134
Chart No. 12.....	1135
Chart No. 13.....	1136
Chart No. 14.....	1137
Chart No. 15.....	1138
Chart No. 16.....	1139
Chart No. 17.....	1142
Chart No. 18.....	1147
Chart No. 19.....	1144
Chart No. 20.....	1149
Horwath & Horwath report on hotel operations in 1944.....	988
Holmes, Paul B., Johnstown, Pa., letter to Hon. C. Douglass Buck on radiators.....	595
Institute of Boiler and Radiator Manufacturers, letter and statement.....	932
Iowa Milk Dealers Association, Inc., telegram.....	73
Joint OPA Cattle, Hog, Beef, and Pork Advisory Committee, resolution.....	1080
Kansas Livestock Association, letter to Senator Arthur Capper.....	1032
Kenny, Hon. Robert W., attorney general, State of California, statement.....	612
Kranis, Jack:	
American Business Congress, telegram.....	615
Butler and Egg Merchants Association, Inc., telegram.....	615
Joint meeting of industry, labor, and consumers for the retention of the OPA.....	615
League of Women Shoppers, telegram.....	615
New York Appetizers Association, Inc., telegram.....	615
United Packinghouse Workers of America, telegrams.....	614

Exhibits, statements, letters, etc., submitted for the record—Continued	Page
Lead Industries Association, table on relation of lead prices to domestic lead production.....	483
Livestock numbers, January 1, 1946, as percentage of January 1, 1945, table taken from the Dairy Situation.....	832
Macy, R. H., & Co., Inc., telegram.....	779
McFarland amendment to S. 2028.....	456
Merchant Pig-iron Industry, tables and three charts.....	556
Moffat, W. H., Reno, Nev., letter to Hon. E. P. Carville.....	1145
National Apartment Owners Association, amendments.....	983
National Association of Retail Meat Dealers, Inc., Chicago 3, Ill., letter.....	1101
National Cooperative Milk Producers Federation, resolutions.....	754
National Electrical Manufacturers Association, statement by R. L. White.....	428
National Farmers Union, resolution.....	697
National Grange, resolution on inflation.....	676
National League Distributors, statement.....	327
National Summary of Business Conditions, by Federal Reserve System, report.....	870
New Council of American Business, Inc., letter to Hon. Hugh B. Mitchell.....	346
New Council of American Business, Inc., letter to New York Times.....	581
O'Dwyer, Hon. William, Mayor of New York City, telegrams.....	436, 603
Office of Economic Stabilization, Washington, D. C., James F. Brownlee letter to Hon. Robert F. Wagner.....	75
Office of Price Administration document entitled, "The Farmer's Stake in Price Control," etc.....	733
Office of War Mobilization and Reconversion, letter from Hon. John W. Snyder.....	3
Oneida Knitting Mills, statement on current costs and ceiling prices filed in connection with SO 149.....	233
OPA Administrator Paul A. Porter's statement of the considerations involved in the issuance of amendment No. 2 to Supplementary Order No. 142.....	905
OPA comments on testimony of Messrs. Harvey W. Moore and C. T. Murchison, etc.....	1033
OPA Document No. 51161, Part 1305—Administration, SO 142, Adjustment Provisions for Sales of Industrial Machinery and Equipment.....	907
OPA Document No. 51562, Part 1305—Administration, SO 142, Amendment 1, Adjustment Provisions for Sales of Industrial Machinery and Equipment.....	906
OPA Document No. 51878, Part 1305—Administration, SO 142, Amendment 2.....	884
OPA staff man draws study of bar group.....	772
Organization Committee, National Postwar Conference, letter from Walter D. Fuller, chairman.....	695
Oregon Apartment House Association, Inc., letters and statement.....	773
Pacific States Butter, Egg, Cheese, and Poultry Association, statement by Joseph B. Danzansky.....	432
Porter, Paul, OPA Administrator:	
Figures on the time lag in each case, tables 1-5.....	141
List of personnel in the Textile Section of OPA, their background and experience.....	118
List of 66 industry-wide actions OPA has taken to increase prices of building materials, etc.....	158
Organizational chart and break-down of the professional and other services.....	168
OPA Administrator Paul Porter's statement to the House Banking and Currency Committee, March 29, 1946.....	186
OPA Document No. 53040, part 1305—Administration, etc.....	86
OPA Document No. 53242, part 1305—Administration, etc.....	101
Principal price increases for the lumber industry.....	156
Production figures on textiles.....	108
Statement with respect to current inventories.....	198
Statistics on rapidity of handling of individual adjustment cases, also tables.....	138

CONTENTS

VII

Exhibits, statements, letters, etc., submitted for the record—Continued	Page
Price decontrol of the capital-goods industries, statement of William J. Kelly.....	218
Primary copper production and corresponding prices, 1920 to 1939, inclusive (nonwar years).....	463
Production of agricultural commodities, United States, 1940-41 and 1945-46.....	1046
Rosenfeld, Benjamin, telegram to Banking and Currency Committee.....	603
Shopper's Instructions for Meat Shopping Survey.....	1096
Shorey, E. R., president, Wisconsin-Illinois Zinc and Lead Producers Association, statement.....	478
Small, John D., Civilian Production Administrator, statement on low-price clothing.....	84
Southern Pine case, statement.....	712
Southwest Lumber Mills, Inc., statement.....	717
Southwest Used Car Dealers' Association, remarks.....	757
Statistical material in support of Mr. O'Neal's testimony.....	654
Study of what happened to profits, submitted by Mr. Bowles.....	42
Textile Fabrics Association, statement.....	433
Townsend, G. W., Minneapolis, Minn., letter.....	763
United States Copper Association, New York 4, N. Y., statement.....	456
United States Department of Agriculture report on acreage and indicated production of commercial truck crops, etc.....	332
United States Department of Agriculture, table on consumption of raw cotton.....	938
United Fresh Fruit and Vegetable Association, statement by C. W. Kitchen.....	760, 1029
United Packinghouse Workers of America:	
Memorandum.....	642
Resolution.....	641
University Club, Washington, D. C., statement and tables.....	871
Wages During the War and After, submitted by Mr. William Green.....	788
West Coast Lumbermen's Association, statement.....	722
Western Auto Supply Co., Kansas City, Mo., statement by R. H. Trewolla, letters and amendment.....	876
Western Growers Association, Los Angeles 14, Calif., letter.....	765

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

MONDAY, APRIL 15, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to call, in room 301, Senate Office Building, Senator Robert F. Wagner (chairman) presiding.

Present: Senators Wagner (chairman), Bankhead, Murdock, Mitchell, Carville, Tobey, Taft, Millikin, and Capehart.

The CHAIRMAN. The committee will come to order. As chairman I wish to make a brief statement concerning the hearing on S. 2028, the price control extension bill, which is now before this committee. When I introduced S. 2028 on April 4, I stated that hearings on the bill would begin before the Banking and Currency Committee on Monday, April 15. It was my belief that this announcement, which was printed in the Congressional Record of April 4 at page 3133, would afford ample notice to those who desire an opportunity to present to the committee their views on the extension of price control. This has been abundantly confirmed by the great number of requests to be heard which have been received by me.

Clearly, it is in the national interest that the country not be left uncertain whether price control will be continued and what form it will take after June 30, 1946. The national welfare demands that we take action on the extension of price and rent control at the earliest possible moment. It is, therefore, essential that the hearing before this committee be of limited duration, while at the same time it is desirable that the committee have before it the relevant information and that it be informed, to the greatest extent practicable, of the views of the American people concerning price control and the stabilization program.

The great number of requests to be heard which the committee has received, coupled with the fact that it is not feasible for the committee to hold many afternoon sessions, has made it necessary to grant priority to requests which have been received from organizations which are national in scope. Generally speaking, it will not be feasible for the committee to receive oral testimony from local or regional associations, individual companies, or individuals. However, anyone whose request to be heard cannot, therefore, be granted will be afforded an opportunity to file a written statement with the committee, at any time prior to the close of the hearing. Such statements will be brought to the attention of the committee members and, so far as practicable, will be incorporated in the record of the hearings.

Briefly, the schedule is as follows: This morning we will have the pleasure of hearing from the Honorable Chester Bowles, Director of Economic Stabilization. Tomorrow, at 10 a. m., the committee will hear from the Honorable Paul Porter, Administrator of the Office of Price Administration. On Wednesday, April 17, at 10 a. m., we will have before us the Honorable Fred M. Vinson, Secretary of the Treasury, and at 11 a. m., the Honorable Clinton P. Anderson, Secretary of Agriculture. The committee will meet again on Wednesday afternoon at 2 p. m. to hear from the Honorable John D. Small, Civilian Production Administrator. He will be followed at 3 p. m. by the Honorable Marriner Eccles, Chairman of the Board of Governors of the Federal Reserve System.

Beginning on April 18 and continuing on April 22, 23, and 24, the committee will hear from witnesses representing organizations constituting a cross section of business, industry, and commerce. On April 25, 26, and 29, representatives of labor, consumers, veterans, and farmers will be heard. A detailed schedule of the hearings is being prepared and will be issued as soon as it is ready.

(The bill under consideration, S. 2028, is as follows:)

[S. 2028, 79th Cong., 2d sess.]

A BILL To amend the Emergency Price Control Act of 1942, as amended, and the Stabilization Act of 1942, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 (b) of the Emergency Price Control Act of 1942, as amended, is amended by striking out "June 30, 1946" and substituting "June 30, 1947".

SEC. 2. Section 6 of the Stabilization Act of 1942, as amended, is amended by striking out "June 30, 1946" and substituting "June 30, 1947".

SEC. 3. Section 2 (e) of the Emergency Price Control Act of 1942, as amended by the Stabilization Extension Act of 1944, is hereby amended by striking out therefrom the last paragraph thereof, effective July 1, 1946, and inserting in lieu thereof the following:

"With respect to operations for the fiscal year ending June 30, 1947, the making of subsidy payments and the purchase of commodities for resale at a loss, and thereby subsidizing directly or indirectly the sale of the commodities, shall be limited as follows:

"(1) With respect to funds of the Commodity Credit Corporation—

"(A) with respect to the dairy production payment program, \$515,000,000:

Provided, That in carrying out the dairy production payment program the rate of payment per pound of butterfat delivered shall not be less than 25 per centum of the national weighted average rate of payment per hundred pounds of whole milk delivered;

"(B) with respect to other noncrop programs, including the feed-wheat program, \$50,000,000; and

"(C) with respect to the 1946 crop program operations, \$160,000,000:

Provided, That not to exceed 10 per centum of each amount specified in clauses (1) (A), (B), and (C) shall be available interchangeably for the operations described in such clauses but in no case shall the total subsidy payments and losses absorbed under any one of such clauses be increased by more than 10 per centum; and

"(2) With respect to funds of the Reconstruction Finance Corporation—

"(A) for rubber produced in Latin America and Africa for which commitments were made during the war emergency and previous to the effective date of this Act, \$31,000,000;

"(B) for materials or commodities produced in the United States as follows:

"(i) meat, \$715,000,000;

"(ii) flour, \$260,000,000;

"(iii) petroleum and petroleum products, \$50,000,000;

"(iv) copper, lead, and zinc in the form of premium payments, \$100,000,000;

“(C) other domestic and imported materials or commodities, \$170,000,000: *Provided*, That in the event the entire amount of any of the above allocations is not required for its purpose, the unused portion of such allocation, but not to exceed 10 per centum of such allocation, may be used for making such payments on and purchase of any item or items enumerated in this section as may be determined by the Stabilization Administrator in the Office of War Mobilization and Reconversion.

SEC. 4. Nothing in this Act shall be construed to affect the provisions of Public Laws 30, 88, and 164, of the Seventy-ninth Congress, or to apply to purchases by the Reconstruction Finance Corporation of such tin ores and concentrates as it deems necessary to insure continued operation of the Texas City Tin Smelter.

The CHAIRMAN. I received this morning a letter from the Honorable John W. Snyder, Director, Office of War Mobilization and Reconversion, which I should like to read for the record at this time:

OFFICE OF WAR MOBILIZATION AND RECONVERSION,
April 15, 1946.

HON. ROBERT F. WAGNER,
United States Senate, Washington, D. C.

DEAR SENATOR WAGNER: At the outset of the hearings on extension of price controls I want to take the opportunity to restate the administration's basic policies on stabilization and to urge your committee to act expeditiously in extending price controls for another year.

Reconversion has now advanced far enough so that we can confidently foresee the achievement of a healthy and productive postwar economy, if we continue to stabilize our price structure. Inflation remains the only real threat to our success. That is why the legislation now before your committee is vitally and immediately important to the Nation.

Expanding production is the permanent remedy that we all look to, but although output of goods has already reached the highest point in our peacetime history, the war-generated demand for goods still far surpasses supply. And many seriously needed and badly wanted products, such as housing, clothing, and consumer durables, are severely short and will remain so for some time to come.

Consumer income is being maintained at close to war levels, and accumulated savings are at record heights. The resulting purchasing power is many times greater than any the American public has ever had at its disposal before. This power we depend upon to run our economic machine at a prosperous rate in the years to come. But this power could wreck the machine today, if we let it run wild.

Inflationary pressures are great even when strong price control measures are in force. These pressures would become much worse if termination of price controls were in immediate prospect. They would become severe even though price control were extended for a year, if the measure, as passed, were seriously weakened by curbs and limitations upon the powers granted. Either of these actions would mean higher prices; either would cause businessmen to hold goods off the market for future sale. It would simply be good business. It has happened before, and is happening today in some industries where authorization of higher prices is expected.

At the same time this would be happening, demand would multiply. Faced with the prospect of rising prices, consumers and producers alike would hurry into the market to satisfy, not only their needs of today, but their future needs. Businessmen would scramble for inventories, as after the last war. Purchasers would thus find the scarcity of goods far worse than it is now. Unable to obtain supplies, or to pay the price, many small businessmen would find themselves in serious difficulty. Soon money, and only money, would talk. Inflation—that most dangerous aftermath of war—would be upon us.

In the interests of our expanding production, the Federal Government must have clear authority to control prices during the year to come. And it must have this authority as soon as possible. Uncertainty about prices can only hamper production. If a businessman cannot be sure about his future costs, he cannot plan—he can only gamble. And gambling does not lead to sustained production. In the inflationary period after World War I, while prices were rising 30 percent between January 1919 and February 1920, production only increased about 15 percent. Then all gains were sharply reversed. Production fell far below its starting level; and in the collapse, 106,000 American businesses, 450,000 farms, and 5½ million jobs were destroyed.

Fortunately, this time, we have a wide public understanding of the inflationary danger. It is the people of the Nation who are fighting inflation; the businessmen, the workers, the farmers, and the man in the street. There is a tremendous popular demand for the continuance of price control.

If it is to accomplish its purpose, it must not be blunted by impediments to its effectiveness. Members of Congress are continually being urged to attach to the new law various restrictions upon its administration which will favor this or that segment of the economy. But our price structure is tremendously complex, tremendously sensitive in the interrelationship between its parts. Price administration must, above all, be flexible and instantly adaptable to changing conditions.

Under price control, as it has been administered up to now, production has risen to unprecedented levels, both in war and in peace. Hardship upon the individual businessman has been minimized. Ceilings have been adjusted, more and more expeditiously, as time has passed, to stimulate production of badly needed products. And decontrol, as you all know, has been proceeding far faster than any arbitrary law or amendment could safely have prescribed in advance.

Decontrol, in fact, is the end product and the objective of price control. Free prices, in the long run, are an inseparable part of the free enterprise system; and every move of the administration is designed to hasten the day when wartime controls can be entirely eliminated.

To hasten the coming of that day we need, now, an extension until June 30, 1947, of the price control law in its present form, without the imposition of restrictions that would hamper flexible and impartial administration. We need the continuation of subsidies. And we need very early action by the Congress, to eliminate uncertainties in the business world and in the public mind.

This is the administration's policy and its minimum need for guiding the Nation through the difficult period of readjustment. Without this legislation we will all suffer. If the Congress will grant this year's extension of authority, the same good work of increasing production while holding inflation in check can be continued.

Sincerely yours,

JOHN W. SNYDER, *Director.*

I believe we are now ready to hear Mr. Bowles.

Senator CAPEHART. Mr. Chairman, may I make a statement before Mr. Bowles begins his testimony?

The CHAIRMAN. Yes, certainly, Senator Capehart.

Senator CAPEHART. As my point No. 1: It seems to me, Mr. Chairman, the statement you have just read in opening the hearings on this bill will have a tendency to discourage people from trying to appear before this committee; also discouraging people from filing written statements.

My observation, based on your statement, is that if we do not want people to appear and do not want statements filed for the record, then we are going to hear those in favor of extending OPA and will, very possibly discourage those that may be opposed to extending OPA.

It was my observation during the Wyatt housing hearings that we heard those that were for that proposed legislation, right up to the last half of the ninth inning, and to those others opposed to that legislation we gave a couple or three hours, and hurried them along, not giving them a chance to be fully heard.

The CHAIRMAN. I have no such intention here I can assure you.

Senator CAPEHART. I know, Mr. Chairman, that you have no such intention, but I am just wondering if this statement you have made does not more or less leave that impression—that we are going to hurry the investigation; that there is very little time for people to be heard; and in one part of your statement you say, “where practicable and possible,” written statements will be received and printed in the record.

The CHAIRMAN. That has always been done.

Senator CAPEHART. It would seem to me that something as far-reaching as the extension of the OPA should have such attention by

way of hearing statements and evidence as qualified witnesses are willing to give.

The CHAIRMAN. And the committee will, of course, finally decide all those instances.

Senator CAPEHART. I appreciate that, Mr. Chairman, but this statement is being released to the press, and it is going out in all of the newspapers, and I presume over the radio, which will have a tendency to discourage those who might care to be heard, and have a tendency to discourage those who might wish to file statements. I for one object to it, and would like to have seen the statement say frankly and openly that we encourage people to appear, not only in behalf of OPA, but those who may be against extending it; and that we encourage people to file statements. Let us get the facts rather than hobble this thing, which I think the statement very plainly does.

Senator TAFT. Mr. Chairman, may I ask a question?

The CHAIRMAN. Certainly, Senator Taft.

Senator TAFT. I notice, in the first place, that you set down hearings for Wednesday afternoon of this week. Is that necessary if we are going to have debates on the floor of the Senate on the Anglo-American financial agreement on Wednesday afternoon? I take it the members of the committee will want to be present during the debate, as it is a bill reported out by this committee. If we are going to hold a hearing that afternoon then it would seem to me we ought to abandon that debate at that time. That is one of the suggestions I make.

The other suggestion is this: Would it be possible for those one might term "critics" of OPA extension to examine the applications filed for hearings? I certainly would like to cooperate in making these hearings as short as possible consonant with proper consideration, and I have what I think are important requests for a hearing which I should like to be able to urge on the committee. I would like to get a look at the whole of the opposition so far indicated, in order that there might be weeded out any duplication and have typical examples or typical industries that want to be heard, given that opportunity. I suppose those requests are available?

The CHAIRMAN. Yes, they will be available. All members of the committee will be given that information, and any member desiring a change or an addition, will be given every opportunity to be heard and have his request considered. As you know, Senator Taft, I have always done whatever the committee wanted me to do. I want to shorten these hearings as much as I can, but will give the opposition all the opportunity possible to be heard, as I have always done.

Senator CAPEHART. I appreciate that, Mr. Chairman. I do not make my statement to point out a criticism, but rather that we may help the hearings rather than hurt them.

Senator BANKHEAD. I want to second what the chairman has said. I have not always been with Senator Wagner in these matters, but I do say that he has always been very willing to hear people.

Senator CAPEHART. But this statement just made by the chairman is for release to the press. It will doubtless be published in every newspaper, and mentioned over every radio chain, and it does have a tendency to discourage the appearance of people who may be desirous of being heard, and does have a tendency to discourage the filing of statements.

The CHAIRMAN. If there is no objection we will now hear Mr. Bowles.

Senator CAPEHART. We all know that Mr. Bowles, Mr. Porter, and Mr. Vinson are members of the administration and are highly in favor of extending OPA. We know that and the country knows that. My point is: Why not get some people in here who may have just as sensible reasons why the OPA should not be continued?

The CHAIRMAN. I can assure the Senator from Indiana that if he has somebody in mind he thinks important to be heard, the committee will hear him, or them.

Senator CAPEHART. I appreciate that. I have no criticism of that. My only criticism is the release of this statement to the newspapers, which I believe I am correct in saying may have a tendency to cause people to say, "Oh, what is the use? They are hurrying this thing, and they have already set down whom they will hear, and given the dates when they will hear so-and-so, and it will delay the thing for us to hear others."

The CHAIRMAN. I think it is very important in the public interest that people know exactly what the OPA is going to do.

Senator CAPEHART. I would have liked your statement much better if you had said, "We are willing to hear statements from every one of the 140,000,000 Americans." Let them come forward so that we may get the facts.

Senator TOBEY. Would you read the statements, Senator Capehart, if they were received from 140,000,000 Americans?

Senator CAPEHART. Possibly I would, or at least very many of them. But that does not change the principle.

Senator TOBEY. I was speaking facetiously, of course. When you spoke of 140,000,000 Americans it rather staggered me.

Senator CAPEHART. Well, at least the 140,000,000 Americans are vitally interested in this matter.

Senator TOBEY. Senator Bankhead, I suppose the cotton interests are very much pleased with the set-up?

Senator BANKHEAD. Do you think that?

Senator TOBEY. I thought that might be so. [Laughter.]

Senator BANKHEAD. Then you have another guess coming.

The CHAIRMAN. Let us proceed with the hearing. We have Mr. Bowles here this morning, whom we have always had pleasure in hearing. We will now be delighted to hear you, Mr. Bowles.

STATEMENT OF CHESTER BOWLES, DIRECTOR, OFFICE OF ECONOMIC STABILIZATION, WASHINGTON, D. C.

Mr. BOWLES. Mr. Chairman, if I may, I should like to read this statement through and then answer questions at the end of it.

The CHAIRMAN. I am sure the committee will be satisfied with that.

Mr. BOWLES. I might say that this is the first time I have come before the committee without being equipped with charts.

Senator TAFT. Does Mr. Porter have the charts this time?

Mr. BOWLES. I do not believe he has. I think you will be relieved of charts this year.

The CHAIRMAN. You may proceed, Mr. Bowles.

Mr. BOWLES. I open the Government's presentation on this bill with the sense that the issues involved can be compared, in magnitude and urgency, only with issues of international peace and security.

The action which Congress takes on this bill will in my judgment affect the whole course of our domestic economy for years to come. It cannot fail to affect also the economy of other nations and the world economy.

Our people are watching to see whether or not their Government really means business in holding down the cost of living.

Our 3,000,000 businessmen are watching to see if a weakened price control act will further increase their costs of production.

Our 6,000,000 farmers are watching to see if we are to indulge in another postwar gamble with inflation such as caused 450,000 farm foreclosures after World War I.

Our 17,000,000 industrial workers are watching to see if the present balance between wages and prices is to be maintained or abandoned.

Our 12,000,000 or more of white-collar workers and people living on fixed incomes are watching to see if they are to be squeezed again between rising rents and prices and relatively stable incomes.

Speculators by the thousands are watching for the first signs of legislative weakness on a program which Congress has steadfastly maintained against tremendous pressure for four weary, difficult, war-torn years.

We stand today at one of the great crossroads of our country's history. On the one hand is the greatest opportunity we have ever had to lay the foundation for a future of long-range prosperity. On the other hand is the real and imminent danger of a destructive snowballing inflation, followed by a ruinous collapse which might well shatter our entire economy.

To grasp the opportunity that lies before us will not be easy. Nothing, on the other hand, could be easier than to let it slip between our fingers.

Congress is responsible, in the fullest sense of the word, for determining the course to be taken.

Senator MILLIKIN. Mr. Chairman, I respectfully suggest that the administration might have a good deal to do with determining the course to be taken.

Mr. BOWLES. I follow with a full explanation of that.

Senator MILLIKIN. Very well. Go ahead.

Mr. BOWLES. It must decide what the situation is with which it has to deal. It alone must decide what is to be done. And before history and the American people it must bear responsibility for the consequences of its decision.

The executive branch of the Government has the duty of assisting Congress, first, by providing it with full information and sound advice on which wise decisions may be reached; and, second, by carrying out the policy decisions which Congress makes with all possible skill and effectiveness.

In carrying out my part of this task, let me first outline as briefly as possible the main facts of our economic position as I see them.

Where do we stand today? Judged by the ordinary indications of economic well-being, the country's position as we emerge from 4 years of war is remarkably favorable.

While some farm groups have been less fortunate than others, net income per farm stands more than three times as high as in 1939, an average of more than \$2,300 per farm against \$735 in 1939. Cash income from farm marketings, after adjustments for seasonable differences is 22 percent higher than on VJ-day.

I would like to emphasize the fact that there are many farm groups to which that does not apply; that there are many farmers not as well off as others. In general, farmers started at a much lower base in 1939, when their income was only 9 percent of our national income although they amounted to 24 percent of our national population.

While some workers are still working for low wages, average hourly earnings in manufacturing are about 60 percent higher than in 1939, and only 3 percent lower than on VJ-day. Employment is at an all-time peak.

While some businesses, particularly in the reconversion field, have been going through a temporarily slim-profit period, dividend payments in the first quarter after VJ-day (the last quarter of 1945) were equal to the wartime peak, with profit prospects generally accepted as excellent. Bankruptcies are at the lowest peacetime point in 40 years. There are at least 400,000 more businesses in operation than 2 years ago.

Senator MILLIKIN. Mr. Bowles, might I call your attention to the fact that you read "400,000 more businesses" while your statement as prepared shows "400,000 more businessmen in operation".

Mr. BOWLES. That was a mistake in that statement. I mean individual businesses. The number went down in the first 2 or 3 years of the war and then came up again.

Senator MILLIKIN. All right.

Mr. BOWLES. While we naturally have some production bottlenecks and delays, industrial production, already nearly 70 percent above the prewar average, is at record peacetime levels, with new high levels being achieved each week. Retail sales are 110 percent above 1939 and 18 percent above the first quarter of a year ago. Even with due allowance for increases in the general price level since 1939, this represents a staggering increase in the actual volume of merchandise flowing over retail counters.

The stability of our economy which we achieved in war has so far been maintained in peace. Since August 1939, the beginning of the war period, the consumer price index of the Department of Labor has increased 31 percent. The increase since May 1943 has been only 3.4 percent. Since VJ-day the increase has been only one-tenth of 1 percent.

Even when we allow for deterioration in quality, this record is vastly better than that which we achieved in World War I, when the cost of living rose by 108 percent. The record is better than most of us dared to hope when the stabilization program was launched a little more than 4 years ago.

The average of wholesale industrial prices is 27 percent higher than August 1939; 4.8 percent higher than in May 1943; and 1.4 percent higher than on VJ-day. This compares with a total increase of 165 percent in the period of inflation during and after the First World War.

A brief comparative glance at some typical basic commodities is also reassuring. During the First World War the price of steel plates increased by 232 percent. Since August 1939, the increase has been 13 percent. Corresponding figures for other commodities are: building materials, 218 percent and 35 percent; plate glass, 271 percent and zero; copper, 65 percent and 15 percent; anthracite coal, 82 percent and 44 percent; bituminous coal, 675 percent and 30 percent.

Senator TAFT. Are you there talking about the inflation peak?

Mr. BOWLES. Yes, sir. That was the highest point, in 1920.

Senator MILLIKIN. What was coal then selling for?

Mr. BOWLES. I do not know. It must have been terribly high.

Senator MILLIKIN. What did steel plates sell for?

Mr. BOWLES. We can get for you all of those figures. I have not got them in my head.

Senator MILLIKIN. I would very much like to have them.

Mr. BOWLES. We will get them and put them in the record.

Senator MILLIKIN. All right. I will be glad to have you do that.

(The following was later submitted for the record by Sen. Millikin).

Actual prices of commodities for which percentage increases were shown in Mr. Bowles' statement

	July 1914	Peak of World War I inflation	August 1939	February 1946
Steel plates (cents per pound).....	1.1	3.8	2.1	2.4
Copper (cents per pound).....	13.5	22.2	10.4	11.9
Plate glass (cents per square foot).....	21.0	78.0	27.5	27.5

Percentage changes calculated from these dollar-and-cent prices will not exactly equal those used in Mr. Bowles' statement because of being carried to one less decimal place.

No dollar-and-cent data for building materials or for anthracite and bituminous coal are available corresponding to the indexes shown because each index represents a composite of the prices of many different commodities or kinds of commodities.

The indexes for these groups, expressed as a percentage of the 1926 level, moved as follows:

	July 1914	Peak	August, 1939	February, 1946
Building materials.....	52.9	168.3	89.6	120.9
Anthracite coal.....	59.0	107.6	72.1	104.0
Bituminous coal.....	34.8	269.6	96.0	125.1

Mr. BOWLES. While we have thus stabilized the prices of commodities under price control and, in so doing, maintained the general stability of the economy, the record of uncontrolled prices by contrast is one of instability. Current increases in commercial rents run from 30 to more than 100 percent. Urban real estate prices have shot up by 60 to 65 percent since the spring of 1940, and by 15 to 23 percent since September 1945 alone. Farm land values have gone up 69 percent since March 1940. Since VJ-day, stock prices have risen over 20 percent, and the price of cotton has shot up by 25 percent.

These increases attest to the strength of the inflationary pressures that permeate the economy. In large part they explain the sense of rising prices which is so deeply troubling the country.

During the entire period of World War II, we have achieved relative stability in all the commodities under price control in comparison to the record of the First World War. We have also achieved far greater stability in the actual cost of an hour's labor, which is measured by "average hourly earnings."

In the First World War average hourly earnings rose 150 percent in manufacturing industries. The increase this time has been 61 percent since August 1939 and 5.4 percent since May 1943 (the

effective date of the hold-the-line order). Average hourly earnings have dropped 3 percent since VJ-day.

Senator TAFT. To what extent was this 61 percent affected by the last increase?

Mr. BOWLES. I think that was in March.

Senator TAFT. How far does it reflect the 18½ percent increase in steel and automobiles?

Mr. BOWLES. It would not reflect steel, or at least I do not think so. The average is for the month of February, and that increase came in the middle of the month. The last figures apparently are for February.

Let me emphasize that these figures are not basic hourly wage rates. They are the average of actual wages paid out per hour by manufacturers—the actual cost of labor per hour which includes, of course, such factors as overtime payments and shift premiums.

It was inevitable that we should pass through a period of labor-management difficulties following VJ-day, just as we did after the armistice in the last war. With the termination of the “no strike” pledge and the dissolution of the War Labor Board, direct wage control for the economy generally ended shortly after VJ-day. Labor and management were asked to return to our prewar system of free collective bargaining, subject only to limitations upon the extent to which wage increases could be reflected in price increases.

It was inevitable that some difficulties would follow. Collective bargaining skills had become rusty. Tempers following a long, strained period of all-out war were frayed on all sides.

Management was worried about future costs and the mechanical problems of reconversion. Labor was deeply concerned about the drastic cuts in take-home pay which would inevitably result as overtime work was eliminated and we returned to a normal workweek.

The new wage-price policy announced by the President on February 14 to deal with the situation which had developed is working more effectively than I dared to hope. The details of the wage-stabilization rules which the President laid down have been carefully worked out by the Wage Stabilization Board in conjunction with my own office. These rules have established a basis for wage stabilization based primarily on the patterns for wage increases which have been developed by free collective bargaining, in the particular industry or locality involved, since VJ-day.

Between 600 and 1,000 cases are being handled by the Wage Stabilization Board each week. The increases on which approval has been requested range between 5 cents an hour and 20 cents. The fact that 85 percent of all the requests have fallen within the allowable patterns, or the supplementary standards, is a clear indication that both labor and management have been striving earnestly to cooperate with the Government's stabilization program in this difficult field of industrial relations.

The Wage Stabilization Board, under the chairmanship of Mr. Willard Wirtz, has been performing, in my opinion, an outstanding service. This tripartite board was forced to tackle a peculiarly difficult problem following the adoption of the new wage-price program. It has been handling this task efficiently, constructively, and courageously, and with a rare sense of group tolerance and give and take.

While we have thus come a long way in the transition we are still in midpassage.

The underlying economic pressures making for inflation, as distinguished from speculative and other psychological pressures, are gradually lessening. They are, however, still tremendous, and they are greater by far than we had expected to encounter.

The basic fact to be recognized is that the total of current demand for civilian goods, based on real needs, still far exceeds the total of current supply.

Consumer spendable income continues at 138 billion dollars, which is roughly the wartime level. Here is the first of several respects in which our postwar VJ-day expectations proved to be wrong. The sharp drop in employment which we anticipated did not materialize. While wage and salary payments at first declined, the decline was far less than expected because employment, after the first drop, held steady and then increased. As a result of this increase in employment and the increase in mustering-out pay, income payments to individuals had regained by March 1946 their peak war levels.

The most astonishing development since VJ-day has been the extraordinary increase in consumer expenditures, which occurred even while consumer income was temporarily lagging. Consumers are spending an increasing proportion of the income they receive and a greatly increased number of dollars.

During the first three-quarters of 1945, consumer expenditures were at an average annual rate of \$103,000,000,000. That was in the war period. In the fourth quarter, the first full quarter after VJ-day, they rose to \$111,000,000,000. In the first quarter of 1946, they are estimated to have reached an annual rate of \$120,000,000,000. This increase has occurred before the major consumer durable goods have become available and represents mainly increased spending for food and clothing.

The public is saving considerably less money than during the war.

Senator MILLIKIN. Right there I would like to ask this question: What is the purchasing value of the dollar today as compared with 1939?

Mr. BOWLES. I suppose the cost of living is up 31 percent.

Senator MILLIKIN. That would cover the increased dollar expense.

Mr. BOWLES. Retail sales are 110 percent above dollar value of 1939. When you subtract something for price increase you still have a very much greater flow of goods. As we move out of the war we have been spending more.

Senator MILLIKIN. The point I am making, if it is a valid point—

Mr. BOWLES. It is a valid point.

Senator MILLIKIN. You have to spend more dollars to get the same amount of goods.

Senator TAFT. I think the Government's study gives 33 percent more.

Mr. BOWLES. That is a proper correction.

Senator TAFT. And it would now be about 34 percent.

Mr. BOWLES. Yes; perhaps so. I quoted the index, and I think it proper to add 3 percent.

Senator CAPEHART. Mr. Bowles, do you think you could get any housewife in America to believe the things she purchases today are only 31 percent higher than in 1939?

Mr. BOWLES. Well, I think the people who should discuss the index are Department of Labor people. It is their index. I think the

important fact to remember, and it is a big factor in the index, is that food generally is about the same as it was 3 years ago. I think an interesting homely—

Senator CAPEHART. My statement was as of 1939.

Mr. BOWLES. That is correct.

Senator CAPEHART. And my question is: Do you think you could get any housewife in America to believe that that which she buys for her family has not gone up more than 31 percent?

Mr. BOWLES. I think most people are very skeptical of that.

Senator CAPEHART. Do you think you could get Mrs. Bowles to believe it?

Mr. BOWLES. I think I have convinced her of it. And, perhaps, I have more time with her. I think an interesting thing to do is to go back and get out your grocery store advertisements in the spring of 1943 and compare them with today's. The present program did not begin to work until 3 years ago.

Senator CAPEHART. But I am talking about 1939.

Mr. BOWLES. That was when you had no price control. And I think it is an argument for price control because in 1942 and 1943—the period before price controls became really effective—prices rose rapidly. We had to learn the job and in learning it a lot of prices went up. We must look to what we have accomplished in the 3 years we have had relatively effective control.

Senator CAPEHART. The general impression of the public, when we talk about these price increases, is that in their minds at least they are comparable to what it was before the war, 1939 and 1940. I think in many respects we are misleading the general public when we compare 1943 with present prices. The public have in mind the prices they paid for commodities prior to the war, back in 1939 and 1940. All of these figures, if I understand them correctly, are based on 1943; is that correct?

Mr. BOWLES. No. It is based on 1939, but also points out what has happened since May 1943 when the hold-the-line order came out.

I think prices are too high. For instance, I think clothing prices are much too high, and I wish we had been able to do a better job. The thing to do is to go back and correct the high prices that were in effect before price control. However, that is just not possible.

Senator CAPEHART. However, when you set an OPA price, that becomes the price, and they continue to sell at that price. As long as there is an OPA ceiling they will continue selling at that price and not reduce the price.

Mr. BOWLES. Some do sell below the ceiling.

Senator CAPEHART. I think that is one of the best arguments that we should eliminate OPA as soon as we possibly can.

Mr. BOWLES. I think we should eliminate OPA as soon as we possibly can, but, first, you have to eliminate the inflationary pressures as fast as you possibly can.

Senator CAPEHART. When you set a price they never sell lower.

Mr. BOWLES. I do not follow you on that point. Many things do move below the ceiling, and when that happens we remove the ceiling. For instance, when potatoes moved below the ceilings we removed the ceilings, and if they want to go still lower they are free to do so.

Senator CAPEHART. It is pretty hard to watch 10,000,000 items.

Mr. BOWLES. It is less than that.

Senator MILLIKIN. I would suggest that the lower price is the answer to one angle to be considered; also that statistics do not reflect the black market price above ceilings.

Mr. BOWLES. Not wholly.

Senator MILLIKIN. There is no way to estimate that.

Mr. BOWLES. What BLS does is to ask the price just like an unknown shopper going into a store. They do not get what Mrs. Jones, a very favored customer, might pay as a fancy price for a relatively scarce item. But it would reflect the average person going into a grocery store and pricing an item. I think you might be interested to have BLS explain that. I do not say the index is perfect.

There is another fact. It does not reflect bargain sales to the very low-income groups. But there are very few of them today. The poor family used to go into a grocery store Saturday night and buy vegetables and meats about to spoil. Today obviously they cannot to that; stores sell as much as they can at the ceiling. I will continue my statement.

One of the great question marks across our future is whether and for how long this extraordinary rate of consumer expenditure will continue.

We know that current consumer needs are abnormally high. Millions of returning veterans have had to start from scratch or near it to acquire a wardrobe, set up a household and furnish it. The immediate market for shirts, for example, is estimated at 320,000,000 against a production level of 160,000,000 before the war. The market for men's suits is at least 40,000,000 a year against a prewar output of 21,000,000.

Senator TAFT. What is the present inventory of shirts on hand and unsold?

Mr. BOWLES. I would say about zero judging by, my experience when I have tried to get shirts.

Senator TAFT. Have manufacturers a large inventory of finished material?

Mr. BOWLES. I do not think so. I think they are moving out pretty fast, and I think by summer the shirt situation will be definitely better. Shirts are beginning to move through production channels, and by June and July you will begin to see them.

Consumer stocks of almost all goods are low; and distributors' inventories, although gradually increasing, are far below the normal levels.

The most acute of some of these needs may be satisfied fairly quickly. The shortage of men's shirts, shorts, and pajamas, for instance, should cease to be a major problem by fall.

Senator CAPEHART. You say the immediate market for shirts is 320,000,000 against a production level of 160,000,000 before the war. What is being done to bring the production level up?

Mr. BOWLES. I suggest that Mr. Porter and Mr. Small are going to cover that question thoroughly. I am simply repeating what I understand the situation to be. That is a problem involving the CPA and the OPA and they will cover it. Perhaps I should not even mention shirts here.

Senator CAPEHART. But you contend that our national income and our national production at the moment is at a high level?

Mr. BOWLES. At the highest level in peacetime.

Senator CAPEHART. And that employment is at the highest level in peacetime.

Mr. BOWLES. Yes, sir.

Senator CAPEHART. And that wages are at the highest level in peacetime?

Mr. BOWLES. Yes, sir.

Senator CAPEHART. If that is true how are you ever going to catch up?

Mr. BOWLES. If you will let me finish that statement you will find that I have covered that point. I think you will save time if you will let me finish my statement. Then if I have not answered what you have in mind I will be delighted to go back.

Senator CAPEHART. I hope you will answer this question. I have been trying to make OPA responsible for production, which I think it will be; and I think it is the only way we will cover this point.

Mr. BOWLES. If I may go on with my statement I think I will cover that point.

Senator CAPEHART. I confess that I cannot reconcile your two statements. You have just talked about the immediate market for shirts, estimated at 320,000,000 against a production level of 160,000,000 before the war.

Mr. BOWLES. I think everybody is going to have all the shirts they want. It is a headache when you have to go to eight stores to find any, but I think, by fall, you might have to go to only two stores. There are a lot of words here that you can pick me up on, taken by themselves.

Senator CAPEHART. I am not trying to pick you up on words. I am suggesting that this problem can only be solved by production.

Mr. BOWLES. That is correct.

Senator CAPEHART. And I want to know how you are going to solve it by production.

Mr. BOWLES. The thing is to get more workers at work. That is the main thing. We have people pretty well employed now.

Senator BANKHEAD. I challenge that statement. If you get an increase in textile production, that does not settle the bottleneck. That has nothing to do with the output of textiles.

Mr. BOWLES. I think it has, and your textile production is moving up.

Senator BANKHEAD. Are you going to tell us how you are going to get textile production up?

Mr. BOWLES. One way is to get more manpower. I believe there are some 40,000 more workers now in the textile industry. Mr. Small will go into that in great detail. He will tell you exactly what is being done. I am trying to tell you about the whole broad problem of inflation.

Senator BANKHEAD. All right. I won't ask you to go into the details at this time.

Mr. BOWLES. Common knowledge tells us, however, that the backlog of need for houses, automobiles, and other durable goods is huge and that it will be a long time before it is satisfied. Prof. Sumner H. Slichter, of Harvard, estimates the backlog demand for consumer durable goods alone at \$50,000,000,000. In our biggest year, 1941, we produced only \$10,000,000,000 worth. It will take 14,000,000 cars simply to replace those more than 9 years old. The

acute demand for housing is estimated at 10,000,000 homes with a sustained level of demand around a million and a quarter per year.

I might add that automobiles present a most optimistic outlook, about 6½ million cars a year, which is 50 percent higher than our biggest year before, which was in 1941. Say there are over 14,000,000 cars more than 9 years old, you get an idea of the terrific backlog there.

Senator MILLIKIN. Are you speaking of passenger cars?

Mr. BOWLES. Yes, sir.

Senator MILLIKIN. What was the largest prewar year?

Mr. BOWLES. I believe it was 5,900,000. I believe that represented 4,800,000 passenger cars and 1,100,000 trucks, in 1941. That was our biggest year. Our capacity with present plants operating is 6½ million cars.

The public is naturally impatient to get the goods which they have gone so long without, and their feeling that supplies should be forthcoming in record time is a reflection of their faith in our huge production ability.

In 1940, before the war, our approach to production was in many instances almost defeatist. There were those who said that 8,000,000 unemployed was a natural state of things and that we had become a mature economy with restricted industrial horizons. Perhaps that is why so many people reacted skeptically in 1941 when President Roosevelt called for 50,000 planes and 5,000,000 tons of shipping in a single year.

Senator CAPEHART. You use that as an argument, and I think it is a good one, that people said you could not get 50,000 airplanes in a year, and they were wrong.

Mr. BOWLES. We got more than 100,000 airplanes in a year.

Senator CAPEHART. However, if I remember correctly, within the last few months we were asked to pass a law paying everybody \$26 a week, and the argument was that we were headed for a calamity period; and it was estimated by the administration that there would be millions of people out of work. And we were likewise asked to pass a full-employment bill on the theory that there were going to be millions out of work; that the Federal Government was going to have to employ those people. How do you reconcile these two philosophies in such a short period of time?

Mr. BOWLES. As I pointed out earlier in my statement, we were wrong. That applies not only to people in the Government, but to most economists in the matter of their estimates of what was likely to happen after the war ended. We had never done this before. I assume if we had a war every 25 years we would become experienced, but I hope we do not have to become experienced that way.

Senator CAPEHART. Then I suggest it might be possible for you to be wrong in your contention that OPA should be continued.

Mr. BOWLES. I would like to cover that later on in my statement.

Senator CAPEHART. I cannot help noticing these two inconsistencies on the part of persons who appear before committees. It was made to appear to us that we would have to pay \$26 a week because there would be millions unemployed, and now you come here with figures to show the opposite situation, which figures I believe much more than I believed those put before us at the other time.

Mr. BOWLES. On the same basis on which those figures were presented business came here last fall and urged that the excess-profits

tax should be eliminated. The excess-profits tax was eliminated because of the very feeling that the situation would work out as the Government estimated. And that was how the excess-profits tax was removed, which amounted to \$5,000,000,000 or \$6,000,000,000.

Senator TAFT. When we enacted the full-employment bill we did it with our eyes open to the thought that history would repeat itself and sometime there would be a depression. And, therefore, with our eyes open we enacted an insurance bill to provide for a depression, which we hoped would never come, but if it did come we provided that industry would take up the slack. And I have never regretted that I voted for it.

Senator CAPEHART. I voted for it, too. Fact of the matter is that it had to be done at that particular time, rushed through because of the danger of millions of unemployed. It was said that it just had to be done that day.

Mr. BOWLES. That was just the way the excess-profits tax was removed.

During the war period we have seen management and labor far exceed the early wartime production quotas laid down in 1941. We have marvelled at the flood of goods that have poured from our factories. Our impatience today with shortages and delays is a reflection of our new confidence that for us no production record is impossible. It will be easier on all of us, however, if we face up to the cold facts of our problem. The backlogs of demand accumulated through 4 years of war, plus the stupendous purchasing power developed by our industrial machine working at full blast, cannot be wholly satisfied for many, many months to come—even when present bottlenecks are eliminated and our employment rolls are increased by three or four million additional workers.

How much of current consumer expenditures represents speculative or frightened buying is impossible to tell. How much of this kind of buying there will be hereafter is a major question mark across our future. Current business demand parallels the intensity of consumer demand. Producers have been adding heavily to their plant and equipment and to inventories of raw materials and goods in process.

Business spending has reflected deferred demands and forward buying as well as buying to meet heavy current requirements. Manufacturers' inventories of materials and parts appear to have been built up substantially. However, there is evidence that these inventories are in many cases still below the requirements of present high-level operations. Distributors' inventories, unquestionably, are still depleted.

How long it will take to build up inventories to meet reasonable requirements we do not know. Another major question mark across the future is whether manufacturers and distributors will seek to build up inventories above reasonable requirements in the hope of speculative profits on a rising inflationary market, or purely for their own protection.

The enormous business and consumer demand which I have described does not remain unsatisfied because of failure to get production. As I have said, the production of civilian goods is higher than ever before in our history, and it is steadily going up.

The questions are naturally asked: Where are these goods? Why do heavy inflationary pressures continue in the face of this record

production? Part of the answer to these questions is that the flow of production has not continued long enough to satisfy urgent needs even in the areas in which production is greatest.

The more important part of the answer, however, is that the increase in production has been concentrated in the field of industrial materials and equipment and in the preparatory stages of production of finished consumer goods. It was in this area that we could utilize directly the great expansion of capacity during the war. This is the area, moreover, where any major increase in the production of finished consumer goods has to begin. While we thus have a tremendous rise in the potential supply of finished consumer goods, the result has scarcely begun to make itself felt on retail shelves.

Senator TAFT. All of this is based on the theory that we need to know what the production is today. How can we get those statistics? And how do we know those statistics are correct?

Mr. BOWLES. They are the index of the Federal Reserve Board. They have been collected for a great many years.

Senator TAFT. But they are always 3 or 4 months behind.

Mr. BOWLES. This is the March estimate that we have here, and the February figures are out.

Senator TAFT. How do they get those figures? For instance, how do you estimate what the production of lumber is?

Mr. BOWLES. I cannot tell you that.

Senator TAFT. Are they based on reports from the lumber mills?

Mr. BOWLES. They are reported, I assume, from the major samples. Mr. Eccles can tell you about that.

Senator TAFT. I have statistics furnished a year ago, but I cannot be sure that current estimates of production, and so forth, are right.

Mr. BOWLES. I do not think that you believe they are wholly right, but they are in an index which is pretty well established.

It is helpful to think of the entire process of production of civilian goods as a single pipe line, from the first stages of production of raw materials to the point of final sale to the consumer. Since VJ-day the input into this pipe line has been huge. The output by comparison with the demand which we face seems puny.

We are at the same stage in our conversion to peace as we were in 1942 in our conversion to war. At that time our gigantic productive effort had thus far been reflected in only a thin trickle of tanks, guns, and planes. Not until 1943 did the pipe line fill up and yield a flood of finished weapons.

A similar flood of finished consumer goods will eventually pour out of our present pipe line. Even after the outpouring begins, however, it is evident, as I have suggested, that it will take time before the tremendous accumulation of urgent demand can be met.

I might add that this is the basis for this tremendous hope and belief we all have in prosperity extending over a number of years.

Our present task is to maintain our economic and psychological equilibrium during the crucial interval while this process is working itself out. The question presented by the bill now before this committee is how best to do this.

In the great national debate on extension of the stabilization laws which is now in progress, three main alternative courses of action are being urged. The first is the proposal, put forward by the National Association of Manufacturers and others to drop price, rent, and wage

controls immediately, except in a few selected fields. The second is the present program for the firm maintenance of controls as long as the danger of inflation continues and their orderly liquidation as soon as the danger subsides. The third is a compromise plan to keep the framework of controls a while longer but to relax their restrictions so as to remove as many as possible of the irritations and headaches that go with them.

I think I can best set forth the essential issues before the Congress by discussing each of these three proposals in turn.

CHOICE 1: DROPPING ALL CONTROLS NOW

I should hesitate to take time to discuss the suggestion to drop all price, rent, and wage controls at this stage of the transition period if it had not been seriously advanced by representatives of a major organization of businessmen.

* Discussion of the suggestion, however, has the advantage of clearing the air. Here are controls which nobody wants unless they are needed and which nobody would tolerate as a continuing part of American life.

Senator TOBEY. A continuing part of American life—the charge is made so constantly and surreptitiously that what you have in mind is a continuation of the control of the economic policies of this country ad infinitum.

Mr. BOWLES. I wish these people who suggest that would spend a week in the Office of Price Administration.

Senator TAFT. The recommendations you have made, Mr. Bowles, are just as good reasons for not continuing controls as for continuing controls.

Mr. BOWLES. I will come to that. I may not satisfy you but I will try.

Senator TAFT. All these figures you present, present a case for 3 years.

Mr. BOWLES. I think on rents, possibly, yes.

The NAM's proposal presents the basic issue squarely and honestly. Do we actually need these controls or don't we? The answer to this question turns mainly on an issue of fact. What would happen if we let the controls go?

Even the NAM agrees that prices would go up. How far up they would go at first is a matter of conjecture.

I would like to underline these words "at first". This, however, is not the critical question. For the purpose of judging the proposal, let us make the most conservative possible estimate and suppose that the immediate impact on the cost of living and the general level of prices and rents would not at first exceed 10 percent.

The amendments to the Price Control Act now pending before Congress would raise prices and rents far more than that.

Senator TAFT. Which amendment?

Mr. BOWLES. All of them added together, or several by themselves.

Senator TAFT. You refer to those of the House committee?

Mr. BOWLES. No. General ones proposed.

I do not understand the NAM to suggest that the complete elimination of price control would result in any lesser initial increase than 10 percent.

The really important question is what the secondary consequences of these initial price increases would be. In the light of the over-all shortage of goods in relation to minimum business and consumer needs which I have described, I believe the answer to this question should be clear. The result would be a snowballing of further price increases, and a destructive runaway inflation.

How could we reasonably expect anything else to happen?

With prices rising and no assurance of where the rise would stop, the desirability of buying right away instead of later could not fail to occur to every businessman and consumer with money to spend.

Senator MILLIKIN. Would it not occur to the businessman also that he would be in a precarious position, assuming we rapidly increased our production? He had the same feeling in 1920 when he overstocked his inventory. The production caught up with him.

Mr. BOWLES. I do not think the majority of people do it to speculate, but if they wanted to get things they would have to speculate. A buyers' strike would stop it. A consumers' strike stopped it in 1920.

I would like to go on and show the results of what would happen.

Senator CAPEHART. And aren't you making a better case for rationing?

Mr. BOWLES. When rationing backs up price control you get a better job.

Senator CAPEHART. There will be a tremendous shortage for many years and that shortage will exist in your opinion regardless of prices. It seems to me to make a good case for rationing.

Mr. BOWLES. I think if we had it in clothing, it would be better for us today.

Senator TAFT. You took off rationing because it was unpopular and tried to maintain price control without it.

Mr. BOWLES. This is the first time I have ever been accused of doing anything popular.

Senator TAFT. I feel that it was for political reasons that rationing was dropped.

Mr. BOWLES. I do not know what the political reasons were but I heard no disagreement in the Senate or the House.

Senator TAFT. I criticized it. It seemed to me that it was done because millions of people are affected by rationing and only a few businessmen suffer by price control.

Mr. BOWLES. Yes. You did mention it. I was opposed to removing rationing.

Senator MILLIKIN. I would like to say that I agree with you that with prices rising and no assurance where the rise would stop, the desirability of buying right away instead of later could not fail to occur to every consumer with money to spend.

I am counterbalancing that in a tentative way with the thought that production is the answer to that.

Mr. BOWLES. Production is the answer.

Senator MILLIKIN. I would agree with the very thing you speak of, but production has been the answer, and that induces a certain degree of prudence in the buyer. I do not believe that any merchant who overloaded his shelves in the last war and who is still alive, would deal with his problem in the same imprudent fashion.

Mr. BOWLES. I think that is right.

Senator MILLIKIN. We cannot ride these horses in two different directions at the same time. We are talking of the merchants overloading the shelves, but we have a shortage.

Mr. BOWLES. He can hold back the sale of goods and develop his inventories. I will develop that point, Senator Millikin, as I go along here.

But my point is this—in addition to \$138,000,000,000 of current spendable income, consumers now have \$145,000,000,000 of liquid assets which they can try to turn into goods if they think goods are a better bet than money. Businessmen, in addition to high current profits, have \$80,000,000,000 of liquid assets and further borrowing power as well. This vast reservoir of funds which now are safely out of the market would begin to pour into it the moment a general rise in prices began, and it became clear that goods were a better bet than money.

Senator CAPEHART. Mr. Chairman, may I ask a question there?

Our people have \$145,000,000,000 of liquid assets. It seems to me that what we would like to have them do is to keep it. That, the economy we are going into with terrific shortages and the fact that, as you have mentioned, employment is at its peak with wages the best in the history of the Nation, and civilian goods at their peak, and the people going to accumulate out of savings and earnings and profits a sum over the next 3 or 4 years equal to what they have been able to do in the past 3 or 4 years; and at the end of 3 years, aren't we going to have twice a hundred and forty-five billion?

Mr. BOWLES. Of course, some of it will go into housing and business expansion.

Senator TAFT. We expect it to be spent for these purposes.

Mr. BOWLES. But you do not want this reservoir of funds to start competing for consumer goods.

Senator CAPEHART. You want to multiply this by 2. The hundred and forty-five billion they have and the hundred and forty-five billion they will accumulate.

Mr. BOWLES. They are not going to accumulate it if you have inflation. They will sell their war bonds and savings and try to get goods and real estate and anything tangible.

Senator CAPEHART. We are going to force ourselves into another deflation.

Mr. BOWLES. No. What we are going to try to do is to avoid having that money become frightened. If the people have confidence that the Government will maintain stable prices then that money is not going to be frightened and it will not go into goods. If we can keep stability we will get goods moving.

The point is today that people are saving much less than their income. They are starting to turn their bonds into goods.

Senator CAPEHART. During the war period they spent more money for civilian goods for the 5-year period.

Mr. BOWLES. I think you will make it much easier and more logical if you permit me to read this statement because many of the questions you are bringing up I am about to bring out.

Senator CAPEHART. Go ahead.

Mr. BOWLES. While buyers with available funds were deciding to buy right away instead of later, sellers with available goods would be deciding, for the same reasons, to sell later rather than right away.

Speculative bidding for goods, in other words, would start to climb at precisely the same time as speculative withholding. The existing gap between total supply and total demand would quickly be multiplied.

Senator TAFT. Mr. Bowles, what makes you think of no more than a 10-percent increase?

Mr. BOWLES. If the cost of living went up 10 percent you think that wages and profits would just settle down and everybody would not ask for more money?

Senator TAFT. They asked for more money when there was no cost-of-living increase. And they are just as likely to ask for it next year. It is one arguing point in the general battle.

Mr. BOWLES. If you will forgive me, I do not think that is a good argument. I think we will have stabilized wages if we stabilize prices.

Senator TAFT. Why did you support a 20-percent increase?

Mr. BOWLES. I did not know I did.

Senator TAFT. Your economist informed the President it could be done.

Mr. BOWLES. What economists? I deny that. It is not correct. What makes you say that?

Senator TAFT. Because your economists of the OPA and Mr. Wallace support this theory.

Mr. BOWLES. You start out by saying I advocated it. My advocacy of it extends as long as wage increases could be granted without raising prices.

Senator TAFT. And your economists said they could pay a wage increase of 20 percent.

Mr. BOWLES. I would like you to document that and say what economist and at what time.

Senator TAFT. That was the impression given in the papers. The President stated 20 percent and it was set up, I do not know whether it was the Office of Price Administration's economists but Mr. Wallace said the statement was one issued or came from an economist who was with OPA.

Mr. BOWLES. Isn't that getting a little bit away?

Senator MURDOCK. Can't we leave Mr. Wallace out of this?

Mr. BOWLES. Now, we are back where we started.

Senator CAPEHART. You were opposed to an 18½ percent increase?

Mr. BOWLES. I am opposed to wage increases that will force the raising of the general price level. I think some wage increases could be granted with prices limited to the present price level.

Senator MILLIKIN. I would like to ask the witness whether he opposed an 18½ percent.

Mr. BOWLES. I had no part in the wage increase. I think the stabilization of the economy is the important thing for wage earners, farmers, consumers, and everybody. Any increases that result in higher prices are dangerous.

We have a new wage-price policy which I am trying to carry out. The Wage Stabilization Board is doing an excellent job in getting stability back in that picture, and I intend to stand firmly on the policies I now have, regardless of whom they affect.

Senator MILLIKIN. You are making an argument now as to the effects of an advocated 10-percent increase in price levels. Haven't we a 10-percent increase by black market?

Mr. BOWLES. No. Not at all.

Senator MILLIKIN. Will someone following you give us an argument on that?

Mr. BOWLES. I think BLS, which collects the data, made a survey on meat in the last 3 weeks.

Senator MILLIKIN. I think price levels—your price levels—are a theory.

Mr. BOWLES. That is an indictment of business.

Senator MILLIKIN. I am not indicting you nor business but I would like to get facts as to how much black market is increasing your price level.

Mr. BOWLES. Building materials present the worst situation. When we lost control of allocations and priorities with the removal of L-41—an action with which I disagreed at the time—a scramble for materials resulted. As these allocations go back in, we will have a lot of that corrected—never perfectly.

Senator MILLIKIN. It is bad in meat, is it not?

Mr. BOWLES. But not as bad as a year ago.

Senator BANKHEAD. To what extent has the Civilian Production Agency exercised the power to make priorities on lumber?

Mr. BOWLES. They are working it out with Wyatt's office. They have put out new rules as to who can and who cannot get lumber on priorities.

Senator BANKHEAD. I understand your previous statement was that they had lost it.

Mr. BOWLES. I was opposed to the removal of the L-41 controls.

Senator BANKHEAD. But the Government still has that power and is exercising it?

Mr. BOWLES. Some of the controls were put back into effect recently. I would like to say at this time that a lot of people before the war pointed out with apprehension that people would never obey these rules. They were difficult and onerous. I heard of it, but it has not worked out that way.

Senator TAFT. I said they would do it in wartime but not in peacetime.

Mr. BOWLES. They are doing it pretty well. The average department store does a pretty good job.

Senator TAFT. They have to.

Mr. BOWLES. Take your chain grocery stores and the independent stores, they do a pretty good job. We have all been hampered by lack of people to enforce the rules, but still they have done a good job.

Senator CAPEHART. Would you advocate a 10-percent average price increase if it would, in your opinion, increase production in America from 33 to 50 percent?

Mr. BOWLES. And if it did not go any further?

Senator CAPEHART. Yes.

Mr. BOWLES. Yes. If you could get out of this whole mess and all its difficulties and your prices moved up only 6, 7, 8, or 10 percent, it would be worth while.

There is no magic about this price level. It is not something sacred. But I do not think you would have only a 10-percent increase and nothing more. I think you would cut the whole thing loose and begin an upward spiraling of prices.

Senator CAPEHART. The businessmen maintain, the reason they cannot get production, or greater production, is that the prices are too

low. You, by your figures, have proven to us that production is at an all-time high, and yet it is short from 33 to 50 percent of meeting the requirements.

Mr. BOWLES. No. I would not say that. In some lines, it is a lot better than that.

Senator CAPEHART. Twenty-five percent. Why would not the sensible thing to adjust prices be a 10-percent over-all increase?

Mr. BOWLES. There have been so many adjustments, I am scared to death. We have gone so far in adjustments that we are on the verge of real difficulty.

Senator CAPEHART. How are you going to get production?

Mr. BOWLES. We are getting production. It is coming more rapidly. Where do you get more labor? We hope to get workers back to a 40-hour week. They are averaging 42 hours.

Senator CAPEHART. Would you advocate 48 hours, as you did during the war?

Mr. BOWLES. Whatever workers and management want to work out—

Senator CAPEHART. I thought you were the head man.

Mr. BOWLES. We do not set the hours of labor. Labor and management decide the hours they want to work. If you really want to get back to a free economy, let us get back to it.

Senator CAPEHART. You should be held responsible for production and should make recommendations to Congress on how we can increase production.

Mr. BOWLES. We need additional workers.

Senator CAPEHART. If what you say is true, the situation is hopeless, and we will have trouble for 25 years.

Mr. BOWLES. You are getting a lot of men out of the Army for months to come. They all go into the plants as workers.

Senator CAPEHART. We could get that by having a 48-hour week.

Mr. BOWLES. If you feel that way, why don't you propose a law requiring men to work 48 hours?

Senator CAPEHART. And pay them for it?

Mr. BOWLES. I would say that would be a long step toward the totalitarian state, in my opinion.

Senator CAPEHART. What is the difference between 40 and 48?

Mr. BOWLES. That is worked out by collective bargaining.

Senator TAFT. It is the law.

Mr. BOWLES. You can work 30 or 20 or 10. You are suggesting making it mandatory that whether they like it or not they must work 48 hours.

Senator CAPEHART. I do not make anything mandatory.

Mr. BOWLES. Well, that is perfectly ridiculous. I am probably more hopeful for the future. We have more hope if we follow that. You seem to be advocating a ripping off of these controls.

Senator CAPEHART. I am not advocating. I am asking you. You said if, by raising prices 10 percent, production could be increased 33 percent that you would be in favor of it.

Mr. BOWLES. That is what Mr. Roosevelt called an "iffy" question.

Senator TAFT. I think it was an "iffy" answer you gave. You said "if it did not go up any more."

Mr. BOWLES. It is bound to go up more.

Senator TAFT. The dilemma I see is this: Your own figures show that wage rates have gone up 62 percent in the cost of labor per hour. Prices have only gone up 34 percent by the press.

Mr. BOWLES. That is not my claim.

Senator TAFT. How can you hope to maintain prices at 34 percent and wages at 62 percent when wages amount to 70 percent of the national income? How can you hope to do that?

Mr. BOWLES. I am surprised that you would ask that question. All you would have to do is to read the history of the United States, with which you are familiar.

Senator TAFT. You are talking about increase of productive capacity, and there is no evidence of that since 1939 and 1940. I have gone through all the figures you can find, and there are none to prove anything of that sort since 1939 and 1940, because these are wartime-production figures, and there is no increase in productive capacity in civilian goods.

Mr. BOWLES. Look at your volume. You had 8,000,000 unemployed in 1939.

Senator TAFT. What has that to do with it? I am asking you if prices can go up 34 percent and wages can go up 62 percent.

Mr. BOWLES. In 1919, average hourly earnings in manufacturing were 48 cents per hour. In 1944 they were \$1.02 per hour, on the average. Yet price levels were the same in 1919 and in 1944.

Senator TAFT. 1919 was a peak.

Senator MURDOCK. Let's get the answer from the witness.

The CHAIRMAN. Let Mr. Bowles answer.

Mr. BOWLES. Your wages increased while the price levels stayed the same. Even today, in spite of the figures you point to, profits are infinitely greater than they were in 1939, so business did not suffer. Volume is one of the greatest pullers down of costs. As volume goes up, costs go down.

I will agree with you that for a period of time you have to pay increased wages as a way to get our whole standard of living higher. But ultimately costs go down and profits do not suffer. As to how we have done it—take the automobile, the vacuum cleaner, the electric refrigerator, and the washing machine. They increased wages, decreased prices, and increased profits.

Senator TAFT. Assuming there has been no increase in productivity of labor per man.

Mr. BOWLES. I do not assume it.

Senator TAFT. And the general history of productivity in wartime is the same. How can you hope to maintain a 60-percent increase in wages and a 34 percent increase in prices? Isn't an increase in prices inevitable?

Mr. BOWLES. Of course it is not. If the competitive system works the way I think, it does not. Selling costs go down with volume, and distributing costs go down. Overhead goes down per unit.

Senator TAFT. Percentage-wise—no.

Mr. BOWLES. In dollars.

Senator TAFT. If you want to get efficient salesmanship you have to get the same percentage of sales before you can say the profits are bigger. They are not bigger on invested capital then.

Mr. BOWLES. Take 1939. Since then wages have increased 61 percent and prices have increased 31 percent. Profits have not suffered, as far as I can see. Profits are infinitely bigger, anyway.

Senator TAFT. That must be because your price control is inefficient; but in other lines, there are heavy losses. Many people have gone out of business. You can only be talking of general average profits.

Mr. BOWLES. Where is this hardship? You have fewer bankruptcies and 400,000 new businesses. Where is all this hardship?

Senator TAFT. Bankruptcies have gone out of style.

Mr. BOWLES. That is a strange and new idea.

Senator BARKLEY. What happens to the creditors if they do not go through the courts? There is bound to be some sort of liquidation.

Senator TOBEY. What happens to the lawyers?

Mr. BOWLES. A lot of these questions I can answer if I am allowed to finish my statement.

Senator TAFT. You have not answered my question.

Mr. BOWLES. I obviously have not satisfied you.

Senator TAFT. Wages and salaries constitute 70 percent of the national income, and you cannot cut profits in half and not justify more than a 4 percent increase in wages.

Mr. BOWLES. What do you mean?

Senator TAFT. They are 6 percent of the national income.

Mr. BOWLES. After taxes?

Senator TAFT. Yes.

Mr. BOWLES. Before taxes they are about 13 percent.

Senator TAFT. But the Government takes that away.

Mr. BOWLES. Congress decided that, not the Office of Price Administration. Price-cost relations are reflected in profits before, not after, taxes.

Senator TAFT. My point is this: You cannot hope to increase wages, which are 70 percent, while our profits are 6 percent of the national income.

Mr. BOWLES. If you assume the necessity of a high profit, low-volume economy, I agree with you.

Senator TAFT. You cannot increase this 70-percent item of the national income without increasing prices 60 or 50 percent in the long run if you have a free economy—if you allow the farmers what they have to have, which is not counted in wages and salaries, and allow the businessman to keep the thing going. I think you are trying to do something which is absolutely impossible.

Mr. BOWLES. Let me take your proposal and let prices catch up to wages as you suggest.

Senator TAFT. It is going to happen regardless.

Mr. BOWLES. Where does the money go? Does it go into profits?

Senator TAFT. Oh, I could not tell you.

Mr. BOWLES. You do not know where it goes?

Senator TAFT. To the farmer or other operators, or to capital.

Mr. BOWLES. Labor is not going to get any of this on your own assumption.

Senator TAFT. Labor has 70 percent.

Mr. BOWLES. Yes. You are going to increase prices 30 percent. Would you like to figure out where it is going?

Senator TAFT. I am not interested in profits.

Mr. BOWLES. Where is the money going?

Senator TAFT. When you get all through the money will go where it has always gone.

Mr. BOWLES. Back to labor?

Senator TAFT. To capital, to the farmers, to the individual small businessmen. That is the way it has gone before and that is the way it will go in the future.

Mr. BOWLES. But what is the answer to this question of mine? You say, keep wages the same and increase prices more to the consumer.

The CHAIRMAN. I think you should let Mr. Bowles answer.

Senator TAFT. Mr. Bowles and I always get along together.

Senator BARKLEY. I would like to ask Mr. Bowles this question and have the attention of Senator Taft. Assuming wages have gone up 62 percent and the cost of living 34 percent, and 70 percent of our annual income is wages and salaries, it does not by any means follow that 70 percent of the cost of any article produced is wages. We all know the total cost of the wage element in the cost of anything is not 70 percent.

Senator TAFT. The figures stated on the floor of the Senate are 80 percent. You mean wages but do not count materials in the labor involved in the prior production of the raw goods, and so forth, but you have to count all that because these wage increases will be general for everybody, including Congressmen and Senators, I hope.

Senator BARKLEY. I am afraid that would be inflationary.

Mr. BOWLES. You have increased wages 61 percent and profits a little over twice what they were after taxes.

Senator MURDOCK. Mr. Chairman, may the witness have a little opportunity to answer the question. I am going to insist that the rest of us have the right to hear the answer.

Mr. BOWLES. Profits have increased over double what they were in 1939. Wages have gone up 61 percent. Your proposal is to raise prices 30 percent. I do not know where the money is going to if it is not going into profits.

Senator TAFT. May I first question some of your figures? You say profits have increased 100 percent or double?

Mr. BOWLES. 1939 as against 1944, after taxes.

Senator TAFT. Wages have increased three times. What we were asking about was the wage-rate increase. You will have to increase it three or four times.

Mr. BOWLES. You had 8,000,000 unemployed. You do not want that.

Senator TAFT. You are using two parallels that are not parallel. If you take the gross increase——

Mr. BOWLES. Let us take a particular business. You are talking in terms of wages per individual. Your profits for business are a way up. Certainly, they are up two and a half times per business.

Senator TAFT. What I want to suggest is that in that profit is such a small percentage of total national income.

Mr. BOWLES. Then why double it?

Senator TAFT. If you increase your wages, your 70 percent item of the national income by 60 percent, you have to raise the 60 percent in prices. I do not see how you can escape it.

Mr. BOWLES. And, then, that money goes some place. If it goes to profit, it goes where it is not needed. I do not think businessmen whom I know want a profit increase that is a windfall.

Senator TAFT. It can go to the farmer to the extent of 10 percent.

The independent operator gets around 10 percent profits; 10 percent, roughly speaking for all averages.

Mr. BOWLES. You would not get 10 percent on that basis.

Senator TAFT. I am advocating the increasing of prices, not profits. Profits are always controlled by competition. If the competitive system works, profits will be held to a perfectly reasonable figure whatever it may be. How the rest of the income would be divided I do not know.

Mr. BOWLES. Labor would go out to get a big share of these prices and so would the farmer. He would go back to a much higher level. There would be a higher level for everybody. With that proposal your bonds are worth 30 percent less, and we asked the people to invest in them.

Senator TAFT. All you have to do is take your arithmetic with a 30-percent increase in wage rates and it will be reflected one way or the other in an increase in prices.

Mr. BOWLES. I think you leave out many other elements—selling prices and sales costs. You may have lower unit profits and still make a much larger total profit. I think you leave those things out.

Senator TAFT. While we are on the subject of wage increases, I have been shown a letter—I do not know whether it is a response written by you to Mr. Murray—in which you approve, as Economic Stabilization Director, of a wage increase up to 18½ percent for steelworkers.

May I read it?

Mr. BOWLES. I am familiar with it.

Senator TAFT. The letter is dated February 15, 1946, and is addressed to Mr. Philip Murray, president of the United Steelworkers of America, Washington. It reads:

DEAR MR. MURRAY: You have discussed with me the problem of securing a prompt application of the President's Executive order of yesterday to the present steel wage controversy so as to make possible an immediate settlement of the strike. After considering the problem, I have come to the following conclusions as to the proper course of action.

Immediately upon taking office as Economic Stabilization Director, I will issue an order under section 3 of the new Executive order providing that any wage settlement resulting from a wage agreement, arbitration award, or recommendation of a publicly appointed fact-finding agency involving a company in the steel-producing, processing, or fabricating industry or in the iron-ore-mining industry, whose employees are now on strike, and providing an increase not in excess of 18½ cents per hour, shall be deemed approved within the meaning and for the purpose of the Executive order.

The result of this order will be that companies in the foregoing industries whose employees are now on strike will be excepted from any requirement of application to the National Wage Stabilization Board to secure approval of an adjustment not exceeding 18½ cents per hour. Other companies in these industries, however, will be required to make application, if not otherwise excepted. In acting on these latter applications, the Board may, but will not be obliged to, accept the 18½ cents per hour figure as representing the established pattern for the particular type of company involved.

The general pattern of adjustment in the basic industries involved has already been established. In those circumstances, the spirit and purposes of the new Executive order, in my judgment, require that new procedural requirements should not be permitted to complicate issues which are already on the verge of settlement.

Sincerely,

CHESTER BOWLES, *Administrator.*

Senator TAFT. I am told that letter was shown to many companies throughout the steel industries as a justification for an 18½ cent order. If the men had gone on strike they were to get the 18½ cents, but if they had tried to settle peaceably they would not get it but had to go through all the complicated procedure of the Stabilization Board.

Don't you think that was a general encouragement to strike?

Mr. BOWLES. No. I think you have to consider the background. We had a long strike that devastated the steel industry and that was rapidly bringing the whole country to a standstill. The President said there should be an 18½-cent increase. We simply took the situation as it was that night and tried to get these people back to work and this terrific bottleneck open. We had to get people back to work and producing goods. That letter succeeded in getting them back immediately.

Senator TAFT. So you said that anybody who struck automatically gets the wage increase with no further action but if you had not struck you did not get it.

Mr. BOWLES. It had been approved by the President and he himself had made the statement. As far as your red tape was concerned, I believe the cases as they came in were handled within 48 hours. They were handled quite rapidly.

Senator TAFT. Where there had been no strike. I never heard of a case where if they did not strike, they got it.

Mr. BOWLES. The approval by the Wage Stabilization Board of the decisions was given very rapidly and the whole backlog went through very fast.

I agree with Senator Capehart that we should have the opportunity to tell our story. I would like to tell mine in sequence and I think I am entitled to that opportunity.

I have not had that opportunity yet.

Senator CAPEHART. One more question. Why did you not give the factories whose employees did not strike the same rights and privileges as those that struck?

Mr. BOWLES. They applied to the Wage Stabilization Board and got fast action. We were trying to get the country started up again, trying to get people back on the job and production started.

Senator CAPEHART. Wouldn't it be just as well to say that to all the factories that did not strike?

Mr. BOWLES. The others were handled very rapidly.

Senator CAPEHART. I understand they may have been handled rapidly but I cannot understand any administrative officer in this Government who would make one rule that applies to one group and another rule that applies to another.

Senator TAFT. This letter was never published.

Mr. BOWLES. Everybody in the country has seen it.

Senator TAFT. Why did you write to Mr. Philip Murray so he could show the letter.

Mr. BOWLES. We ourselves made the letter available to anybody. to steel companies all across the board.

Senator TAFT. Why was it addressed to Mr. Murray?

Mr. BOWLES. He was head of the steel workers' union.

Senator TAFT. He was not an official and he was not on the Board.

Mr. BOWLES. We were trying to stop the bottlenecks and we took action rapidly. If I had not taken it, it would have dragged on a week or more.

Senator TAFT. I do not see why the public were not informed.

Senator CAPEHART. I have no objection to your action but I do object to the fact that you did not treat everybody alike.

Mr. BOWLES. The order was public.

Senator CAPEHART. But not this letter.

Mr. BOWLES. The order carrying out that letter was published.

Could I finish my statement? I am trying to develop a logical thing. We have something important and I think as Stabilization Director I might have an opportunity to tell my story, whether the gentlemen agree or disagree.

Senator TAFT. I am sorry. I have to be on the floor of the Senate for a House bill. I ask to be excused for that purpose.

Senator MURDOCK. Maybe you can tell your story now. [Laughter.]

Senator TOBEY. I know what you are saying in your mind, Chester; you are repeating the words, "For which relief, much thanks."

Mr. BOWLES. I think the National Association of Manufacturers should have an opportunity to be heard as well as others. And I am only asking the same opportunity.

An increase of no more than 10 percent in the cost of living could not fail to set off a wave of demands for wage increases and of strikes in support of those demands. The further spurt of prices would double and redouble these demands. Higher wages would force up whatever prices had not gone up already.

The CHAIRMAN. Mr. Bowles, excuse me for interrupting.

Mr. BOWLES. Always, Senator.

The CHAIRMAN. Many of the Senators want to be on the floor for the House bill. I have conferred with the ranking Republican member, Mr. Tobey, who agrees with me that we ought to go over until tomorrow. This will give you an idea how this is going to prolong these hearings.

Senator MILLIKIN. It is very helpful to have prolonged hearings of this kind. I invite the chairman's attention to the fact that since Senator Taft left he lost half his audience.

Senator TOBEY. Mr. Bowles has been the leader in this movement and has the major story to tell. I should think many of those others who will testify could accomplish their whole objective in half an hour's time; but this is the text of the picture—the over-all picture. The others are specialists in certain phases. I think we can ask them to boil it down to its lowest terms.

Chester Bowles speaks as one having authority and we will give him all the time he needs.

Mr. BOWLES. I think I can finish my statement in about 40 minutes.

Senator CAPEHART. May I say, in view of the fact that Mr. Bowles is the expert, that we likewise should have sufficient time to ask him questions. Senator Tobey claims he is the expert, so we should have sufficient time to discuss the matter with him at some length.

The CHAIRMAN. We will recess. When we are through with Mr. Bowles, Mr. Paul Porter will be here.

We will recess until 10 o'clock tomorrow morning.

(Thereupon at 12 o'clock noon, the hearing recessed until 10 a. m. the following day, Tuesday, April 16, 1946.)

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

TUESDAY, APRIL 16, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to recess on yesterday, in room 301 Senate Office Building, Senator Robert F. Wagner (chairman) presiding.

Present: Senators Wagner (chairman), Barkley, Bankhead, Radcliffe, McFarland, Taylor, Mitchell, Carville, Taft, Buck, Millikin, Hickenlooper, and Capehart.

The CHAIRMAN. The committee will come to order.

Mr. Bowles, will you continue, and we hope to conclude your testimony in a very short time.

STATEMENT OF CHESTER BOWLES, DIRECTOR, OFFICE OF ECONOMIC STABILIZATION, WASHINGTON, D. C.—Resumed

Mr. BOWLES. If I may, Mr. Chairman, I would like to review very briefly where I was at the recess yesterday, because I am afraid we strayed quite a bit.

Yesterday I outlined the main facts of our present economic position. Chief of these is the fact that the total demand for goods, based on real needs, still far exceeds the total supply.

The most encouraging fact in the situation is our huge and steadily increasing production of civilian goods. This is still mainly concentrated in the earlier stages of production, but will eventually result in a tremendous outpouring of finished consumer goods.

Senator BANKHEAD. Mr. Bowles, where are you reading in your prepared statement?

Mr. BOWLES. This is just a brief review of what I presented yesterday.

Senator BANKHEAD. All right.

Mr. BOWLES. Our present problem is to keep our heads and our economic balance until this coming flood of goods has a chance to develop and to flow long enough to take the dangerous edge off the tremendous accumulated demand.

When the committee adjourned yesterday, I was in the middle of a discussion of what would happen, at this crucial stage of the transition, if we suddenly dropped all price, rent, and wage controls.

I pointed out that, if we did this, our already short supply of goods would shrink because those with goods to sell would wait for higher

prices before selling them. At the same time our already enormous demand would become even more swollen because those with liquid assets in reserve would try to protect themselves against rising prices by turning the assets into goods.

I pointed out that, with fewer people willing to sell and more people trying to buy, the existing gap between supply and demand would be widened still farther, and that prices would spurt up accordingly.

I pointed out that the upward spurt of prices could not fail to produce demands for further wage increases to match the increase in the cost of living, with an outburst of strikes to enforce the demands.

By this time the country would be launched upon a free-for-all fight of industry, labor, and agriculture to get their share in the general scramble—with consumers and fixed-income groups holding the bag. The stage would be set for a collapse which might be even more disastrous than that which followed the last war.

I want now to turn to the question whether, considering the present pressures, there would be anything which might stop this process of spiraling inflation and collapse from getting under way, if all the controls were removed. The answer of the NAM is that increased production and the expectation of increased production would stop it.

Senator CAPEHART. Mr. Chairman, may I propound a question here in connection with what Mr. Bowles just said?

The CHAIRMAN. Certainly, Senator Capehart.

Senator CAPEHART. Mr. Bowles, as Economic Stabilizer, what is your position on a possible coal strike? Are you going to permit an increase in wages and an increase in coal prices?

Mr. BOWLES. Well, of course the problem, first of all, is a matter of collective bargaining between the coal mine operators and the union, and they have not yet come to an agreement. If they come to an agreement which calls for a wage increase the mine owners would submit that agreement to the Wage Stabilization Board for a decision as to whether or not all or part of whatever wage increase is agreed upon may be used as the basis for an application to increase the price of coal. Until that occurs my own office has no function, nor has the Wage Stabilization Board any function in connection with it. The getting together of the parties is not our affair. I can only say that the rules as to what is approvable and what is not approvable as a basis for a price increase application have been pretty well worked out; and those will be the rules under which the Wage Stabilization Board will reach any decision it is called upon to make.

Senator CAPEHART. Do the rules permit of an increase in the selling price of coal based on the increase in wages to the miners?

Mr. BOWLES. If there is an increase in wages to the miners, first of all, the Wage Stabilization Board would decide what part or all of it was approvable. If the Board decides that the whole amount is approvable the mine owners then could take that to the OPA and the usual standards would be applied by the OPA to determine whether or not a price increase on coal was required. That would be the procedure. The point, however, is that the rules are established and will apply to coal as well as to anything else.

Senator CAPEHART. Let us suppose that the miners and the mine operators get together on a 20-percent increase, and then the operators ask for an increase of \$5 a ton on coal; does your rule permit you to grant such an increase in wages and in prices for coal?

Mr. BOWLES. The first thing that would happen would be for the Wage Stabilization Board to decide whether that amount came within the approvable category. I could not determine that in advance. That is not my function. But whatever amounts are thought to be approvable under existing rules would be the top amounts that would be approved. I want to be clear that we will not go beyond the amount that may be approvable.

Senator BANKHEAD. How do you work that out?

Mr. BOWLES. That is worked out by the Wage Stabilization Board. If you wish to ask them about it they will tell you.

Senator BANKHEAD. I do not care to ask them about it. I simply thought you might be able to tell us how it has been worked out.

Mr. BOWLES. A regular formula has been worked out. I can only say that there will be no exception as far as we are concerned to the wage stabilization program that has been developed. We will arrive at a decision and stick with that decision, whatever it is.

Senator CAPEHART. Do you mean to say that if your formula would permit of only a 12½-percent increase and they asked for an increase of 20 percent, you would deny it?

Mr. BOWLES. We do not need to deny it. We can say that the full 20 percent may not be used as the basis for a price increase.

Senator CAPEHART. Then if the mine owners ask for an increase of \$5 a ton on coal and your figures show only an increase of \$4 a ton, it will be that?

Mr. BOWLES. Yes, sir. We will not bargain on it as far as the Government is concerned. It is going to be a clear and definite decision whether it is approvable or not.

Senator BUCK. On what basis do you reach a decision whether an amount suggested is approvable or is not approvable?

Mr. BOWLES. The Wage Stabilization Board says, whatever the amount may be that is agreed upon, whether or not it is approvable for price purposes. In other words, the management knowing that, knows what they can use as a base for a price increase application.

Senator CAPEHART. Then it might be that the Government would be in the coal-mining business within the next 30 days?

Mr. BOWLES. That would be something I do not know about. But I do want to say that a prolonged coal strike would be pretty bad so far as production is concerned; that the whole production of the United States would be more or less held up, unless such a strike was settled pretty soon.

Senator BANKHEAD. Such a strike would extend further almost than steel. In other words, steel production is largely dependent upon coal.

Mr. BOWLES. That is correct. It would cripple the railroads, the power and light companies, and would go all through the economy. We have to get that settled and get on to the job of getting our production going full blast. So far as my office is concerned, I can assure everyone there will be no delays in working around the rules. The rules will be followed vigorously as we see them.

The CHAIRMAN. All right, Mr. Bowles, you may proceed with your statement.

Mr. BOWLES. Considering the present pressures, what is there which might stop this process of spiraling inflation and collapse?

The answer of the N. A. M. is production and the expectation of production.

The first difficulty with this answer is that the potential increase in production is not enough to convince even reasonable people that, with controls removed, prices would not keep going up, let alone frighten people. We can never hope to produce enough to satisfy the unnatural demand that would be generated by a panicky movement to turn the vast reservoir of liquid assets into goods.

The second difficulty is that rising prices would cripple production instead of being halted by it. Rising prices, as we have seen, mean rising costs, including rising wages. Rising costs are uncertain costs. Uncertainty destroys the basis for confidence in the planning and scheduling of production.

The expectation of rising prices, moreover, means the withholding of materials and parts. This is a blow in the solar plexus of production. The lack of one essential part can stop a whole production line. The systematic withholding of parts and materials in the expectation of rising prices would create a paralysis of production.

Rising prices mean a rising cost of living, and an outburst of strikes to enforce demands for higher wages to keep up with it.

Finally, an increase in production, even if achieved, would be futile to stop inflation unless the goods produced were brought promptly to market. The expectation of rising prices means the withholding of goods from the market or their exchange between middlemen seeking a quick profit by buying and selling to each other.

Common sense alone should be enough to tell us that huge volume production cannot be based on unstable prices and costs. We do not have to rely on our common sense, however. Experience proves it.

Senator CAPEHART. Mr. Bowles, do you think the uncertainty you are talking about there is any worse, as far as achieving production is concerned, than the uncertainty of a manufacturer or anyone else engaged in business of having to operate at a loss, or not knowing whether he is going to make a profit or not? Which is the lesser of the two evils?

Mr. BOWLES. What I am saying here applies to everybody, because everybody would be in that boat. There may be a few people operating at a loss at the present time but there cannot be very many. What I think you are talking about are the on-the-fringe groups as opposed to the whole economy.

Senator CAPEHART. But we are not getting production today.

Mr. BOWLES. I disagree with that, and disagreed with it all day yesterday. I say that you are getting all of the production our manpower will produce. Production is going up rapidly. I went into that in some detail yesterday. I feel that you cannot expect to satisfy overnight the tremendous purchasing power and demand that has accumulated after 4 years of war. However, production is at an all-time peacetime peak, and demand is at an all-time peacetime peak, and unemployment is no more than 3 million at this time.

Senator CAPEHART. According to your figures we have reached the peak, and yet we are short of what we need.

Mr. BOWLES. We have not reached the peak. Of course, we could take up your proposition of having a 48-hour week. I take it I do not have to argue with you about that.

Senator CAPEHART. Well, if everybody is producing and we are not supplying the demand, you have not yet offered us a solution for production catching up with demand.

Mr. BOWLES. If you go back and read my statement of yesterday you will see I said there are 5 or 6 million people more coming back into the labor force. I also drew a comparison between 1942, when there were very few, or at least a very limited number, of tanks and equipment flowing out of the pipe line and in 1943 when there came a terrific flow. Obviously you cannot get it by merely turning a switch. You have to build up inventories and fill the pipe line all the way through. That is the process we are going through today. I did not say that production was at a peak. I said it was at the highest peak in peacetime, and in my opinion it will go very much higher next year.

Senator CAPEHART. The only way to increase production is to work more men or work a given number of men longer hours.

Mr. BOWLES. Yes, sir; or by increasing productivity.

Senator CAPEHART. Why cannot we cure this bottleneck by working longer hours?

Mr. BOWLES. Well, if you work it out by collective bargaining, I am for it.

Senator CAPEHART. Men must be paid time and a half for every hour they work over 40 hours a week.

Mr. BOWLES. Yes, sir; and they do not have to work that number of hours.

Senator CAPEHART. During the war they worked 48 hours a week; why not now?

Mr. BOWLES. I think if I were running a plant I would encourage men to work 48 hours a week and get the production out. But I maintain that we want to get back to a free economy as quickly as we can, and it must be worked out by labor and management.

Senator MILLIKIN. Would you work out price ceilings the same way?

Mr. BOWLES. I would as soon as supply and demand permit.

Senator MILLIKIN. Well, at the beginning you usually see what is going into the pipe line.

Mr. BOWLES. Mr. Small is going to testify before your committee in the next day or two and he is Civilian Production Administrator. He can give that to you in more detail.

Senator MILLIKIN. But the whole thesis of pipe-line build-up depends on what is going in.

Mr. BOWLES. Mr. Small will give you that. I might say that I am in the position of being a professor of everything in general and nothing in particular. I think if you gentlemen will let me finish my statement you will get a better idea of our position, and then, having concluded my statement, I will stay as long as you want to propound questions to me.

Senator CAPEHART. I won't ask you any more questions.

The CHAIRMAN. That will be of some help. You may proceed with your statement, Mr. Bowles.

Mr. BOWLES. After the last war we tried the experiment of lifting all the controls to get production. Production did get a quick stimulus; but the stimulus did not last, and it certainly did not stop inflation;

From the start of the postwar upsurge in January 1919 to its peak in June 1920, wholesale prices and the cost of living increased approxi-

mately 25 percent. During the same period production rose to a peak in January 1920 of 15½ percent above January 1919 and then, while prices were still rising, fell off steadily until June 1920. After that came the collapse of both prices and production.

I might add, however, that in 1918 production dropped 1 percent.

Senator MILLIKIN. Do you mean volume or price?

Mr. BOWLES. That is volume of goods produced.

The CHAIRMAN. You may proceed with your statement.

Mr. BOWLES. In this war we tried the opposite experiment and proved that huge volume production can be secured with stable prices and costs. I need not repeat the figures on our record wartime production. Now we are in the midst of proving the point all over again with respect to peacetime production.

In light of this record of experience, and the known facts of our present position, I must repeat that the proposal to drop all price and wage controls at this stage of the transition period is reckless and irresponsible.

On the flimsy hope that the release from control would not be premature, it asks us to gamble away the solid accomplishments of 4 years of stabilization and the expectations of a successful transition to which they entitle us.

If against all odds we won the gamble, we would gain an earlier release than otherwise from the irritations of control, and nothing more.

I do not want to underestimate the irritations. There are many of them there.

Senator MILLIKIN. That is a pretty soft word.

Mr. BOWLES. I think it is. And I think when we get back to free competition there will also be irritations. You will then have people who are not making any money, but who cannot blame it on the OPA.

Senator MILLIKIN. And if you have a house that you cannot finish it goes further than irritation.

Mr. BOWLES. The irritation there is that some people will pay twice as much for a house as it is worth.

Senator MILLIKIN. There is a whole lot covered by the word "irritation."

Mr. BOWLES. I do not like to use the word "irritation."

Senator MILLIKIN. There is more to it than irritation. You have picked a soft word to describe the difficulties of our economy.

Mr. BOWLES. I have never underestimated the difficulties.

The CHAIRMAN. You may proceed with your statement.

Mr. BOWLES. If against all odds we won the gamble, we would gain an earlier release than otherwise from the difficulties of control. You see I have left out the word "irritations." If we lost, we would face the penalty of a destructive inflation and still more destructive collapse.

Whether the penalty would have to be paid in full, no one can be sure. Certainly the corrective processes of democracy would begin to work, once it became clear to everyone what road we were traveling. Certainly also the measures which an aroused public would demand, in an effort to restore economic stability, would be much more stringent, much less palatable, and of much longer duration than the controls which Congress is now asked to extend for a year in order to maintain stability.

Exactly what these last-ditch measures would have to be cannot now be predicted. If we had the necessary determination to save the situation, we would have to start by setting up price and wage controls anew. But those controls alone could not be effective once inflation had begun to run wild. Drastic fiscal and monetary measures would have to be tried. Heavy increases in taxes on incomes—beyond anything we've experienced to date—and severe taxes on capital gains and on all liquid and capital assets would probably be necessary.

At best, devices such as these would merely cushion the inevitable collapse—a collapse which on top of four hard and costly years of war would result in grave disillusionment and deep-seated bitterness.

Choice 2—A continuation of our present program.—The second of the alternatives before us is to keep meeting this danger of inflation intelligently and courageously and to continue to do what is necessary to stop it now.

The task we must set ourselves is to bring the total supply of available goods into reasonable balance with the total of urgent demand at the earliest possible moment. When this balance has been achieved, the basic economic pressures toward inflation will begin to subside.

I would underline the word "economic."

Buying will cease to be dominated by acute need, obvious shortages, and the expectation of higher prices. Instead, it will begin to reflect anticipation of postwar improvement and better prices. At this point, the bulk of the controls can be safely lifted, even though shortages of particular commodities remain.

What is the quickest and surest way to bring the total supply of goods into balance with total demand? The experience both of this war and of the last gives us an unmistakable answer. We must maintain a stable economy in which people are confident that prices and costs are not going to run away.

Such an economy is necessary to build up the supply side of the supply-demand balance. Only when prices and costs are reasonably stable can businessmen plan production schedules with confidence and then meet them. Only under stable prices will goods move to market freely and in normal channels as fast as they are produced.

To increase the supply of goods to the maximum we must, of course, adjust price ceilings whenever they stand in the way of production. Here again, however, we need a stable economy to make this method of increasing production work.

Increases in selling prices do not help production if they are canceled out by increases in buying prices or other related prices. To be effective, in increasing production, a price increase must be selective—that is, the particular price must be raised in relation to other prices—and the selection must be made carefully to be sure that other factors permit production to expand.

A stable economy is equally necessary to keep the demand side of the balance from being inflated by abnormal and speculative buying. I repeat: We can never hope to produce enough to satisfy the unnatural demand that would be generated by a panicky movement to turn the vast reservoir of liquid assets into goods. To lick inflation we must keep the gambling money and the frightened money out of the market.

What is the best way to establish an atmosphere of stability in which people are confident that prices and costs are not going to run away?

The first and indispensable step is for the Congress promptly and firmly to extend the stabilization laws for a full year, substantially as they now stand. Given firm action by the Congress, the way will be cleared for a period of firm administration which will complete the sense of confidence and stability which we need so badly.

Senator MILLIKIN. Mr. Bowles, I cannot help asking you a question at that point: You say, "Given firm action by the Congress, the way will be cleared for a period of firm administration which will complete the sense of confidence and stability." Do you feel that there is now that sense of confidence and stability?

Mr. BOWLES. Lack of confidence stems from the fear of inflation. That is what worries a man. It exists principally, not in the areas under price control, but in areas not under control, such as the real estate market. Take commercial rents; veterans coming back and wanting to rent a store or a dental office are forced to pay as much as 50 or 100 percent, or even 150 percent in many cases more than was charged before. I think all those areas where inflation has begun to take hold present dangers to our economy. When you have price control you have a pretty good stability and a sense of confidence.

Senator MILLIKIN. The notorious black market in meats, corn, building materials, and in the textile field, has struck a body blow at the feeling of confidence.

Mr. BOWLES. We would be better off without those, obviously. I think the black market in meat has been very wildly exaggerated, and the OPA will have some testimony on that to present to you—factual testimony based on store checks. As I pointed out to you yesterday, the black market in building materials is something we are not proud of. But I think with the new controls going on it will be better.

Senator MILLIKIN. In those that have been subject to your control there has been, perhaps, a feeling of lack of confidence because they have not worked.

Mr. BOWLES. You have mentioned two or three areas where confidence is not so good; in the building-material field it is not good. At the same time, your building material price level shows a 35 percent gain since 1939, and in the last war it went up over 200 percent. Notwithstanding the fact that you do have, perhaps, some black-market buying, you are still a long way from where you were in the twenties, where wild speculation in building materials went on.

Senator TAFT. Mr. Bowles, your statement is, first, that an indispensable step is to extend the law?

Mr. BOWLES. Yes.

Senator TAFT. At the same time the first and indispensable step is not to increase the purchasing power and encourage people to spend a lot more money, and to balance the budget. That is the first and the indispensable step to prevent inflation.

Mr. BOWLES. Senator Taft, I will get to that in a moment if you will permit me to proceed with my statement. But it is up to you if you want to go on with this now.

Senator TAFT. It is not up to me, but I want to understand your position. It seems to me you are fundamentally wrong in thinking

that prices are the key to inflation. Prices are only the result of inflation.

Mr. BOWLES. Congress passed a law last year and withdrew the excess-profits tax. Was that inflationary?

Senator TAFT. I would not say that it had any particular effect on inflation.

Mr. BOWLES. I do not know why not.

Senator TAFT. That was a reduction of taxes.

Mr. BOWLES. Certainly. And I say——

Senator TAFT. Reduction of taxes is, perhaps, inflationary. On the other hand, it is proposed to create about \$4,000,000,000 of British purchasing power tomorrow. That would have far more effect on inflation than would continuation of price control.

Mr. BOWLES. You do not create that amount of purchasing power in the first year.

Senator TAFT. Why not? They could draw it tomorrow if they wanted to. They could withdraw the entire \$3,750,000,000.

Mr. BOWLES. That would be only two-thirds as inflationary as the action of the Congress last year in taking off the excess-profits tax.

Senator TAFT. On the other hand, you are suggesting the saving of money. What you do on taxes has nothing to do with the way you are spending money.

Mr. BOWLES. But——

Senator TAFT. The first and indispensable step is not the passage of this law we have before us, but to remedy the costly policy of the Government.

Mr. BOWLES. You put yours first and I will put mine second. The point is they are both equally important.

Senator TAFT. We have had during the war a certain amount of wage controls. Are we not entirely removing wage control today, at least for all practical purposes?

Mr. BOWLES. No, sir.

Senator TAFT. Does an extension of this law in a way regulate wages?

Mr. BOWLES. Very clearly you do under the Wage Stabilization Board, and I think they have done a remarkable job.

Senator TAFT. As I understand the present rule there is no rule to prevent me from paying any wages I want to pay.

Mr. BOWLES. If you absorb it in the price.

Senator TAFT. Then you are relying on prices to keep wages down?

Mr. BOWLES. Except in the construction field, where you have direct wage control.

Senator TAFT. How have you that control?

Mr. BOWLES. You have a board in that whole field.

Senator TAFT. What board do you have?

Mr. BOWLES. The tripartite board, in the whole construction field. There are direct wage controls in that area.

Senator TAFT. Is it a legal rule that a man may build and yet not pay labor over a certain amount?

Mr. BOWLES. It is up the tripartite board.

Senator TAFT. And in any other field it is off?

Mr. BOWLES. No. If you open a new plant you have to get wages approved, and there are various other phases. But they are minor I agree against the whole economy.

Senator TAFT. You say:

The first and indispensable step is for the Congress promptly and firmly to extend the stabilization laws for a full year, substantially as they now stand.

And you preceded that by asking us the question:

What is the best way to establish an atmosphere of stability in which people are confident that prices and costs are not going to run away?

What confidence is there that costs in the sense of wages will not increase?

Mr. BOWLES. Your Wage Stabilization Board has tackled that whole problem, and is handling 600 to 1,000 cases a week——

Senator TAFT. If you violate prices today you are violating the law. Yet you can pay men, except in the building field, any wages you want to pay without violating the law.

Mr. BOWLES. If you absorb it in the price.

Senator TAFT. There is no law fixing wages today.

Mr. BOWLES. What you have are indirect wage controls in the most of the fields, and direct wage control in the construction field. But those are predicated upon——

Senator TAFT. And they are not effective?

Mr. BOWLES. Yes, they are. An increase of 18½ cents, I believe, is in slightly more than half of the wage agreements that have been reached since the new program went into effect the middle of February, and the others have been below 18½ cents.

Senator TAFT. My point is that you are asking us to extend the law to control prices and yet you are not asking us to extend any law fixing wages.

Mr. BOWLES. I think——

Senator TAFT. When you say——

Mr. BOWLES. Let us be practical and, first of all——

Senator TAFT. But my point is——

Mr. BOWLES. Let me finish, please.

Senator TAFT. I am trying to get an answer to my question.

Mr. BOWLES. And I am doing my best to answer and will do so if you will give me an opportunity.

Senator TAFT. Go ahead.

Mr. BOWLES. First of all, what made for wage control during the war? The no-strike pledge. You had a few wildcat strikes, it is true, but they were few in number. Then you also had the mandatory power of the Government to intervene in labor disputes and directly fix wages in such cases. Both labor and management were anxious to get rid of that after VJ-day. The Government was then dropping controls too rapidly, in my opinion. I have every confidence that the present program will work. I have far more confidence today than ever before. If we go to work and raise the cost of food and the things people buy, all bets are off, and you are back on another round of wage increases.

Senator TAFT. I think you are imagining that you can control prices when the administration has stimulated general increases of wages 50 percent over war wages.

Mr. BOWLES. Sixty-one percent.

Senator TAFT. These are factory wages. Take all wages and you will find——

Mr. BOWLES. Profits were raised to three or four times what they were before the war.

Senator TAFT. Some people make large profits and yet there are some that do not.

Mr. BOWLES. So OPA does not control profits. I am glad to hear that established in the record so clearly.

Senator TAFT. The other day we hear where they fixed prices so low that only a special person in industry could meet the prices and get a return.

Mr. BOWLES. OPA could not have fixed profits very successfully because they have gone up very substantially.

Senator TAFT. May I call your attention to the fact that corporation profits of 1939 were 6 percent of the national income; 7.11 percent in 1940; 8 percent in 1941; 6.3 percent in 1942; 6½ percent in 1943; 6.2 percent in 1944, and 5.9 percent in 1945. In other words, as far as percentage of national income is concerned that is what corporation profits were.

Mr. BOWLES. Do you think they should go up at a steady rate with the national income?

Senator TAFT. If the system is going to work in the long run the chances are that you will have to have a fairly stable percentage going along with wages of farmers and individuals, I mean as to return on capital. I think you have to compare it to the national income.

Mr. BOWLES. The return on capital has gone up substantially.

Senator TAFT. Let me give you the figures: The return on capital, and this is percentage of national income again, ran during the thirties about 20 percent. That is including interest, rents, and dividends. It ran about 18 percent in 1936, 17 percent in 1937, 16 percent in 1938, 15 percent in 1939, 14 percent in 1940, 12 percent in 1941, 10.3 percent in 1942, 9 percent in 1943, 9 percent in 1944, and 10.3 percent in 1945. That does not seem to me to be an unreasonable figure by way of return on capital in a capitalistic system, where people have to have a return to do anything.

Mr. BOWLES. Of course they do.

Senator TAFT. That 10 percent in 1945 amounted to \$15,000,000,000 on a total investment of somewhere in the neighborhood of \$350,000,000,000, which is something less than 5 percent return to the people who invested money and owned property.

Mr. BOWLES. Corporate profits before taxes in 1936-39 were 3.4 percent of net worth, and in 1944 they were 16.2 percent, which is almost five times as great as in 1936-39.

Senator MILLIKIN. Was that before or after taxes?

Mr. BOWLES. Before taxes.

Senator CAPEHART. What were they after taxes? Taxes on the average were 80 percent in 1944.

Mr. BOWLES. Oh, no.

Senator CAPEHART. To war manufacturers, I mean.

Mr. BOWLES. Yes, but not on the average.

Senator CAPEHART. That was at least half of your volume.

Mr. BOWLES. I will be delighted to put a study of what has happened to profits in the record if you wish it done. I would like to do that, Mr. Chairman.

The CHAIRMAN. All right. That may be done.

(The figures furnished by Mr. Bowles are as follows:)

	Corporate profits before Federal income and excess-profits taxes		Corporate profits after Federal income and excess-profits taxes	
	Billions of dollars	Percent of net worth	Billions of dollars	Percent of net worth
1936-39	4.6	3.4	3.4	2.6
1939	5.5	4.2	4.2	3.3
1940	8.4	6.5	5.8	4.5
1941	15.7	11.9	8.5	6.4
1942	19.8	14.2	8.7	6.3
1943	24.3	16.5	9.8	6.7
1944	24.9	16.2	9.9	6.4
1945	22.0	+14.2	900	+5.8

Source: Dollar profits figures from Department of Commerce. Net worth figures used in computing percentages are for end of year and are estimates by OPA based on Bureau of Internal Revenue data and sample data on corporations.

Senator TAFT. And, Mr. Chairman, I would like to put these figures in the record, which I have had compiled from Department of Commerce statistics.

The CHAIRMAN. All right. That may be done.

(The figures afterward furnished by Senator Taft are as follows:)

EXHIBIT B.—Table showing the percentage of national income paid out to various types of recipients from 1929 to 1945

[Department of Commerce Statistical Abstract]

	Wages and salaries	Farmers	Other individual business and professional men	Return on capital including interest, rent, and dividends		Wages and salaries	Farmers	Other individual business and professional men	Return on capital including interest, rent, and dividends
1929	63.7	6.2	10.2	18.4	1938	70.0	6.2	9.5	16.3
1930	70.0	5.5	9.4	21.2	1939	68.0	6.0	9.7	15.6
1931	74.0	4.4	8.9	22.9	1940	67.0	5.6	10.0	14.7
1932	78.0	3.7	8.4	24.5	1941	67.0	6.5	9.7	12.8
1933	70.0	5.3	10.0	20.7	1942	70.0	8.1	8.6	10.3
1934	69.0	5.4	9.8	19.0	1943	70.0	7.9	7.7	9.3
1935	67.0	7.3	9.5	18.0	1944	72.0	7.4	7.7	9.3
1936	66.0	6.8	10.0	18.3	1945	70.5	8.0	8.1	10.3
1937	67.5	7.0	9.5	17.0					

EXHIBIT C.—Table showing net corporation profits after taxes, and the percentage of national income represented thereby from 1929 to 1945

[Department of Commerce Statistical Abstract]

	National income	Corporation profits	Percentage		National income	Corporation profits	Percentage
1929	\$83,326,000,000	\$7,194,000,000	8.6	1938	\$64,200,000,000	\$1,658,000,000	2.5
1930	68,858,000,000	1,723,000,000	2.6	1939	70,829,000,000	4,228,000,000	6.0
1931	54,479,000,000	-1,614,000,000	-3.0	1940	77,809,000,000	5,844,000,000	7.5
1932	39,963,000,000	-3,645,000,000	-9.1	1941	95,618,000,000	7,668,000,000	8.0
1933	42,322,000,000	-625,000,000	-1.5	1942	119,791,000,000	7,600,000,000	6.3
1934	49,455,000,000	549,000,000	1.1	1943	149,400,000,000	9,800,000,000	6.5
1935	55,719,000,000	1,668,000,000	2.9	1944	160,700,000,000	9,900,000,000	6.2
1936	64,924,000,000	3,767,000,000	5.8	1945	157,000,000,000	9,300,000,000	5.9
1937	71,513,000,000	3,943,000,000	5.5				

Senator TAFT. The question I raise is this: What is the best way of establishing an atmosphere of stability, where people will be confident that prices and costs will not run away? Under present conditions

how can people hope that costs will not run away? Is not every businessman today expecting costs to run away?

Mr. BOWLES. Perhaps so, but I think it is because they think Congress will stop price control.

Senator TAFT. They think there is no restraint over all practices in this law, no restraint on the part of the administration in connection with costs.

Mr. BOWLES. Just wait a minute, please, and let me have an opportunity to answer your questions or observations.

Senator TAFT. Well, I am asking you—

Senator BARKLEY. Mr. Chairman, I suggest that we allow Mr. Bowles to finish his statement.

Mr. BOWLES. I would like to correct Senator Taft on the facts. He is very well aware that that is not a fact. We covered that ground yesterday and the committee knows exactly where I stand on it.

Senator TAFT. Mr. Bowles, may I say this: I don't distinguish you from the administration. The administration has one policy; you are the Director of Economic Stabilization. What your particular views are make no difference to me. You are carrying on the policies of the administration. When I say "You," I should be more explicit. I mean the administration. I am not attacking you personally on it, or anything of the sort. I am criticizing your analysis of the situation which is only affected by administration policy; not by what you personally think. That makes no difference to me.

Mr. BOWLES. Before you attack my point of view why don't you listen and hear what I have to say and then go after me as hard as you want to? It seems to me that is the only fair way to do it. It is the only courteous way to do it. If you disagree with me on that, that is your privilege.

Senator TAFT. I disagree with you. I think the proper way, when you bring out a statement of principle is to discuss that principle when you lay it down. Here you lay down the principle that people are confident costs are not going to run away if we extend this law. I say that is not so.

Mr. BOWLES. I will make a bet, Senator Taft, if you were to become the Administrator of OPA tomorrow I think you really would have trouble. At least people know that we are trying to firmly hold this line.

Senator BARKLEY. You offered to make some bet as to what would happen if Senator Taft were Administrator of OPA. I would like to know myself what would happen.

Senator TAFT. I know what would happen. I would remove two-thirds of the price control—two-thirds of the price controls tomorrow, on everything except where there was an exceptional scarcity, and I say it would have a very beneficial effect on production.

Senator BARKLEY. You mean you would remove two-thirds of the price controls, or that you would remove all price controls from two-thirds of the commodities?

Senator TAFT. That is correct, all price controls from two-thirds of the commodities.

Senator BARKLEY. I move that Mr. Bowles be allowed to read another paragraph.

The CHAIRMAN. The motion is granted.

Mr. BOWLES. During the dangerous period immediately ahead, the principal existing subsidies must be continued intact. This will give us a chance of preventing food prices from increasing materially. If we succeed, 40 percent of the cost of living for the average low-income and middle-income family will remain stabilized.

Senator TAFT. Do you discuss the subsidy question further on, or is this the only reference to it?

Mr. BOWLES. It is the only reference to it. I believe I have got some casual reference to it later.

Senator TAFT. Well, I will postpone consideration of that.

Mr. BOWLES. Rents can and must be held firmly. An additional 16 percent of the cost of living will thus be stabilized. Firm control must likewise be maintained with respect to all other commodities which are important in the cost of living or in business costs. The bulge in the prices of metal-using goods must be held to a minimum.

Existing policies must also be followed with respect to decontrol. The primary principle must be to decontrol particular commodities only when the purposes of the stabilization laws will be served by doing so. This principle will permit the steady relinquishment of controls over commodities which are unimportant either in the cost of living or in business costs. With respect to more important commodities, however, the controls can be relinquished during the dangerous period immediately ahead only in those cases in which prices will not rise as a result of the action.

These price policies are the necessary foundation for a firm wage policy. The present round of wage-rate increases based on the patterns already established must be completed on an equitable basis. President Truman's Executive order of February 14 makes this possible. The order contemplates, however, that there will be no second round of wage-rate increases forcing further price increases.

The success of the stabilization program depends on the achievement of this objective. A new round of wage-rate increases, before they are justified by demonstrated increases in labor productivity would be ruinous to stabilization. And let there be no question about this fact: Unless we continue firmly to control the cost of living, new rounds of wage increases, each feeding back into higher and still higher prices, are inevitable.

By following these policies courageously I believe that we can continue to maintain the general stability of the economy and of the cost of living under the laws as they now stand. But even though the present law is renewed as it stands, inflation will continue to flow unchecked through serious existing gaps in the laws—unless Congress acts to close them.

I particularly want to emphasize the need for curbing real-estate prices through adoption of the Patman housing bill—including control of speculative increases in the prices of existing homes. I want to repeat again the pleas I made in November 1944, that action be taken to check the rise in commercial rents. Sharp increases in rentals for business space have seriously hamstrung many thousands of veterans who want to start new ventures and have pinched more thousands of existing small businesses.

If we are wise, moreover, we will buttress the program of firm price and wage controls which I have outlined by using, or being ready to use, all the other powers of government that can strengthen us in the fight against inflation.

The Second War Powers Act must be extended for a full year; and we must stand ready wherever necessary to exercise the powers it confers.

The present regulations of consumer credit must not be relaxed.

President Truman gave us good news the other day when he told us that the budget will be in balance even sooner than we expected. We must bend every effort, by reducing Government expenditures, to speed the day when this balance is achieved.

Taxes, as the President stated, must not be reduced. Whether or not higher tax rates are called for, it is too soon to tell. Present consumer income does not seem too high for the economy's long-run needs, once the production of consumers' goods really begins to pour out. But we must be quick to act when and if the need becomes clear.

This program of firm price and wage control, coupled with firm use of all supporting powers, will give us our best chance for an early end to the need for controls. The more resolute our action in the present time of danger, the sooner the danger will be over. Other factors permitting, these policies will give us a period of full civilian production at stable prices of the kind which is essential to give total supply a chance to come into balance with urgent demand.

There is solid ground to hope that, by following this course which I have outlined, we will be out of the woods of extreme inflationary danger by the end of 1946. If this happens, controls can be lifted generally by June 30, 1947, in all but the areas of acute shortage.

I state this only as a hope and expectation. I wish I could give you a firm assurance that the expectation will come true. I cannot. And I do not apologize for being unable to do so. Neither I nor anyone else has a crystal globe that tells the future course of complex economic events in this unsettled postwar world.

Apart from questions which depend upon the decision of Congress on this bill, there are obvious uncertainties which make definite prediction impossible.

We have no measure of unsatisfied consumer needs.

We do not know how long consumers will continue to spend the present high proportion of current income.

We have no exact measure of the inventory requirements of manufacturers and distributors, and none at all of what they will regard as reasonable requirements.

We cannot foresee the exact rate or pattern of production.

We can be confident that businessmen, farmers, and industrial workers will respond to the urgent need for production, but we cannot tell with assurance what the strength of the response will be.

We are in the midst of a coal strike, the duration and outcome of which we cannot predict. We do not know the duration of other pending stoppages of production nor what stoppages will occur in the future.

We have not yet gaged the effect upon our own economy of discharging our obvious obligation as a nation to help feed the starving millions abroad. Our estimates of world food supplies were upset by last season's short crops in other countries. Obviously, we do not know what this year's crop is going to be, either in this country or abroad.

These are only examples of uncertainties and contingencies which might confound our best guesses.

We cannot determine in advance, by act of Congress or otherwise, the date on which supply will come into balance with demand and the need for these emergency controls will be gone. To attempt to fix the exact date in advance is to take at least the chance of making a bad guess and at worse the chance of disabling the Nation from protecting itself against economic disaster.

Although we cannot tell the time table of events, we can tell their general direction and destination, assuming reasonable stability in the economy. The current rate of production gives us solid assurance that, assuming this stability, supply will move steadily and rapidly toward a balance with urgent demand.

Many of the most pressing needs of buyers are already being satisfied as production continues.

We know beyond doubt that the proportion of production which takes the form of finished consumer goods will steadily and surely increase. What goes in the pipe line must come out. The military take from the production we secure will steadily decrease.

Still assuming reasonable stability, we know also that total production will steadily increase. As demobilization continues, more workers will be added to the labor force. Labor productivity will rise as it always has after a war. Both capacity and output will expand as the organization of production improves, as new plants and facilities are added, as bottlenecks are eliminated by the building up of adequate inventories, and as the flow of materials and finished products assumes more normal relationships.

In the stable economy which we seek these developments are certain and dependable. Only their timing is in doubt.

Choice Three: An effort to compromise.—The third and last of the main alternatives before us is an inviting one on the surface.

Those who urge this course of action have the realism to recognize that the lifting of all price and wage controls is not a practical possibility at this time, but only a pipe dream of wishful thinkers. What they propose is a compromise—keep the controls a while longer, but relax them in order to get rid of the irritations and headaches that go with them.

A great variety of plans for doing this will be urged upon you in the next few weeks. Here, for example, are a few of the proposals that have already been advanced:

Raise the parity standard so as to provide a basis for widescale increases in farm prices, even at the cost of a 15-percent increase in the consumers' food bill.

Jump food prices 8½ percent by dropping all food subsidies right away, or force the subsidies to be dropped according to a rigid schedule, regardless of whether the stabilization program can absorb the shock of the resulting price increases.

Prevent the stabilization of cotton prices and let textile and clothing prices escalate upward as speculators bid up the price of raw cotton.

Require price ceilings to yield a profit to every producer in every product or to every industry on every product.

Raise the profit floors that industry price ceilings are required to protect.

Give clothing manufacturers a license to concentrate their production on high-priced, long-margin lines.

Raise hotel rates 10 percent.

Raise rents 5 percent, 10 percent, or 15 percent.

Require price ceilings to reflect prewar unit profit margins in all cases, regardless of huge increases in volume.

Abolish cost absorption altogether, or abolish it for some on all retailers for 6 months.

Write a decontrol standard into the law which will assure that price ceilings will be taken off while there is still a chance for prices to go up.

Senator BUCK. Mr. Bowles, before we leave that phase, I assume that these are things which you do not approve of.

Mr. BOWLES. I very definitely don't.

Senator BUCK. Take the one in the middle of the page:

Require price ceilings to yield a profit to every producer in every product or to every industry on every product.

Do you mean by that that some industries should operate at a loss?

Mr. BOWLES. On some items they have always operated at a loss, that is, individual operators.

Senator BUCK. The point is should any man make anything at a loss?

Mr. BOWLES. Mr. Porter's testimony tomorrow is going into just that sort of thing and explain just what these price standards do. He will go into it in detail. The OPA is better able than I am to go into it at this point, but I will be glad to discuss it.

Senator BUCK. Why should any manufacturer in any manufacturing business make something at a loss?

Mr. BOWLES. In the first place 55 percent of all industries before the war operated at a loss on some items, and 25 percent of all items sold at a loss before the war. Obviously some manufacturers for certain reasons made and sold some items at a loss and made up the difference on other products.

Senator BUCK. Well, the economic and business conditions were very different at that time. He could do that or not, just as he pleased. But here the Government says, "You have to produce this at a loss."

Mr. BOWLES. No; the Government does not say that. The standard for any industry is the 1936-39 level. That is, for the whole industry prices cannot push profits below that. Then they have other special standards which apply to individual cases and individual prices. For instance, any product, even though it is made by multiple line manufacturers is guaranteed at least total cost. Any individual operator who is operating at normal volume, except in a very few isolated cases, is given price ceilings that will at least enable him to break even.

Senator HICKENLOOPER. Mr. Chairman, I take definite issue with the statement of Mr. Bowles because I know too many individual manufacturers and producers who are today operating at a demonstrable loss.

Mr. BOWLES. They may not be operating at normal volume.

Senator HICKENLOOPER. They are operating at the greatest maximum volume they can operate at with the available materials. They are operating at a definite loss. That cannot be argued either by OPA or anyone else.

Mr. BOWLES. In a case of that nature you ought to take it to OPA.

Senator HICKENLOOPER. We have a number of cases that have been over there for over 5 months, with losses that are not even disputed by OPA, where no regulation has been issued and no authorization has been made to put those people in at least just a cost position, even considering anticipated volume.

Mr. BOWLES. OPA standards have been relaxed and changed tremendously since the war period—since VJ-day. Mr. Porter will go into that in detail. I don't think there are many cases of anybody operating at normal volume who is in a loss position.

Senator HICKENLOOPER. I grant you people are not operating at normal volume, but they are operating at the maximum volume they can operate under conditions as they exist today.

Mr. BOWLES. Well, that is the kind of a case I think they ought to take up.

Senator HICKENLOOPER. Well, those are the particular kind of cases that they have been taking up, some of them for over 5 months, with no relief yet.

Mr. BOWLES. I don't like to say what OPA shall do and shall not do; those are OPA problems, and you ought to go into it with them. I know they have worked out a good many thousands of them, plus several hundred industry-wide adjustments since VJ-day, something like 400 industry-wide adjustments in the last year. Those are in addition to many, many thousands of individual cases.

Senator HICKENLOOPER. Well, I was just inclined to take some issue with your statement that producers operating at a loss are being taken care of.

Mr. BOWLES. Generally, I believe that is right. There may have been administrative delays or some other problems involved. I can only say that operating at a loss is not a new problem. Many, many very successful manufacturers have many items they sell below total cost, which are traditionally sold that way. They are called loss leaders.

Senator HICKENLOOPER. That is true, but that was under an independent economy where they elected to sell at a loss because they in the operation of their business determined it to be better for their over-all operation.

Mr. BOWLES. I agree with your distinction.

Senator HICKENLOOPER. The distinction is that the Government through its regulatory power places a price ceiling so that the individual operator has no leeway, no possible judgment or independent operating judgment, to say which articles he may sell at a loss to benefit his business.

Mr. BOWLES. I think your distinction is quite right. For instance, in some areas of the country you have people going into business today at very high costs, high labor and other costs, and starting to make products which they haven't had much experience in making. Your transportation costs are high. I think over a period of time in a competitive economy a lot of them will probably go broke. However, I do think they have a right to say, "I don't want to go broke on a Government price rule," therefore, we have given price adjustments in those areas.

In many cases we have made adjustments which are probably uneconomic over a period of time, just to take them over the hump. I think later they may find themselves in all kinds of difficulties but

adjustments have been made in many cases which are probably uneconomic prices. We have been accused by some people of putting prices too high.

Senator HICKENLOOPER. Here is exactly what has happened in a number of instances. I don't say this happens in all instances, but I have quite a number of examples of where a new man comes in—now, you might call him a fly-by-night—a new man in the field, and makes a product that is in direct competition with the product of an old-line manufacturer, and he gets a price that is a way above any reasonable price in some instances, and your old-line manufacturer that has been making products for years is held at a price that at least they allege is below the cost of production.

Mr. BOWLES. I will tell you how cases occur where you get a price that is way out of line. On a particular electric fan, for instance, there was a ceiling of around \$38 at one time, and the normal price is \$12 or \$15. What happens there is we have tried to streamline our procedures. We have gotten 60 to 80 percent of our staff out in the field handling these matters locally. These things usually result where somebody is trying to get an individual adjustment; our people find some product that seems to be about the same product and give the new fellow about the same price, with the result you get some very screwy prices.

We also have a lot of self-pricing, where they price themselves, they don't come into OPA. Reconversion firms under \$200,000 set their own price according to a formula. A lot of these things if looked into are a violation of the regulations. I don't think the cure for that is to bring everybody up to an inflated price. I think the cure for it is to try to eliminate wherever we can those lapses in administration which we have made in an effort to streamline the whole operation.

If you investigate those cases you will usually find that they fit that description.

Senator HICKENLOOPER. Well, I have several examples. This would illustrate one: Figures were given me a few days ago on electric motors—fractional-horsepower motors. The price on fractional-horsepower motors of old-line manufacturers is held with some adjustment to the 1941 level, with some increases on it, but there are new manufacturers that have never made motors before now in the market making fractional-horsepower motors that are allowed to be sold at from 50 to 75 percent higher than the price the old-line manufacturer of these motors is permitted to sell a competing motor.

Mr. BOWLES. I doubt they are allowed to, but I think some of them may do it. One way to cure that is to vote us a good appropriation so that we can go out and clean these things up. I think you will find it happens as a result of our efforts to streamline our operation and get as much of our work outside of Washington as we can, but the result in some cases is a lot of very funny prices. You can get up a good show on that and I am still trying to find a cure, but that is another issue.

Senator BANKHEAD. Mr. Bowles, why should there be any difference on that old operator the Senator is talking about and the new one?

Mr. BOWLES. Well, the only thing is we have hundreds of thousands of people in this country trying to get the thing done fast. We have taken the little fellows under \$200,000 and given them automatic

prices and we say if your contemplated volume is \$200,000 or under you price yourself. Obviously there is a chance there—

Senator BANKHEAD. What does that apply to?

Mr. BOWLES. Reconversion items in that particular field, that is, electrical appliances and that sort of thing that is being made today.

Senator BANKHEAD. Do you not think it would be more fair to put them all on the same basis?

Mr. BOWLES. If you did you would put a lot of fellows out of business.

Senator BANKHEAD. If you put some of them out of business that would reduce your work. It seems to me if you would give everybody the same ceiling for the same product that would cut down your work, too.

Mr. BOWLES. What you would have to do there is to take the highest-cost producer in the United States; you would have to give a price that the most inefficient, high-cost fellow, operating in the worst spot from all the strategy of selling and merchandising, could operate on. The result of that would be that your price would become fantastic for everybody else in the United States.

Senator BANKHEAD. You don't have to do that in order to give everybody the same ceiling. You could apply it to the bulk of the industry and give them all the ceiling.

Mr. BOWLES. That is exactly what we do. We give the great bulk—I would say that 85 percent of all the industry in the electrical field gets the same price.

Senator BANKHEAD. I thought the distinction was based somewhat on whether they were new or old dealers.

Mr. BOWLES. The new ones don't represent any more than 5 or 6 percent of your whole volume. If you compiled all those cases together, and they represented over 5 percent, I would be very much surprised.

Senator BANKHEAD. My observation is in other lines they discriminate against new lines.

Mr. BOWLES. In other words, we are doing what you suggest, taking the whole bulk of industry, giving them a clear flat-price increase. Then, in addition, we take care of individual cases, but in taking care of individual cases there is inevitably some looseness and inevitably some places where a lot of people violate, one way or the other, knowingly or unknowingly, and get around your rules. You get some very funny prices, but it is a very small percentage of the whole industry.

Senator TAFT. You say:

Require price ceilings to yield a profit—

You say you object to that, and I object to that. If you are going to fix prices I think that is an improper method of pricing because there were many producers who just came out even or lost money under a normal competitive economy. Then you say:

To every producer in every product or to every industry on every product.

In that case you object to a rule that would say in every industry every product should be priced so that there was, well, a normal profit to industry as a whole.

Mr. BOWLES. What they have got now is total costs—guaranteed total costs.

Senator TAFT. Guaranteed total costs. Industry is guaranteed total costs. You mean the most efficient operator in the industry has a guaranty that he doesn't have to sell any one product at a loss?

Mr. BOWLES. Well, take any major product that he sells that is sold in general. We price that so that total costs for the whole majority of the industry are covered. It might run 60, 70, or 80 percent of your industry. That was a CED proposal, I believe.

Senator TAFT. I remember you had a rule——

Mr. BOWLES. It used to be factory costs.

Senator TAFT. It used to be factory costs.

Mr. BOWLES. They have moved it to total cost.

Senator TAFT. Do you add in overhead; is that what you mean? You would not object to a requirement in this law if that were proposed, that every industry should be permitted at least cost on every major product.

Mr. BOWLES. That is what we have already got.

Senator TAFT. Of course, it is contended by some of them they don't get that; but I mean that principle, however, you don't object to?

Mr. BOWLES. That is part of the new scheme.

Senator TAFT. Do you have any controversy about what is a major product or a minor product in determining that?

Mr. BOWLES. Perhaps Mr. Brownlee can answer that.

Mr. BROWNLEE. Yes; I think they always get kind of fuzzy in certain concepts of anything that is a principal product in industry where that particular theory is carried out.

Senator TAFT. I have always objected to the theory that because they sold some things at a loss in peacetime, they could be made to sell them now at a loss, unless it is a byproduct of some sort. It seems to me that every industry was trying to sell every product at a profit or else after a while they quit making it.

Mr. BOWLES. That is right.

Senator TAFT. So I have never agreed to that theory.

Mr. BOWLES. You see, we went to total costs, first of all, on a limited basis last fall; then we went to total costs on a much broader basis recently, and our standard we have now is a CED proposal.

Senator TAFT. Would you object to an amendment——

Mr. BOWLES. Excuse me. Mr. Brownlee has a point he wants to make.

Mr. BROWNLEE. On the point you just brought up, Senator Taft, an industry which has historically had some type of byproduct or for other reasons has sold at historically less than the total cost, I think we would take exception to the fact we should then raise that up to total costs.

Senator BANKHEAD. Mr. Bowles, will you have put in the record the new regulation that you said had been adopted?

Mr. BOWLES. Mr. Porter will cover all of those with you tomorrow and will have all the standards of the agency which have been changed. You will find, Senator Taft, that they have been changed quite materially from those you looked at last spring. After VJ-day we had a different kind of condition.

Senator TAFT. Would you object to a provision that in every industry no price should be fixed on a major product below the cost of production plus, we will say, the historical margin in some period to be fixed, prewar; would you object to such an amendment?

Mr. BOWLES. Well, I think we would. I don't know what the impact of that would be.

Senator TAFT. In other words, that would mean if it was historically sold at a loss there would be no margin, only where it was historically sold at a profit. Would you object to a rule that every major product—that means to me nearly everything except very minor stuff—should be priced at a figure which would return costs plus historical margins in the industry?

Mr. BOWLES. I think——

Senator TAFT. Would you be willing to discuss, at least, some such amendment?

Mr. BOWLES. I would like to know what the impact of it would be. I have the feeling that the impact would be rather great.

Senator CAPEHART. Mr. Chairman, may I say this? I am delighted to hear Mr. Bowles say that OPA had made some mistakes and many things were wrong. I think that is a splendid sign. I think maybe at this period we ought to thank God and offer up a prayer because Mr. Bowles has finally admitted for the first time to my knowledge, that there have been mistakes in OPA.

Mr. BOWLES. I think if you go back and look at the record of this committee you will find I stated that there had been mistakes made on very occasion I have been up here.

Senator BARKLEY. If you are going to offer up a prayer I want to know whether you thank God there were mistakes, or thank God because he has admitted it.

Mr. BOWLES. I would like to say this: Of course, there are errors in a thing of this kind. How in the world could you expect us to set all the prices we have set and not make errors?

Senator CAPEHART. I say I think it is a splendid sign.

Mr. BOWLES. It is not a new sign. I have said that for the last 4 years. This is not the occasion to try to analyze the precise effect of each of these proposals or of similar proposals. If the committee wishes such an analysis of any particular proposal, I shall be glad to furnish it. My purpose here is only to make some general comments upon what is involved, from the point of view of stabilization as a whole, in proposals of this type.

Some of the proposals would make continued stabilization flatly impossible. Revision of the parity standard or abolition of cost absorption are examples. Others might or might not tip the balance toward inflation.

All of the proposals which would involve any considerable unsettling of prices would certainly jeopardize our ability to prevent inflation, and at the least postpone the time when the controls can be safely removed.

Congress has the responsibility of deciding whether the advantages of making any of these changes in the law, whatever the advantages be, are worth the risks. My responsibility is to give clear and unmistakable warning of what in my judgment the risks are.

As I read and hear of these proposals, they seem to me to be based on a genuine misunderstanding of the country's position. All the proposals assume that the present stabilization balance has a solidity which in fact it does not have. They are made out of an impression of safety which is an illusion. If we put aside that illusion and look at the facts, it becomes apparent that these suggestions of relaxation

in the laws involve risks which even their proponents would not wish to take with their eyes open.

Two things only are needed to appreciate these risks: a clear view of the tenseness of the present situation; and a realization of the explosive possibilities in the midst of this tension, of a decision by Congress that price and rent controls should now be loosened.

Let us review briefly the factors in the present situation which create the tension.

The pressures on almost all price ceilings, as I have pointed out, are strong and in many cases tremendous.

Partly these are pressures of demand. We thought these pressures would ease for a while after VJ-day, but they did not. The extraordinary increase in consumer expenditures has kept them up.

We feel incidentally, and so reported to the Appropriations Committee of the House of Representatives last September, we thought we would be out of most food controls by this summer. We very much under-estimated the pressures that were going to be holding these prices up.

Partly also the pressures come from costs. The transition bulge in production costs has not yet subsided. As volume production is attained; as labor productivity improves; as temporary elements in labor costs, such as overtime, disappear; as parts and materials once again become available from normal sources and in steady supply, these costs will inevitably go down. Until they do, however, business is naturally uneasy.

With pressures high, very few prices have softened since VJ-day. As a result, the increases in price ceilings which have been allowed since then have caused a net increase in the general level of prices. The index of wholesale prices has gone gradually but steadily up. Only because egg prices softened were we able to keep the cost of living substantially even.

That is not quite a factual statement. It has been much more than that. We have had a few items that have softened, that have enabled us to hold the cost of living to about one-tenth increase since VJ-day.

Senator TAFT. You mean one-tenth of 1 percent?

Mr. BOWLES. Yes; one-tenth of 1 percent up.

Further price increases are in prospect on some commodities—and in the immediate future not much softening of prices on others. As I have said, the price increases we can see ahead will not by themselves upset our stability or even threaten to do so. On top of the steady rise in the general level of prices, however, they do definitely narrow our margin of safety.

This steady rise in prices is the background of the most dangerous factor of all. We must face the blunt fact that the country is showing signs of inflation jitters. Everywhere men and women are beginning to bet on inflation. We can see the consequences most clearly in the markets where prices are controlled—in the stock market, the real-estate market, and the cotton exchange. The expectation of rising prices is abroad and the contagion of speculation is spreading.

In this situation we have to ask ourselves what the effect would be if Congress were to legislate additional price increases now.

It is no overstatement, I think, to say that the effect on the morale of stabilization would be devastating. This effect would carry far beyond the particular price increases which Congress legislated.

Stabilization is, in every sense of the word, a common enterprise of the American people. Its success depends upon general recognition of a common danger by all economic groups and the fair and uniform application of the controls to all of them.

A decision by Congress that price controls should be relaxed in favor of one or more special groups would undermine the basis for a firm policy to others.

A decision by Congress that price controls should be relaxed generally would amount to a denial that any serious common danger does exist and thus put in question the basis for the program as a whole.

Either decision would encourage new and more insistent demands upon OPA for price increases. The weight of either decision would break down the will as well as the ability of the agency to resist the demands effectively.

Let me repeat: During the next crucial months of intense inflationary pressures, prices must be held firmly or we will be starting up the wage-price spiral with the lines of retreat blocked.

Another round of wage rate increases before they have been justified by increased productivity and lowered costs, would have a disastrous effect upon the general price level.

Any substantial increase in the cost of living during the rest of this year would build up unbearable pressures on wages. A decision by Congress to relax price controls at this time, and a serious upward movement of prices following that decision, would take away the basis for resisting those pressures.

Even more dangerous than these relatively slow-moving pressures would be the instant effect of a decision to relax controls upon the psychology of inflation.

The decision would tell people that prices are going up, and the only question would be how fast and how much. Those who have goods would keep them to see. Those who have not would try to buy as much and as fast as they could. Speculative withholding of parts and materials would slow down production. The multiplication of orders in anticipation of higher prices, the building up of excessive inventories, the growth of speculative trades between middlemen, the withholding of finished goods from consumers—all taken in combination with a production slow-down—would destroy our hopes of an early balance between supply and demand and threaten a break-down of controls.

Senator MILLIKIN. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes.

Senator MILLIKIN. Mr. Bowles, will you have statistics as to the withholding of inventories at the present time?

Mr. BOWLES. We have inventory controls administered by CPA.

Senator MILLIKIN. Yes.

Mr. BOWLES. The figures are hard to get because your whole standard of what is a proper inventory is hard to arrive at.

Senator MILLIKIN. Will you have statistics?

Mr. BOWLES. Mr. Small, of CPA, will give you the whole story of what they have done on that. I think there has been some inventory hoarding. I don't know that it has been serious yet. Personally—and this is my personal view—and I want a chance for everybody to come here and say all they have to say—but certainly any delay in

extending this Price Control Act is bound to result in hoarding inventories and speculative inventories by people who are wondering what is going to happen on July 1.

Senator MILLIKIN. I was wondering if there is any appreciable degree of speculation in such inventories?

Mr. BOWLES. I would say there is not too much. There is some, and it is growing. CPA has some controls on most areas. They are examining those controls and they are checking up on industry after industry to see just what will happen. Mr. Small will probably be able to give you a good deal here.

Senator MILLIKIN. He will appear here?

Mr. BOWLES. Yes, he will. It is a hard thing to do to keep that under any kind of control.

Senator TAFT. In general everybody is putting their inventory into the product as fast as they can get the materials.

Mr. BOWLES. That is right.

Senator TAFT. So that there isn't too much danger there, it seems to me.

Mr. BOWLES. But don't you agree with me that efforts to hoard will increase rapidly in May and June if the price situation remains uncertain? It seems to me it can increase very rapidly if the act is delayed too long.

Senator TAFT. They cannot increase too much because they cannot get the materials.

Mr. BOWLES. You just don't have to sell your stuff. You can take your finished product and hold it back.

Senator TAFT. Not when every customer is shouting his head off.

Mr. BOWLES. You don't have to give it to them. You just hold back and don't sell. You hang onto your inventory whether it is raw materials or finished goods, or parts, or what.

Senator CAPEHART. You cannot build new warehouses today under the executive orders of the Housing Expediter, so I don't know where you can store it.

Mr. BOWLES. I think they could store plenty of that between now and July 1. You have some of that in wheat and corn, withholding inventories in anticipation of higher prices.

Senator TAFT. You also have some hoarding of products on account of OPA; they are to some extent hoarding stuff hoping that OPA will see the light in the end and give them an increase.

Mr. BOWLES. OPA has relaxed on prices. I would say if OPA had relaxed anymore I would start to get extremely worried.

Senator BARKLEY. I was just about to suggest that they are not only hoping that OPA will see the light, but that Congress will not see the light and thereby abolish it.

Mr. BOWLES. That is very true.

No half-hearted extension of the stabilization laws will be sufficient to remove this danger. Buyers and sellers everywhere will study the action of Congress on this bill and the continued ability of the stabilization agencies to do their job under it in the light of hard realities. Only determined and unequivocal action will stand up under this scrutiny, in the present state of inflation jitters, and carry the conviction of stability.

It often seems to be assumed that a runaway inflation cannot take place as long as the stabilization laws are on the books and a frame-

work of price control is maintained. No belief could be more unfounded or more dangerous.

The developments I have described, if they occurred, would generate enormous pressures on top of these the stabilization agencies are already resisting. I know of no basis for assuming that new pressures of this magnitude could be resisted successfully.

Exactly where the breaking point in the stabilization line is neither I nor anyone else can say. Nor is there any means of calculating just how much pressure on the line any particular relaxation in the law would develop.

Unless I completely misjudge the position, however, we have too much to lose and too little to gain to warrant the risks that would be involved in any one of these price-raising amendments.

What we have to gain from any weakening of the laws is at most a temporary advantage, or an easing of temporary restrictions, for a relatively small group of sellers. What we have to lose is a stable and prosperous economy and our hopes for a stable and prosperous future.

The policy of stabilization has carried us successfully through more than 3½ years of war and 8 months of peace. Past experience and present production give us solid assurance that if we adhere to this policy we shall be moving by next fall or winter steadily and surely out of danger.

To legislate further price increases now would be to put this prospect in jeopardy and perhaps to lose it. In the months to come, instead of stability, continued prosperity, and growing confidence that inflation will be definitely and finally licked, we would have instability, increasing hardship from higher living costs, and fear that inflation is finally going to get the better of us.

The American people are entitled to expect that they will not be subjected to these risks for the benefit only of minorities greedy to cash in on the opportunities created by the common disaster and sacrifice of war.

Congress has steadfastly adhered to the principle of stabilization. Through more than four difficult years and in the face of heavy pressure from special interest groups its wisdom and firmness have borne fruit in a stable economy which contributed to the winning of the war and has already laid the foundation for the winning of the peace.

In deciding the issue before it today Congress carries an enormous responsibility. On its decision may well depend the future prosperity of our people and the health of our free enterprise system.

With the facts of our present position before it, I am confident that Congress will continue to be wise and firm and will extend for the benefit of the American people as a whole the full measure of protection of the stabilization laws.

MR. CHAIRMAN. Well, thank you very much, Mr. Bowles. That is a very fine presentation. I am sure the majority of our committee feels the same way, and I hope that it may be distributed so that people may know about what your statement contains for their benefit.

Mr. Paul Porter.

Senator TAFT. Wait a minute. May I recur to the subsidy question, because I take it the subsidy question is the over-all policy

of the economic stabilization plan and not particularly related to Mr. Porter; is that correct?

Mr. BOWLES. It is primarily our office.

Senator TAFT. You are the proper person to address this to?

Mr. BOWLES. That is right.

Senator TAFT. You propose here to continue subsidies at the rate of about \$2,000,000,000 a year. I think clearly all of it relates to consumer goods; is that correct?

Mr. BOWLES. That is correct.

Senator TAFT. And it is contended that that will prevent inflation. Why does not the additional expenditure of \$2,000,000,000 Government money contribute as much inflation as if the consumer had to pay the \$2,000,000,000 for the real cost of the goods he is getting?

Mr. BOWLES. Well, Senator Taft, you have to view the cost of food and the cost of living as part of your whole over-all stabilization program. During the war we were able to hold the line with reasonable stability from the period of the hold-the-line order on, because we held food costs and held rents, and average hourly earnings went up only 5.4 percent from the hold-the-line order until VJ-day.

Senator TAFT. The average hourly earnings went up what?

Mr. BOWLES. 5.4 percent.

Senator TAFT. I figured about 10 percent.

Mr. BOWLES. Maybe it is 5.4 from the hold-the-line order until February 1946 but 10 percent from the hold-the-line order until VJ-day.

Senator TAFT. From what period is that?

Mr. BOWLES. From May 1943.

Senator TAFT. From May 1943 to May 1945 it went up from 88½ to 97½ cents. We are now nearly another year beyond that, so it went up 9 percent or 10 percent.

Mr. BOWLES. But it has gone down since VJ-day.

Mr. SALANT. The 5.4-percent figure was from May 1943 to February 1946. February is about the same as January.

Mr. BOWLES. In other words, I gave it to you wrong. Instead of being from May 1943 to VJ-day, it is from May 1943 to February 1946. It went down about 4 percent since VJ-day.

Senator TAFT. The figures you gave yesterday didn't show any reduction in average hourly earnings.

Mr. BOWLES. Yes; it did.

Mr. SALANT. At the top of page 4 in the statement.

Senator TAFT. That doesn't take into account the last 18½-cent increase.

Mr. BOWLES. It takes in part of it.

Senator TAFT. It takes in practically none of it in February.

Mr. BOWLES. It took in some. It will be a little more after that, but I don't think enough to restore your VJ-day level.

Senator TAFT. Mr. Chairman, are we going to have the Bureau of Labor statistics here, because there is a substantial difference. Their figures, I understand, show at least a 10-percent increase before this last 18-cent increase.

Mr. BOWLES. These are the Bureau of Labor Statistics figures. I think where the confusion is is this: Between May 1943 and VJ-day, I think you have got 9 or 10 percent. Then there was a drop from

that point on of three or four points which brings it down to five or six, which I was talking about.

Senator TAFT. Well, I haven't seen that and I have seen the last figures—since February. You say the average hourly rate—

Mr. BOWLES. This is hourly earnings. It is not a rate.

Senator TAFT. Oh, well, I am talking about the cost of labor. That is the only significant figure.

Mr. BOWLES. The wage rate is not the cost of labor. It is the earnings, the average amount they pay per hour including all your premium payments and your overtime.

Senator TAFT. Oh, well, your take-home pay is something entirely different.

Mr. BOWLES. This is average hourly earnings, not take-home pay.

Senator TAFT. Well, the average hourly earnings I don't think have decreased.

Mr. BOWLES. Well they have. To finish my point, the hold-the-line order attempted to establish the line of wages and prices in line with the Stabilization Act of September or October 1942. During the winter following that act food prices went up substantially. Subsidies were then introduced to hold the line on food in order to keep wages from moving up and starting to spiral back into the whole cost structure.

Now today we have worked out another program which we hope will stabilize wages and prices. I think if we cannot stabilize wages, we cannot possibly stabilize the economy at the same time. If we do not stabilize the cost of living, we cannot stabilize wages.

Senator TAFT. Mr. Bowles, you said that a year ago.

Mr. BOWLES. The function of subsidies is to prohibit and avoid an 8½-percent increase in food prices following July 1. If you get that, in my opinion, you cannot stabilize wages.

Senator TAFT. Mr. Bowles, you have just allowed an 18-percent increase in wage rates generally throughout the country. Why should not half of that be used in paying this additional 8 percent?

Mr. BOWLES. It is not general throughout the country.

Senator TAFT. Well, it is getting very general, probably more general than any wage increase we ever saw. It is inevitable. We are going to give it to the Government employees. We are going to permit it everywhere.

Mr. BOWLES. All I am telling you is if food prices go up 8½ percent, in my humble opinion, having worked and lived in this thing for 4 years, you are going to have a second round of wage increases with all the additional costs that are going to feed back into the economy.

Senator TAFT. That is what you said a year ago. What happened after the war? You immediately had a demand for a 30-percent increase in wages, wage rates, although there had been, as you say, no increase in the cost of living practically.

Mr. BOWLES. Three or four percent.

Senator TAFT. And yet the Government approves a 20-percent increase in wage rates, and costs of labor, although there was only a 3-percent increase in the cost of living.

Mr. BOWLES. Well, you don't buy groceries out of rates. You buy them out of earnings, out of the money you take home. Take-home pay went down very sharply after VJ-day.

Senator TAFT. But comparing everything with prewar, the wage rates with the same amount of hours have increased 60 percent.

Mr. BOWLES. You don't buy groceries out of rates. Last fall the OPA and Department of Agriculture figures showed a contemplated drop in food prices from possibly 100 on VJ-day down to 92 in June, a very major drop in food prices. That was part of the general false thinking, erroneous thinking, that we were going to get a very big drop in take-home pay, a lot of unemployment, a lot of down-grading, a lot of people out of work. However, that did not take place to the extent expected. Also, we expected last fall if we could equal the 1944 figures on retail sales for the last quarter of 1945 we thought we would be lucky. The National Retail Dry Goods Association estimated we were going to have a very drastic drop in retail sales, all going back to the fact that purchasing power was going to hit the toboggan slide, and that you were going to have a lot of people out of work.

Senator TAFT. You were all wrong then. Do you think you are all wrong now?

Mr. BOWLES. Well, if farm prices have stayed up, if retail prices stayed up, it is largely because purchasing power has stayed up. Purchasing power has held at a high level and there isn't a merchant or farmer in the country that didn't benefit, but it did increase inflationary pressures. There is no question about that.

Senator TAFT. I suggest that these strikes, so far as labor is concerned, have decreased purchasing power up to this moment, more than they have increased purchasing power.

Mr. BOWLES. I think strikes are always unfortunate, but I don't think it is proper to blame strikes entirely on labor. They are the result of labor-management disputes. I think the habit we get into of saying every time some workers stop work that it is the workers' fault is unfair.

Senator TAFT. I am simply saying that the net result is that we haven't got any more purchasing power.

Mr. BOWLES. Well, the purchasing power is infinitely more than we expected.

Senator TAFT. Greater than you expected, but not because of this 20-percent increase you have granted.

Mr. BOWLES. If you are saying to me that you expected it, you are a wiser man than anybody I know.

Senator TAFT. Oh, I never predicted one way or the other. I predicted nothing. I listened to your predictions.

Mr. BOWLES. That is one of the benefits of being a Senator, not having to run an agency and make plans.

Senator TAFT. That is right.

Mr. BOWLES. We have to make plans. We have never been through this before.

Senator BARKLEY. I would like to ask, with reference to these increases in wages, although a request was made for a 30-percent increase they got about an average of 18½?

Mr. BOWLES. Oh, an average of considerably less than that.

Senator BARKLEY. Well, that may take into consideration an average of those who have not been on strikes, but those who went out on strikes got an average of around 16 to 18 percent, did they not?

Mr. BOWLES. Well, I don't know what the average would be. My guess would be it would be something like 15 percent.

Senator BARKLEY. Well, this is the point: When they asked for 30 percent and accepted 18½, did they not base that in part upon the contention that the cost of living had gone up more than 30 percent, around 35 percent, whereas under the Little Steel formula wages had only gone up 15 percent during the same time when the cost of living had gone up 35 percent? So that you have to take into consideration these figures, when you say that the 18½ percent that they got is more than the increase in the cost of living of 3 or 4 percent over a long period of time.

My recollection is that most of these claims for an increase in wages were based upon the fact that the cost of living had gone up during the war more than the rate of wages had gone up; is that not true?

Mr. BOWLES. Well, taking the automobile industry, I believe the rates went up there during the war about 23 percent and your cost of living went up 35, or 34.

Senator BARKLEY. But is not the general answer to my question "Yes"?

Mr. BOWLES. Yes, sir; it is.

Senator TAFT. On this same thing, your own figures yesterday, Mr. Bowles, showed that the wage rates since prewar had gone up 62 percent as compared to 35 percent in the cost of living.

Mr. BOWLES. Those are average hourly earnings.

Senator TAFT. Average hourly earnings. That is right; 62 percent. Presumably the hours are rather better now than they were prewar.

Mr. BOWLES. Forty-two against thirty-nine.

Senator TAFT. Correct. So as against prewar you have had an increase of 62 percent and only 35 percent in the cost of living. Why under those circumstances should the Government or the taxpayer pay \$2,000,000,000 of the consumers' bill? Why should not the consumer pay himself this additional increase in the cost of living rather than to put the cost on the taxpayers? Why isn't that less inflationary on the whole?

Mr. BOWLES. It is my belief that if we have an increase in the cost of living you are going to have another round of wage increases and you are going to have inflation.

Senator TAFT. You say a second round of wage increases. That gets back to my other point, the fact you don't have any justification in your own figures for this 20-percent increase in wages did not prevent you or did not prevent the Government from granting them.

Mr. BOWLES. The Government didn't grant them.

Senator TAFT. Well, the Government approved it.

Mr. BOWLES. What the Government said was that they thought labor and management could bargain to decide their own wages under the present price structure. That was last October.

Senator TAFT. That was last October, and then they changed it.

Mr. BOWLES. Then they changed it. A lot of increases, rather high increases, went through, a lot of pressures built up, and there was a retreat from that position, a retreat which I, in charge of stabilization, did not enjoy. Nevertheless, you are faced with hard practical realities when you try to operate a program of this kind. I say you have a practical hard reality in the necessity for continuing subsidies as long as we are in this very ticklish and very dangerous period, but we can get out of this thing, we can work our way out. Obviously subsidies are unsound over a period of time. Obviously the farmer

doesn't like subsidies. If I were a farmer I would hate them. They are one of the tools we have been using and if we drop them now we are going to face disaster.

Senator TAFT. If these subsidies go in an 8-percent increase in the cost of living will be followed by a demand for an increase in wages—not a justified demand because you have shown that the increase is much more than that, but it will be built up. I ask you, don't you think a year from now there will be a demand anyway for a 10-percent increase in wages?

Mr. BOWLES. By that time you will have a lot of other costs going down, and you will have your production where it will begin to balance demand.

Senator TAFT. Do you think you will have production in these food costs that are subsidized? Do you think the farmer is going to have to take less for his wheat and his meat and dairy products?

Mr. BOWLES. I think whenever you pull off your subsidies, take dairy products for example, the price is going to have to go up. But I think you will find at that time other items are going down. I think you will find there is a general relaxation of this great pressure. I think at that time there will be an increase in dairy products to the consumer, but you have to start at some point to work your way out of it.

Senator TAFT. In effect, your argument is that this is needed as a psychological basis, to give the impression we are holding the line; is that it?

Mr. BOWLES. It would not merely give the impression we are holding the line. It is a safeguard against rising food costs—which is more than a matter of psychology. It is factual. If we do not keep those prices stable we are going to be faced with a terrible situation. We have to face up to this question: Are we going to let the cost of living run wild?

Senator TAFT. Do you think it is worth \$715,000,000 to the taxpayer and the Government to keep the price of meat going up 5 cents a pound to the consumer?

Mr. BOWLES. I think the program is essential if we are going to control inflation. I would say further if we do not have a weapon of that kind, I don't think any sensible person could take the responsibility of saying that the program would not be at that point absolutely impossible.

Senator TAFT. Don't you think the increase of the Government debt by \$2,000,000,000, the creation of that much purchasing power out of thin air, so to speak, is just as inflationary basically, just as inflationary as increasing prices by some \$2,000,000,000?

Mr. BOWLES. If you want to say we can put some of the excess-profits tax back to pay for it—

Senator TAFT. I don't think that has anything to do with the question at all.

Mr. BOWLES. Let's put another tax on to pay for it. That will make up the difference.

Senator TAFT. That is it exactly. Why should we tax the taxpayer to pay the consumers' bills? Why should I get a subsidy for my food, for instance? I don't need a subsidy for food. This subsidizes wealthy people perfectly able to pay for their food, just as well as subsidizing everybody else.

Mr. BOWLES. Most people are not in your position. You will find that the top-income groups are few and far between statistically.

Senator TAFT. Well, I know; but surely two-thirds of the people are able to pay the cost of the food they eat. Maybe there are a few that ought to be subsidized.

Mr. BOWLES. It is not a question of what they can afford. It is a very hard question to decide what you can afford to do. It is a matter affecting the whole program. Here you have a program. It has gone along this far. Are we going to continue it a little longer, or long enough to get production, long enough to keep this boat from rocking and tipping over, until we can get out of this thing in an orderly way?

Senator TAFT. Do you think the American people approve the levying of a tax of \$2,000,000,000 in order to subsidize food? You will get about 1 vote in 10 for any such project.

Mr. BOWLES. I think you would get 10 to 1 for it.

Senator TAFT. Not if you name what the tax is and show what they are going to have to pay.

Mr. BOWLES. If you put this to a vote of the people I will bet that they will vote 4 to 1 in favor of continuing this program.

Senator TAFT. Oh, I think the majority of the people are in favor of continuation of price control, but they are not in favor of continuing subsidies and levying a tax to pay those subsidies.

Mr. BOWLES. Subsidies are an integral part of this program.

Senator TAFT. Subsidies are part of the theory that you have got to fool people by selling them something for less than it is worth. That is one part of the program that subsidies are an essential part of.

Mr. BOWLES. Without subsidies you cannot handle this program. It is impossible to keep this whole program stabilized at a time when it is so essential, without subsidies. If this economy blows up, I think we are all in for plenty of trouble. I think we all understand the risk of seeing it blown up.

Senator TAFT. Well, of course, I disagree with you on the present condition of the economy. I think one of the worst conditions the country has ever seen is right at this moment.

Mr. BOWLES. I agree, but not for your reasons.

Senator TAFT. I think the idea that what you have accomplished by what you have done since VJ-day has brought about stability or sound economy in this country is an utter and complete misrepresentation of the real facts.

Mr. BOWLES. A whole lot of adjustments were inevitable in this period after VJ-day. A lot of them were painful. I think we have gotten through those adjustments successfully as far as wages are concerned. They have gone up far less in this 6 months than they did in 1919, far less, with no price controls.

Senator BANKHEAD. Mr. Bowles, there has been discussion for some time about who gets the subsidies on meat, whether the packers get it or the farmers get it. Do you have any definite information on that subject?

Mr. BOWLES. Well, I will say this, Senator Bankhead: We would have all preferred to see the subsidy paid directly to the farmer, but we never knew practically and administratively how that could be handled. However, the great bulk of it, I think it can be shown, does eventually go to the farmer in the form of higher prices for

livestock. I think it would have been better if it could have gone directly to the farmer.

Senator BANKHEAD. Do you not admit it goes to the consumer? You have just said if you took it off meat would have to go up 5 percent. That would be to the consumer, would it not?

Mr. BOWLES. I have never quarreled with the fact that this is a consumer subsidy. But whatever you call it, it is essential to this program if we are going to have stabilization.

Senator BANKHEAD. Would it not be better if you paid that subsidy to the retail merchant?

Mr. BOWLES. You mean instead of the farmer?

Senator BANKHEAD. Well, the farmer does not get it.

Mr. BOWLES. He gets it on dairy products. It is only on meat—

Senator BANKHEAD. Well, they may let him have a little part of it, but nobody can pick out what part he gets, but if you want to have it go to the consumer, why couldn't it most effectively be paid to him when he bought the meat—pay the butcher 5 cents a pound for it?

Mr. BOWLES. Well, I have always felt that the packers' subsidy would have been far better if it could have gone to the farmer. I have been told over and over again that administratively it couldn't be done.

Senator BARKLEY. Is it not true that the fact that the packer gets a subsidy enables us to maintain the price he is paying to the farmer for livestock?

Mr. BOWLES. That's exactly the point. Livestock prices have moved up to the extent of the subsidy which shows that the subsidy was passed on, that the packer could pay a higher price because of the subsidy. It would have cleared the whole problem up if we could have done as Senator Bankhead suggests, but in my opinion that subsidy goes through to the people raising the livestock.

Senator BANKHEAD. I think it goes to the packer.

Mr. BOWLES. You can see it in the higher livestock prices.

Senator BANKHEAD. The consumer may get some, but it is a small part.

Senator BARKLEY. If you eliminated the subsidy to all packers they would have to increase the retail price or drive the price of livestock down.

Mr. BOWLES. I think he would have to do a little of both.

Senator TAFT. He will raise the price if you let him.

Mr. BOWLES. Well, you might as well kiss this good-bye if you are not going to keep the subsidy too.

Senator TAFT. I don't think you are going to get your subsidy, Mr. Bowles. I will tell you that frankly. I think Congress is opposed to it. I think you may get a continuation gradually decreasing so that you don't do it in one blow, but certainly it ought to be definitely ended early in 1947.

Mr. BOWLES. We had a program that Secretary Anderson will describe to you that he and I agreed on last fall to withdraw these subsidies and have them all out by July of this year. We assumed we were not going to have to face pressures of this type. What happened was that the underlying economic factors making for inflationary pressure continued to exist, and still exist, so we had to move ahead and hold them longer. My feeling is that during the next year we can expect to get a lot more goods. Some prices will go down.

We can expect the pressures to begin to soften. We can then move out. What we want is an orderly withdrawal. If Congress forces us to withdraw on a disorderly and rigid basis, I can only say we are taking a terrible chance.

Senator TAFT. I don't think it is a terrible chance at all. I don't see any reason why people should not pay the cost of their food.

Mr. BOWLES. That is what you think. I am only saying what will happen.

Senator TAFT. I just didn't like you to make a statement without my dissenting from it. May I ask you one thing more on this question of subsidies on dairy products: What was the change that was made yesterday?

Mr. BOWLES. The change made yesterday was this: We found that the dairy farmer is entitled to more return. His feed costs have gone up; some of his labor costs are up. Instead of reducing the subsidy on the first of May as originally scheduled, dropping 35 cents off of it, we are only dropping 15 cents off, which leaves him with 20 cents more than he would normally have for the next 2 months.

Senator TAFT. Where are you going to get the money?

Mr. BOWLES. The CCC.

Senator TAFT. Is it in the appropriation for a dairy subsidy or did you have to draw on something else?

Mr. BOWLES. No. It is in the appropriation.

Senator TAFT. Is it going to increase this figure of \$515,000,000 on dairy subsidies on page 2?

Mr. BOWLES. Mr. Brownlee says not.

Senator TAFT. Did Mr. Anderson approve that raise?

Mr. BOWLES. I sent a directive to the Secretary of Agriculture last night.

Senator TAFT. In other words, Mr. Anderson did not approve it or did not agree to it?

Mr. BOWLES. He thought it would be better to raise the price.

Senator TAFT. So, in spite of the opposition of the Department of Agriculture that the price of milk should be increased, because of various increased costs, you have taken the position that the taxpayer must pay those increased costs in the form of a subsidy; is that correct?

Mr. BOWLES. Yes; in line with my authority, under the directive from the President to stabilize the economy and under the Stabilization Act which says the Administration shall take all steps to stabilize the economy.

Senator TAFT. You are not only proposing in this case to maintain the subsidy, but you are actually proposing subsidizing increased costs which have resulted from various other increased costs that have been permitted to occur by the Office of Price Administration?

Mr. BOWLES. I did not know we had permitted it. I don't think we had anything to do with it.

Senator RADCLIFFE. Mr. Bowles, you have referred generally from time to time to the dangers which we face and the troubles which might come about if we did not follow out the subsidy program. Now, could you be a little more specific about that? I know you have touched on it from time to time. We know very well the difficulties we have at the present time. It is pretty hard to say what might have happened if some other course had been followed out. You have touched from time to time upon that. Could you be a little more

specific in regard to that? Could you more or less visualize what would happen to us if we had not adopted the subsidy program?

Mr. BOWLES. Senator, I would be very glad to do it. I tried to do it in the statement I have just read. I feel this would have happened: The no-strike pledge was agreed to by labor. Congress would not have been willing by law to regiment the entire economy during the war, with everybody practically in uniform and told exactly where they were going to work and just what they were going to do. I think Congress was right in not doing that.

You had to have a no-strike pledge and willingness of people to get out goods. Labor went ahead on the no-strike agreement on the understanding that the cost of living would be held. During the winter of 1942-43, it became apparent that the cost of living was not being held; it was going up rapidly. The only way the Government could make good on its commitment to stabilize the cost of living and save the whole situation as far as wage controls were concerned was to subsidize the farmers' increase in costs and in that way hold prices down. If we had not done that, in my opinion, the no-strike pledge would have been withdrawn because it was given clearly on the assumption of a stabilized living cost.

You would have had far more strikes, far more interruptions of production. You would have had far more ill feeling and bitterness, and everything else. You would have paid for the war many billions of dollars more than we did pay, because those higher wage costs would have fed right back into the economy, into higher and higher prices of steel, machine guns, and battleships, over and beyond what the consumer would have had to pay.

I think subsidies were just a complete and integral part of the stabilization program.

Senator RADCLIFFE. To your mind the demoralization which would have followed from that is obviously more dangerous and more objectionable than what resulted from the use of subsidies which, of course, no one wants, but it is a case of emergency.

Senator TAFT. You think all of this would have grown from a 3 percent increase in the cost of living for people who had already greatly improved their standard of living?

Mr. BOWLES. Senator Taft, if you had lived through the summer and fall of 1943 and the problems we went through in trying to get this thing under control—

Senator TAFT. I argued with you at the time. We were opposed to it. Congress passed a law that you could not do it, but you went ahead and did it in spite of that.

Mr. BOWLES. What law is that?

Senator TAFT. The two laws which the President vetoed in both cases.

Mr. BOWLES. Isn't that legal? What is illegal about a veto?

Senator TAFT. I am only saying you disagreed completely with Congress. You had this whole policy in opposition to what Congress wanted to do.

Mr. BOWLES. We acted in accordance with the principles of our Government. You are quarreling with the Constitution. That is another matter.

Senator TAFT. No. I think you are usurping power to pay subsidies. We then attempted to pass a law to say you could not pay

them. Unfortunately, the President vetoed it. Finally we hitched on a provision which said you could not do it without authority from Congress. You have gone throughout this against the policy of Congress, and Congress has repeatedly so stated.

Mr. BOWLES. Well——

The CHAIRMAN. Last year we continued it because we were in the middle of the war.

Mr. BOWLES. We are still in the middle of the war, the war on inflation. Subsidies are an integral part of our program.

Senator BUCK. Mr. Bowles, will you please explain what is the justification for the increase in the dairy subsidy?

Mr. BOWLES. Because you have an increase in some of your feed costs. Mixed feed costs. Therefore, the Secretary of Agriculture urged an increase in the farmers' return to maintain milk production.

Senator BUCK. Have you made any recent increases in the subsidy?

Mr. BOWLES. Instead of dropping the subsidy on May 1 by 35 cents a hundredweight as we normally would do in the flush season of dairy production, we are only dropping it by 15 cents. We are maintaining 20 cents to the farmer to make up those costs. We are then going to add another 20 cents on the first of July.

What form that second increase of 20 cents will take will obviously depend on what action Congress takes on the whole program.

Senator BUCK. Who were the ones that requested this increase? It certainly was not the farmer, was it?

Mr. BOWLES. I think some people would have preferred to have a price increase rather than readjustment of subsidy.

Senator BUCK. Who appealed to you to raise this subsidy?

Mr. BOWLES. Practically every dairy farmer in the United States.

Senator BUCK. Oh, no.

Mr. BOWLES. Oh, the increase in subsidy? I thought you said the increase in price.

Senator BUCK. No; the increase in subsidy for the month of May. Except in the far Northern States they turn the cattle out to pasture and their feed bill is much less.

Mr. BOWLES. But their labor costs have gone up. There is no question but what they are in a squeeze.

Senator BUCK. But it was taken care of in the 35 cents you paid?

Mr. BOWLES. I don't think sufficiently to get the production we wanted.

Senator BUCK. That was just the judgment of people in Washington?

Mr. BOWLES. Well, you had a drop in cattle numbers also that worried us.

Senator BUCK. You don't think they are going to sell their cattle or any milk because they don't get 15 percent?

Mr. BOWLES. We want to be sure we are getting all the dairy production we can get. That seemed to be our thinking.

Senator BUCK. There was a 35-cent premium—that is 70 cents prior to April 1—70 cents up to May 1?

Mr. BOWLES. That is right.

Senator BUCK. And 35 cents after that. Now you have tacked on 15 cents more.

Mr. BOWLES. Twenty cents more. We have maintained 20 cents that would have been withdrawn.

Senator TAFT. How much money is that in May and June?

Mr. BROWNLEE. Between \$50,000,000 and \$60,000,000.

Senator TAFT. Between \$50,000,000 and \$60,000,000?

Mr. BROWNLEE. At an annual rate.

Senator TAFT. Oh, at an annual rate?

Mr. BOWLES. The question is, there is feeling there that we are not getting the production we want. In order to get all the production we can and get a better adjustment and a better set-up, we are making this change.

Mr. BROWNLEE. Of course, the Department of Agriculture very definitely stated that the farmer's dairy return must be maintained in order to maintain production.

Senator BUCK. Who said that?

Mr. BROWNLEE. The Department of Agriculture. The Department of Agriculture is in charge of production. Whenever they make a recommendation on production, it is up to us to get our stabilization program into that and work it out in the stabilization program. Whenever they state they need production we accept their judgment.

Senator MCFARLAND. As a matter of fact, some of our dairy people are selling their cows in Arizona. They say they cannot afford to keep them.

Mr. BOWLES. That is what the Department of Agriculture decided was enough of a factor to justify the increase. I think Secretary Anderson is the man really to ask about that. We accepted the fact. I am sure that that extra return was needed in there.

Senator BUCK. It makes me feel we are never going to get away from subsidies.

Mr. BOWLES. You have to get out of them.

Senator BUCK. But we are not. But we are increasing them. The way has been over a year and here we come in in the month of May and want an increased subsidy.

Mr. BOWLES. Right now you are in the most critical period.

Senator BUCK. That has been the story all along.

Mr. BOWLES. That has been the story all along, and it has been true all along. You have to decide to do a lot of things that you don't like to do because of the difficulty of the problems. You have to weigh them against the evils of inflation and disaster. I know of no painless way to stabilize this economy. Clearly there is none, and I think whenever you get out of these controls you are going to take some risk. The only point I want to make is that we should take that step when the risks are at a relative minimum. I don't want to see us step out of them when the risks are so great.

Senator BUCK. You are not stepping out of them. You are increasing them.

Mr. BOWLES. We are following our present policy of not allowing basic food process to go up if we can help it. That is the policy we are adhering to.

Senator BUCK. Well, even though wages have all gone up—

Mr. BOWLES. I honestly don't think it is going to do us any good if we get inflation in 1946 and then go back and try to find out who is to blame—labor or management.

Senator TAFT. I would blame it on the Government.

Mr. BOWLES. Yes, well—

Senator BUCK. I am afraid we will be paying subsidies from here on, the way it looks now.

Mr. BOWLES. We have got to get out of them. I agree with you on that. What I am hoping and praying is that we get this production rolling, get our textiles rolling, our electrical appliances rolling. You are going to begin to get some production——

Senator BUCK. You certainly come into this milk subsidy in the best month of the year for dairying.

Mr. BOWLES. I agree with that. They said we had to give the dairy farmers more return. I picked the subsidy route rather than the higher milk-price route. I think to raise milk prices at this point would be very bad.

Senator HICKENLOOPER. Mr. Bowles, speaking of milk production, let's take the shortage of butter which faces us now. The fact is that industrial producers of fats and oils are now permitted to go out in our State and pay 70 cents a pound for butter fats, while the ceiling price on butter is about 55 cents a pound.

Mr. BOWLES. We are taking some steps to adjust some of that.

Senator HICKENLOOPER. That situation has been in existence for some months. The price of raw cream has been above the price of finished butter. That is why finished butter has not been made. That is why the public has not had butter. It is not a shortage of butter necessarily, although it is somewhat short, but it is the miscuing of that price situation.

Mr. BOWLES. Senator, I tell you as a matter of fact, although you may not agree with me, we really want to get out of control. Last fall we pulled off all our orders in that whole field and allocations in the whole cream field and ice cream and all the rest of it.

Senator HICKENLOOPER. Did you pull it off butter?

Mr. BOWLES. No. We pulled it off of ice cream. That, in my opinion, was a bad mistake.

Senator HICKENLOOPER. Because the ingredients for butter were higher than you permitted the sale of the finished product?

Mr. BOWLES. Because we were really trying to get rid of those controls. It is true we are now putting controls back on. We just announced that yesterday. I don't like to put them back on, but I think we have got to.

Senator HICKENLOOPER. Your proposal on cream, for instance, and butterfat, must be that you will reduce the price of the butterfat and make it up in the subsidy; is that right?

Mr. BOWLES. We announced that a ceiling would be put on cream. We will reduce the butterfat content going into ice cream. We will bar heavy cream and whipping cream and push some of that back into butter and put back some of the controls we had in the first place.

Senator HICKENLOOPER. You are going to have to drop the price of butterfat down to where it can be put, for instance, into butter, and into ice cream, if you control the price of the finished product. Unless you make that up with a subsidy, then your farmer is going to take a very substantial drop in the price he gets for his raw cream.

Mr. BOWLES. Of course, raw cream has gone up terrifically since last fall.

Senator HICKENLOOPER. That is very true, but do you propose putting down now the price of raw cream to a farmer?

Mr. BOWLES. To a certain extent.

Senator HICKENLOOPER. It will have to be cut down below the cost of the finished product, butter, or you will have to make it up with a subsidy?

Mr. BOWLES. Well, that is what we are struggling with now. We are having a meeting with Agriculture to find out what should be done. We will have a program this week and we will announce it in detail.

Senator HICKENLOOPER. Do you contemplate any kind of an arrangement—do you contemplate reducing the actual price that the farmer gets today for his butterfat?

Mr. BOWLES. What we would do is to go back as close as we can to the September level and try to restore the balance we had in September.

Senator HICKENLOOPER. Let me ask you this—

Mr. BOWLES. Obviously with a limited amount of milk you cannot get everything as you so well know. You have to decide what you want. We had rather thin ice cream during the war, including allocations to the Army, and we had a reasonable amount of butter. Now we have to go back again to a little bit thinner ice cream and whipping cream and try to get more butter. You cannot please everybody in that field.

The CHAIRMAN. All right. Thank you, Mr. Bowles—

Senator TAFT. Wait a minute.

Senator HICKENLOOPER. I have another question. In fact, I have two or three.

Mr. Bowles, in your position as OPA Administrator, and also in your position of Economic Stabilization Director, has it been, or is it your desire to get full production in this country at the earliest possible moment?

Mr. BOWLES. Absolutely. That is our biggest question we have got today. We have got to do it.

Senator HICKENLOOPER. And isn't the only way, really the only practical way to meet inflation and to beat it is to get consumers' goods of all kinds?

Mr. BOWLES. That is the complete basis of it.

Senator HICKENLOOPER. On a basis where the supply equals the demand?

Mr. BOWLES. Right.

Senator HICKENLOOPER. And as quickly as we do that then the acute danger of inflation will disappear.

Now, is there any question in your mind that the price to the producer is a very controlling factor in that production?

Mr. BOWLES. If you are saying that by pushing prices up and letting them get moving we will get more production, I would say no, we will get less production.

Senator HICKENLOOPER. I am saying that price to producers under which they can operate and be reasonably certain they will not be forced to sell at a loss.

Mr. BOWLES. They are entitled to that.

Senator HICKENLOOPER. That that policy will get the most maximum production?

Mr. BOWLES. I agree.

Senator HICKENLOOPER. Then, if, in this country, we see many bottlenecks, many producers actually producing where they cannot operate at a profit, then in effect the policy is stifling production?

Mr. BOWLES. I don't see any sign of that on a general basis. There might be isolated cases where we ought to move in and fix whenever we hear about them, but I doubt that is true in every case. Wherever there are cases where we should move—

Senator HICKENLOOPER. I think there are many lines of production where they can produce and probably are, but I just have too many examples where they give me the figures, they could produce an increased volume, but they are not producing more because the more they produce the more they lose and they cannot get a price adjustment that will warrant them in producing.

Mr. BOWLES. I think a case of that kind ought to be brought to OPA and it will be investigated. I think you will find in 19 cases out of 20, provided their volume is at all normal, you will find adjustments can be made, or have been made, or will be made. I think they are really pretty much of a handful against 3,000,000 businesses in the country as a whole. You will never cure all of them. I will guarantee that.

Senator HICKENLOOPER. Now, Mr. Bowles, I will just say this: That a year ago you said virtually that same thing and you deplored the fact that certain people were forced to operate at a loss. You said, "Let us know about them, we are glad to hear about them. We will take care of them." In reliance upon that I have referred a great many cases to OPA. Some of them were last summer and last fall. I have referred a great many of them that are still in the process of investigation where the OPA said, "Well, give us your figures for last year and the year before, then break down this quarter."

That same old story. They still haven't gotten anywhere.

Mr. BOWLES. Production is going steadily up.

Senator HICKENLOOPER. They still have not got any price that will let them operate.

Mr. BOWLES. Production is at the highest point and bankruptcy is at the lowest point in history.

Senator HICKENLOOPER. That may be true that over-all statistics have increased, but I am talking about the many individual cases where production is absolutely stifled, at least in the small producers.

Mr. BOWLES. Senator, as I remember it, last year you had six letters—six or seven letters, specific cases in Iowa, out of all the manufacturers in Iowa. You may have many more now; I don't know, but there were six or seven you had at that time.

Senator HICKENLOOPER. Oh, I have many, many; I had 6 here one morning, but you will remember I had a sheaf of 400 letters here in one file.

Mr. BOWLES. I think you will agree that every manufacturer who says he would like a higher price is not entitled to one. Also, I think you will agree, there are lots of other problems in the economy besides price. There is a labor shortage; a shortage of materials; shortages of all kinds, which must be overcome in order to get production going. A higher price—even though price is not really the issue—a higher price would often make people feel better, even if they don't really need it. It just makes them feel better and they ask for it, but they

are not always entitled to it. When they are entitled to it, in my opinion, I think they ought to get it. I think they are getting it.

The number of adjustments runs into very high figures. If you have some others we will go into those. I think occasionally you will find OPA is slow on this or that. I think you will find the average time of adjustments, of making adjustments, is 15 or 18 days today, isn't it, Paul? It is something like 15 or 18 days' average time.

Senator TAFT. It is like that story about the porter who said the average tip was \$2, but he was the first fellow that ever got it, and that is my idea about OPA's average of 15 days.

Mr. BOWLES. I tell you you cannot do this painlessly. There is no painless way to do it. If there were a painless way, I would like to find it.

Senator HICKENLOOPER. I would say probably there are cases of that kind we don't hear about.

Mr. BOWLES. That is right.

Senator HICKENLOOPER. But I hear about an awful lot of them that have been going 4 to 5 months at the very least.

Mr. BOWLES. Some of those probably are justified and some of them probably are not, so that narrows it down further.

Senator HICKENLOOPER. Well, they know they don't have as much money in the bank as they had when they started. They just can't get an adjustment that will put them on a profitable basis. That is the story that I hear about it.

Senator CAPEHART. Mr. Chairman, I would like to ask Mr. Bowles a question.

Did you intend to state a moment ago that increased prices will lower production?

Mr. BOWLES. What I stated was that if prices started to get away from us and started to move up and if we dropped subsidies and these other controls, production might come up initially, but it would tend to go down before 6 months or a year is over, just as it always has. After the last war—I think one of the most constructive things is to read the history of what happened economically after the last war with all price controls removed—production and prices started to move up in January 1919. Prices went up faster than production. Then with prices still moving up very rapidly, production started to fall off. Ultimately both prices and production collapsed.

Now, with control, during this period since September, which is a period of only 6 months, civilian production has moved up 17 percent, just about what it did following the last war. If you go to work and weaken this act and allow amendments to creep in here to push this price level up, production is not going to benefit and I will gamble anything I have on that, Senator.

Senator CAPEHART. You said that an increase in prices will lower production.

Mr. BOWLES. Well, no; an increase in individual prices when all other prices are stable—will increase production of the individual item. I said inflation and the process of inflation will not get production.

Senator CAPEHART. You made the blanket statement that an increase in prices would lower production.

Mr. BOWLES. I did not make that statement. I will contradict that flatly. What I said was that if you start to let this price level get away, you are not going to get more goods as a result of it. You

are just going to pay through the nose. What I do say, in any case where there is a bottleneck, where a manufacturer has no legitimate profit, obviously he will slow up production if you hold him too tight.

That is why our whole standards have been changed to fit new conditions.

Senator CAPEHART. Mr. Bowles, if you will read the transcript you will find you did make that statement that an increase in prices will lower production.

Mr. BOWLES. If the record says that I have now corrected it.

Senator CAPEHART. I am happy to call that to your attention, because to me it was a very foolish statement. It was absolutely untrue. I was surprised that you would make any such statement because any 6-year-old kid knows that increased prices will not necessarily lower production.

Mr. BOWLES. I said a general increase of the level of prices moving up rapidly will kill production. I will repeat that as many times as you would like to have me repeat it.

Senator CAPEHART. It is a known fact that people buy on a rising market and they refuse to buy on a market going down.

Mr. BOWLES. Is there any question of people buying in this market? People are buying anything they can get their hands on.

The CHAIRMAN. We have corrected it now.

Senator HICKENLOOPER. I would like to call this to Mr. Bowles' attention and to the committee's attention. I have a number of telegrams and some resolutions and two letters came into the office this morning on this cream situation in Iowa. There has been a very desperate situation. They have had State-wide meetings out there for the last week because the situation is indeed desperate and I would like to read what a thoroughly reliable dairyman of some size wrote me. This came in this morning. He had attended a meeting of the 56 representatives from 32 major cities and towns in Iowa on this milk situation. I shall not read the entire letter. I will read the first paragraph. He says:

The expressed thought of those in attendance goes about like this.

May I say this man is completely reliable and completely cooperative. He is anxious to cooperate.

Mr. BOWLES. Most of them are; the great majority of them are.

Senator HICKENLOOPER. He says:

First, that we are willing to go along and give the OPA reasonable opportunity to deal with the steps suggested in the resolution. If that is not brought about, then within 30 days another meeting will be held asking the complete release of all OPA controls on dairy industries. If that does not materialize, consideration will be given to the program of completely disregarding all OPA regulations not singly, but as a group. It was the consensus of opinion that while sympathetic to the policies and principles of OPA the application of the policies is inflexible and so senseless that it has resulted in the development of two economic systems in this country today; one operating legally under the provisions of OPA and its price controls, the other operating illegally without any regard for price controls. And we must face the facts. The illegitimate system is rapidly absorbing the legitimate.

He says he cannot operate for very much longer unless he gets relief:

Mr. BOWLES. Of course, he had relief—

Senator HICKENLOOPER. He says further:

I don't believe it is reasonable to expect that the honest and conscientious operators in the fresh milk industry who feel a proper sense of obligation to the Government and its controls, as well as a responsibility to their customers who look to

them for their daily supply of so essential a commodity as fresh milk, can stand by and see their business ruined. Speaking for myself as well as the others, and when I say others I mean to the last man, one of two things will happen out here. Either we are given the opportunity to adjust these matters or we shall do them for ourselves.

Now, I don't know that they will carry out that last—

Mr. BOWLES. I am sure you do not approve a proposal of anarchy such as he makes. I think the proper way is to change the law.

Senator HICKENLOOPER. I don't approve a policy of anarchy, nor do I approve anyone suggesting that they go out and deliberately disregard the law, but by the same token neither do I approve of the Government, or an agency of the Government, operating under such policies that normally honest and honorable people are forced to this conclusion because their Government won't let them operate.

Mr. BOWLES. We made an announcement of adjustment in his price this morning, and another one will be made on the 1st of July which I hope will satisfy him. I stated here before I thought there had been a squeeze in many dairy areas. That is why we moved to correct it.

Senator HICKENLOOPER. Just to finish this, I would like to put in the record a resolution that I received by wire this morning, with the rest of this information from the Iowa Milk Dealers' Association, representing the fresh fluid milk industry of the State of Iowa, signed by John H. Brockway, executive secretary. I would like to put that in the record because it contains a resolution that was adopted, I believe, on Saturday, or yesterday.

The CHAIRMAN. Very well.

(The telegram is as follows:)

Be it resolved, That because of uncontrolled prices and buying—on the part of dairy manufacturing plants—fluid milk for local consumption is being diverted from local to eastern markets.

Since the OPA regulates prices both to the producer and to the consumer of fluid milk—processing and distributing plants are unable to meet prices paid by manufacturing plants for out-of-State markets. This alarming situation will shortly result in many cities and towns being left without an adequate supply of fresh bottled milk—in some cases without any milk—to correct this unfair situation, we ask and urge an immediate adjustment in prices to the producer of fluid milk in low-priced areas to insure an adequate supply of fresh milk to the consumer. This necessitates an increase in prices to the consumer. We respectfully recommend the following immediate remedial steps:

I. Increase price to producers of fluid milk in all areas where there is necessity to insure adequate supplies for consumers requirements of fresh milk and corresponding increases in prices to consumers.

II. Establishment of ceiling prices on milk and sweet cream for manufacturing purposes.

III. Eliminate sale of cream containing butterfat in excess of 20 percent for bottling purposes.

IV. We suggest reducing the butterfat content of ice cream to 10 percent.

This resolution was unanimously passed by 56 representatives from 33 major cities and towns. Further information in detail will follow by mail to you and other Congressmen from Iowa. Please send copies individually to each of the Iowa congressional Senators and Representatives.

IOWA MILK DEALERS ASSOCIATION, INC.,
(Representing the Fresh Fluid Industry of the State of Iowa.)
JOHN H. BROCKWAY, *Executive Secretary*.

Senator TAFT. Mr. Bowles, I might say I had last week a delegation of six of the leading lumber dealers in the Akron-Cleveland area. They said 95 percent of the lumber in this area is now moving in the black market. They said—

We are forced out of business. We have no choice. We are completely out of business unless some of our members choose to go into the black market them-

selves and operate. There is no way we can continue at all. We are just closing up because we cannot get any lumber.

I suggest that in addition to Senator Hickenlooper's statement that should also be called to your attention.

Mr. BOWLES. I think in your whole building-material situation there is more of a problem than anywhere else. But it is not 95 percent, or anything like that.

Senator TAFT. I think it is 95 percent by the time it gets up to Akron and Cleveland.

Mr. BOWLES. You have large problems there which I explained were due to the fact we withdrew our priority and allocations system last fall, which I think was a mistake.

Senator TAFT. I am only adding my evidence to Mr. Hickenlooper's.

Mr. BOWLES. There is a problem in building materials.

Senator TAFT. May I ask one thing? What is the use of continuing the Stabilization Act as against the Price Control Act? What powers do you get from the Stabilization Act that cannot be eliminated today?

Mr. BOWLES. I will get Mr. Hart to answer that. He is general counsel.

Mr. HART. I will be glad to give you a memorandum on that.

Senator TAFT. My only thought is this: Every time we say anything about a price increase being justified by facts, you come back and say Congress has established a policy that absolutely stabilizes everything. I don't think that represents the view of Congress. If we can indicate to you our view by repealing the Stabilization Act power and leaving your powers remain under the Price Control Act, I would like you to say so, unless there is some practical power that would be wiped out.

Mr. BOWLES. You mean a general revision of the law of agricultural commodities standards?

Senator TAFT. Oh, that is an amendment of the Price Control Act. I meant that first section about "We hereby stabilize everything," which after all, you have changed as to wages. I mean the Government has changed it as to wages and a lot of other things. So why continue it at all?

Mr. BOWLES. If Congress wants to say they don't intend to stabilize the economy—

Senator TAFT. Congress would stand by the declaration of policy contained in the Price Control Act, which I think is a reasonable declaration applicable to the present situation in some respects, as to some goods, but why stabilize—the freeze theory—that has gone by the board, anyway.

Maybe Mr. Field could let us know. Well, I don't want to press it at the moment.

The CHAIRMAN. Very well. Thank you, Mr. Bowles.

Senator McFARLAND. May I just ask one question? I haven't been here all the time. I am very much interested in this program in regard to subsidies and as it affects price control, and particularly from Arizona in regard to our bill for premiums on copper, lead, and zinc.

Now, probably we will take that up in a separate bill.

Senator TAFT. No; it is in this bill, Senator; copper, lead, and zinc.

Senator McFARLAND. Yes.

Senator TAFT. Copper, lead, and zinc in the form of premium payments of \$100,000,000.

Senator McFARLAND. Well, that is all right. Have you covered the subject of the effect of doing away with subsidies?

Mr. BOWLES. I am sorry.

Senator McFARLAND. Have you covered this field of the effect of doing away with subsidies in general, taking up each article?

Mr. BOWLES. No; we haven't. We have talked principally about the whole food subsidy program.

Senator McFARLAND. I don't want to go into that any more, but I presume someone will do that before the hearings are over.

Mr. BOWLES. We will be glad to do that.

Senator McFARLAND. In other words, we have got to decide a policy here in regard to these matters.

Mr. BOWLES. That is right.

The CHAIRMAN. All right, thank you very much, Mr. Bowles.

Mr. Paul Porter.

Senator McFARLAND. What time are you going to recess?

The CHAIRMAN. The Senators have all assured me they will stay here until 1:30. We want to save as much time as we can. This is off the record.

(There was discussion off the record as to continuing the hearing.)

The CHAIRMAN. All right. We will take a recess until 10 o'clock tomorrow morning.

(Whereupon at 1 p. m. a recess was taken until 10 a. m., Wednesday, April 17, 1946.)

(The following was later received for the record):

OFFICE OF ECONOMIC STABILIZATION,
Washington, D. C., April 23, 1946.

HON. ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.*

DEAR SENATOR WAGNER: On April 16, 1946, during Mr. Bowles' testimony on the extension of the stabilization laws, Senator Taft asked about the availability of funds to cover the increased payments called for by the change recently announced by this office in the dairy production payment program. In answering for Mr. Bowles, I had understood the question to relate to the funds available to make these payments for the balance of this fiscal year and stated that such funds were available in the present appropriations.

On reading the transcript I realized that Senator Taft in a second question also asked about the availability of funds for the fiscal year ending June 30, 1947, and specifically whether the \$515,000,000 figure specified in section 3 of the bill, S. 2028, now being considered by your committee, would have to be changed. While my answer that it would not have to be changed is correct, I did not fully appreciate the question and think that it requires some explanation.

Under the dairy production payment program, as it stood before our recent action, the payments during May and June of this year were scheduled to be reduced by 35 cents per hundred pounds of milk and by 7 cents per pound of butterfat in farm-separated cream. Under the program recently announced, the payments during May and June will be reduced by only 15 cents and 2 cents, respectively. This will increase the returns to the dairy farmers during these 2 months by 20 cents per hundred pounds of milk and 5 cents per pound of butterfat in farm-separated cream. At the same time we announced that we would take further action on July 1, 1946, to increase the dairy farmers' returns by an additional 20 cents per hundred pounds of milk and an additional 5 cents per pound of butterfat. Whether these additional increases in returns to the dairy farmers would be effected through price increases or subsidies would, we stated, depend upon congressional action on the pending bill.

This action was taken to enable dairy farmers to meet increased production costs and continue to maintain a high level of dairy production without at the same time increasing the prices of dairy products.

It is clear that the action already taken increases the rate of subsidy payments beyond what it would have been if the action had not been taken. It is also clear that the rate of dairy subsidy payments will be further increased on July 1 if it is then decided to give the dairy farmers the promised increases in returns by way of subsidy and not by way of price increases.

We have estimated that if the dairy production payments were continued at these increased rates for the whole fiscal year ending June 30, 1947, the total amount of the payments would exceed the \$515,000,000 figure. To come within this figure, therefore, the dairy production payment program will have to be terminated in its entirety sooner than would have been necessary if the recent action had not been taken. That is, indeed, what we plan to do. We do not intend to ask Congress to increase the \$515,000,000 figure.

Very truly yours,

JAMES F. BROWNLEE, *Deputy Director.*

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

WEDNESDAY, APRIL 17, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to recess on yesterday, in room 301, Senate Office Building, Senator Robert F. Wagner, chairman, presiding.

Present: Senators Wagner (chairman), Bankhead, Radcliffe, Downey, Murdock, Taylor, Fulbright, Mitchell, Carville, Taft, Buck, Millikin, and Capehart.

The CHAIRMAN. The committee will come to order. We have the great pleasure of having OPA Administrator Paul Porter appear this morning, from whom we will be glad to hear.

STATEMENT OF PAUL PORTER, OPA ADMINISTRATOR, WASHINGTON, D. C.

Mr. PORTER. Thank you, Mr. Chairman.

Senator DOWNEY. Mr. Chairman, I wonder if we would not make more progress if we did impose the rule that the witness should complete his reading of his statement before being interrupted?

The CHAIRMAN. That is up to the committee to decide.

Senator DOWNEY. Unless there is some objection to such a course, I would make that in the form of a motion.

Senator MURDOCK. I would like to second that motion.

The CHAIRMAN. Gentlemen of the committee, you have heard the motion. What is your pleasure?

Senator CAPEHART. Mr. Chairman, I appreciate the fact that we would get through much quicker if the presentation were placed on that basis. On the other hand, it is difficult if a witness makes a point and a member of the committee desires to comment on it at that particular time, to wait until the witness has completely finished, because it is hard to go back and find the point. Furthermore, if there is anything against the point he makes I think it should be placed in the record at that point rather than go to the tail-end. I agree that we should keep interruptions at a minimum, but I do not believe I could agree to the motion as being an ironclad rule. I would be glad to apply it as best we can, but there may be some things coming up that it would be to the advantage of the witness as well as ourselves to comment on it at the time.

Senator DOWNEY. Of course, I would not want to press my motion against the Senator's objection.

Senator CAPEHART. I will be glad to do the best I can along the lines of the motion.

The CHAIRMAN. That will help a lot.

Senator DOWNEY. I was not referring to our distinguished friend from Indiana in making my motion, but was making it merely in the interest of saving time.

Senator CAPEHART. I understand. I realize that interposing questions takes up a lot of time, but I think it would be better to handle the matter in that way.

The CHAIRMAN. Very well. I think we will get along all right. You may proceed, Mr. Porter.

Mr. PORTER. Mr. Chairman and gentlemen of the committee: In my first appearance before this committee as Price Administrator, I have to make what may be denounced as an "alarmist" statement by those who seem to feel we can avoid the danger of inflation simply by not talking about it.

It is my duty to make this statement because the facts which confront me in the performance of my job are alarming. It is risky to shout "Fire!" but it is riskier still to sit quietly by until the flames get out of control. My critics, I should add, do not want us just to do nothing. They want us to disband the fire department, cut off the water, and sell the fire engines.

Mr. Bowles has described our basic economic situation to you. I shall not attempt to repeat his analysis, in which I fully concur. But I think it necessary to record my own conviction that, after more than 4 years of successful operation, the break-down of the price control system is a real and frightening possibility.

The danger of complete break-down is imminent today—but not because we can't do the job. We can do it. What is undermining stabilization at this time is the rapidly spreading belief on the part of business that the Congress will either scuttle price control completely or take action which will compel OPA to raise prices drastically. We see countless signs of that attitude every day, and so, I am sure, must you. I propose to face it frankly.

If business believes that prices are really moving up, it won't take long for the consuming public to reach the same conclusion. If that happens, if business and the public alike decide that the time has come to get out of dollars and into goods, nothing that OPA or any other agency can do will make much difference. The stampede will be on.

If this country with \$225,000,000,000 bulging in its pockets, goes on an economic bender, there won't be just a comfortable little re-adjustment in prices. A climb of 30, 40, or 50 percent above the present level for the first year of the boom seems to me a conservative forecast.

However, let me be more concrete. Let's look at the situation which would face a typical American family next year if the Congress were to take off all controls now or if, as a result of weakening amendments, the whole structure of controls should collapse. Let us examine the budget of a family which is spending \$2,500 a year and see what would happen to it if the inflation approached 40 percent in the next 12 months.

The typical budget for such a family will run something like this: Food, \$1,000; clothing, \$350; rent, \$500; other goods and services, \$650.

From experience both in this war before price control began and in the last war after the Armistice, it is reasonable to say that the termination or crippling of price control would lead to a 25-percent increase in food prices by the end of a year. In view of the current tightness of the clothing situation, it is likely that clothing, costing \$350 at the beginning of the year, would jump to at least \$500 in 12 months without price control. In rents, as everyone knows, the situation is tighter still. After the last war, when pressures were far weaker, rents climbed by more than 50 percent. A prediction of a similar increase, if rent controls were ripped off now, is conservative. Other prices, of course, would go up. The \$650 allocated to miscellaneous articles and services might easily rise by \$300 in the course of a year.

At the year's end our typical family would have to spend at the rate of \$250 more a year for food, \$150 more for clothing, \$250 more for rent, and \$300 more for miscellaneous goods and services, if it were to maintain its standard of living unimpaired. What had cost \$2,500 when the year began would cost \$3,450 at its close.

Of course, such price rises would mean that the family would have either to find a way to increase its income or to see its standard of living sharply cut. Probably both would happen. Wages and salaries go up in an inflation; but seldom as fast as prices.

Nor would the family's troubles end there. We cannot assume that the boom would collapse in a single year as it did last time. The rise in prices might well continue. As they moved up to levels 75 and 100 percent above current prices, the purchasing power of the dollars that American families have put into war bonds, insurance policies, and other forms of savings would continue to fall. If present prices doubled, the things which a dollar bought on September 1, 1939, would cost \$2.60. To put it another way, the dollar's 1939 purchasing power would have shrunk to 38 cents.

When collapse came, it would be catastrophic. No administration could let the disaster run its full course. Prices would not be allowed to sink back to prewar or even to current levels. When, after tens of thousands of bankruptcies and hundreds of thousands of foreclosures, drastic Government action restored stability, it might well still take \$2 to buy the things a single 1939 dollar bought.

If a witness were to appear at this hearing with the proposal of a capital levy of 50 percent on all the savings accounts, the life-insurance policies, the bonds and mortgages, and the university and hospital endowments which a generation of thrift and self-denial has amassed, he would certainly be denounced as a crackpot or a Communist—or both.

Yet for Congress to heed those who now advocate a serious curtailment of OPA's powers would be to invite an inflation which would impose just such a levy.

Few of those who will propose to you any one or more of the dozen ways of bringing this about will really want inflation. There is a small minority, to be sure, who urge inflation as a way of reducing the burden of the national debt. Most, however, merely want to get what they regard as a reasonable increase in the prices of their goods and at the same time to stop having to read and comply with OPA regulations.

Quack remedies: Price control, particularly in a period of rapid transition, is a problem of almost bewildering complexity. It is not

surprising, therefore, that many well-intentioned people have urged measures which those who are close to the concrete, day-by-day issues know to be quack remedies. You hear them offered over the radio. You read about them in your paper. Before I get down to the brass tacks of our problem, I should like to pay my respects to a few of them.

One of the most popular of these substitutes for thinking is "Let's put the law of supply and demand back to work." There is something grimly humorous about this. OPA's sole object for four long years has been to prevent the law of supply and demand from wrecking the Nation. If the law of supply and demand were allowed to rule in the present period of acute shortages, that law would dictate a dizzy climb in prices.

Another popular prescription is embodied in the much-parroted phrase: "All we need is production * * *." Of course, production is what we must have, but the problem is to get production without starting up the inflation which would soon choke off the vast outpouring of goods we need. Moreover, current production figures show we are well on the way to solving that problem.

Some of our economic doctors declare that all the Nation needs is to put the profit incentive back to work. But last year business profits were at or close to their all-time high both before and after taxes. This year profits after taxes may well be still higher. What I should like to know from the doctors who write the profits prescription is just how much more profits they think business must have before it will buckle down to work. But my question would be rhetorical. The fact is that most industries are producing; most are profitable; the few which have ceased to be are getting price increases.

Another rapidly growing school is comprised of those who would decontrol all but a few basic commodities—which ones they do not attempt to specify. Apparently they would expect OPA to sit on the prices of those few selected commodities while most other prices went skyrocketing. This is a job which would be both grotesquely and economically impossible.

Group worries: I think we can safely dismiss the panacea peddlers. A much more serious problem is presented by the genuine worry which I sense among the responsible spokesmen for broad economic groups who fear that somehow in this trying period of transition the particular group each represents will be disadvantaged. I find this among the leaders of labor, of the farmer, of industry.

The labor leader sees the price increases which have been authorized and notes how far profits have climbed above peacetime levels. He fears a further fall in the standard of living which labor achieved in wartime.

The farmer sees the increases in the prices of the things he buys and the increases in industrial wage rates which he fears will mean still higher prices. He is fearful that the unprecedented demand for farm products may fall just as subsidies are withdrawn, casting farm income back to the unfairly low levels which prevailed for so long before the war.

The business leader worries about rising wage rates and is disturbed by prophecies that price control will become permanent. He fears too, that all industry will be held down to the 1936-39 level of profits which he rightly thinks would be inequitable in a high economy.

These fears are not unnatural. I respect them though I think each without foundation. But every group is prosperous today to a degree unprecedented in peacetime. And all these groups have a common enemy. That enemy is inflation. In the fall in real wages in unemployment, in the collapse of farm values and farm prices, in the inventory and operating losses which inflation would bring in its trail, wage earners, farmers, and businessmen, all would lose far more than they could hope to gain from such advantages as they might secure temporarily at the expense of stabilization.

The white-collar workers, the old people dependent on pensions or annuities, and others with fixed incomes have no hope of special advantage. They can only cling to the faith that, in the fight against inflation, their Government will not let them down.

Anti-price-control propaganda: The fact that the great majority of American people share that faith becomes clearer as every new poll checks public opinion on the question as to whether price control should be continued. Yet this fact is sometimes concealed by the unceasing barrage of demands, complaints and criticisms directed against the OPA.

This year the drum-fire is terrific. The past 6 months have been difficult for everyone. Never before has our economy been forced to execute so sweeping a shift in its activities. Conversion to war was gradual compared to the pace of reconversion to peace. Of course, there have been hitches of one sort or another in the process. So there were when the Nation was in total war. But then the excess profits tax took the edge off the appetite of business for price increases. Today, however, the manufacturer who is short of materials or manpower, or the retailer who isn't able to get his orders filled as fast as his customers take the goods off his shelves, naturally looks for a scapegoat. As the sole wartime agency which has had to retain much of its wartime program, OPA fills the bill.

But those who attack OPA generally look for more than psychological satisfaction. Their objectives are usually very specific. Frequently they run to seven, eight, or even nine figures.

There are, of course, a good many industries and firms which have had, and in the future will have, wholly legitimate grounds to seek higher ceilings from OPA and sometimes to complain of price inequities. I am glad to get their views and to work with their advisory committees. I only wish that our industry relations could be confined to such contacts.

Unfortunately, however, there are some industries which are misinforming Congress and misleading the American people. Their public relations experts inspire an outpouring of advertising copy, and radio and press releases in which a few kernels of fact are served in a highly seasoned stew of exaggeration, faulty analysis, half-truth, and, now and then, what appears to be deliberate misrepresentation.

I saw something of that tactic when I was with OPA back in 1942 and with Judge Vinson in OES in 1943. But in the interim the art of price propaganda has been advancing with such strides that, despite my earlier initiation, I must confess that, before I came back to OPA, I was being taken in myself. For example, it was a very gratifying surprise, upon looking into the facts to discover that the Maximum Average Price plan was not just an instrument of oppression and the embodiment of bureaucratic ineptitude.

The more I learn about what OPA has done and is doing, the prouder I feel to be the head of that agency. When I admit that OPA has made mistakes, that it has created some inequities and hardships, and that it still has plenty of unsolved problems, I am not apologizing for its record as a whole. A shortstop can make 30 errors in a thousand chances and still lead the league in fielding.

OPA has established, adjusted and policed maximum prices of millions of commodities handled by some 3,000,000 sellers. It has done this through three and a half years of total war and, a still greater achievement, through 8 months of reconversion to peace. In the last 3 years, the cost of living has crept up by about 3½ percent on the official index. In February, the last month for which we have data, the index actually dropped a little. This record comes close to being an economic miracle. Among other things it took long hours of hard work and skillful planning on the part of people who have had courage to say "No" and take the brickbats when the easy thing to do was to say "Yes" and be complimented for reasonableness and realism.

Individual price adjustments: OPA is incessantly assailed for being rigid, for refusing to recognize the need for price adjustments to speed production, for allowing inequities to go uncorrected. I am sure that OPA has refused a great many demands and disappointed a great many hopes. That is why we still have a stable price level. But the charge that OPA has been rigid does not accord with the facts.

In the 9 months between July 1, 1945 and April 1, 1946, OPA authorized a total of 528 industry-wide price increases. Of this number, 153 were made to satisfy minimum legal requirements; 266 were made to aid production; and 109 were made to correct particular inequities or to assure more effective controls.

Since VJ-day, moreover, OPA has processed 12,000 individual adjustment cases, granting 48 percent in full and 20 percent in part, either to relieve hardship or to aid production. More than 80 percent of these adjustments were handled by field offices.

Upon the adoption of the new wage-price policy in mid-February, OPA adapted its procedures to handle promptly the increased volume of price cases which was anticipated. It streamlined its operations in many ways. It cut down the time required to gather necessary data. It devised new methods for extending the use of self-pricing methods in fields where strict controls were not essential. It stepped up its decontrol program to allow a greater concentration of the staff's time and energy on important commodities. The results have been impressive. Already OPA is abreast of its industry-pricing program.

Of late, we have been hearing fewer predictions that OPA would break down under an unmanageable load of pricing cases. That could happen, and quickly, if OPA's existing standards were changed by law to compel OPA to allow a profit on every product or to deny OPA the right to require cost absorption.

One practical aspect of the proposals for sweeping changes in pricing standards gives me very great concern. In my few weeks as Administrator, I have come to feel that there is no part of my job more important than to do everything possible to correct inequities to individual enterprises. If the law as extended required overhauling of our regulations on a broad scale to assure compliance with new standards, it would be difficult if not impossible for the overburdened staff of the agency to devote adequate attention to the

prompt adjustment of individual cases. I am convinced, moreover, that our present standards are fundamentally fair, and that no case has been made for drastic changes in them.

Commodity problems: Without accepting the promise on which so many of OPA's critics appear to proceed, namely, that OPA is wholly responsible for the solution of production problems, I should like to outline the problems which we are facing, and, I believe, are overcoming, in the fields of clothing, lumber and building materials, dairy products and meat.

If you now have in your minds a picture of an almost complete break-down of regulation and supply in each of those fields, I should not be surprised. But the stories which have been most frequently told do not check with the situations as we see them.

Clothing: The analysis of the clothing problem most often encountered runs about like this: "I can't buy any white shirts. OPA ceilings must be to blame. Let's get rid of price control." The problem, however, is somewhat more complex.

To begin with, we can't make clothes without textiles. During the war the cotton-textile supply fell about as sharply as the demand for cotton clothing rose. Because of wartime conditions, the cotton goods available for civilian use in 1945 was only 25 percent of the 1939 supply. Even if the mills had been able to resume capacity production when the war came to a close, they could not soon have satisfied civilian needs. But capacity production was impossible with a working force 20 percent below that of 1942. Fortunately, the labor supply situation is steadily improving and a recent OPA incentive pricing program is stimulating higher production of the low priced lines.

Senator MILLIKIN. Mr. Porter, will you give us statistics of what is going into the so-called pipe line in this clothing matter before you finish?

Mr. PORTER. Yes, sir. I can supply such information as we have on that. Mr. Small I think issued a statement yesterday on low-cost clothing, and it was very optimistic. I think it was the first week that I was in OPA that we worked out an incentive-pricing plan for certain primary construction of basing fabrics that go into shirts, suits, and other textile items that have been short. It will take some time to get them into the pipe line. We will furnish you statistical information on that.

Senator MILLIKIN. When would you say that these things will be on the shelves of stores in reasonable quantity?

Mr. PORTER. I think it is going out now. I had brought to my attention this morning a series of some hundreds of newspaper advertisements throughout the country of stores that are now showing low-cost women's cotton dresses. Also shirts, work clothing and many low-cost items that have been in short supply. I think they are going out in increasing quantity every week, and it is my hope and conviction that within certainly 2 months there will be a complete change in this low-cost apparel picture. We will undertake to supply more statistical information for the record.

Senator MILLIKIN. We have heard a lot of talk about the pipe line. In order to judge the validity of that talk I would like to know what is going into the pipe line. If I know what is going into the pipe line I can judge pretty well what will be coming out.

Mr. PORTER. I can give you a brief summary of an article we hear so much about, white shirts, and our production was 750,000 dozen per month. Our production during the last 8 months of men's dress shirts has been, in July 210,000 dozen, and from that up to 426,000 dozen in December. The average per month for the fourth quarter was 423,000 dozen. The average per month in January and February, according to industry estimates, was 600,000 dozen.

I might explain that labor has been one of the principal elements holding down shirt production. In January 1944 men's shirts employed 54,000 workers. In January 1945 it dropped to 49,000 workers. In January 1946 it was back to 50,500 workers. It is clear that the labor force has not increased materially since the war, although it is now increasing.

Mr. Chairman, I would like to insert in the record at this point Mr. Small's statement on low-price clothing, which I think will give more statistical information.

The CHAIRMAN. That may be done.

(The data afterwards furnished by Mr. Porter is as follows:)

CIVILIAN PRODUCTION ADMINISTRATION

Advance release, for Wednesday morning papers, April 17, 1946, radio release, 7 p. m., Tuesday, April 16

Substantial progress has been made in the past 90 days in putting low-cost apparel back into the Nation's retail outlets, Civilian Production Administrator John D. Small said today in announcing first-quarter authorizations of fabric for the Government's low-cost clothing program.

"Indicative of this progress has been the amount of material ear-marked by Government action for low-cost shirts and suits intended primarily for returning veterans," Mr. Small pointed out.

"Enough material was set aside in the first quarter to make 2,350,000 dozen men's shirts which will wholesale at prices ranging from \$1.37 to \$2.25 each.

"Likewise, as previously announced, we authorized 12,000,000 yards of cloth during the first quarter for men's low-cost and medium-priced suits wholesaling from \$22.50 to \$28.50 each. It was estimated that between 2,500,000 and 2,800,000 low-cost suits were made up to April 1 under these authorizations, while any unused balance of the allocated cloth is available for low-cost suits during the current quarter.

"These are but two very important items in the entire low-cost clothing program intended to overcome the scarcity of the kind of clothing, which the Nation's workers, returned veterans, children, and housewives can afford to buy," Mr. Small continued. "While we are not over the hump, we are moving ahead and it is safe to say that in the not too distant future the normal balance between low- and high-cost apparel will be reestablished. However, it will still be a long time before supply pipe lines of low-cost apparel, which had been emptied by the end of the war, will once more be filled with the clothing everyone needs."

Under the Government's low-cost clothing program, producers of cotton, wool, and rayon fabrics are required to set aside specified portions of their production, for sale only to clothing manufacturers. The clothing producers, in turn, are committed to use the material only in production of low-cost items in specified price ranges. No manufacturer can participate in the program without OPA authorization.

"There is every reason to believe that a very high percentage of the CPA authorizations for low-cost apparel are being carried out," Mr. Small said. "While our estimates are based on the material authorized for the program through Government assistance, we are making every endeavor to maintain a balance between the authorizations issued and the amount of material actually available in the market for clothing production."

Other high lights of the report show that during the first 90 days of the year, CPA authorized a total of 227,900,000 yards of cotton fabric for manufacture of low-cost items. Seventy-five percent of this material had been ordered by March 22. Among other things, this is expected to make 2,529,000 dozen dresses, more than half of them in misses' and juniors' sizes, which wholesale from \$10.50

to \$27 a dozen; 1,779,000 dozen men's and boys' undershorts, which wholesale between \$4.25 and \$9.75 a dozen; 623,041 dozen infants' and children's overalls and coveralls to wholesale at \$10.50 to \$12 a dozen; and 446,386 dozen toddlers' and boys' wash suits and pants, wholesaling at \$13.50 to \$17.25 a dozen.

A total of 143,500,000 yards of rayon fabrics were authorized for the first-quarter program, of which four-fifths had been ordered by March 22. On the basis of these authorizations, a total of 27,900,000 girls' and women's street dresses can be made (wholesaling from \$3 to \$6.75 each), in addition to large quantities of blouses, shirts, waists, and rayon slips.

"These garments will not appear in retail stores immediately," Mr. Small said. "An interval extending anywhere from several weeks to some months must intervene between the time a manufacturer places his order for fabric and the moment when the end product shows up on retail shelves. We do not anticipate that the full force of the program will be felt at the consumer end for at least another 90 days—and, in some instances, considerably longer than that.

"Nevertheless, isolated reports show that even now shelves which had been completely barren of vitally needed clothing are already beginning to feel the impact of the cooperative effort between business and Government to overcome the deficiency. Low-cost shirts and shorts are moving into the market in increasing volume and as the heavy demand is met, more and more stores should begin to stock the normal supplies. The past few weeks have seen an increasing number of suits on the market. While these are still swiftly bought up from retailers, the encouraging fact is that shipments seem to be getting back to a regularly scheduled basis.

"No one knows when the unprecedented demand, which flooded producers and retailers almost the day the war ended, will be sopped up by the supplies moving into the market. We must remember that for a period of 3 to 4 years, normal production, normal stocks, and the normal flow through the distribution pipe lines suffered the consequences of total war. The unsatisfied requirements of that long period must be met before we can attain an economy of balanced supplies and demand once more."

Industry eagerness to participate in the program was illustrated by the fact that the program was oversubscribed in every fabric in the first quarter. The 2,400 applicants for cotton fabrics requested 597,600,000 yards but available supplies made possible authorizations for only 227,900,000 yards.

A total of 1,305 applications for wool fabric were submitted which, if all granted, would have taken 51,000,000 yards of fabric. Actually, there were supplies enough to authorize only 28,500,000 yards for the first quarter's production.

The rayon program was oversubscribed over two times. The 2,623 applicants requested 302,900,000 yards, but available supplies resulted in 143,500,000 yards authorized.

End of advance release for Wednesday morning papers, April 18, 1946.

Senator MILLIKIN. Mr. Porter, when would you say there will be an abundance of such things?

Mr. PORTER. It is our estimate that it will be within 3 months.

Senator MILLIKIN. Do you mean to say that by that time if anybody wants to buy a couple of white shirts, or of any other kind of shirts, he can go in and buy them?

Mr. PORTER. There will probably be some shortage of shirts because of the demobilization going on and the backlog of demand. I suppose everybody would like to be able to go into a store and buy a dozen shirts if that were possible. But you must realize that there has been a great demand with 6,000,000 boys coming out of the service. I might say that I have seen figures used to the effect that there is a 4-year demand that has immediately hit the market.

Senator MILLIKIN. That is, exactly the point I am getting at when I ask about the time when there will be an abundant supply. I was looking forward to the day when a man can go into a store and buy one shirt, or a dozen shirts if he desires to buy that number. Will that be a matter of 2 or 3 years?

Mr. PORTER. No, sir. It will be longer than 4 months, but there will be a peak production, or a production at a point where there won't be the scarcity that now exists.

Senator BANKHEAD. Mr. Porter, what is retarding peak production now?

Mr. PORTER. I think it is a combination of factors. I mentioned the labor supply, which is now important.

Senator BANKHEAD. Why do you say it is important? Can't you get a full supply of labor?

Mr. PORTER. No, sir. I think, further, there is the question of running second and third shifts in many of the primary mills.

Senator BANKHEAD. If you had second and third shifts you would have a great increase in production.

Mr. PORTER. Yes, sir; and we have provision for such an allowance.

Senator BANKHEAD. Have you an incentive program?

Mr. PORTER. Yes, we have that very definitely. It is in an order that was issued some 6 weeks ago, coupled with the allocation of orders for CPA on some of the 19 cotton-textile products that go into this field. The industry was given the total cost of the particular product, plus their normal production, and plus 5 percent incentive price.

Senator BANKHEAD. Do you say that order was issued 6 weeks ago?

Mr. PORTER. Yes, sir.

Senator BANKHEAD. I heard only this morning that it would be issued tomorrow.

Mr. PORTER. That is on carded yarn.

Senator BANKHEAD. Is that the thing you are talking about?

Mr. PORTER. That is an amendment to the original order which merely makes some changes in the original order.

Senator BANKHEAD. Will you please put the orders on that subject in the record?

Mr. PORTER. Yes, sir.

Senator BANKHEAD. I mean, please put in the record both the original order and the amendments, and when they became effective.

Mr. PORTER. All right.

(The orders referred to, afterwards furnished by Mr. Porter, are as follows:)

OFFICE OF PRICE ADMINISTRATION

(Document No. 53040)

PART 1305—ADMINISTRATION

[SO 131,¹ Amdt. 14]

SO 131
AMDT. 14
MAR. 8, 1946

REVISED MAXIMUM PRICES FOR CERTAIN COTTON TEXTILES

A statement of the considerations involved in the issuance of this amendment has been issued simultaneously herewith and filed with the Division of the Federal Register.

Sections 1, 2, and 3 are amended and section 3a and 5 are added to read as follows:

SECTION 1. *How this supplementary order works.* (a) This order supplements and modifies the price schedules, regulations, and orders referred to in sections 3 and 4 with respect to the goods there designated. Except as they are supplemented and modified by this supplementary order, the provisions of those price schedules, regulations, and orders remain in force.

¹ 10 F. R. 11296, 11890, 12116, 13268, 13269, 13812, 14504, 14657, 15779 15004, 15383; 11 F.R. 532.

(b) As originally issued, this order established a "higher" and a "lower" band of maximum prices. These two bands, although retained in the text of section 4 of the order, are now supplanted in most cases by two new bands, called band A and band B. Bands A and B, appearing in section 3, are in most instances established in terms of increases over the original "higher" band ceilings. In addition, a special incentive premium is provided in section 3a for a limited list of fabrics.

(c) The applicability of the various bands is as follows:

(1) The original "lower" band of ceilings ceases to be effective on March 8, 1946.

(2) The original "higher" band of ceilings remains applicable only to those items for which band A and B maximum prices are not established. For items with band A and B maximum prices, the original "higher" band ceilings cease by March 8, 1946, to be effective as maximum prices but in most cases they constitute the basis for computation of the band A and B maximum prices.

(3) Band B ceilings may be charged by any seller.

(4) Band A ceilings may be charged only by producers who meet the requirements of section 2. In brief, band A prices may be charged only by a producer who receives OPA's acknowledgement of the required certification that he is paying a wage increase of a specified minimum amount, except that a producer upon becoming eligible to make the certification may charge band A ceilings for 30 days thereafter, even if he has not filed the certification.

SEC. 2. *To whom band A ceilings apply, certification.* (a) Except during the limited period of time referred to in paragraph (c) below, band A maximum prices apply only to a producer who (1) has certified to the Office of Price Administration (on a form to be provided) that he is eligible to use them and (2) has received from the Office of Price Administration an acknowledgment that his certification meets the requirements of this section 2. Certifications shall be filed with the Textile Price Branch, Office of Price Administration, Washington 25, D. C. Those which meet the requirements of this section shall be acknowledged within 10 days of their filing and the acknowledgments shall bear a number and the following words: Band A OPA No. _____.

(b) A producer may certify that he is eligible to charge band A ceilings only if (1) his average hourly straight time wage² during any full representative period in 1946 is at least 12½% higher than his average hourly straight time wage during any full representative payroll period after he first qualified to charge the original "higher" band of ceilings established by section 4 and (2) the wage increases involved have been approved pursuant to Executive Order 9697. If a producer prior to March 8, 1946 had not qualified for the original "higher" band ceilings, he may certify that he is eligible to charge band A ceilings only if (i) his average hourly straight time wage during any full representative payroll period after that date is at least 12½% greater than the minimum average hourly straight time wage² which would qualify³ him for the original "higher" band and (ii) the wage increases involved have been approved pursuant to Executive Order 9697.

(c) Notwithstanding paragraph (a) above, any producer upon becoming eligible to make the certification there mentioned may charge band A ceilings for deliveries made during the next thirty days thereafter or until April 8, 1946, whichever is later.

² A producer should compute his average hourly straight time wage by dividing his straight time payroll for a full representative payroll period by the number of straight time man hours worked in that period. The straight time payroll for the period should be appropriately increased to reflect accrued vacation pay, or employee benefits such as insurance or hospitalization.

³ The qualifications for the original "higher" band appear in Appendix A.

SEC. 3. *Band A and Band B maximum prices.* (a) Maximum prices for the goods named below shall be the prices established by section 4 for the "higher" band, increased by the following percentages:

Reference No.	Name of goods	Par. in sec. 4 of SO 131 in which covered	Section in RPS or MPR in which covered	Band A, percent increase	Band B, percent increase
1	Bed linens	(c) (1)	RPS-89 1316.111 (c) (table III)	8.88	3.76
2	Bleached pillow tubing	(c) (2)	RPS-89 1316.111 (d) (3) (i)	8.88	3.76
3	Chambrays and coverts	(d)	RPS-35 1316.61 (b) (4) (table V)	8.11	4.13
4	Napped back cottonades	(e) (1)	MPR-118 1400.118 (d) (25) (iii)	8.11	4.13
5	Napped back whipcords	(e) (2)	MPR-118 1400.118 (d) (25) (iv)	8.11	4.13
6	Sheeting yarn fabrics	(f)	RPS-35 1316.61 (b) (4) (table III)	9.14	4.70
7	Grey soft filled sheetings	(g)	MPR-118 1400.118 (d) (3)	9.14	4.70
8	Wide sheeting, wide broken twills, wide drills, and four-leaf twills, and wide sateens.	(h)	MPR-118 1400.118 (d) (13)	9.14	4.70
9	Warp sateens	(i)	MPR-118 1400.118 (d) (4)	9.14	4.70
10	Grey carded gabardines	(j)	MPR-118 1400.118 (d) (6)	9.14	4.70
11	Birdseye nursery products	(k)	MPR-118 1400.118 (d) (14) (iii) (a)	9.14	4.70
12	Grey birdseye diapercloth	(l)	MPR-118 1400.101 (b) (2)	9.14	4.70
13	Denims	(m)	RPS-35 1316.61 (b) (4) (table IV)	9.21	5.72
14	Pinchecks	(n)	MPR-118 1400.118 (d) (32) (ii) (a) and (b) and 1400.101 (b) (1) (ii).	9.21	5.72
15	Pinstripes	(o)	MPR-118 1400.101 (b) (2)	9.21	5.72
16	Print cloth yarn fabrics	(p)	RPS-35 1316.61 (b) (4) (table II)	9.31	4.77
17	Wide print cloths	(q)	MPR-118 1400.118 (d) (23) (ii)	9.31	4.77
18	Gauze diapers	(r)	MPR-118 1400.118 (d) (14) (ii) (a)	9.31	4.77
19	Bunting and certain bleached cheesecloth.	(s) (1)	MPR-118 1400.118 (d) (17) (ii)	9.31	4.77
20	Bleached sanitary napkin gauze and certain bleached cheesecloth.	(s) (2)	MPR-118 1400.118 (d) (17) (iv)	9.31	4.77
21	Osnaburgs	(t)	RPS-35, 1316.61 (b) (4)	5.38	1.15
22	Cotton seamless bags	(u)	MPR-118 1400.118 (d) (31)	4.37	.19
23	Grey insulation tubing	(v)	MPR-118 1400.118 (d) (34)	9.31	4.77
24	Flannels	(w)	MPR-118 1400.118 (d) (2)	8.65	3.43
25	Flannelette diapers	(x)	MPR-118 1400.118 (d) (14) (iv)	8.65	3.43
26	Terry products	(y)	MPR-118 1400.118 (d) (26) (v) and 1400.101 (b).	9.80	4.14
27	Huck and crash towels and corded napkins.	(y)	MPR-118 1400.118 (d) (29) (v) and 1400.101 (b).	9.80	4.14
28	Ducks (in the grey)	(z)	MPR-118 1400.118 (d) (8)	9.35	6.14
29	Paper-makers dryer felts	(aa)	MPR-118 1400.118 (d) (16) (i)	9.35	6.14
30	Certain surgical dressings	(bb)	MPR-118 1499.166 (b) (17) (xi) (e)	9.31	4.77
31	Wide laundry cover cloth	(cc)	MPR-118 1400.118 (d) (15) (ii)	9.14	4.70
32	Blanket linings	(dd)	MPR-118 1400.118 (d) (12) (ii)	8.60	2.89
33	Certain 100% American cotton blankets and robe cloth.	(ee)	MPR-118 1400.118 (d) (27) (viii) and (ix).	8.31	2.92
34	Woven table and laundry felts.	(ff)	MPR-118 1400.118 (d) (5)	8.31	2.92
35	Certain woven tickings	(chh)(1)	RPS-35 1316.61 (b) (4) (table VI)	9.58	5.39
36	Certain woven tickings	(hh)(2)	MPR-118 1400.101 (b) (2)	9.58	5.39
37	Ginghams, seersuckers and related fabrics.	(ii)	MPR-118 1400.118 (d) (10) (iii) and 1400.101 (b) (2) (ii).	9.35	4.98
38	Grey uncut corduroy	(nn)	MPR-118 1400.118 (d) (24) (ii) (b)	8.86	4.55
39	Velveteen	(oo)	GMPR	8.94	4.09
40	Certain broadcloths and poplins.	(pp)	RPS-35 1316.61 (b) (4) (table II)	9.31	4.77
41	Combed bed linens	(rr) (2)	GMPR	8.88	3.76
42	Terry products, huck & crash towels, towelling & corded napkins made by certain producers.	(rr) (3)	GMPR	9.80	4.14
43	Certain carded Class C four-leaf twills.	(ss)	MPR-118 1400.101 (b)	9.14	4.70
44	Knitted dish cloths	(rr) (5)	GMPR	5.38	1.15
45	Cotton tire cord, tire cord fabric, and cord breaker fabric.	(none)	SR14E-2.11 (c) (i) and (2)	7.98	4.55
46	Certain combed cotton fabrics.	(rr) (1)	GMPR	7.50	1.00

(b) The maximum prices for combed cotton yarns covered by § 1307.12 (b) (Table I) of Revised Price Schedule No. 7 and by section 4 (b) of Supplementary Order No. 131 shall be the following:

[Cents per pound]

Yarn Nos.	Band A		Band B		Yarn Nos.	Band A		Band B	
	Singles	Plied	Singles	Plied		Singles	Plied	Singles	Plied
8s.....	52.75	55.25	50.75	53.25	54s.....	85.25	94.00	80.75	88.75
10s.....	53.25	55.75	51.25	53.75	56s.....	87.50	96.25	82.75	90.75
12s.....	53.75	56.75	51.75	54.75	58s.....	89.75	98.75	84.75	93.25
14s.....	54.25	57.75	52.25	55.75	60s.....	92.00	101.25	86.75	95.75
16s.....	55.00	58.75	53.00	56.75	62s.....	94.25	103.75	88.75	97.75
18s.....	55.75	59.75	53.75	57.75	64s.....	96.50	106.25	90.75	99.75
20s.....	56.75	61.00	54.75	58.75	66s.....	98.75	108.75	92.75	101.75
22s.....	57.75	62.50	55.75	60.25	68s.....	101.00	111.25	94.75	104.00
24s.....	59.00	64.00	56.75	61.75	70s.....	103.25	113.75	96.75	106.75
26s.....	60.25	65.75	57.75	63.25	72s.....	105.50	116.25	98.75	108.75
28s.....	61.50	67.50	59.25	65.25	74s.....	107.75	118.75	100.75	110.75
30s.....	63.00	69.50	60.75	67.25	76s.....	110.00	121.25	102.75	112.75
32s.....	64.75	71.50	62.25	68.75	78s.....	112.25	123.75	104.75	114.75
34s.....	66.50	73.50	63.75	70.75	80s.....	114.50	126.25	106.75	116.75
36s.....	68.25	75.50	65.25	72.25	82s.....	116.75	128.75	108.75	119.75
38s.....	70.00	77.50	66.75	73.75	84s.....	119.75	131.75	111.75	123.75
40s.....	71.75	79.50	68.25	75.75	86s.....	123.75	135.75	115.75	127.75
42s.....	73.50	81.50	69.75	77.75	90s.....	131.75	145.75	123.75	137.75
44s.....	75.25	83.50	71.25	79.25	100s.....	155.75	175.75	144.75	163.75
46s.....	77.00	85.50	72.75	80.75	110s.....	179.75	205.75	166.75	189.75
48s.....	78.75	87.50	74.75	82.75	120s.....	207.75	235.75	191.75	215.75
50s.....	80.75	89.50	76.75	84.75	130s.....	243.75	281.75	226.75	261.75
52s.....	83.00	91.75	78.75	86.75	140s.....	297.75	351.75	276.75	326.75

(c) (1) The maximum prices for the goods named below, when made of warp yarns coarser than 40's, and which are covered by § 1400.101 (b) and/or § 1400.118 (d) of Maximum Price Regulation No. 118, and by section 4 (qq) (Table I) of Supplementary Order 131, shall be the prices established by section 4 for the "higher" band increased by the following percentages:

Ref. No. in Par. (cc)	Name of Fabric	Band A	Band B
1.....	Brassiere cloth (rayon decorated).....	9.31	4.77
2.....	Buff cloth (sheeting yarns).....	9.14	4.70
3.....	Dimity cord.....	9.31	4.77
4.....	Dimity check.....	9.31	4.77
5.....	Dotted swiss.....		
6.....	Colored yarn dress goods and shirtings, including gingham, seersucker, chambray, madras, pique, and broadcloth.....	7.50	1.00
7.....	Lawn.....		
8.....	Leno bag fabrics.....	5.38	1.15
9.....	Laundry nets.....	8.35	5.06
10.....	Marquissette.....	9.31	4.77
11.....	Grey meads cloth of the following construction conforming to Federal Specifications U-P-401 or any closely related construction serving the same functional use: 40½" to 41", 74, to 75 warp ends, 86 picks, 2.85 yd. to 2.90 yd. per lb.	9.31	4.77
12a-12b.....	Finished meads cloth produced from the following grey constructions or any closely related constructions serving the same functional use, conforming to Federal Specifications, U-P-401:		
12a.....	41" 74 x 86 2.90 (grey).....	9.31	4.77
12b.....	40½" 74 x 86 2.80 (grey).....	9.31	4.77
13.....	Grey moleskins.....	9.14	4.70
14.....	Oxfords, grey.....	9.14	4.70
15.....	Oxfords, colored yarn.....	7.50	1.00
16.....	Pique, grey.....	9.31	4.77
17.....	Play cloth.....	9.35	4.98
18.....	Pongee.....		
19.....	Grey sanitary napkin gauze.....	9.31	4.77
20.....	Scrim (2-ply warp and filling).....	9.14	4.70
21.....	Carded filling sateens and sateen yarn twills.....	9.31	4.77
22.....	Voile.....		
23.....	Waffle cloth.....	9.31	4.77

Ref. No. in Par. (cc)	Name of Fabric	Band A	Band B
24	Double and tubular woven tobacco shade cloth	9.31	4.77
25	Rayon decorated broadcloth	9.31	4.77
26	Three-leaf twills which, by virtue of thread count, width, or weight, are excluded from the coverage of RPS 35.	9.31	4.77
27	Grey fancy-bordered handkerchief cloth	9.31	4.77
28	Leno woven dobby broadcloth	9.31	4.77
29	Cotton rayon flake fabrics	9.31	4.77
30	Print cloth yarn fabrics with warp yarns of 28's-32's, filling yarns of 36's-45's, average yarn 33's or more, with a thread count of 161 or more per square inch.	9.31	4.77
31	Natural yarn seersucker	9.35	4.98
32	Woven awning stripes	9.35	6.14
33	Industrial wiping towels	9.14	4.70
34	Leno woven dish cloths	5.38	1.15

(c) (2) For the goods named in paragraph (c) (1) above, when made of warp yarns 40's or finer, the Band A and Band B maximum prices shall be the prices established by section 4 for the "higher" band increased by 7.50% and by 1.00%, respectively.

(d) (1) For the constructions of fine cotton goods covered by § 1316.4 (d) (Table I) of Maximum Price Regulation No. 11 and by section 4 (gg) (1) and (2) and section 4 (uu) (1), (2), and (3) of Supplementary Order No. 131, and which are of the types and bear the reference numbers set forth below, the Band A maximum prices shall be the following and the Band B maximum prices shall be 93.5% thereof:

Types	Reference No. ¹	Cents per yard	Types	Reference No. ¹	Cents per yard
Combed broadcloth	AA1	25.39	Lawns—(Continued)	AB26	21.07
	2	25.01		27	19.79
	3	24.90		28	19.90
	4	32.35		29	26.77
	5	36.49		30	23.41
	6	27.00		31	24.44
	7	30.80		32	27.14
	8	58.50		33	25.76
	9	59.85		34	25.16
	10	82.68		35	23.15
	11	84.52		36	27.94
	12	38.66		37	28.50
	13	28.77		38	24.98
	14	29.93		39	23.72
	15	44.46		40	29.71
	16	24.12		41	34.14
	17	35.58		42	37.44
	18	26.60		43	21.18
	19	20.55		44	26.19
Lawns	AB1	12.52	45	26.90	
	2	15.26	46	28.13	
	3	12.56	47	16.62	
	4	14.75	48	22.15	
	5	19.94	49	23.13	
	6	14.24	50	19.70	
	7	15.34	51	33.84	
	8	15.54	52	21.39	
	9	15.39	AC1	15.38	
	10	18.15	2	18.01	
	11	20.73	3	16.41	
	12	30.54	4	16.92	
	13	23.20	5	16.99	
	14	23.88	6	19.55	
	15	28.60	AD1	10.89	
	16	30.83	2	15.10	
17	16.15	3	14.08		
18	18.93	4	18.10		
19	17.55	5	18.32		
20	18.21	AE1	42.67		
21	19.57	2	58.46		
22	20.07	3	63.23		
23	20.57	4	19.77		
24	26.42	5	21.51		
25	18.78	6	44.22		
			Dimities		
			Dimity check		
			Pique		

Types	Reference No.1	Cents per yard	Types	Reference No.1	Cents per yard
Pique—(Continued).....	AE7	61.13	Collar cloth—(Continued).....	AN6	36.29
Pongee.....	AF1	20.43		7	49.76
	2	18.52		8	51.84
Voile.....	AG1	10.37		9	69.97
	2	10.96		10	39.59
	3	13.66		11	56.14
	4	13.35	Poplins.....	AO1	34.38
	5	13.07		2	37.04
	6	11.80		3	35.75
	7	22.08		4	47.46
	8	22.69		5	56.17
	9	24.89		6	43.24
	10	23.31		7	27.45
	11	42.65		8	24.95
	12	47.75		9	27.68
	13	14.24		10	31.71
Marquissettes.....	AH1	18.08		11	31.85
	2	22.74		12	36.45
	3	17.95		13	29.39
	4	22.16		14	52.79
	5	8.95		15	40.19
	6	9.74		16	41.40
	7	9.88		17	37.95
	8	10.59		18	39.91
	9	10.94		19	44.84
	10	11.81	Beat up marquissettes.....	AP1	9.31
	11	12.67		2	14.69
	12	13.57		3	13.53
	13	14.64		4	11.40
	14	12.01	Sateen.....	AQ1	22.80
	15	13.82		2	23.76
	16	14.05		3	27.25
	17	13.87		4	27.24
	18	15.26		5	29.95
	19	21.89		6	91.47
	20	26.57		7	113.86
	21	9.83		8	60.58
	22	21.64		9	36.23
Scrim.....	AI1	29.62	Tracing cloth.....	AR1	16.69
	2	36.63		2	19.63
Fine combed plains.....	AJ1	6.29		3	21.77
	2	7.46		4	22.42
	3	8.17		5	30.74
	4	12.29		6	24.67
	5	41.12		7	28.04
	6	34.32	Tracing cloth.....	AR8	34.00
	7	56.48		9	31.83
	8	65.75		10	35.84
	9	29.31		11	21.24
	10	48.08		12	34.89
Organdie.....	AK1	22.26		13	32.32
	2	21.57		14	21.71
	3	22.07		15	24.78
	4	23.93		16	34.15
	5	23.82		17	37.43
	6	24.35		18	26.05
	7	25.05		19	28.59
	8	24.90		20	36.48
	9	25.46	Aeroplane fabrics (ply yarn).....	AS1	51.14
	10	25.89		2	52.04
	11	22.96		3	49.37
	12	24.81		4	57.17
	13	21.54		5	45.16
Typewriter cloth.....	AL1	65.55		6	50.18
	2	64.40		7	54.53
	3	41.17		8	52.36
	4	39.35		9	82.39
	5	61.73	Aeroplane fabrics (merc. ply yarn).....	AT1	53.28
	6	64.91		2	61.29
	7	66.45		3	90.86
	8	64.12		4	106.07
	9	59.19		5	150.82
Umbrella cloth.....	AM1	26.45		6	145.11
	2	26.91		7	95.01
	3	24.19		8	106.41
Collar cloth.....	AN1	56.95		9	140.03
	2	40.71	Aeroplane fabrics (single yarns)---	AU1	41.79
	3	29.00		2	35.44
	4	33.33		3	43.67
	5	128.20			

Types	Reference No. ¹	Cents per yard	Types	Reference No. ¹	Cents per yard
Dotted Swiss (unclipped weights)	AV1	25.23	Life vest (air corps, special)	BI1	127.15
	2	29.48		2	114.02
	3	25.55	Life vest (air corps special)	BI3	104.30
	4	31.18		4	110.58
	5	30.09		5	102.26
	6	35.02	Insulating fabric	BJ1	10.84
	7	34.28		2	27.25
	8	28.84		3	35.24
Jacquard broadcloth	AW1	40.20	Acid resistant glove cloth	BK1	194.32
	2	42.53	Bedford cord	BL1	44.65
Decating apron cloth	AX1	241.03	Shade cloth	BM1	119.05
	2	210.78		2	148.31
	3	200.46	Jersey	BN1	21.44
	4	226.61	Skip dent shirting	BO1	22.55
	5	195.70	Filter cloth	BP1	26.24
	6	346.61		2	58.38
	7	230.27	Mechanical boat cloth (ply yarns)		
	8	189.23	(American Pima)	BQ1	103.71
	9	230.57	Insect netting	BR1	18.83
Decating cloth	AY1	237.03		2	22.05
	2	199.74		3	23.17
	3	223.16		4	17.31
	4	196.35	Oxford shirting	BS1	30.25
	5	182.75		2	25.73
	6	292.94		3	28.21
	7	151.95		4	28.73
	8	181.88		5	33.61
	9	260.08		6	34.12
Decating blanket	AZ1	126.09		7	34.57
Aeroplane deicer cloth	BA1	64.16		8	35.32
Jacket cloth for rubber trade	BB1	28.48		9	28.01
	2	46.06	Madras shirting (dobby weave)	BT1	32.31
	3	54.46		2	39.50
Carrier apron for rubber trade	BC1	63.54	Shoe lining	BU1	46.19
	2	72.91	Brassiere fabrics	BV1	38.26
	3	96.40		2	41.27
	4	99.39		3	37.73
	5	102.32		4	40.51
	6	45.66		5	39.37
	7	57.29		6	42.52
	8	68.13		7	37.62
	9	86.15		8	40.36
Printers blanket fabric	BD1	100.19		9	42.43
	2	125.60		10	45.83
	3	68.69		11	32.28
	4	83.27		12	34.39
	5	64.45		13	32.07
	6	74.62		14	33.98
	7	80.93		15	34.88
	8	74.36		16	88.90
	9	96.95	Mechanical boat cloth (single yarn, American Pima)	BW1	77.65
	10	64.94	Warp clip fabric	BX1	21.71
	11	95.45		2	22.85
	12	110.83		3	22.03
	13	122.05		4	22.93
	14	139.21		5	24.13
	15	84.80		6	24.71
	16	76.63	Mock leno shirtings	BY1	26.16
	17	100.29		2	29.58
	18	109.40		3	30.35
	19	137.52	Leno corset fabric	BZ1	51.70
	20	98.40	Radar cloth	CA1	53.75
	21	113.57	Sail cloth	CB1	58.97
	22	77.97	Seersucker	KB9	43.61
	23	109.66		10	40.36
Table cloth	BE1	45.80	Broadcloth	KC25	31.56
	2	51.61	Chambray	KE1	72.73
Linen warp card clothing cloth	BF1	321.03		2	28.15
Lapping cloth	BG1	73.05		3	29.03
	2	73.67			
Special combed duck	BH1	73.71			
	2	83.22			
	3	59.95			

¹ The capital letters heading each series of reference numbers shall be read as preceding each number in the series.

(d) (2) The maximum prices for the constructions of colored sheetings and seersuckers of the types and bearing the reference numbers set forth below, covered by Table I of § 1316.4 (d) of Maximum Price Regulation No. 11, shall be the prices

set forth in Table I of Maximum Price Regulation No. 11, increased by the following amounts:

Types	Reference No. ¹	Cents per yard		Types	Reference No. ¹	Cents per yard	
		Band A	Band B			Band A	Band B
Madras	KA 1	4.17	2.32	Oxfords	4	4.65	2.58
	2	4.13	2.29		5	4.82	2.68
	3	4.41	2.45		6	4.94	2.75
	4	4.80	2.66		7	5.04	2.80
	5	4.84	2.69		8	5.16	2.86
	6	5.01	2.78		9	5.21	2.89
	7	4.44	2.47		10	5.34	2.97
	8	5.02	2.80		11	5.28	2.94
	9	5.06	2.81		12	5.37	2.99
	10	4.98	2.77		13	5.69	3.16
	11	5.25	2.92		14	5.57	3.10
	12	6.11	3.40		15	5.69	3.16
	13	6.23	3.46		16	5.50	3.06
	14	6.35	3.53		17	5.62	3.12
Seersuckers	KB 1	5.86	3.26	18	5.95	3.31	
	2	5.40	3.00	19	6.72	3.74	
	3	5.73	3.19	20	4.32	2.40	
	4	5.28	2.93	21	4.51	2.51	
	5	6.00	3.34	22	4.65	2.58	
	6	5.66	3.15	23	4.78	2.66	
	7	7.24	4.02	24	4.72	2.62	
Broadcloth	KC 1	4.61	2.56	KD 1	4.63	2.58	
	2	4.49	2.49	2	4.77	2.65	
	3	4.65	2.58	3	4.65	2.59	
			4	4.92	2.74		

¹ The capital letters heading each series of reference numbers shall be read as preceding each number in the series.

(d) (3) In lieu of the differentials for colored shirting and seersuckers, set forth in the footnote to Table I in § 1316.4 (d) of Maximum Price Regulation No. 11 and in section 4 (gg) (3) of Supplementary Order No. 131, the differentials for Band B shall be 93.5% of the figures set forth below and the differentials for Band A shall be the following:

	Greige per 100 ends	Color per 100 ends		
		Pastel 27¢	Medium 46¢	Dark 66¢
40/7	\$0.00266	\$0.00358	\$0.00423	\$0.00491
50/1	.00243	.00316	.00368	.00422
60/1	.00217	.00278	.00321	.00367
40/2	.00532			
40/3	.00738			
40/4	.01064			
50/2	.00486			
60/2	.00434			

(d) (4) In lieu of 0.18¢ and 0.28¢ set forth in paragraph (C) in the footnote to Table I in § 1316.4 (d) of MPR No. 11, the pickage change differentials shall be 0.19¢ and 0.30¢ per pick, respectively.

(e) In lieu of the maximum prices and differentials for standard unfinished box-loom clip-spot marquisettes, covered by § 1316.4 (d) (Table II) of Maximum Price Regulation No. 11 and § 4 (gg) (4) of Supplementary Order 131, the band A base maximum price shall be 12.08¢ per yard and the band A maximum prices for any standard construction other than base construction shall be the base maximum price adjusted by the differentials set forth below. Band B maximum prices shall be 93.5% of the prices (including all differentials) for Band A. The per yard differentials are as follows:

A. WIDTH DIFFERENTIALS

35'' deduct	-----	\$0.0080
46'' add	-----	.0115
48'' add	-----	.0244

B. WARP DIFFERENTIALS—GROUND
(Where ground ends are more or less than 40 per inch)

	35"	39½"	46"	48"
<i>40s or 50s combed</i>				
Gray, add or subtract for each two ends per inch.....	\$0. 0018	\$0. 0020	\$0. 0023	\$0. 0025
Pastel colors, add per end per inch.....	. 00042	. 00048	. 00056	. 00059
Empire colors, add per end per inch.....	. 00056	. 00063	. 00073	. 00077
<i>40s or 50s carded</i>				
Subtract from combed for two ends per inch.....	. 00021	. 00024	. 00028	. 00029

C. FILLING DIFFERENTIALS
(Where ground picks are more or less than 18 per inch)

I. GROUND				
<i>40s or 50s combed</i>				
Gray, add or subtract for two picks per inch.....	\$0. 0047	\$0. 0049	\$0. 0053	\$0. 0063
Pastel colors, add per pick per inch.....	. 00049	. 00056	. 00065	. 00068
Empire colors, add per pick per inch.....	. 00063	. 00071	. 00083	. 00087
<i>40s and 50s carded</i>				
Subtract from combed for one pick per inch.....	. 000104	. 000118	. 000137	. 000143
2. ROVING				
Subtract.....	. 0114	. 0126	. 0142	. 0156
And add per pick per inch:				
Gray:				
4 hank.....	. 0074	. 0081	. 0092	. 0100
6 hank.....	. 0057	. 0063	. 0071	. 0078
8 hank.....	. 0047	. 0051	. 0057	. 0063
10 hank.....	. 0041	. 0046	. 0050	. 0056
12 hank.....	. 0038	. 0042	. 0046	. 0052
Pastel:				
4 hank.....	. 0114	. 0126	. 0144	. 0154
6 hank.....	. 0080	. 0088	. 0101	. 0109
8 hank.....	. 0066	. 0071	. 0081	. 0090
10 hank.....	. 0056	. 0061	. 0068	. 0076
12 hank.....	. 0050	. 0055	. 0060	. 0068
Empire:				
4 hank.....	. 0124	. 0138	. 0158	. 0168
6 hank.....	. 0087	. 0097	. 0110	. 0118
8 hank.....	. 0071	. 0077	. 0087	. 0097
10 hank.....	. 0060	. 0066	. 0074	. 0081
12 hank.....	. 0053	. 0059	. 0064	. 0073

D. PATTERN DIFFERENTIALS

Over 10 jumpers and/or 15 harness:				
Per yard per pick 2 shuttles.....	\$0. 000166	\$0. 000166	\$0. 000204	\$0. 000204
Per yard per pick 3 and 4 shuttles.....	. 000204	. 000204	. 000256	. 000256
20/2 carded cords (other than salvage):				
Add per end (all widths):				
Grey.....				\$0. 000073
Pastel colors.....				. 000114
Empire colors.....				. 000129

E. LOOP CUTTING

Add: All widths per yard..... \$0. 0052

F. PRODUCTION DIFFERENTIALS

After applying all necessary differentials add or subtract for each pick over or under an over-all count of 20 picks (all widths)..... \$0. 0003

(f) The maximum prices for carded cotton yarns covered by § 1307.66 (b) (2) (Table II) of Maximum Price Regulation No. 33, and by section 4 (a) (1) of Supplementary Order 131, shall be the following:

[Cents per pound]

Yarn numbers	Band A		Band B	
	Singles	Plied	Singles	Plied
6s and under.....	44.00	46.50	41.50	44.25
8s.....	44.50	47.00	42.00	44.75
10s.....	45.25	48.00	43.00	45.50
12s.....	46.25	49.50	44.00	47.00
14s.....	47.25	51.00	45.00	48.50
16s.....	48.50	52.25	46.00	49.75
18s.....	49.50	53.50	47.00	51.00
20s.....	50.50	54.75	48.00	52.00
22s.....	51.75	56.50	49.25	54.00
24s.....	53.00	59.25	50.50	55.75
26s.....	54.75	60.50	52.00	57.75
28s.....	55.75	62.00	53.00	59.25
30s.....	57.00	63.75	54.50	61.00
32s.....	58.50	65.25	56.00	62.50
34s.....	59.75	67.00	57.00	64.00
36s.....	60.75	68.00	58.00	65.00
38s.....	62.00	69.25	59.25	66.50
40s.....	63.00	70.75	60.25	68.00
42s.....	64.75	73.25	62.00	70.25
44s.....	66.50	74.75	63.50	71.75
46s.....	68.25	76.50	65.50	73.50
48s.....	70.00	78.50	67.25	75.25
50s.....	72.25	80.50	69.25	77.50

(g) The maximum prices for use in establishing "in-line with" prices for carded yarn containing low grade and/or cotton waste covered by § 1307.67 (f) (1) of Maximum Price Regulation No. 33 and by section 4 (a) (2) of Supplementary Order 131, shall be the following:

[Cents per pound]

Yarn numbers	Band A		Band B	
	Singles	Plied	Singles	Plied
1s.....	42.75	45.25	40.25	43.00
2s.....	43.00	45.50	40.50	43.25
3s.....	43.25	45.75	40.75	43.50
4s.....	43.50	46.00	41.00	43.75
5s.....	43.75	46.25	41.25	44.00

(h) For the cotton rope, twine, yarn, and cord covered by section 2.9 of Supplementary Regulation 14E, producers' maximum prices shall be the prices established by that section increased for Band A by 3¼¢ per pound and for Band B by 2¼¢ per pound of cotton and/or cotton waste content in the rope, yarn, twine or cord.

(i) The maximum price for sales of gem ducks by persons other than the manufacturer (covered by § 1400.118 (d) (8) (iii) (e) of Maximum Price Regulation 118 and section 4 (mm) of Supplementary Order 131) shall be the price set forth in section 4 of Supplementary Order 131 for higher band goods, increased by the dollars-and-cents amount by which the supplier's band A or band B ceiling (including premiums) exceeds the original higher band price.

SEC. 3a. *Incentive premiums.* A premium equal to 5% of the otherwise applicable maximum price may be charged for the fabric named below (where con-

structions are designated, the premium applies only to fabrics meeting the specified construction details):

Ref. No.	Name of goods	Para. in sec. 4 of S. O. 131 in which covered	Section in RPS or MPR in which covered
1	Grey osnaburgs.....	(t).....	RPS 35, 1316.61 (b) (4) Table III.
2	Soft filled sheetings.....	(g).....	MPR-118, 1400.118 (d) (3).
	68" 44 x 39 1.25		
	59" 44 x 39 1.65		
	71" 44 x 39 1.12		
	40½" 44 x 42 3.00		
	37" 40 x 40 3.50 and pro rata widths and weights.		
	37" 36 x 36 2.00 and pro rata widths and weights.		
	37" 44 x 40 3.50 and pro rata widths and weights.		
3	Class A sheetings—under 42".....	(f).....	RPS-35, 1316.61 (b) (4) Table III.
	36" 48 x 44 2.85		
	40" 48 x 44 2.85		
	40" 48 x 44 2.50		
4	Class A sheetings—42" and over pro rata widths and weights to items under ref. No. 3.	(h).....	MPR-118, 1400.118 (d) (13) (iv).
5	Class B sheetings—under 42".....	(f).....	RPS-35 1316.61 (b) (4) Table III.
	40" 44 x 40 4.25		
	40" 48 x 40 3.25		
	40" 48 x 40 3.75		
	37" 48 x 44 4.00		
	31" 48 x 44 5.00		
6	Class B sheetings—42" and wider pro rata widths and weights to items under ref. No. 5.	(h).....	MPR-118, 1400.118 (d) (13) (iv).
7	Wide laundry cover cloth.....	(cc).....	MPR-118, 1400.118 (d) (15) (ii).
8	Class C sheetings—under 42".....	(f).....	RPS-35, 1316.61 (b) (4) Table III.
	36" 64 x 64 3.50		
	36" 60 x 52 4.00		
	36" 56 x 56 4.00		
	36" 48 x 40 5.50		
	36" 44 x 40 5.50		
	35" 44 x 40 6.05-6.15		
	35" 40 x 40 6.05-6.15		
	40" 64 x 64 3.15		
	40" 60 x 52 3.60		
	40" 56 x 56 3.60		
	40" 56 x 48 4.30		
	40" 44 x 40 5.50		
	40" 36 x 40 5.55		
9	Class C sheetings—42" and over pro rata widths and weights to items under ref. No. 8, and	(h).....	MPR-118, 1400.118 (d) (13) (iv).
	60" 64 x 68 2.15		
	60" 48 x 48 3.30		
10	Meads cloth.....	(qq) Table I.....	MPR-118, 1400.118 (d) (18) ref. 11, 1400.118 (d) (18) ref. 20A and 20B.
	Grey.....	Ref. No. 11.....	
	Finished.....	Ref. No. 12a-12b.	
11	Grey insulation tubings.....	(v).....	MRP-118, 1400.118 (d) (34) (i).
12	Carded poplins (sheeting yarns)	(None).....	MPR-118, 1400.101 (b) (2).
	76 to 110 sley		
	36 to 60 picks		
13	Three leaf pocketing twills.....	(p).....	RPS-35, 1316.61 (b) (4) Table II.
	39" 2.58 or 3.00		
14	Broken twills.....	(h).....	MPR-118, 1400.118 (d) (13) (v).
	54" 1.14		
	58" 1.06		
15	Four leaf twill.....	(f).....	RPS-35, 1316.61 (b) (4) Table III.
	37" 88 x 42 2.00 and pro rata widths and weights		
16	Drills—under 42".....	(f).....	RPS-35, 1316.61 (b) (4) Table III.
	2.50 and 2.75		
	37" 68 x 40 3.00 and pro rata widths and weights		
17	Drills—42" and wider.....	(h).....	MPR-118, 1400.118 (d) (13) (iv).
	59" 1.85		
	59" 2.25		
18	Wide sateens.....	(h).....	MPR-118, 1400.118 (d) (13) (vii)
	53" 1.12		
	53" 1.32		
	54" 1.05		

Ref. No.	Name of goods	Para. in sec. 4 of S. O. 131 in which covered	Section in RPS or MPR in which covered
19	Print cloths—Class A 39" 80 x 80 4.00 39" 68 x 72 4.75 39" 68 x 64 4.85 38½" 64 x 60 5.35 38½" 64 x 56 5.50 38½" 60 x 48 6.25	(p).....	RPS-35, 1316.61 (b) (4) Table II.
20	Print cloths—Class B 38½" 44 x 36 8.60 38½" 44 x 40 8.20 38½" 40 x 32 9.80 38½" 48 x 44 7.46 38½" 48 x 48 7.15	(p).....	RPS-35, 1316.61 (b) (4) Table II.
21	Print Cloth—Class C: All constructions and widths.	(p).....	RPS-35, 1316.61 (b) (4) Table II.
22	Bleached cheese cloth, bleached sanitary napkin gauze and bunting.	(s).....	MPR-118, 1400.118 (d) (17) (ii) and (iv).
23	Certain bulk surgical dressings.	(bb).....	MPR-188, 1499.166 (b) (17) (xi) (c).
24	Carded broadcloths, classes A, B, C and D, 80 to 136 sley, not in excess of 60 picks, not including slub yarns.	(p).....	RPS-35, 1316.61 (b) (4) Table II.
25	Carded poplins, classes A, B, C and D, 80 to 116 sley, not in excess of 56 picks, not including slub yarns except 3.75 and heavier.	(p).....	RPS-35, 1316.61 (b) (4) Table II.
26	Denims <i>Mill finish Sanforized</i> 3.00 2.70 2.45 2.20 2.20 8 oz. 8 oz. 9 oz. 10 oz. 11 oz.	(m).....	RPS-35, 1316.61 (b) (4) Table IV.
27	Work shirt chambrays—fine yarn <i>Mill finish Sanforized</i> 3.90 3.60	(d).....	RPS-35, 1316.61 (b) (4) Table V.
28	Work shirt coverts—fine yarn <i>Mill finish Sanforized</i> 3.90 3.60	(d).....	RPS-35, 1316.61 (b) (4) Table V.
29	Work shirt coverts—coarse yarn <i>Mill finish Sanforized</i> 3.20 2.90	(d).....	RPS-35, 1316.61 (b) (4) Table V.
30	Pants coverts <i>Sanforized</i> 2.40 2.00 1.65	(d).....	RPS-35, 1316.61 (b) (4) Table V.
31	Whipcords <i>Sanforized</i> 1.45	(e) (2).....	MPR-118, 1400.118 (d) (25) (iv).
32	Work-shirt flannels. Plain color twills and plaids. <i>Mill finish Sanforized</i> 3.60 2.70 2.28 2.00	(w).....	MPR-118, 1400.118 (d) (2) (iii).
33	Glove and mitten flannels 6, 8, 10, 12 oz. pro rata to 34", unbleached and colors as specified in MPR-118, 1400.118 (d) (2) (v).	(w).....	MPR-118, 1400.118 (d) (2) (v).
34	Chafar fabrics	(z).....	MPR-118, 1400.118 (d) (8) (x).
35	Gem ducks 30¼" 8 oz. and pro rata widths and weights. 30¼" 9 oz. and pro rata widths and weights.	(z).....	MPR-118, 1400.118 (d) (8) (iii) (b).
36	Soft-filled twills—under 42" 37" 80 x 40 2.00 and pro rata widths and weights.	(f).....	MPR-35, 1316.61 (b) (4) Table III.
37	Soft-filled twills—42" and over pro rata widths and weights to item listed under ref. No. 36.	(h).....	MPR-118, 1400.118 (d) (13) (vi).

SEC. 5. *Appendix A: To whom the higher band prices apply.* (a) The higher band of maximum prices applies to those producers, and to those producers only, who since March 1, 1945, have increased the wage rates of all their workers at least 5¢ per hour and, in addition, are paying any one of the following:

(1) A minimum wage of 55¢ per hour for all workers except learners and handicapped.

(2) A premium of 5¢ per hour for all hours worked on the third shift which shall be operated no less than 10% of the man hours worked on the first and second shifts combined during the second quarter of 1945, or

(3) A minimum of one week's paid vacation per year.

(b) Any producer who is qualified to charge the maximum prices in the higher band is authorized to collect, in connection with existing contracts or deliveries already made (but only if he lawfully reserved that right), the difference between the maximum price prevailing on June 1, 1945, and the maximum price in the higher band. The amount which he may so collect is limited, however, as follows:

(1) In the case of sales and deliveries made pursuant to Supplementary Order 114, to 4%;

(2) In the case of sales and deliveries made pursuant to Revised Supplementary Order 114 to the applicable percentage set forth in Column II of section 5 of that revised supplementary order.

(c) A producer who is not qualified to charge the maximum prices in the higher band shall not charge or collect any more than the maximum prices in the lower band, notwithstanding any reservation or certification made by him under Supplementary Order 114 or Revised Supplementary Order 114.

This amendment shall become effective March 8, 1946.

NOTE: The reporting requirements of this amendment have been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942. Issued this 8th day of March 1946.

PAUL A. PORTER, *Administrator.*

STATEMENT OF THE CONSIDERATIONS INVOLVED IN THE ISSUANCE OF AMENDMENT
No. 14 TO SUPPLEMENTARY ORDER No. 131

The accompanying amendment effects a general upward revision of the maximum prices for almost all cotton textiles. The higher prices are granted, for the most part, to off-set labor and cotton cost increases which have occurred since cotton textiles were last re-priced in the late summer and fall of 1945 in conformity with the Bankhead Amendment to the Stabilization Extension Act. In addition, higher prices are granted to the producers of specified staple cotton goods as an incentive to insure the increased production of these fabrics necessary to meet the requirements set by the Civilian Production Administration for low cost men's, women's, and children's apparel, work clothing, and industrial and agricultural uses.

On November 4, 1945, the New Bedford and Fall River Massachusetts group of manufacturers placed into effect a general wage increase subsequent to negotiations with the union representing the employees. The wage adjustment represented: (1) an increase in the minimum rate from 57¢ to 65¢ per hour; (2) an increase of 8¢ per hour across the board as a corollary of the increase in the minimum rate; (3) an additional 2¢ per hour third-shift premium; (4) the granting of a second week of paid vacation to employees with five or more years of service; and (5) certain other "fringe" adjustments. This increase was approved by the National Wage Stabilization Board on January 17, 1946 as necessary to eliminate sub-standard wage conditions. At the same time or earlier, adjustments in wage rates for particular jobs were made to bring them into conformity with the so-called "peg-point" rates established pursuant to the wage settlement ordered by the National War Labor Board early in 1945. Like increases have since spread widely, largely on a voluntary basis, throughout the industry. In addition, cotton textile producers have been faced since last summer with a steadily increasing price for raw cotton, both parity and replacement cotton having risen to levels not reached since the early 1920's. Since the prices last issued for major items of cotton textiles, determined under the so-called "Net Worth Formula", were at the minimum price level required by law, compensating price relief is required to off-set the increased labor costs and the increase which has occurred in parity since July 1945.

In discussions relative to the price and production problems of the cotton textile industry held between the Office of Price Administration and representatives of

the cotton textile producers, strong representations were made by the leaders of the industry that an advance in prices to the current minimum level required by law (reflecting current wages and current parity) would be ineffectual in achieving a desired 25% increase in cotton textile production, since the current market for raw cotton exceeds the parity price on a considerable range of grades and staples as much as two to three cents per pound. Although the resulting margins over actual cotton cost would be adequate to meet the requirements of the industry earnings standard (or, if they were not, for any cotton textile industry, necessary adjustments would be made), nevertheless it was argued that margins would be insufficient to cause producers to make the extra efforts, involving use of overtime labor, operation of third shifts, special recruitment devices, etc., which alone could yield maximum production. Although the return of manpower to the mills in the last few months has resulted in some increase in production, overtime operations remain at a level below the pre-V-J day peak, production has not increased as rapidly as might be expected, and a critical shortage still exists.

In view of the foregoing, the Administrator has been faced with a dilemma. It is imperative, he recognizes, that ceilings should not be allowed to become an impediment to the maximum textile production physically attainable. On the one hand, if the increase were limited to the minimum required by law, there would be a substantial risk of impeding this maximum output. Therefore, lest ceilings at the minimum level required by law prevent attainment of the highest possible production, the Administrator has been impelled to grant an increase beyond that level. However, the granting of such an increase is fraught with the probability that it would defeat its own objective, since any large margin granted the textile mills as an incentive to greater production might induce a further speculative advance in the price of raw cotton and thus eliminate the incentive margin. In other words, so long as the price of raw cotton remains unchecked, an increase in the price of textiles in order to obtain a larger output might result merely in higher prices for cotton and no greater supply of textiles.

It is clear that the only resolution of this otherwise hopeless dilemma lies in stabilization of the price of cotton. This has reinforced the determination of the government to take all measures within its power to hold the price of cotton at or below the current market. To this end the Director of Economic Stabilization has held conversations with the Presidents of the New York, New Orleans, and Chicago cotton futures exchanges, and asked them, on a voluntary basis, to cooperate in the effort to stabilize prices for cotton by increasing substantially margin requirements on futures transactions in order to dampen the speculative element which has lately been increasing in the cotton futures market. If an increase in trading margins is not effective in stabilizing cotton prices, the Administrator is prepared to take whatever additional steps, including a ceiling, are necessary to stabilize cotton prices.

These raw cotton measures are in process or in prospect. Therefore, the dilemma mentioned above has been obviated. Under these circumstances the Administrator, with the approval of the Office of Economic Stabilization, has decided that in order to stimulate textile production, an increase larger than the law requires can and should be granted with the expectation that it will be effective in achieving that purpose. The present amendment therefore increases textile ceilings by an amount reflecting almost the full difference between the July 1945 parity level for raw cotton and the current market level (in addition to a reflection of the wage increase in full, which would not be required by law). In no case, however, is a raw cotton cost used which is lower than current parity.

It should clearly be understood that this adjustment not only exceeds the minimum required by law, but undoubtedly exceeds the level which would result if the "net worth formula" (the operating standard used in applying the requirements of the Bankhead Amendment) were applied to costs which include the recent market level of raw cotton prices used in this adjustment, current actual conversion costs, and a reasonable profit, for each major item separately considered. The reasons for this include the following: (1) with the increase in the volume of production which has occurred since conversion costs were last surveyed, overhead costs have been reduced and will be reduced further; (2) with the increasing return to the mills of employees formerly in the armed services or temporarily employed in war industries, the average quality and productivity of labor has increased and will increase further; (3) the present calculations assume that mills are using the same assortments of grades and staples of raw cotton used in the summer of 1945; however, many grades and staples have increased in price by much less than the average, and many mills have been able, within limits, to switch the grades and staples of cotton used in favor of

those which have increased less; (4) since prices were last calculated for major items, the size of most of the major items has been expanded by the inclusion of many items previously considered as "minor items", and these added items have received the same increases as the major items to which they have been added; had the major items been re-surveyed to include the minor items later added, the results would have doubtless shown need for smaller price increase.

The revised prices are set forth in two bands, called Bands A and B. Band A represents the former higher band of prices increased to take account of the 1946 textile wage increase and the higher market price for cotton, as described above. Band B is derived from the former higher band of prices adjusted upward to reflect current cotton costs. The accompanying amendment revokes the former lower band of prices, permitting producers of such goods as are not repriced at this time to sell uniformly at the higher band levels.

The percentage increase in labor costs attributable to the 1946 textile wage increase was determined by an examination of pay-roll data by Office of Price Administration accountants in a survey of 15 mills actually paying the higher wage levels. This examination confirmed opinions expressed in discussions with representative producers and labor-union representatives that the increases averaged 15 percent. This figure has been used. In the case of individual mills, the increases range to above 20%, but these cases appear to be exceptional. This uniform percentage (15%) was applied to the percentage of the selling price which labor costs represent for each major item, as shown by previous OPA accounting surveys.

In order to qualify to charge Band A prices producers of cotton textiles will be required to certify as to the wage increases they have granted on a form to be provided for this purpose. Formal permission to charge Band A prices will be achieved by the receipt of an acknowledgment from the Office of Price Administration bearing a number applicable to the particular producer. For the period of one month required for the clearance of this form (as well as for 30 days after an individual producer grants the wage increase) the certification requirement will be waived, so that Band A prices may be charged immediately by those producers actually paying the 1946 wage increase.

¶ In order to qualify for Band A, each mill must be able to demonstrate that it has put into effect a wage increase which has caused an increase in pay rolls amounting to 12½ percent above the level formerly in effect after he had qualified for the previous higher band, or, if he had not previously so qualified, 12½ percent above a level which would have qualified him, prior to this amendment, for that higher band.

It was noted above that wage increases granted by individual mills ranged from zero to above 20 percent, although the average for firms already involved in the new increase was around 15 percent, with a substantial cluster around this figure. Since it is not administratively feasible to have more than two bands, some line between zero and 20 percent must be drawn, above which a price increase is given covering, on the average for this group, the increase in cost due to the wage increase. With the drawing of any such line, there will be some mills which just fail to qualify and hence receive no price increase to cover wage increases, even though they may experience a substantially higher wage cost. There will be other mills which just meet the minimum qualification, yet get a price increase which more than covers their increased labor cost. Likewise there will be mills which pay higher wage increases than the average, and will not be fully covered by the price increase. These inequities, if they are such, appear unavoidable. It is the Administrator's belief that greater fairness is secured by the method here used than if the two-band system were not used and a single price increase were given to all firms taking into account an average of individual increases ranging from zero to 20 percent or more.

In addition to the general increases accorded all major items, an incentive premium of 5% is being granted to producers of specified staple fabrics in order to divert production from specialty items to those goods, and to insure that mills will make an especial effort to get the absolute maximum of production on these fabrics. These goods are those designated by the Civilian Production Administration, which are vitally needed to make the low-cost apparel and work-clothing programs successful, and to provide needed fabrics for industrial and agricultural uses. This action represents the Office of Price Administration's part in a joint program with the Civilian Production Administration to insure the needed supply of these goods. On its part the Civilian Production Administration will issue production directives requiring producers who in the past manufactured the specified fabrics to return to their manufacture and to produce specified minimum

quantities of these goods each quarter. In addition the Civilian Production Administration will take steps to insure that additional production obtained through this program is channeled to low-cost clothing or essential industrial use.

The Administrator has on several occasions referred to the entry into the finished goods field of mills which formerly confined themselves wholly or chiefly to grey goods. In many instances these mills sell finished goods to cutters or to industrial consumers who have customarily used finished goods bought either from independent converters or from mills themselves engaged in converting. In other instances, however, mills have refused to offer grey goods to, and in effect have forced the purchase of finished goods by, industrial consumers (such as bag manufacturers, coaters, etc.) for whom in the main grey goods are better suited than finished goods. It is obvious that this practice results in inflation of business costs and ultimately in higher consumer prices. The Administrator is informed that it is the intention of the Civilian Production Administration to require that a percentage of certain classes of goods to which the 5% incentive price applies be sold in the grey for industrial and agricultural uses. For his part, the Administrator will provide that no converting mark-up may be taken on goods required by the Civilian Production Administration to be sold in the grey. These actions may be expected shortly.

It should be noted that certain cotton textile items have been omitted from this amendment, for various reasons. Finished corduroy and slack suitings are omitted because they had not been finally priced to reflect the last general cotton textile increase, for particular reasons in each case. Price increases for these items will be issued shortly, in an amount which includes allowance both for the previous and the present adjustment.

In the case of decorative fabrics, table napery, and bedspreads, the special pricing method used in granting the previous increase was unusually complicated and the problems involved in computing the new increase have not yet been thoroughly evolved. Action in this respect will, however, be forthcoming.

In the case of part wool and part Asiatic cotton blankets, the increases given were based upon recent costs, and, in the absence of demonstrated need for further increase, the present prices can be deemed adequate.

With this revision, the pricing of cotton textiles has become extremely complicated. Many sellers will have to make several calculations in order to arrive at their new ceiling prices. These complications result from the effort to make the adjustments effective as rapidly as possible. It is hoped that if the pressure of events permits, simplified regulations will be issued so that ceiling prices can be ascertained from one document, with a minimum of extra calculations.

Issued this 8th day of March 1946.

PAUL A. PORTER, *Administrator.*

SO 131
AMDT. 15
MAR. 19, 1946

OFFICE OF PRICE ADMINISTRATION

(Document No. 53242)

PART 1305—ADMINISTRATION

[SO 131,¹ Amdt. 15]

REVISED MAXIMUM PRICES FOR CERTAIN COTTON TEXTILES

A statement of the considerations involved in the issuance of this amendment has been issued simultaneously herewith and filed with the Division of the Federal Register.

¹ 10 F.R. 11296, 11890, 12116, 13268, 13269, 13812, 14504, 14657, 14779, 15004, 15383; 11 F.R. 532.

102 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Supplementary Order No. 131 is hereby amended in the following respects:

1. The Band B maximum prices for carded yarns in section 3 (f) are amended to read as follows:

BAND B
(Cents per pound)

Yarn No.	Singles	Plied	Yarn No.	Singles	Plied
6s and under	42.50	45.00	30s	55.50	62.25
8s	43.00	45.50	32s	57.00	63.75
10s	43.75	46.50	34s	58.25	65.50
12s	44.75	48.00	36s	59.25	66.50
14s	45.75	49.50	38s	60.50	67.75
16s	47.00	50.75	40s	61.50	69.25
18s	48.00	52.00	42s	63.25	71.75
20s	49.00	53.25	44s	65.00	73.25
22s	50.25	55.00	46s	66.75	75.00
24s	51.50	56.75	48s	68.50	77.00
26s	53.25	59.00	50s	70.75	79.00
28s	54.25	60.50			

2. The Band B maximum prices in section 3 (g) are amended to read as follows:

BAND B
(Cents per pound)

Yarn No.	Singles	Plied	Yarn No.	Singles	Plied
1s	41.25	43.75	4s	42.00	44.50
2s	41.50	44.00	5s	42.25	44.75
3s	41.75	44.25			

This amendment shall become effective as of March 8, 1946.

Issued this 19th day of March 1946.

PAUL A. PORTER, *Administrator.*

STATEMENT OF THE CONSIDERATIONS INVOLVED IN THE ISSUANCE OF AMENDMENT 15 TO SUPPLEMENTARY ORDER NO. 131

Amendment 14 to Supplementary Order No. 131 increased the previous maximum prices for carded cotton yarns, setting forth two new bands of prices designated as Band A and B. It was intended that the Band B prices be calculated by adding 2.25 cents per pound to the original higher band, to offset advances in the price of raw cotton, but inadvertently the 2.25 cent increase was added to the former lower band. Thus, through an error, the Band B prices were lower than the prices established by Amendment 13.

The accompanying amendment corrects the Band B maximum prices for carded yarns. This action is made effective as of March 8, 1946, the effective date of Amendment 14.

Issued this 19th day of March 1946.

PAUL A. PORTER, *Administrator.*

SO 131
AMDT. 16
APR. 3, 1946

OFFICE OF PRICE ADMINISTRATION

(Document No. 53693)

PART 1305—ADMINISTRATION

[SO 131,¹ Amdt. 16]

REVISED MAXIMUM PRICES FOR CERTAIN COTTON TEXTILES

A statement of the considerations involved in the issuance of this amendment has been issued simultaneously herewith and filed with the Division of the Federal Register.

¹ 10 F.R. 11296, 11890, 12116, 13268, 13269, 13812, 14504, 14657, 14779, 15004, 15383; 11 F.R. 532, 1771, 1888, 2635, 2972.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 103

Supplementary Order No. 131 is amended in the following respect:

Section 2 (c) is amended to read as follows:

(c) Notwithstanding paragraph (a) above, any producer upon becoming eligible to make the certification there mentioned may charge band A ceilings for deliveries made during the next thirty days thereafter or until May 30, 1946, whichever is later.

This amendment shall become effective April 3, 1946.

Issued this 3d of April 1946.

JAMES G. ROGERS, Jr.,
Acting Administrator.

STATEMENT OF THE CONSIDERATIONS INVOLVED IN THE ISSUANCE OF AMENDMENT
No. 16 TO SUPPLEMENTARY ORDER No. 131

The accompanying amendment extends the period during which a producer, who is eligible to make the certification that he is authorized to charge Band A ceilings, as required by Section 2 (a) of Supplementary Order No. 131, may charge Band A ceilings even though he has not filed the certification.

This action is necessary because it will not be possible to prepare and distribute the certification forms to the trade in time to permit filing and acknowledgment by April 8, 1946.

Issued this 3d day of April 1946.

JAMES G. ROGERS, Jr.,
Acting Administrator.

SO 131
AMDT. 17
APR. 4, 1946

OFFICE OF PRICE ADMINISTRATION

(Document No. 53713)

PART 1305—ADMINISTRATION

[SO 131, 1 Amdt. 17]

REVISED MAXIMUM PRICES FOR CERTAIN COTTON TEXTILES

A statement of the considerations involved in the issuance of this amendment has been issued simultaneously herewith and filed with the Division of the Federal Register.

Supplementary Order No. 131 is amended in the following respects:

1. The table of maximum prices for carded cotton yarns in section 3 (f) is amended to read as follows:

[Cents per pound]

Yarn numbers	Band A		Band B		Yarn numbers	Band A		Band B	
	Singles	Plied	Singles	Plied		Singles	Plied	Singles	Plied
6s and under	44.75	47.25	43.25	45.75	30s	57.75	64.75	56.25	63.00
8s	45.25	47.75	43.75	46.25	32s	59.50	66.25	57.75	64.50
10s	46.00	48.75	44.50	47.25	34s	60.75	68.25	59.00	66.25
12s	47.00	50.25	45.50	48.75	36s	61.75	69.25	60.00	67.25
14s	48.00	52.00	46.50	50.25	38s	63.00	70.50	61.25	68.50
16s	49.25	53.25	47.75	51.50	40s	64.00	72.00	62.25	70.00
18s	50.25	54.50	48.75	52.75	42s	65.75	74.50	64.00	72.50
20s	51.25	55.75	49.75	54.00	44s	67.75	76.25	65.75	74.00
22s	52.50	57.50	51.00	55.75	46s	69.50	78.00	67.50	75.75
24s	53.75	59.25	52.25	57.50	48s	71.25	80.00	69.25	77.75
26s	55.50	61.50	54.00	59.75	50s	73.50	82.00	71.50	79.75
28s	56.50	63.00	55.00	61.25					

1 10 F.R. 11296, 11890, 12116, 13268, 13269, 13812, 14504, 14657, 14779, 15004, 15383; 11 F.R. 532, 1771, 1888, 2635, 2972.

2. The table of maximum prices in section 3 (g) is amended to read as follows:

(Cents per pound)

Yarn numbers	Band A		Band B		Yarn numbers	Band A		Band B	
	Singles	Plied	Singles	Plied		Singles	Plied	Singles	Plied
1s.....	43.50	46.00	42.00	44.50	4s.....	44.25	46.75	42.75	45.25
2s.....	43.75	46.25	42.25	44.75	5s.....	44.50	47.00	43.00	45.50
3s.....	44.00	46.50	42.50	45.00					

This amendment shall become effective April 4, 1946.

Issued this 4th day of April 1946.

JAMES G. ROGERS, Jr.,
Acting Administrator.

STATEMENT OF THE CONSIDERATIONS INVOLVED IN THE ISSUANCE OF AMENDMENT
No. 17 TO SUPPLEMENTARY ORDER No. 131

The accompanying amendment further increases prices of carded cotton yarns by amounts ranging from .75 to 1.50 cents per pound. The additional increases result from a recalculation of the amounts of increase intended to have been granted under Amendment 14 to Supplementary Order 131.

A further increase of .75 cents per pound is given to all counts of carded yarn both in Band A and Band B. Following the issuance of the previous price revision, members of the Carded Yarn Industry Advisory Committee requested that OPA review the calculations leading to that increase. It was contended by them that because of the greater importance of cotton as an element of total cost in the case of carded yarn, and the fact that carded yarn uses the grades and staples of cotton which have increased the most in price above July 1945 parity, carded yarn should have received a larger percentage increase to cover increased cotton cost than was received by any other major item. Accordingly, it was agreed to review these calculations, using an alternative method for computation as a check upon the method originally used. The results of this recalculation show that the price increase previously granted did not make the proper allowance for cotton cost increase; this correction is, therefore, being made.

In the case of Band A prices, an allowance of 1½ cents per pound was made to cover the increase in labor costs due to the new wage increase. In the case of almost every other major item the allowance for the wage increase was expressed as an additional percentage of previous selling price. In the case of carded yarn, however, the complaint had been made, and appeared to be justified, that the coarser counts of cotton yarn were in the least favorable profit position. Accordingly, OPA determined to grant a flat cents-per-pound increase rather than a percentage increase. This had the effect of giving a larger percentage of increase to the coarser counts. The percentage increase required to cover the wage increase had been determined by OPA to amount to 3.29 percent on the previous higher band ceiling prices. This figure was applied to the previous price for 14s single yarns and the resultant figure was rounded to 1½ cents per pound. The Committee approved, in general, of the idea of giving a larger percentage price increase in the coarser counts and a smaller percentage for the finer counts. However, it was felt that the application of this method went too far in discriminating against the finer counts. The Committee accordingly requested that an increase of 3.50 percent be applied to counts through 20s, and an increase of 3.00 percent be applied to the higher counts. This request was approved. The result of this recalculation, when rounded to the nearest quarter of a cent and smoothed to give an even pattern of increase, is to give an additional increase of one quarter to three quarters of a cent per pound for some of the finer counts.

Issued this 4th day of April 1946.

JAMES G. ROGERS, Jr.,
Acting Administrator.

OFFICE OF PRICE ADMINISTRATION

AMDT. 18
APR. 11, 1946

(Document No. 53822)

PART 1305—ADMINISTRATION

[SO 131,¹ Amdt. 18]

REVISED MAXIMUM PRICES FOR CERTAIN COTTON TEXTILES

A statement of the considerations involved in the issuance of this amendment has been issued simultaneously herewith and filed with the Division of the Federal Register.

Supplementary Order No. 131 is amended in the following respects:

Section 3 (j) is added to read as follows:

(j) (i) In lieu of the maximum prices set forth in § 1400.118 (d) (7) of Maximum Price Regulation No. 118, the Band A maximum prices for the constructions of grey coutils set forth below shall be the following, and the Band B maximum prices shall be 93.5% thereof.

Construction:	Cents per yard
40½", 104 x 84, 2.05 yd.....	33¼
38", 112 x 56, 2.73 yd.....	24¾
40½", 96 x 64, 2.44 yd.....	27¼
40½", 112 x 68, 1.79 yd.....	35½
40½", 120 x 76, 1.55 yd.....	40%
40½", 96 x 80, 2.05 yd.....	33¼
40½", 96 x 68, 2.05 yd.....	31½
40½", 96 x 64, 2.25 yd.....	28¾
41", 104 x 68, 2.05 yd.....	32
38", 96 x 62, 3.00 yd.....	24¾

(ii) The maximum prices for grey coutils determined by in-lining under § 1400.101 (b) (1) (ii) of Maximum Price Regulation No. 118 are increased for Band A producers by 35.25% and for Band B producers by 26.46%.

This amendment shall become effective April 11, 1946.

Issued this 11th day of April 1946.

PAUL A. PORTER, *Administrator*.

STATEMENT OF THE CONSIDERATIONS INVOLVED IN THE ISSUANCE OF AMENDMENT
No. 18 TO SUPPLEMENTARY ORDER No. 131

The accompanying amendment increases producers' dollars and cents maximum prices for particular constructions of carded coutils originally set forth in Section 1400.118 (d) (7) of Maximum Price Regulation No. 118. These prices have remained unchanged since May 1942.

Since coutils must meet rigid specifications for use in the manufacture of women's foundation garments and are manufactured predominantly by producers of combed fabrics from cotton of a type ordinarily used for combed goods, the revised prices were derived by including carded coutils within the major items of combed goods. The prices were built up on the basis of the same cost levels for conversion and cotton and an allocation of the same profit per loom per week as those used in formulating the combed goods ceilings. The new dollars and cents ceilings are applicable only to producers qualified to charge Band A prices. Ceilings for Band B producers are set at 93.5% of the Band A prices.

Producers' maximum prices for constructions of grey coutils which were determined by in-lining under Section 1400.101 (b) (1) (ii) of Maximum Price Regulation No. 118 are increased by the same percentages, namely, 35.25% for Band A and 26.46% for Band B.

The Office of Price Administration has been advised that the construction of the 38 inch, 3.00 yard coutil priced in Amendment 3 to Maximum Price Regulation No. 118 at 18½ cents per yard was erroneously set forth as being 96x68. The only 38 inch, 3.00 yard coutil made in the Maximum Price Regulation No. 118 base period or at present is a 96x62 construction. The accompanying amendment accordingly corrects the construction listing to read 62 picks.

Issued this 11th day of April 1946.

PAUL A. PORTER, *Administrator*.

¹ 10 F. R. 11296, 11890, 12116, 13268, 13269, 13812, 14504, 14657, 14779, 15004, 15383; 11 F. R. 532, 1771, 1888, 2635, 2972.

OFFICE OF PRICE ADMINISTRATION

(Document No. 54002)

PART 1305—ADMINISTRATION

[SO 131, Amdt. 19]

SO 131
AMDT. 19
APR. 17, 1946

REVISED MAXIMUM PRICES FOR CERTAIN COTTON TEXTILES

A statement of the considerations involved in the issuance of this amendment has been issued simultaneously herewith and filed with the Division of the Federal Register.

Supplementary Order No. 131 is amended in the following respect:

1. The table in section 3 (a) is amended to read as follows:

Ref. No.	Name of goods	Paragraph in section 4 of SO 131 in which covered	Section in RPS or MPR in which covered
1	Osnaburgs	(t)	RPS-35, 1316.61 (b) (4) Table III.
2	Soft filled sheetings and head linings; as follows or pro rata: 40½" 1.60-1.70 yd. 40½" 2.25-3.00 yd. 40½" 3.25-4.18 yd. 40½" 4.80-5.50 yd. 59" 1.65 yd. 64" 1.25 yd. 71" 1.12 yd.	(g)	MPR-118, 1400.118 (d) (3).
3	Class A sheetings; as follows or pro rata: 36" 48 x 44 2.85 yd. 40" 48 x 44 2.85 yd. 40" 48 x 44 2.50 yd.	(f) (h)	RPS-35, 1316.61 (b) (4) Table III. MPR-118, 1400.118 (d) (13) (iv) (a).
4	Class B sheetings; as follows or pro rata: 40" 48 x 40 3.25 yd. 40" 48 x 40 3.75 yd. 37" 48 x 44 4.00 yd. 40" 44 x 40 4.25 yd. 31" 48 x 44 5.00 yd.	(f) (h)	RPS-35, 1316.61 (b) (4) Table III. MPR-118, 1400.118 (d) (13) (iv) (a).
5	Wide laundry cover cloth—any construction 72" or wider of more than 54 picks per inch.	(cc)	MPR-118, 1400.118 (d) (15) (ii).
6	Class C sheetings; as follows or pro rata: 36" 64 x 64, 3.50 yd. 36" 60 x 52, 56 x 56, 4.00 yd. 36" 48 x 40, 44 x 40, 5.50 yd. 36" 44 x 40, 40 x 40, 6.05 yd. 40" 64 x 64, 3.15 yd. 40" 60 x 52, 56 x 56, 3.60 yd. 40" 56 x 56, 4.00 yd. 40" 56 x 48, 4.30 yd. 40" 44 x 40, 36 x 40, 5.50 yd.	(f) (h)	RPS-35, 1316.61 (b) (4) Table III. MPR-118, 1400.118 (d) (13) (iv) (a).
7	Class C sheetings; as follows or 42 inches and wider pro rata: 60" 64 x 68, 2.15 yd. 60" 48 x 48, 3.30 yd. 57" 56 x 56, 4.10 yd.	(h)	MPR-118, 1400.118 (d) (13) (iv) (a).
8	Meads cloth; as follows or pro rata: 40½" 74 x 86, 2.80-2.90 yd.	(qq)	MPR-118, 1400.118 (d) (18) ref. 11.
9	Grey insulation tubines: 27" 68 x 72, 3.37 yd. 27" 72 x 68, 4.15 yd. 39¼" 68 x 72, 2.35 yd.	Table I (v)	1400.118 (d) (18) ref. 20A and 20B. MPR-118, 1400.118 (d) (34) (i).
10	Carded poplins (sheeting yarn): 76 to 110 sley. 36 to 60 picks.	None	MPR-18, 1400.101 (b) (2).
11	Three leaf pocketing twills; as follows or pro rata: 38"-30" 2.58-3.35 yd.	(p)	RPS-35, 1316.61 (b) (4) Table II.
12	Wide broken twills; as follows or 42" and wider pro rata: 64" 1.14 yd. 58" 1.06 yd.	(h)	MPR-118, 1400.118 (d) (13) (v).
13	Soft filled twills; as follows or pro rata: 37" 80 x 40, 2.00 yd.	(f) (h)	RPS-53, 1316.61 (b) (4) Table III. MPR-118, 1400.118 (d) (13) (vi).
14	Drills; as follows or pro rata: 30" 2.50-3.25 yd. 37" 2.35-3.00 yd. 32" 72 or 76 sley, 48 pick, 2.58 yd.	(f)	RPS-35, 1316.61 (b) (4) Table III.
15	Wide Drills; as follows or 42" or wider pro rata: 59" 1.85 yd. 59" 2.25 yd. 52" 2.20 yd.	(h)	MPR-118, 1400.118 (d) (13) (vi).

¹ 10 F.R. 11296, 11890, 12116, 13268, 13269, 13312, 14504, 14657, 14779-15004, 15383; 11 F.R. 532, 1771, 1888, 2635, 2673, 3599.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 107

Ref. No.	Name of goods	Para-graph in section 4 of SO 131 in which covered	Section in RPS or MPR in which covered
16	Jeans; as follows or pro rata: 38"-39" 96 x 54 2.85 yd. 32" 96 x 64 3.28 yd. 41" 84 or 86 sley, 56 pick 2.92 yd.	(f)	RPS 35, 1316.61 (b) (4) Table III.
17	Warp sateens; as follows or pro rata: 53" 1.12 yd. 53" 1.32 yd. 54" 1.05 yd. 30½" 2.25 yd. 34" 2.00 yd.	(h) (l)	MPR-118, 1400.118 (d) (13) (vii) 1400.118 (d) (4).
18	Four leaf twills; as follows or pro rata: 37" 86 or 88 sley, 40-46 picks 1.50-3.00 yd.	(f) (h)	RPS-35, 1316.61 (b) (4) Table III. MPR-118, 1400.118 (d) (13) (vi).
19	Print cloths; class A, B and C (except "fancy draw"): All constructions and widths	(p) (q)	RPS-35, 1316.61 (b) (4) Table II.
20	Buff cloth (except "fancy draw"); as follows or pro rata: 40" 80 x 84 3.65 yd. 40" 80 x 92 3.50 yd.	(qq)	MPR-118, 1400.118 (d) (23) (ii) (a). MPR-118, 1400.101 (b).
21	Bleached cheese cloth, bleached sanitary napkin gauze and bunting.	(s)	MPR-118, 1400.118 (d) (17) (ii) and (iv).
22	Certain bulk surgical dressings:	(bb)	MPR-188, 1499.166 (b) (17) (xi) (c).
23	Carded broadcloths (plain, not including slubbed yarn): Any construction 80 to 136 sley, not in excess of 60 picks, woven from print cloth yarns counting 44's or less.	(p)	RPS-35, 1316.61 (b) (4) Table II.
24	Carded poplins (plain, not including slubbed yarn except 3.75 yds. or heavier): Any construction 80 to 116 sley, not in excess of 56 pickes, woven from print cloth yarns counting 44's or less.	(p)	RPS-35, 1316.61 (b) (4) Table II.
25	Three leaf twills (print cloth yarns): Any construction or width.	(p) (qq)	RPS-35, 1316.61 (b) (4) Table II. MPR-118, 1400.118 (d) (11) (ii).
26	Work clothing denims, 28"-30" (including solid color, stripes and patterns made with 100% colored filling yarn and herringbone weave); as follows or pro rata: <i>Mill finish Sanforized</i> 3.00 yd. 2.70 yd. 2.45 yd. 2.20 yd. 2.20 yd. 8 oz. 8 oz. 9 oz. 9 oz. 10 oz. 10 oz. 11 oz.	(m)	RPS-35, 1316.61 (b) (4) Table IV.
27	Work shirt chambrays (fine yarn): <i>Mill Finish Sanforized</i> 3.90 yd. 3.60 yd. 3.20 yd. 2.90 yd.	(d)	RPS-35, 1316.61 (b) (4) Table V.
28	Work shirt coverts (fine yarn): <i>Mill Finish Sanforized</i> 3.90 yd. 3.60 yd. 3.20 yd. 2.90 yd.	(d)	RPS-35, 1316.61 (b) (4) Table V.
29	Work shirt coverts (coarse yarn): <i>Mill Finish Sanforized</i> 3.20 yd. 2.90 yd..	(d)	RSP-35, 1316.61 (b) (4) Table V.
30	Work pants coverts: <i>Sanforized</i> 2.40 yd. 2.00 yd. 1.65 yd.	(d)	RPS-35, 1316.61 (b) (4) Table V.
31	Whip cords: 36" 1.45 yd.-1.66 yd. sanforized	(e) (2)	MPR-118, 140.118 (d) (25) (iv).
32	Work shirt flannels: <i>Mill Finish Sanforized Description</i> 3.00 yd. 2.70 yd. Plain color. 2.28 yd. 2.00 yd. Plain color. 3.50 yd. 3.15 yd. Plaids. 3.00 yd. 2.70 yd. Plaids. 2.28 yd. 2.00 yd. Plaids.	(w)	MPR-118, 1400.118 (d) (2) (iif).
33	Glove and mitten flannels: 6, 8, 10 and 12 oz. pro rata to 34", unbleached and colors as specified in MPR-118, 1400-118 (d) (2) (v).	(w)	MPR-118, 1400.118 (d) (2) (v)
34	Chafar fabrics: Any construction or width.	(z) (10)	MPR-118, 1400.118 (d) (8)(x).
35	Combed broadcloths; as follows or pro rata: 37" 136 x 60 37" 128 x 68	(gg)	MPR-11, 1316.4 (d) Table I.

NOTE.—The expression "pro rata" in connection with any listed fabric refers to other widths of the same construction (i. e., other widths having the same thread count and the same ratio of weight to width as the listed fabric).

This amendment shall become effective April 17, 1946.
Issued this 17th day of April 1946.

PAUL A. PORTER, *Administrator.*

STATEMENT OF THE CONSIDERATIONS INVOLVED IN THE ISSUANCE OF AMENDMENT
No. 19 TO SUPPLEMENTARY ORDER No. 131

The accompanying amendment sets forth a revised list of staple cotton fabrics on sales of which producers may charge a 5% incentive premium. The new list conforms Office of Price Administration's action to the current list of cotton textile production directions as set forth in Civilian Production Administration's Schedule B of Order L-99 issued April 8, 1946. The considerations involved in the issuance of this amendment are identical with those set forth in Amendment 14 to Supplementary Order No. 131 when the original incentive list was issued.

Issued this 17th day of April 1946.

PAUL A. PORTER, *Administrator.*

ADDITIONAL ITEMS GIVEN 5% INCENTIVE

[Amendment 21 to SO 131]

All grey combed or carded yarns subject to RPS #7 or MPR #33.

Tire cords subject to Section 2.11 (9 (1) and (2) of SR 14E).

Prices established by RPS 7 and MPR 33 for processed yarns and for sales of yarn by jobbers may be calculated by applying premiums increased 5% as provided in RPS 7 and MPR 33.

Cotton rope, twine, yarn or cord covered by Section 29 may be increased by premium equal to that percent of 5 percent which the cotton and/or cotton waste content is of the rope, twine, yarn or cord.

Senator MILLIKIN. Mr. Porter, please give me your best guess when we will reach the stage of abundance of supply in shirts. I say shirts, because it is impossible to talk about the whole textile problem.

Mr. PORTER. I think the question of an abundant supply depends largely how you measure demand.

Senator MILLIKIN. I measure the time of abundance in the very simple way of saying when it is possible for a man to go into a store and get one shirt or a dozen shirts.

Mr. PORTER. I think it will be a year before we will get to that point.

Senator MILLIKIN. Does that answer go also to sheets and other textile products?

Mr. PORTER. Possibly; yes. I would have to review the production figures on that. I will be glad to supply them.

(The production figures on textiles, afterwards furnished by Mr. Porter, are as follows:)

Employment in the apparel industry

[1939=100]

1939.....	100.0	1945—Continued	
1942.....	119.0	November.....	117.8
1944.....	118.2	December.....	118.9
1945.....	116.7	1946: January.....	121.0
1945: September.....	115.3	February.....	125.8
October.....	117.5	March.....	127.8

Source: Bureau of Labor Statistics.

Production of selected textile and apparel items, 1939—first quarter 1946

	Men's suits	Bed sheets	Men's shirts	Cotton textiles
		(<i>000 linear yards</i>)	(<i>000,000 dozen</i>)	(<i>billion yards</i>)
1939	22.0	¹ 257, 580	² 13. 4	8. 4
1941	25. 4		² 13. 6	10. 5
1942	19. 4	366, 682	11. 5	11. 3
	(Annual rate)			
1945	11. 6	<i>268, 813</i>	³ 4. 5	-----
First quarter	13. 7	299, 444	4. 6	9. 4
Second quarter	9. 6	275, 216	3. 8	9. 0
Third quarter	8. 0	247, 012	4. 1	8. 0
Fourth quarter	13. 5	253, 580	5. 7	8. 3
1946: First quarter	⁴ 19. 2	⁴ 275, 000	⁴ 6. 6	9. 0-9. 2

¹ Square yards from Census data divided by 2.25.

² Dress and sport shirts combined.

³ CPA estimate.

⁴ Estimated.

Source: Bureau of the Census and CPA.

Senator MILLIKIN. I would like to suggest that you make a mistake when you make optimistic estimates that are not met. I think such estimates have made a lot of trouble when they have not been met.

Mr. PORTER. We know this—

Senator MILLIKIN. In other words, you will help yourself if the people get it into their heads that they are not going to get an abundance of these things right away. We can make a big mistake trying to give the impression that everything will be hunky-dory within 3 months.

Mr. PORTER. I did not mean to say that we would be out of the woods in 3 months.

Senator MILLIKIN. I am trying to lead you into making some kind of long-term estimate that will give the people a proper perspective of the problem.

Mr. PORTER. I think it is all related to the backlog of demand. We do know that every ounce of fabric that can be used for shirts is being used, and that it is increasing above any peacetime level. If the pipe lines get full we can certainly look for an easing of the situation. But I still would qualify that with the statement that it will be sometime before there is the type of abundance you refer to.

Senator MILLIKIN. In other words, you mean there will be some decreasing shortage of supply for a period, say from 2 to 3 years, or maybe I should say from a year to 2 years; would you say that?

Mr. PORTER. I would say that your retailers undoubtedly will be able to sell everything that the textile industry can turn out in its efforts for a period of a year or more.

Senator MILLIKIN. Later on, as you get along with your prepared statement, will you go into other lines?

Mr. PORTER. Yes. We will talk about meats, lumber, and so on.

Senator MILLIKIN. I have been talking about clothing, but I have other things in mind as well.

Mr. PORTER. It will not be in complete detail. But we can give you as much information on these things as you may desire to have.

Senator MILLIKIN. We are constantly hearing that ladies have to pay \$49.50 for an ensemble for which they used to have to pay \$28.50, and that it is because somebody has put a bow on, or added a little piece of jewelry, or something of that kind. When will the ladies be able to get \$28.50 ensembles again?

Mr. PORTER. I am not an expert on ladies' ensembles except as they appear to me. [Laughter.] But I do think it is quite apparent that there is an increasing trend toward lower-priced ladies' wear coming back on the market.

Senator MILLIKIN. Have you any pipe-line stuff on that?

Mr. PORTER. Yes. We can get it on low-cost cotton dresses, for instance.

Senator BANKHEAD. Mr. Porter, how long does it take to get a ceiling on low-cost ladies' clothing, say where a person is trying to open up and get to work?

Mr. PORTER. I would hope that it would take anywhere from 2 to 3 weeks at the maximum.

Senator BANKHEAD. I will say that I think you are very optimistic.

Mr. PORTER. It would depend upon whether there is an industry-wide pricing on it. There are certain provisions covering that matter, and Mr. Baker could explain that to you in more detail, in which a newcomer can price a product himself.

Senator BANKHEAD. I will say that is very interesting. We had a case before a subcommittee of the Committee on Agriculture, where a man in Florence, Ala., has been trying for 5 months to get back into operation. He has only two commodities now.

Mr. PORTER. Was that the testimony before the subcommittee?

Senator BANKHEAD. Yes. The man I refer to first went to Birmingham and made an effort to get something, and then he went to Atlanta, the regional office of the OPA, and there he could not do anything, and then he came up here to Washington. I sent him to the OPA, and they treated him with all kindness and courtesy, but he left without anything, and in the meantime weeks had elapsed and he does not know what to do.

Mr. PORTER. Is that Mr. Flagg?

Senator BANKHEAD. Yes; I refer to Mr. Flagg.

Mr. PORTER. Well, Mr. Flagg is back in business and in full production.

Senator BANKHEAD. He is back in business, yes, but with two commodities. He is in town now and trying to get something more.

Mr. PORTER. He was in yesterday, and I think we got a solution of it for him.

Senator BANKHEAD. I say, he is here in town now.

Mr. PORTER. We will report to you fully on that case.

Senator BANKHEAD. He has been held back for about 5 months, so I think you are unduly optimistic.

Senator CAPEHART. Mr. Chairman, might I ask Mr. Porter—

Senator BANKHEAD. That kind of thing may have been all right during the war, but now, when we are trying to speed up production, it would seem to be inexcusable.

Mr. PORTER. I agree with you.

Senator CAPEHART. Mr. Porter, you have been very critical, as was Mr. Bowles, in condemning in very strong language—and I would say if it were in the words inferred it would be unprintable—those who have been opposing a continuation of OPA, or those who have been trying to correct the situation. In fact, you have just about covered the entire waterfront here this morning so far in condemning anybody and everybody who in any way whatsoever have said anything against OPA. Now, let me ask you this question—

Mr. PORTER. I do not want my silence to mean that I agree with your premise.

Senator CAPEHART. In your statement—and I think it is also true of Mr. Bowles' statement yesterday—you admit that you have made several thousand price adjustments, and that you have made some 500 industry-wide adjustments. And now you have talked about one adjustment you have made for one of Senator Bankhead's constituents. I personally have been over to OPA on any number of occasions, and I must say that I think my batting average has been about 99 percent in the matter of getting adjustments.

Mr. PORTER. I am very glad to have you testify for me in that respect.

Senator BANKHEAD. And, Senator Capehart, I want to get you to help me represent some of my people before OPA.

Senator MURDOCK. It may be that down there they distinguish between Republicans and Democrats.

Senator CAPEHART. Mr. Porter, what would have happened to all of these thousands of adjustments, which in your statement you say you have made because they were inequities, and that in many instances thereby they were able to break the bottleneck and secure production; what would have happened had not Senator Bankhead and myself and thousands of others, including manufacturers associations, and all these fellows that you condemn here in very strong language; I ask, what would have happened if you had not had some opposition, if no one had said anything to you and you had proceeded in your own way without having made a single adjustment, without having corrected a situation in any way—yes, what would have been the result then?

Mr. PORTER. Let me say this—

Senator CAPEHART. Has it not been a very healthy thing, has it not been a healthy condition that this opposition has developed, and is developing now? Yes, what would have happened in the case of Senator Bankhead's constituent had that man just remained in Alabama and said "I am going fishing. I am not going up to Washington and fight the OPA"? Yes, what would have happened if the manufacturers' association and other associations had simply said, "Well, all right, if that is the way they want it we won't protest, won't show any opposition"; what would have happened?

All of this leads me to ask: Why is it necessary to condemn in such harsh terms those who are opposed to many things OPA is doing and is not doing and think this job could be done better; and especially when on your own record you admit that you have literally thousands of adjustments? Why cannot you admit that we are all just as sincere as you are; that Senator Bankhead's constituent is sincere, and then go ahead and try to work out this problem on that basis? Why do we have to inject this vitriolic language that both

you and Mr. Bowles used, calling people all sorts of names, when on your own record it has positively been the result of that opposition that the situation in OPA has improved? I would like to have an answer to that question if you care to give it.

Mr. PORTER. I think there are probably several questions involved. We have kept no statistical record of the number of adjustments made as a result of particular representations made by Members of Congress or representations made by our trade association groups. But it would be my guess that of these adjustments I have referred to, 99.9 percent would have been made in the normal process of conducting OPA's business. That is what our staff is for.

Senator CAPEHART. Then am I to understand that if Senator Bankhead's constituent had gone fishing you would have automatically sent him a letter saying "We are going to give you the increase you want"?

Mr. PORTER. Well, if we did not know about it—

Senator CAPEHART. Why do you object when it is called to your attention that people are opposed to you and opposed to OPA?

Mr. PORTER. I have said in my statement that there are a great many inequities in OPA and in their pricing problems which we are attempting to correct. We have no quarrel with those people. My comments were directed to those who would attempt to remedy the situation by repealing price control and using some other formulae, some other techniques, or abandoning completely the objective that Congress has set up.

Senator CAPEHART. I have never made the statement that I thought OPA should be eliminated. I have made the statement that I thought it could be vastly improved. In hearings held on the Pacific coast by the Small Business Committee I think we interviewed 150 businessmen who talked about OPA, and every one of them was complaining that OPA had not made proper adjustments for them. But every one of them, when we asked them should OPA be discontinued, answered that they did not think it should be discontinued, but that they hoped OPA would take a more realistic view of the problem. Senator Taylor was with us, and I believe he will bear me out in my statement that every one of them answered in that vein. That is one of the reasons why I made the statement I did and asked the question I did: How are you going to correct the situation, these inequities, if you do not have some opposition, if people do not call them to your attention?

Mr. PORTER. Well, we have procedures set up for adjusting the very type of thing I have been describing. That is what we are in business to do. We are here attempting to meet the requirements of relieving these inequities and hardships, but my point was made to those who want to discard the standards under which we operate. I attempted to point out what I think is the principal job of OPA from here on, that we keep on the job of industry adjustment, and that will take care of these individual adjustments. That consumes the greater portion of my time. Those are the things you hear about and that I hear about. Those are the ones we want to handle quickly.

Senator CAPEHART. Are you willing to admit that anyone who may have opposed you or tried to correct inequities in OPA, were good patriotic citizens and as vitally interested in this problem of inflation as you are?

Mr. PORTER. Oh, absolutely. I welcome every case of inequity that can be called to the attention of the office.

Senator CAPEHART. I am glad to hear you admit that, and am glad that this record shows it; that possibly those who oppose OPA or want to correct inequities are not devils as some people would try to make you believe they are. I appreciate that statement from you.

Mr. PORTER. I would not want to be misunderstood that I am claiming perfection for OPA. But I do think the record shows it has done a remarkable job.

Senator BUCK. Mr. Porter, what has been the reason for the shortage in articles of clothing?

Mr. PORTER. Well, as I was stating, I think it has been a combination of a number of factors. One has been the diversion of basic fabrics into military and other uses. Another one has been the shift of production groups into other lines. But we feel that we have a program now on these basic apparels that is working and will work. I would say that probably the principal factor, or one of the principal factors certainly, has been the question of the labor supply. But there is some improvement there.

Senator BUCK. And the high price of cotton has not had anything to do with it?

Mr. PORTER. Well, cotton prices have caused us some difficulty. As prices move up, unless we can stabilize the price of raw cotton at or about present levels we are going to have more trouble with our low-cost apparel problem, because you will have an escalator again in prices, and we are hoping these requirements will keep cotton at or near present levels.

Senator MILLIKIN. I went at first-things first awhile ago, about ladies' clothing. Now, when will men be able to get suits?

Mr. PORTER. I think it is right next in my prepared statement.

Senator MILLIKIN. All right.

Mr. PORTER. Shall I proceed, Mr. Chairman?

The CHAIRMAN. Yes; please proceed.

Mr. PORTER. In wool and rayon, the fabric picture is more encouraging. The output of each is well above peacetime levels and is still rising. Unlike cotton textiles, both wool and rayon are subject to the maximum average price program, which, to believe its critics, is stifling productive enterprise. However, the demand for these fabrics has far outstripped existing capacity.

With a shortage of fabrics and an insatiable market, most garment manufacturers with several price lines would concentrate their available fabrics in the production of their highest priced lines. That was what was happening from 1943 to June 1945 when clothing quality was deteriorating and prices rose over 15 percent, though ceilings changed very little.

It was to meet this problem that OPA in the spring of 1945, issued the apparel MAP, a regulation requiring each manufacturer to deliver apparel at no higher average price for each category he produces than his average in a 1943 base period. Results are already apparent. The rate of clothing price increase is flattening out. For the 5 months between September 30, 1945, and March 1, 1946, the total increase in clothing prices was only a fraction over 1 percent, the smallest rise for a comparable period since the beginning of price control.

Senator MILLIKIN. How much did production increase during that period?

Mr. PORTER. I will supply that for the record.

Senator MILLIKIN. I think it is very important information.

Mr. PORTER. Yes; and it is CPA information, but we can get it.

Senator MILLIKIN. These other operations are senseless unless they are related to production.

Mr. PORTER. I think the result of that has been that low-price clothing has come on the market. We will try to get the volume of production on that.

Senator BANKHEAD. You do not forbid that, do you, in any increase in textile production?

Mr. PORTER. I think it was a combination of both.

Senator BANKHEAD. My information is that during the last 3 months there has been a reduction in textile production, or certainly no appreciable increase that you could attribute to clothing. It takes about 6 months to get textiles into clothing, which means dyeing, cutting, and all the different operations. You do not figure that you can get the textiles into cloth, I mean after the textiles leave the mill, until 6 months, do you?

Mr. PORTER. I think that probably is true under existing circumstances. I would say normally that would be true, at least between 4 and 5 months.

Senator BANKHEAD. You would not attribute any of this holding down of prices to an increase in textiles, would you?

Mr. PORTER. I would probably say that the factor involved there was that there was an inventory of converters on some of these fabrics that were interchangeable between high-cost and low-cost items; that when the grouping came along they were required to devote a certain percentage of that to these low-cost items. Now, as we fill the pipe line with primary fabrics, we will be able to get along.

Senator BANKHEAD. I do not see how you are going to bring about any increase in production of garments and wearing apparel until you get a substantial increase in the production of cloth.

Mr. PORTER. I agree with that.

Senator BANKHEAD. You are apparently not getting it from the report I had this morning.

Mr. PORTER. You are referring to the number of spindle hours, that are down?

Senator BANKHEAD. Yes.

Mr. PORTER. I think that is correct, and it is a source of very great concern to us.

Senator BANKHEAD. I want to get that clear so you will not be too optimistic about your situation: You have not touched the right spot yet. You may have played around it, but you have not done anything that has relieved the situation. You may do it at some future date.

Mr. PORTER. I take it that what is in your mind is this: That if through a price policy we could get a wider use of second and third shifts in the primary mill?

Senator BANKHEAD. That is the chief thing I think. That is what you had at the point of highest production in 1942, and you have not had since any production as high. When you put ceilings on you had the peak of production, and you have not had peak production of cotton textiles since.

Senator BUCK. Senator Bankhead, what do you say about increase in price?

Senator BANKHEAD. They have to give them an incentive, of course, because they have an increase of costs. They say they cannot absorb that increase in cost, and OPA says they can, but I do not see how.

Mr. PORTER. We have certainly done that on low-cost fabrics.

Senator BANKHEAD. They have put back, or many of them at least, a third shift in order to increase their capacity, and they have been running pretty well at capacity with the equipment they have and with the labor they have. They lost a good deal of equipment to rayon, and that was due to OPA giving rayon an attractive price. They have to do something to get a third shift put back on, and that is an expensive shift.

Senator BUCK. And an increase in price would be an incentive to do it, you say?

Senator BANKHEAD. Yes.

Senator CAPEHART. Mr. Porter, do you think if OPA were charged with the responsibility of production, and possibly if CPA and OPA were merged, you would be able to get more production?

Mr. PORTER. No, I don't know—

Senator BANKHEAD. Senator, would you mind if I finished my questioning on this point?

Senator CAPEHART. I am sorry. I thought you were through.

Senator BANKHEAD. No. You have to figure on overtime with those plants?

Mr. PORTER. That is right.

Senator BANKHEAD. And there are large costs involved when you go on overtime?

Mr. PORTER. I am fully aware of that.

Senator BANKHEAD. There are two factors I think you have got to compensate.

Mr. PORTER. It is my understanding that from the low in November—it is due primarily to an increased labor supply—the yardage of cotton cloth has increased somewhat. This third shift we are talking about is the objective, but the low in the third quarter was about 8½ billion yards. The fourth quarter was slightly up, and this current quarter, from the trade estimates that are available, will be in excess of 9 billions. I would like to supply those detailed figures for the record.

Senator BANKHEAD. We will have more about it before we get through, of course, but the testimony before my committee shows—not particularly with the yardage, because there is a difference in measurement—some of it goes by yardage and some goes by weight—but by baleage—we all understand that. We understand that means so many bales of cotton.

Mr. PORTER. Yes.

Senator Bankhead. It got up to about 123 million bales in 1942, and now it is down to about 90 million bales.

Mr. PORTER. There are two factors there. One is the high percentage of cotton that goes into industrial uses as distinct from consumers goods.

Senator BANKHEAD. That has nothing to do with what I am talking about. I am talking about the grinding up of the cotton by the mill.

It comes out in some form either domestic or industrial use. I am talking about the quantity that the mills produce, that they grind up. Then we have to spin the cotton and make cloth out of it—yardage.

Mr. PORTER. Well, I didn't make myself clear. I don't think that reduction in the total bales is necessarily related to the apparel problem.

Senator BANKHEAD. Well, it may not be solely related.

Mr. PORTER. Solely related.

Senator BANKHEAD. But it directly affects it. Of course, if you cut your production off and your supply off by 25 percent it is bound to affect it. You have got to get that increased output of the mills before you can get back to a normal supply of material.

Mr. PORTER. And an increased labor supply.

Senator BANKHEAD. Well, you have to pay for that.

Mr. PORTER. In connection with this low-cost program the figures that are in my mind are the total costs plus the normal margin of profit plus the 5-percent incentive. Of course, this incentive program resulted in additional payments to the primary producers in their price levels of something on the order of about \$250,000,000. I think that is going to show some results.

Senator BANKHEAD. You are talking about normal profits. That depends on what basis you use. I understand you have taken 1936-39, the lowest period you have got in the history of the industry which you have taken as a basis. You don't use the average-sales basis. You use a value—what do you call that?

Mr. PORTER. Net worth.

Senator BANKHEAD. Net worth?

Mr. PORTER. Yes.

Senator BANKHEAD. As a basis. Certainly there is a substantial difference in those two bases. Certainly there is an average in cotton or anything else, but you use the basis that is the lowest for cotton it has ever been.

Mr. PORTER. Well, I could supply—

Senator BANKHEAD. In 1937 we had the biggest cotton crop in the history of the United States. Never before, or never since, has it equalled it. Of course, that ran prices way down, ran textile prices down, and everything else. The President even called a special session of Congress to enable us to put a production-control law into effect because the situation was so serious.

Now that is one of your years in your basis for cotton.

Mr. PORTER. Well, I think the record will show, and I am quite sure that the Senator will agree, that the earnings of the cotton-textile manufacturers are substantially above, considerably above, any 1936-39 base.

Senator BANKHEAD. Well, I don't know about that, Mr. Porter. I haven't examined it. I haven't gone into it.

Mr. PORTER. I am sure the record—

Senator BANKHEAD. But I know the basis you have fixed is not fair to the cotton industry. I have pointed that out time and time again—to take the very lowest you can get.

Mr. PORTER. As far as their earnings are concerned, I would like to supply that figure for the record. They are much above—

Senator BANKHEAD. It depends on your basis, what period you take as a starting point. Of course, if you take a period when they

are down in the bottom of the trough, the earnings probably have been better. Just the same with the farmer. People come up here and talk about what a high percentage of increase there has been in farm prices, but you neglect to say that you started almost from scratch, when they were running behind all the time, going into debt, and having mortgages foreclosed. That is no fair way to determine how much increase they have had.

Mr. PORTER. If you take the percent of sales, the earnings of the cotton mills before taxes in 1936-39, they are around 2.7 on sales.

Senator BANKHEAD. Where did you get that figure?

Mr. PORTER. These are figures that are taken from our own cost-accounting survey.

Senator BANKHEAD. Yes; your own cost accounting.

Mr. PORTER. That is right.

Senator BANKHEAD. It is a wonder you gave them anything.

Mr. PORTER. I don't think the industry has challenged the accuracy of them.

Senator BANKHEAD. I don't suppose you know where you got it or how you got it.

Mr. PORTER. Oh, yes; they are their own certified figures.

Senator BANKHEAD. You take a cross section of some sort, I suppose.

Mr. PORTER. Yes; we took representative bills.

Senator BANKHEAD. How do you know they were representative?

Mr. PORTER. The industry agrees.

Senator BANKHEAD. I haven't heard of any of them agreeing with anything you people say.

Mr. PORTER. I mean they have not challenged the validity of these figures.

Senator BANKHEAD. You are optimistic again.

Mr. PORTER. They have not challenged the validity of these figures.

Senator BANKHEAD. They don't write me or talk to me that way, though. They talk about your economists down there and your theorists and the result that they work out, people who don't know anything about the business. They complain because you haven't put a practical businessman at the head of the Cotton Textile Section as they think Congress directed you to do. Instead of that you have economists down there and professors, people without any practical experience. That was developed before my committee.

Your people have construed the law that all you have got to do is to take a man that in the opinion of the Administrator has had sufficient experience—not a practical businessman.

Mr. PORTER. Well, I think one of the—

Senator BANKHEAD. You certainly failed to pick a man who had any practical experience with the cotton business or the textile business, or the mill business, or anything of the sort, totally avoiding what Congress thought they were directing you to do on that subject.

Mr. PORTER. Well, I am not familiar in detail with the background and the experience of all the people—

Senator BANKHEAD. I don't think you have a single man down there with any sort of authority in that very big cotton section you have got who is an experienced man in the cotton business or any phase of the cotton business.

Mr. PORTER. I would like to supply a list for the record, Senator, of those in the textile section and their background and experience. I am sure we have a number of people who have had practical experience in the textile business.

Senator BANKHEAD. Well, put in the record the background and experience of all the higher-up men.

Mr. PORTER. We will take the whole division.

Senator BANKHEAD. From the top one down—the ones that have got authority.

Mr. PORTER. I will be glad to do that.

Senator BANKHEAD. All right. I would like to see it.

The CHAIRMAN. It may be inserted at this point.

(The data referred to, afterward furnished by Mr. Porter, is as follows:)

LIST OF OPA PERSONNEL CONNECTED WITH PRICING OF TEXTILES INDUSTRIES

SUMMARY

Administrator: Paul Porter.

Deputy Administrator: Geoffrey Baker.

Division Director, Consumer Goods Price Division (vacant): (Formerly Jerome M. Ney, October 1944–August 1945; Samuel W. Levitties, September 1945–April 1946).

Assistant Director, Consumer Goods Price Division: Saul B. Sells.

Division Economist: Benjamin Caplan.

Agricultural Adviser: George E. Adams.

Division Counsel: Stephen Ailes.

Textile Price Branch.—Price executive, Gardner Ackley; associate price executive, Robert B. Armstrong; assistant price executive, Harold Worth; branch economist, Henry Wohl.

Cotton Section.—Section head, formerly Thomas O'Neill; acting section head, Max Levinson; price analysts, Eugene Szepesi, Robert Walker, George Von Gal, Walter Baldwin, Jr., William Press; price clerks, Phyllis P. Kimball, Mary H. Kurek; economist, Evelynne Gordon.

Wool Section.—Section head, Russell L. Burrus; price analysts, Victor Salloway, Augustine Murphy, Charles McEvoy, Ethel B. Willis, Clarence E. Gibbons, Grace P. Salloway; economist, Leslie M. Pape.

Rayon Section.—Section head, Paul A. Bosshard; price analysts, Edward Halpin, Joe Toyshima, Pauline Mufson, Ruth Askin; price clerks, Rachele Belliveau, Miriam Lehman.

Finished Goods Section.—Acting section head, Harry W. Gressenger; economists, Walter S. Quinn, Alcibia Wormley.

Textile Legal Staff.—Chief counsel, William Stix; finished goods, Robert Karon; cotton, Robert O. Campbell; rayon, George Newton; wool, Louis Harris; finished goods, Henry K. Osterman; woven fabrics, Gerald Marcus; cotton, Edwin J. Freedman.

Baker, Geoffrey, Deputy Administrator; Born, Englewood, N. J.; legal address, Westport, Conn. Harvard College: Bachelor of arts, cum laude, 1920; Harvard Law School: Bachelor of laws, 1923; admitted to Massachusetts bar, 1923; admitted to Illinois bar, 1930.

Employed for 7 years by Sargeant & Lundy, consulting engineers, Chicago, Ill., as contract manager.

1933–42: Employed by General Foods Co. as assistant to president, then as merchandising executive on institution products, specializing during the latter part on Government sales.

1942 to date: OPA, with the exception of 3 months with the Lend-Lease Administration.

Levitties, Samuel W., former director, Consumer Goods Price Division, Pennsylvania. University of Pennsylvania, 1917–22.

1925–44: Adella Dress Co., president and general manager, dress manufacturing company; supervised 250 employees.

1944–45: Consultant, OPA Director, Consumer Goods Price Division (WOC) (price executive).

1945 to date: WOC consultant OPA; Director, Consumer Goods Price Division.

Sells, Saul B., assistant director, Consumer Goods Price Division, Maryland. Bachelor of arts, Brooklyn College 1933; doctor of philosophy, psychology, Columbia University 1936.

1934: Columbia University research assistant, Institute of Educational Research.

1936-40: Staff of WPA Administrator, New York, Director of Educational Research.

1939-41: Brooklyn College, lecturer, graduate school.

1940-41: Board of education, committee on work projects, New York, associate administrative assistant.

1941-42: Public Work Reserve, consultant, Washington, D. C.

1942-44: OPA, chief statistician.

1944 to date: Assistant Director, Consumer Goods Price Division.

January 1946: Date on leave from A. B. Frank Co., San Antonio, Tex.; director of sales for textiles, apparel, domestics, notions, house furnishings, and general line of dry goods and consumers' durable goods.

Caplan, Benjamin, division economist, Ohio. Bachelor of arts, McGill University, Montreal, Canada, 1930; master of arts, McGill University, Montreal, Canada, 1931; doctor of philosophy University of Chicago, 1942.

1934: State labor department, CWA, supervisor of project to collect data on employment and wages, Chicago, Ill.

1934: United States Treasury, study on branch banking in United States and Canada, Washington, D. C.

1934-35: National Labor Relations Board, studies on labor arbitration.

1935: Brookings Institute, fellowship.

1935 to date: Ohio State University, Columbus, Ohio, instructor of economics.

1941: OPA, Washington, D. C., Bureau of Research and Statistics.

1942 to date: OPA economist, Consumer Goods Price Division.

Adams, George E., agricultural economist, P-6, Texas. University of Texas 1906-14 (120 hours) Texas A. & M.

1910-16: Superintendent of schools in Chireno, Tex.; supervised schools and taught agriculture.

1916-18: Superintendent of public school in Center, Tex.

1918-20: Internal Revenue Department, deputy collector of Taxes.

1920-43: Vice director of extension service of Texas A. & M. College, contacting farm people and business interests in a section where primary crop is cotton; assisted county agents who instructed cotton growers in most modern methods of production, including cultivation, insect and disease control, fertilization, use of modern machinery, etc.; organized cotton improvement associations and ginning groups; experience from production through ginning and warehousing of cotton.

1943-46: Operated own ranch in Brazos County, Tex.

1946 to date: OPA, Agricultural economist; executive department, advisory staff, Office of Agricultural Relations.

Ailes, Stephen, division counsel, West Virginia. Bachelor of arts, Princeton University, 1933, college of law; bachelor of laws, West Virginia University, 1936.

1936-42: General practice of law.

1937-40: Assistant professor of law, West Virginia University.

1940-42: Division attorney, Baltimore & Ohio Railroad.

1942-46: OPA legal staff.

Ackley, Gardner, price executive, Michigan. Bachelor of arts, Western State Teachers College, 1936; master of arts, University of Michigan, 1937; doctor of philosophy, University of Michigan, 1940.

1939-40: Ohio State University, instructor in economics.

1940-41: University of Michigan, instructor in economics.

1940-41: Consultant, National Resources Planning Board, on location of industry.

1941-43: OPA, economist and section head, Price Division.

1943-44: OSS, section head, Europe and Africa Division.

1944-45: OPA, assistant to director, Consumer Goods Division.

1945 to date: OPA, price executive, Textiles Price Branch (CAF-14).

Armstrong, Robert, associate price executive, Pennsylvania. University of Pennsylvania, bachelor of science, economics, 1936; University of Pennsylvania, master of arts, 1939.

1936-42: Textile section, industrial research department, University of Pennsylvania, Philadelphia, Pa.; analyzed the industrial organization of the textile industries; participated in two major studies of industrial policy Vertical Integration in the Textile Industries and Inventory Policies in the Textile Industries.

1939-41: Gettysburg College, instructor of industrial management, manufacturing industries of the United States, and accounting (during leave of absence).

1941: Census Bureau, consultant, wool consumption and stocks.

1942: National War Labor Board, Director of Statistical Information.

1942-43: OPA, economist, Apparel and Textiles (CAF-12, P-6).

1943-46: Military furlough, lieutenant, United States Naval Reserve.

1946 to date: Associate price executive, Textile Branch (CAF-13, CAF-14).

Worth, Harold G., assistant price executive, New York.

1906-09: Merrimack Manufacturing Co., cotton mill, clerk.

1909-17: Boott Mills, cotton, costman, fabric costs.

1917-18: Lancaster Mills, cotton, chief, cost department.

1919-45: Southeastern Cottons, Inc., manager, production department; production control, fabric analysis and classification, statistical studies.

1946: OPA, Textiles Branch (CAF-13).

Wohl, Henry, branch economist, New York. Bachelor of science, Brooklyn College, economics.

1935: Globe Mirror & Glass Corp., bookkeeper-salesman.

1936-39: Cohen, Wachsman & Wassall, market technician; charted price movements of stocks, bonds, and commodities; analysis of price trends.

1939-40: Self-employed, distributor of soft drinks.

1940-41: Census Bureau, section chief.

1941-42: War Department, field report examiner, Army construction reports.

1942 to date: Economist, Price Department. Entire time in Textiles Branch (P-1, P-6).

O'Neill, Thomas, section head, Cotton Section, New York. Evening courses in textiles, textile evening high school, New York.

1925-31: Gobelin Textile Co., converter and importer of upholstery and drapery fabrics; assistant to president and salesman.

1931-40: May Department Stores Co., buyer of sheets, blankets, towels, piece goods; analysis of raw markets, production, and consumer units.

1941: C. B. Wood Co., manufacturer, bedspreads and sport cloaks; sales manager.

1942-46: OPA, price analyst, entire time in Textile Branch (CAF-13).

Levinson, Max, acting section head, Cotton Section, New York. Bachelor of arts, New York University, 1937; 1937-40, night graduate work, Graduate School of Business Administration; courses, New York Stock Exchange Institute.

1936-41: Carl M. Loeb Rhoades Co., New York, associate commodity economist; emphasis on raw cotton and wool commodities.

1941-42: OPA, business specialist, nonferrous metals, approximately 6 months; later in import office.

1942-46: United States Army, negotiator contract terminations and renegotiations.

Szepesi, Eugene, price analyst, Cotton Section, New York. Textile economist, Royal Polytechnicum at Budapest and Kesmark, Hungary, textile engineering, 1904.

1904-06: Textile Mills, Budapest, textile analyst, control of fabric construction. 1906-09: Kudsheedt Manufacturing Co., New York, assistant superintendent, spinning and weaving.

1909-10: Schuchard & Schuke Co., New York, textile engineer, supervision of machine execution.

1910-17: Emerson Co., efficiency engineers, assistant to Warrington Emerson, standardization of operations, production, planning.

1918-23: Cooley-Marvin Co., chief management engineer, planning and supervision of management contracts.

1924-35: Independent consulting management engineer, standardization, planning, and cost control.

1935-40: Miller-Franklin, New York, vice president in charge of economics and business research.

1941 to date: The Lamport Co., economic research consultant OPA, price analyst, entire time in Textiles Branch, cotton (P5-CAF13).

Membership American Society of mechanical engineers.

Walker, Robert, price analyst, Cotton Section, North Carolina.

1916-43: Peckett Cotton Mills, North Carolina; vice president and sales manager; was president, treasurer, and general manager for 9 years in complete charge of financing, manufacturing, and selling.

1944 to date: OPA, entire time in textiles, Cotton Section, (CAF-12).

Von Gal, George E., price analyst, Cotton Section, Connecticut.

1913-31: Von Gal Hat Co., treasurer; 4 years in factory learning business; buying and selling and all around duties followed.

1914-32: Imperial Silk Works, Inc., president, treasurer, and manager; although name of company was silk works, also manufactured cotton materials and in manufacture of silk, used cotton yarns for the right balance; approximately 3 years NRA, assistant deputy in manufacturing division.

1937-40: Royal Typewriter Co., learning general run of plant under general manager.

1941-43: War Production Board, industrial specialist; liaison work with Navy Department, worked on PRP.

1943-44: Navy Department, industrial specialist.

1945 to date: OPA, price analyst, Textiles Branch, cotton (CAF-12).

Baldwin, Walter, price analyst, Cotton Section, Maryland. 1929-31 Drexel Institute, Philadelphia, Pa.; 1934, diploma, Philadelphia, Textile Institute; 1943-44 United States Department of Agriculture Graduate School, textile technology.

1934: Hart & Foster, sample dyer and color matcher; made money value determinations, piece dyed-wool, worsted, cotton, and uniform fabrics.

1934-39: Philadelphia Quartermaster Depot, inspector of textiles, laboratory and factory inspection; check specifications, examine material for conformity to specifications, check manufacturing operations, perform chemical and physical tests.

1939: Penn Worsted Co., textile manufacturing, assistant superintendent; analyze yarns, calculate quantities of raw material required; determine constructions, issue manufacturing requisitions, prepare cost figures, determine selling price, assist in supervision of manufacture, purchase raw materials, and supplies, approve samples, lots, shades, etc.

1939-40: Cotton Export Office, Agricultural Adjustment Agency, New York, associate inspector; inspect, classify, analyze, and determine eligibility of cotton and cotton products for export-subsidy payments.

1940-45: Department of Agriculture, associate cotton technologist; analyze fabrics, prepare reports of findings, prepare specifications, establish testing procedure in connection with new-use programs, tabulate processes involved in manufacturing cotton products; prepare estimates of manufacturing costs, material costs, margins, etc., effecting establishments of indemnity payments for development programs; make recommendations re processing of cotton and cotton products for diversion programs.

1945 to date: Price analyst, Textiles Branch, Cotton Section (CAF-12).

Press, William, price analyst, Cotton Section, New York.

1934-37: Lande & Miskeng, silk, clerk-sales.

1938-42: Board of Education, New York, teacher.

1940-41: Marbank Institute, Cornell, and WPA, research assistant, nutritional survey.

1942-43: War Department, clerk.

1943 to date: OPA, statistical clerk in Research Division, Durable Goods Section; from October 1944 to date, price analyst in price department, Cotton Section (CAF-4-CAF-7).

Kimball, Phyllis, price analyst, Cotton Section, Massachusetts.

1940-41: Bureau of Census, clerk, statistical calculations.

1941-44: Treasury Department, clerk, supervisor, statistical work.

1944 to date: OPA, price clerk, Textile Branch, Cotton Section (CAF-6-CAF-7).

Kurek, Mary, price clerk, Cotton Section, South Dakota.

1929-41: Various positions—stenographer, receptionist, interviewer, book-keeper.

1941 to date: OPA, 1941-45 stenographer in Price Department, Consumer Goods Division. 1945 to date, price clerk, Consumer Goods Division, Textile Branch, Cotton Section. (CAF-2--CAF-6).

Gordon, Evelynne, Bachelor of science College of City of New York, 1939, economist, Cotton Section, New York.

1932-40: Brand & Oppenheimer, clerk, sales department, textiles convertors.

1940-41: International Business Machines, statistical clerk.

1941-42: Department of Agriculture, clerk, statistical.

1942-45: Department of Labor, economist, studying employment and occupational outlook in various industries, with emphasis on textiles.

1945 to date: OPA, Textile Branch, Cotton Section (P-3).

Russell Burrus, section head, Wool Section, Massachusetts. Bachelor of science, Pennsylvania State College, 1923; master, bachelor of arts, Boston University, 1935; wool manufacturing and textile design, Lowell Textile School; textile microscopy, Massachusetts Institute of Technology.

1920-22: Henry L. Wardwell, in charge of purebred flock of sheep.

1923-24: University of Maryland, research fellow in animal husbandry—sheep.

1924-41: Department of Agriculture, marketing specialist, wool-marketing reporting.

1941: Department of Agriculture, marketing specialist, wool standardization.

1942 to date: OPA, price analyst, textiles, Wool Section, entire time. (CAF-13).

Salloway, Victor, price analyst, Wool Section, Massachusetts.

1922-42: American Woolen Co., 1923-26, superintendent of carding and spinning mill in Concord, Mass.; manager of Assant Mill in Maynard; 1926-30, in cost department of blending room, responsible for pricing of all materials blends; 1930-38, in production department, responsible for requisitioning—inquiry and maintaining a perpetual inventory of all raw stock, also for scheduling manufacture of some and for pricing of all stock and inventory; 1938-39, assistant to superintendent of stock and blending department, duties amplified to include manufacturing responsibility for production and quality in shade peiking, stock sorting, burn picking, dusting, miscellaneous.

1939-42: Office manager of department; also charge of pay roll and all Government reports relating to stock purchases, consumption, and content.

1942: Penn Worsted Co., mill superintendent; complete responsibility for all phases of mill management—plant equipment, employment, manufacturing of yarn and cloth, production and efficiency of mill, costs, inventories.

1943 to date: OPA, price analyst, Textile Branch, Wool Section, entire time Wool Section (CAF-9-CAF-12).

Murphy, Augustine, price analyst, Wool Section, Massachusetts. 1932-34 Towell Textile Institute.

1925-44: American Woolen Co., general foreman; supervise and direct all the various operations used in finishing woolen cloth, control production, and quality.

1944 to date: Price analyst, entire time in Textile Branch, Wool Section (CAF-9-CAF-12).

McEvoy, Charles. Bachelor of Arts, Brown University, 1907; 1907-10, Rhode Island School of Design; 1915 textile design and chemistry, Providence, R. I.

1910-11: Wanskuck Co., weaving and finishing men's wear; full direction manufacturing methods, equipment, personnel; 90 worsted looms with supplementary dyeing and finishing equipment.

1911-27: Wanskuck Co., wool combing and worsted yarn manufacturing; superintendent, 39 worsted cards, 28 worsted combs, 60 worsted spinning frames, and essential supplementary equipment.

1927-28: Passaic Worsted Spinning Co., wool top and worsted sales yarn, vice president and general manager.

1928-29: Queensbury Mill, manufacturers of alpaca and mohair worsted yarns; manager.

1930: Thomas F. Black, Jr., trustee, manufacturers of worsted yarn; investigator and appraiser.

1930-43: The Barre Wool Combing Co., Ltd., wool combing and top dyeing; manager, 40 French combs, 64 Noble combs, 12 dyeing machines, and essential supplementary equipment.

1943-45: War Production Board, Chief, Wool and Worsted Machinery Section.

1945 to date: OPA, Textile Branch, Wool Section (CAF-11).

- Willis, Ethel, price analyst, Wool Section, Massachusetts.
 1926-32: Fall River Bleachery, stenographer and invoice clerk.
 1933-36: Berkshire Fine Spinning Associates, Inc., bookkeeper, stenographer.
 1936-42: Social Security Board, clerk.
 1942: Office of Education, statistical clerk.
 1942 to date: OPA, statistical clerk in Research Division for 3 years; from August 1945 to date, price analyst in Textile Branch, Wool Section (CAF-4-7).
- Gibbons, Clarence, economist, Wool Section, Ohio. Three years, Western Reserve Academy, Hudson, Ohio; bachelor of arts, Adelbert College, Cleveland, Ohio, 1905; 1 year, United States Department of Agriculture Graduate School.
 1905-6: Newspaper; reported commodity markets.
 1906-16: Manager, livestock daily paper.
 1916-33: United States Department of Agriculture, Bureau of Markets, marketing specialist; opening, operating, and supervising market reporting offices with emphasis on sheep; charge of livestock standardization, especially sheep.
 1933-42: United States Department of Agriculture, Agricultural Adjustment Administration, economist, grain and livestock.
 1942-46: OPA, meat rationing.
 1946: OPA, Textiles Price Branch, Wool Section (P-4).
- Salloway, Grace, price analyst, Wool Section, Massachusetts.
 1943-44: War Production Board, statistical work in textiles, clothing, Leather Section.
 1944-45: OPA, accounting clerk in accounts department, Textiles Section.
 1945-46: OPA, price clerk, commodity specifications, apparel.
 1946: OPA, price analyst, Textiles Branch, Wool Section (CAF-4-CAF-7).
- Pape, Leslie, economist, Wool Section, Illinois. Bachelor of arts, Hamilton College, 1920; doctor of philosophy University of Chicago, 1930.
 1922-23: Bankers Trust Co., analysis of corporation reports, industry studies.
 1923-25: National Paper Trade Association, statistician.
 1930-42: University of Chicago, instructor.
 1943 to date: OPA, in Textile Branch since May 1943 (CAF-9-P-5).
- Bosshard, Paul A., section head, Rayon Section, New Jersey. Bachelor of arts, economics, Cornell, 1931; September 1931-July 1932, Textile School, Zurich, Switzerland.
 Twenty-two months during college vacations in silk mills of Stehli & Co. to obtain practical knowledge of silk and rayon mill processes.
 1932-38: Stehli & Co., manufacturers and converters of silk and rayon fabrics; complete fabric and fiber analysis, experimental and market fabric designing, cost calculation, mill production schedules; majority of production was filament rayon fabrics; for last 2 years in charge of purchasing of raw materials and production of throwing plants.
 1938-41: A. M. Tenney Associates, sales agents for acetate rayon yarn and staple products of Tennessee Eastman Corp.; assisted in creation of new fabrics of all synthetic and synthetic fiber blends; worked with mill designers to make market fabrics out of the experimental results; worked on development of worsted-type spun-rayon fabrics.
 1942 to date: OPA, price analyst, entire time in Textiles Branch (CAF-11-CAF-13).
- Halpin, Edward, price analyst, Rayon Section, New York. Diploma, Philadelphia Textile School, 1916; wool, worsted, cotton, rayon, silk, weave formation, fabric analysis, dyeing, chemistry, weaving.
 1917-18: Montgomery Ward & Co., apparel inspector for material quality.
 1918-19: Private first-class, Chemical Warfare Service, physical testing laboratory, gas mask fabrication.
 1920-29: J. A. Migel, Inc., Celanese Corp.; textile technician, fabric analysis, costs; charge of physical testing laboratory, yarn control; throwing and winding foreman.
 1930-32: Schwarzenback-Huber Co.; textile technician; supervision of fabrics to be manufactured, imperfections; assistant in charge of physical and research laboratory, fabric analysis, and cost.
 1933-40: Wallerstein Co., Inc.; textile field representative in application of their enzyme products; silk soaking; rayon and acetate designing and development work.
 1941-42: John McShain, Inc., contracting company; assistant paymaster.
 1942 to date: OPA price analyst; entire time in Textile Branch, Rayon (CAF-9-CAF-12); member American Association of Textile Technologists.

Toyoshima, Joe, price analyst, Rayon Section, California. AA Junior College, Santa Monica, Calif., 1937; bachelor of arts, University of California, 1940.
1943 to date: OPA price analyst; entire time in Textiles Branch, Rayon Section (CAF-5—CAF-11).

Mufson, Pauline, price analyst, Rayon Section, Virginia. Ninety-two hours accumulated at various universities.

1929-33: S. Hamrah & Sons, retail store; sales, bookkeeping, general managing, assisted in buying merchandise—women's accessories, lingerie, linens, etc.

1934-38: Department of Welfare, New York, clerk-stenographer.

1940-41: Steel Workers Organizing Committee, office manager and secretary.

1941-42: Bureau of the Budget, clerk-stenographer.

1942-45: War Production Board, clerk-stenographer to administrative assistant.

1945 to date: OPA, price analyst, Rayon Section (CAF-7).

Askin, Ruth, price analyst, Rayon Section, Pennsylvania.

1935-38: NYA, junior project reviewer.

1940: Railroad Retirement Board, clerk.

1941: Census Bureau, clerk.

1941 to date: OPA, 1941-43, Accounting Division; 1943 to January 1946, rationing, January 1946 to date, Textiles Branch, Rayon (CAF-7).

Belliveau, Rachelle, price clerk, Rayon Section, Maine.

1942-43: Harold W. Russell, Goodall Worsted Mill, clerk and laboratory assistant, yard and cloth analysis.

1943-45: OPA, administrative services.

1945 to date: OPA, price clerk, Textile Branch, Rayon Section (CAF-4—CAF-5).

Lehman, Miriam, price clerk, Rayon Section, Pennsylvania.

1943 to date: OPA, clerk-typist in rent department, professional service department; in 1944 transferred to price department, Administrative Branch, Consumer Goods Division; 1945 to date, price clerk in Textiles Branch, Rayon Section (CAF-2—CAF-5).

Gresenger, Harry, acting section head, finished goods, New York. 4 years College of the City of New York. 2 years Philadelphia Textile.

1924-28: Gerseta Corp., textiles; full charge of weaving mills, throwing plant, and dye house; supervised construction, production, and dyeing all fabrics; did all purchasing of silk, wool, cotton, rayon, machinery, and dye stuffs.

1929-32: A. H. Sands Co., textiles; partner, supervised all construction and production of fabrics manufactured.

1932-43: A. H. Sands Co., textiles; owner; merchandising, financing, and production, both staple and novelty fabrics of wool, worsteds, rayons, silk, cotton, and mixed yarns.

1943 to date: OPA, business analyst, acting section head, finished goods (CAF-12).

Quinn, Walter, economist, Finished Goods Section, Massachusetts. Bachelor of Science, University of Illinois, 1931; graduate work, University of Chicago, American University.

1936-39: Works Progress Administration, assistant economist.

1939-40: Department of Labor, assistant field investigator, field study of wages and hours in canning plants.

1940-42: Social Security Board, assistant labor economist, Bureau of Old Age and Survivors Insurance.

1942-43: War Manpower Commission, liaison officer, assisted WPB Industry Division with analyzing and formulating manpower problems.

1943-45: War Production Board, Chief, Operating Reports and Analysis Section; worked with labor-management committees.

1945 to date: OPA, economist, Price Department, Textile Price Branch (P-5).

Wormley, Alcibia, economist, Finished Goods Section, Louisiana. Bachelor of arts, Straight College, New Orleans, 1937; bachelor of science, Southern University, 1941, home economics; master of arts, Howard University, 1942, home economics.

1940-41: McKinley High School, Louisiana, teaching clothing, foods, and physical education.

1942: Commerce Department clerk.

1943 to date: OPA, statistician in research and executive departments; economist in textiles since January 1945 (P-1, P-3).

- Stix, William, attorney, price department, Textiles Branch, Missouri. Bachelor of arts, Harvard, 1932; bachelor of law, Harvard Law School, 1936.
 1936-37: Thompson, Mitchell Thompson & Young, attorneys at law.
 1937: Private practice.
 1937-38: Senate Civil Liberties Committee, investigator.
 1938-41: National Labor Relations Board, and briefing attorney for United States Circuit Courts of Appeals.
 1942 to date: OPA, Legal Division, entire time in textiles and apparel.
- Karon, Robert, attorney, Textiles Branch, Minnesota. Bachelor of law, University of Minnesota, 1927.
 1927-28: Law clerk of O. J. Larson.
 1928-30: Member of firm engaged in general practice of law.
 1930-42: Private general practice of law.
 1942-44: OPA, district price attorney, Duluth, Minn.
 1944 to date: OPA, price department, Textiles Branch.
- Campbell, Robert O., attorney, Textiles Branch, New York. Bachelor of arts University of Pennsylvania, 1939; bachelor of laws, Southern Methodist.
 1942-43: Alien Property Custodian, attorney.
 1943-46: Military service, lieutenant United States Naval Reserve.
 1946 to date: OPA, price department, Textiles, attorney.
- Newton, George W., attorney, Textiles Branch, Maryland. Bachelor of science, Colgate University, Hamilton, N. Y., 1925; bachelor of laws, Harvard Law School, 1930.
 1930-34: Associate with law firm handling general corporate practice.
 1934-37: General practice of law.
 1937-44: Treasury Department, attorney, technical assistant, assistant chief of Sections of Appeals and Protests, attached to staff of chief counsel, Customs.
 1944 to date: OPA, price department, Textiles Branch.
- Harris, Louis, attorney, Textiles Branch, New York. Bachelor of arts, Cornell, 1932; bachelor of laws, Brooklyn, St. Lawrence University, 1939; doctor of juridical science, Brooklyn, St. Lawrence University, 1939; graduate work, Harvard, 1932-34.
 1935-36: Planet Paint Co., assistant chemist.
 1938-38: Cecele, Inc., piece goods and selling.
 1940-42: Private practice.
 1942-44: United States Army.
 1944 to date: OPA, Textiles Price Branch.
- Osterman, Henry K., attorney, Textiles Branch, New York. Bachelor of science, New York University, 1932; doctor of jurisprudence, New York University, 1934.
 1934-41: Private practice.
 1941-42: Assistant in Office of Corporation Counsel of New York City.
 1942-45: United States Army.
 1945 to date: OPA, Textiles Price Branch.
- Marcus, Gerald, attorney, Textiles Branch, California. Bachelor of arts, Stanford, 1938; bachelor of laws, University of California, 1941.
 1937: Manager, branch retail store, cloth goods and furs, Watsonville, Calif.
 1941-43: OPA, Textiles Price Branch.
 1943-46: United States Army, lieutenant.
 1946 to date: OPA, Textiles Price Branch.
- Freedman, Edwin, attorney, Textiles Branch, New York. Bachelor of laws, Brooklyn Law School, St. Lawrence University, 1937, graduate work practicing law institute, 1937-39.
 1930-36: Freedman Candy Co., general assistant.
 1937-38: Albert M. DeMeo, law clerk.
 1938-42: General practice of law.
 1942-46: United States Army, captain, Air Corps.

Mr. PORTER. Shall I proceed?

The CHAIRMAN. Yes, go right on.

Senator CAPEHART. Pardon me, but I don't think you answered my question as to the advisability of merging the CPA with OPA and making OPA responsible for both production and prices. I be-

lieve you said you were opposed to it. I think you started to give some reasons.

Mr. PORTER. Yes, I would say that while we primarily are concerned with the same objectives, namely, full production and stable prices, yet the fact that CPA and OPA are both established going concerns—I would not physically like to see the consolidation undertaken. I think you must bear in mind that the Office of Economic Stabilization has the responsibility for the coordination of these functions, and if you carry it to the extreme—or not to the extreme, but if you followed it through logically, then you would have a consolidation of pricing and supply functions with the Department of Agriculture food commodities. I don't say while sometimes we have a few differences and rough spots, we get around the table and usually are pretty well able to resolve any differences. So, I haven't seen any real necessity for the consolidation of these functions.

Senator CAPEHART. In other words, you feel it will work out more efficiently as it is now?

Mr. PORTER. Yes, I think it is a question of coordination.

Senator CAPEHART. Yesterday Mr. Bowles told us that production had reached a peak higher than it has ever been in the history of the Nation, that employment was higher, I believe he stated, yet we are far short of filling the needs of our people. Now you come along this morning and say that you are fearful, and use some very strong adjectives here, if OPA was eliminated entirely that prices might go up 50 percent. You used examples here of an income of \$2,500, which brings me to this question: If the situation is as serious as you have said it is, and I am inclined to agree with you, maybe not to the extreme you go, but I certainly think that prices would go up, and if Mr. Bowles is correct in his statement yesterday that the civilian production is the greatest in the history of this Nation and that employment is pretty much at its peak, why wouldn't it be wise to adjust all of these prices where there are inequities, much faster than you are doing, and permit, let us say, prices to go up an average of 10 percent if that will get production and get this job done and do it quickly, in order to avoid this great danger you are talking about of a complete runaway of prices of 50 percent?

Because I cannot understand how if we reach the peak, if we are producing today—I don't agree with the statement—but let us say we are, if we have reached the peak and are producing more than we ever have before and our shortages are still as great as they are, don't you think there is a real danger if we don't take some drastic action in permitting prices to go up, say as much as 10 percent and get this job done and get production?

I think the danger may be we don't work fast enough, that OPA does not work fast enough in adjusting these prices and these inequities in getting the job done.

Mr. PORTER. If I understand your question, the 10 percent increase is across the board; is that right?

Senator CAPEHART. I don't mean it would need to be given to every item, but what I am trying to say is: What difference would it make if some items went up 10 percent if we can double the production by the law of supply and demand and do the job in a reasonable length of time? What I am fearful of, using your figures and Mr. Bowles', I don't see where you are ever going to get this production. Where

are you going to get it? You cannot build new factories today under Mr. Wyatt's program. You cannot build a commercial building, or anything of the sort. Therefore, during the next 2 years, at least, we are going to have to do this job with existing factories, the existing warehouses and the existing retail establishments, are we not? We are going to have to do it with the machinery we have on hand and with the labor we have.

Now, Mr. Bowles, yesterday, painted quite a hopeless picture of the job. Manufacturers and businessmen say if you will just adjust these inequities and give us increases here and there and balance this thing out, we think we can get production. Now, that is what we all want.

Mr. PORTER. Well, Senator, I think that we are making adjustments, many of them more than 10 percent. I am sometimes concerned with the rapidity and the quantity of adjustments under our existing standards we are now making. I think the difference is between a selective type of adjustment and a general across-the-board sweeping adjustment.

Senator CAPEHART. I am not talking about just raising all prices 10 percent. I am talking about fast action in adjusting inequities, where the businessman says, "I am losing money. If you will give me a slight increase I can get into production and get the job done and overcome the bottleneck."

Mr. PORTER. That is the principal part of our job. That is what we are doing every day.

Senator CAPEHART. I am going to say this to you: In my opinion what Congress should do is to do something to see that you do the very thing you said you are trying to do, and do it much faster than you are doing it. Maybe you don't have sufficient help. Maybe you don't have enough appropriation, but it seems to me like that is the job of Congress, if you don't have the power under the act, or if you don't have the appropriation. Let me say this to you: As a manufacturer I don't particularly care if you control my prices. I don't think any other businessman does if the price you give me permits me to make a decent profit. I don't think anybody in business cares—I don't think the cotton people that Senator Bankhead talks about care particularly whether or not you set the price—or they set it themselves, if it permits them a slight profit. If you sat in my seat—I think it is true of every other Senator—and hear the complaints that come in, you would get just a little bit irritated about all these fine adjectives you use, and get a little irritated at the fact you condemn everybody—

Mr. PORTER. That was not my purpose.

Senator CAPEHART. When they talk about this problem, because it is with us from the time we arrive in our offices every morning until we go home at night.

Mr. PORTER. Well, I am aware of that.

Senator BANKHEAD. Mr. Porter, a Congressman called me a few minutes ago, a Representative of very high standing, and said that Mr. Small was about to issue a freeze order limiting very drastically material for making chenille bedspreads and robes and that sort of thing.

Mr. PORTER. Yes, sir.

Senator BANKHEAD. Of course, there is a very great need for that type of goods. Do you know anything about that?

Senator CAPEHART. Wouldn't that possibly be a good excuse for merging these two organizations?

Senator BANKHEAD. That is a low-cost item.

Senator CAPEHART. It seems to me that would be a good argument for merging the two together. One is acting and the other doesn't know anything about it.

Mr. PORTER. I think Mr. Sells here can answer your question.

Mr. SELLS. This is a joint program, Senator.

Senator BANKHEAD. Joint with who?

Mr. SELLS. OPA and CPA.

Senator BANKHEAD. All right.

Mr. SELLS. The CPA is issuing an order which puts sales yarn under control. It freezes the spindles on sales yarn according to a certain base period.

Senator BANKHEAD. What do you mean by sales yarn?

Mr. SELLS. Yarn which is produced by spinning mills and sold to users of the yarn as distinct from yarn which is produced in an integrated mill which uses its own yarn in its own weaving and knitting operations.

Senator BANKHEAD. In other words, a big mill, a well integrated mill, they don't bother it, but a little concern they clamp down on it; is that the idea?

Mr. SELLS. No. There is a separate industry which produces yarn for sale as distinguished from that part of the industry which produces its own yarn.

Senator BANKHEAD. What is the cause of a freeze order on that material which went into bedspreads and robes and clothing?

Mr. SELLS. The need for the order, Senator, is this: there are many very small factories which make underwear and hosiery and which make tape which is very greatly needed today in the building program, insulation tape. They have had a very serious shortage of yarn. The purpose of this order is to provide the yarn for those essential uses and to see that the yarn gets channeled to the persons who need it most.

The case you cite is one of chenille bedspreads which, I believe, in the opinion of those officials who work with the program, is much less essential to the economy than underwear and hosiery and insulation tape.

Senator BANKHEAD. Don't you think sleeping facilities are essential?

Mr. SELLS. Yes.

Senator BANKHEAD. Just about as essential as to have some clothes on. You know you cannot buy blankets now. You cannot buy sheets now, or even pillowcases.

Mr. SELLS. They are getting some pillowcases. As far as chenille bedspreads are concerned, they are not necessarily in the same category with those items.

Senator BANKHEAD. Mr. Small sets himself up to decide as to what things people need most, and what they don't need.

Mr. SELLS. I cannot comment on Mr. Small except to say it is his duty to take action which is needed for the satisfaction of all the essential commodities in the economy.

Senator BANKHEAD. But I thought you said they were increasing. Mr. Porter did. They are coming out and getting into the pipe line.

Mr. SELLS. The increase is coming now.

Senator BANKHEAD. But what do you want to slow it down for?

Mr. SELLS. During the third and fourth quarter production was off 25 percent. It is just beginning to come up. This order, coupled with the 5 percent premium increase which OPA is granting, will speed up the increase in production and get it 3 or 4 months ahead of when we would otherwise get it.

Senator BANKHEAD. Until about the time the war closed were they making any chenille of consequence?

Mr. SELLS. A good deal of that yarn was diverted to war goods.

Senator BANKHEAD. I didn't ask you that. I asked you isn't it a fact they were not making any and now you want to stop them when a lot of people are opening up to supply the plain average people with some bedding; you want to stop them and cut down the production and supply.

Mr. SELLS. Senator, if there were enough to go around these orders would not go into effect.

Senator BANKHEAD. You are cutting it down for unionsuits.

Mr. SELLS. No; we are increasing it.

Senator BANKHEAD. You are cutting it down in bedding to divert it to other uses.

Mr. SELLS. That is right.

Senator BANKHEAD. Do you think that is fair?

Senator CAPEHART. Did you say you were going to use this material in the building of houses?

Mr. SELLS. Yes, sir; insulating tape is needed in construction.

Senator CAPEHART. Mr. Small issued this directive, I presume, in line with the Wyatt housing plan?

Mr. SELLS. I presume so. I don't believe it has been issued yet.

Senator BANKHEAD. What is your name, young man? Let's get you on the record.

Mr. SELLS. Sells.

Senator BANKHEAD. You have been in the cotton section of the OPA?

Mr. SELLS. No, sir; I am not in the cotton section. I am Assistant Director of the Consumer Goods Price Division.

Senator BANKHEAD. Well, they are all consumer goods, are they not, everything that the OPA has jurisdiction of in cotton and wool are consumer goods?

Mr. SELLS. Yes, sir.

Senator BANKHEAD. So you are Assistant Director of that. How long have you held that place?

Mr. SELLS. Since October 1944.

Senator BANKHEAD. Where are you from?

Mr. SELLS. I was born in New York.

Senator BANKHEAD. There you are.

Mr. SELLS. Senator Bankhead, I am now on leave from a business which is in the State of Texas.

Senator BANKHEAD. You didn't have any trouble getting leave, did you?

Mr. SELLS. I had considerable trouble, sir. Arrangements for my remaining here have been made between Mr. Bowles, Mr. Porter, and the president of the company. I don't know how long I will be able to continue.

Senator BANKHEAD. Why did you say you were from New York? Were you ashamed to say you were from Texas?

Mr. SELLS. No, sir. I was born in New York. That is what I said.

Senator BANKHEAD. I didn't ask you where you were born. I said, "Where are you from?"

Mr. SELLS. Well, I am from New York. When I leave here I am going to Texas.

Senator BANKHEAD. How long have you been in Texas?

Mr. SELLS. I haven't resided there. I have been there several times during the war, but I am on leave from this company.

Senator BANKHEAD. Oh, yes. When you get an opportunity you are going to Texas? So you claim Texas now because of your intention to go there?

Mr. SELLS. No, sir. I am in the employ of a company in that State. I am on leave from that company now.

Senator BANKHEAD. You have had no business experience so far in Texas, have you?

Mr. SELLS. That is correct.

Senator BANKHEAD. All right.

Mr. SELLS. I have been on leave for some time.

Senator BUCK. Mr. Porter, reference was made to the Patman bill that this committee had hearings on for quite a while. I would like to state this case. I have a letter which comes from a man in Pennsylvania and he is the employee of a factory that makes radiators. They were on a strike—the CIO went on a strike. When they got their 18½ cents increase the management tried to get a price adjustment. They have never been able to do it. The factory is still closed down.

Mr. PORTER. Have they settled their wage dispute?

Senator BUCK. They say they cannot pay 18½ cents increase. They are willing to pay it if they get a price adjustment. The factory just closed down. Here is an industry that is making a very essential part of the building program, radiators for homes. This, as I say, is not written by management. It is written by an employee. He mentions here that they have been after OPA since December 1945. That was before the strikes occurred, but they realized they were going to have to pay an increase.

Now the factory is closed and no radiators are being produced. I think that is an example of what is wrong with the administration of OPA.

Mr. PORTER. What is the name of the company?

Senator BUCK. I don't even know that. This man's name I will give you. His home is 147 Arlington Street, Johnstown, Pa. There is no reason for him to write to me except I am a member of this committee.

Mr. PORTER. Is this firm in Johnstown?

Senator BUCK. Yes. He says, "I am an employee of a cast-iron boiler and radiator industry."

Mr. PORTER. We will make an inquiry into it. Generally, I would say, as far as a wage dispute is concerned, that the company cannot come to the OPA for a price increase until he has composed his labor difficulty.

Senator BUCK. I think that is it. He cannot compose his labor difficulty because he cannot afford to until he gets an increase in the price of his product.

Mr. PORTER. He would get, I would hope, a very prompt adjustment once the labor dispute has been composed.

Senator BUCK. Well, you have got to help him compose it because he cannot do it unless he gets a higher price for his product.

Senator CAPEHART. Mr. Porter, what assurance does a manufacturer have of a price increase to pay that 18½ cents? Does he have any assurance at all?

Senator BUCK. He doesn't have any unless they give it to him.

Mr. PORTER. Well, under the standards under which he operates once he has settled his labor difficulties he can come in and make application and we are directed to give very prompt adjustment based on the standard, which I am going into here, under which we operate. We will give you the details.

Now, on this Johnstown case, it is the National Radiator Co. Mr. Gordon Riley is head of our Building Material Division. Do you want him to comment on it at this point?

Senator MILLIKIN. Before he does, I would like to ask a preliminary question. Couldn't the labor contract be made conditional on securing an increase?

Mr. PORTER. No.

Senator BUCK. What is the matter with this fellow? He says, "I am employed in the cast-iron boiler and radiator industry." That is all he said about his connection. His letter comes from Johnstown.

Mr. RILEY. The cast-iron radiator increase announced a week or two ago was 5.6 per square foot, which is an increase of about 15 or 17 percent. There are several strikes in that industry. When the remaining strikes are settled and the wage that is expected to be granted is settled, there will be another increase of about 2 or 2.5 per square foot of radiation.

Senator BUCK. Here we are spending \$600,000,000 to push prices up with incentive payments to get things out on this building program, and here you fellows are keeping them down.

Mr. PORTER. I think Mr. Riley has described these adjustments.

Senator BUCK. This man has been after it 6 or 8 months—well, since December 1945, anyway.

Mr. RILEY. The increases to cast-iron radiation which have already been granted have been in the neighborhood of 15 percent prior to this last increase. I believe that plant is now back at work.

Senator BUCK. Well, I hope it is, simply because it is one of the things needed in the program we have approved, but it doesn't seem reasonable to be sitting on the lid and keeping these people out of work and from manufacturing these articles when on the other hand we are trying to induce people to build by making incentive payments.

Senator MILLIKIN. Let me just ask this hypothetical question: Supposing you have three outfits in Johnstown making this product. You settle your labor trouble in one of them. Do you at once give an increase to the one that is settled, or do you hold the whole thing up and wait for a settlement all the way along the line?

Mr. PORTER. It depends on what the industry wishes. We can put through individual adjustments for the plant that is settled, but usually they prefer to get all the prices settled at once, or the price

scale for the industry so that it applies uniformly throughout the industry.

Senator MILLIKIN. When you speak of "the industry" are you speaking of the Johnstown industry or the whole industry?

Mr. PORTER. In this case we are speaking of the whole industry because there is only one plant in Johnstown.

Senator MILLIKIN. In other words, company A at Johnstown could make a complete settlement of its labor troubles and companies B and C could continue to be on strike and company A would be held up?

Mr. PORTER. No, sir; if company A wanted to come in they could get an individual settlement.

Senator MILLIKIN. That is what I am asking about.

Mr. PORTER. They have an alternative or choice. If company A should say, "We don't want to establish a price level for this product until such time as the industry as a whole has settled its labor difficulties," they could wait, or they could go to work and get their adjustment.

Senator MILLIKIN. Company A, if it wanted to, could get an increase without waiting for B and C to be settled?

Mr. PORTER. Precisely.

Senator HICKENLOOPER. I would like to ask Mr. Porter a question about this theory of the operation of the OPA. Now, I will say this for Mr. Porter's benefit, and for the benefit of the committee: That the only case I have had up personally with Mr. Porter he has done a good job.

Mr. PORTER. Is that the Dexter?

Senator HICKENLOOPER. That is right. I have had a number of others up with the Department's various subheads. That was a company that had a very demonstrable loss position. There was no question about it. I took that up with you about the last few days in January. You very readily said if that certain things were as represented they needed relief and they would get it. They got the relief yesterday which they needed, and which their figures at that time showed that they had to have. That was the middle of April. Meanwhile they have gone on losing a lot of money during that period. In fact, they have been losing it since last fall. I am not too critical of you because I think you have been in this thing personally three times that I know of, and each time the machinery jumped over there when you said what you would do, but the trouble was that you have other things to do than to follow that particular thing with that company, and every time you let go of it personally the thing began to sag and the delay occurred, and this company suffered.

This is not critical of you, Mr. Porter. I am trying to say that you performed very satisfactorily. I mean the things you did were successful. You saw the problem and you said what you would do, but it took the subordinates in your department between, say, the 25th of January, or perhaps a few days later, because you sent a special auditor out there; but it took them from that time until the 15th of April to give the relief that I know you thought was necessary, after the figures were audited, which their figures showed was necessary and that they did get yesterday.

The thing that makes me restless—this probably goes to your over-all supervision as Director of this bureau—that would be the only

possible criticism I am directing to you in this particular case because everything you said you would do, you did. That is, you got it accomplished, but so far as I could see in this particular case there would be no reason why this should not be granted by, say, the 15th of February, at the latest. While I think you did a sound job eventually, there was an unconscionable delay in this case, and certainly no businessman could continue in business if his organization didn't move faster than that.

And it took your personal intervention every time to get something stirring.

Mr. PORTER. I think I should say this about my associates at OPA: I have found none of them in my discussions with them that are not anxious as I am or you are to get speedy action on cases of individual inequities or broad industry cases where it can be done, but there is this fact, we must recognize that we are required, and I think properly so, by the enabling legislation under which we operate and the Executive orders that spell out in detail the specific standards, that if we take a particular case that presents an unusual circumstance or departure from those standards, we do have to spend what may seem to be an unreasonable length of time in justifying that case. Once you begin to say that this thing on its face makes a prima facie case of injustice and inequity and therefore these results should be immediately achieved, then you get into the questions of individual price control by some kind of caprice and departure from standards.

So that is one of our major difficulties in attempting to inquire into what I think are necessary standards. It is these individual cases that cause us all so much difficulty. My recollection is that in this particular matter that the hardship of the business was minimized by an interim adjustment.

Senator HICKENLOOPER. Well, the interim adjustment merely prolonged the day of death if that was to be the policy. You got into it yourself and you did yourself see that a reasonable, adequate adjustment was made. As I say I have no criticism of your attitude, nor of the thing which you eventually got done, but I fail to understand why from the time you announced the policy to be applicable there, why these ramified delays and repeated trips to Washington—in other words, the sworn audit was in your hands or in the hands of your subordinates by about the 22d or 23d of last January. It was completed out there on the 20th. It was brought immediately to Washington along with all their other figures that had been compiled for your department months and months ago. Yet it took three different personal interventions on your part to get the very policy established that you knew and I thought was sound last January, or the 1st of February.

I realize also you had an industry-wide problem you were considering, but you also had one of the biggest producers of this particular product in the country going broke by the day, and the more days they ran——

Mr. PORTER. The more days they ran the more production they got, to the point where they could come in and get this sort of relief.

Senator HICKENLOOPER. Well, if you are under water it doesn't make any difference whether you are an inch or a foot under. You are still drowning.

Mr. PORTER. I appreciate what the Senator had said about my personal participation, but I don't think the credit should go to me.

Senator HICKENLOOPER. I think the personal credit must go directly to you because we got no place except in the periods when you personally intervened in this thing.

Mr. PORTER. It was the fact my associates showed us the way to do this. I think they worked very diligently on it.

Senator HICKENLOOPER. The point I am trying to make is this: I wondered what your policy as Administrator is going to be in connection with trying to expedite the administration of OPA in these hardship cases. I don't have very much quarrel with OPA in its philosophy, not nearly as much as I do with what I believe to be the unconscionable delays and confusions in the administration of OPA policies and also the thing that was just indicated a moment ago by Senator Bankhead that some people over in OPA—not the gentleman who testified, necessarily—but they over in OPA arrogate to themselves the duty of saying what the American people ought to have and what they ought not to have and instead of leaving the demand of the American people to supply that thing, it is like my saying olives are good for me, therefore, they are good for you and you will have to eat them.

Mr. PORTER. Senator, I think you and I would have no differences as to the basic production order, that we have got to produce certain essential products that go into everyday living. I sometimes think, as I am talking about MAP, if we were to take off these controls, everybody would go immediately to the highest priced line and there would probably be no consumers' goods to fill certain basic needs we have got to have to live.

Senator HICKENLOOPER. Of course, that element is always present and it is very troublesome. I think it is a very difficult thing to meet, but the fact is, I believe, that the failure of OPA to give proper increases on cheaper lines of merchandise, such as shirts and underwear and simple house dresses and those cheaper lines of merchandise that are used by the general public, the failure of OPA to give a price increase that would enable those to be made at a profit, which might have been even 15 or 20 percent, has driven them off—has driven manufacturers into making high-priced clothing, and the people have had to buy it. They have no alternative because they have to wear something. So they have been driven into high-priced lines.

Mr. PORTER. Well, extensive price relief has been afforded in these low-cost fields. I think that is responsible for the production we are going to get. On the Senator's point of delay, I certainly would agree we have got a problem of administration. I don't say this in any spirit of reflection upon my predecessor or my current associates at OPA. We are all conscious of this, that in this transition period, it has been said again and again, we might be able to rectify a wrong decision, but I don't want to have that delay, too.

Senator HICKENLOOPER. My experience with you has been very satisfactory and pleasant. I have a tendency to rely on your statement, but I would feel a lot better about this question of expediting the administration of OPA if I had not sat here last year in the committee and heard the same general statements: "We know there are delays. We are prepared to correct them. We will expedite this thing. We will get the job done."

Here we are today with just as much criticism, at least as far as I can see, with the dilatory things in the administration of OPA, and the failure to get adjustments out where they are necessary to produce the goods the public has got to have in order to defeat inflation.

That is the thing that gives me some concern. I have heard these things for years.

Mr. PORTER. I think since the wage-price policy of February 12 was announced that the OPA and its staff have achieved a remarkable record in the number of industry-wide adjustments that have been made and the number of individual adjustments. One thing we are all trying to do is to push as many of these adjustments back out to the regional and district offices as we can where there will be finality at that level, where these people won't have to come to Washington and both you and me and the rest of us, but can get relief and satisfaction at the regional and district level.

But I feel I must say this: That a substantial number—it certainly was not true in your case—but a substantial number of these cases that do come to Washington could have gotten relief had they been entitled to it at the district or regional offices. They come to Washington for the sake of appealing from a decision that we later confirm here in the national office. That in itself causes great difficulty but I think the record will show that the steel fabricators after the decision in Big Steel was made—that one of the outstanding jobs in price administration was done. We had meetings with 25 industry committees in some 10 days. In less than a month—or perhaps about 6 weeks—a whole new pricing schedule was gotten out for that basic industry. While I don't take any personal credit for it, I am proud I was associated with the group that was able to move with that amount of expedition on that basic element in our economy.

Senator BANKHEAD. Mr. Porter, we are all interested in one thing and that is speed.

Mr. PORTER. That is right.

Senator BANKHEAD. You appear to be familiar with this case that Senator Hickenlooper handled with you. I think it might be helpful for us to have a statement from you about the steps that had to be taken in that case covering the 3 months.

Mr. PORTER. I will be delighted to.

Senator BANKHEAD. Because that might be helpful to us to understand the situation. It is difficult for me to understand why any case should take three months to go through the bureau.

Senator MURDOCK. Is it possible, Mr. Porter, that the other 95 Senators, 95 colleagues of Senator Hickenlooper, might have had just as serious problems before you at that time and we were all urging expedition at the same time?

Mr. PORTER. Well, I tell you, sometimes it seems that way, Senator. I don't know that there is 95.

Senator MURDOCK. It may seem at times that there are more than 96 Senators?

Mr. PORTER. That is correct.

Senator MURDOCK. That might, in my opinion, account for some delay, but I am rather pleasantly shocked that Senator Capehart has had 99 percent success. I think it would be only fair for Senator Capehart to tell us what his system is and spread it around among his colleagues.

Senator BANKHEAD. May Mr. Porter answer my question now?

Mr. PORTER. Well, Senator, I would have to make an analysis and supply it for the record; that is, as to steps 1, 2, 3, and 4, as to precisely what they were in that particular case.

Senator BANKHEAD. Well, I mean similar cases. I don't mean particularly Senator Hickenlooper's case, but I think it would be helpful and I am asking you this in a friendly spirit, you have got your problems there and I would like to know something about what they are. I will ask you, to start with, how many people have you got working down there?

Mr. PORTER. I think we have in the national office around 4,800. The price department has 1,500. There is administrative service and field operations—about 4,300 in the field.

Senator BANKHEAD. Does a case like that start at the bottom, so to speak, and come on up toward the head office?

Mr. PORTER. Senator, it would depend on the circumstances of the particular case. I doubt if I could generalize. I might ask Mr. Baker to describe a typical case.

Senator BANKHEAD. If you don't feel prepared to do it now, you can submit it later.

Mr. PORTER. Very well.

Senator RADCLIFFE. Mr. Porter, the question I have is somewhat analogous to what Senator Bankhead is asking, in regard to different steps. What I have in mind is this: Are you finding out that experience is teaching you you can more or less simplify the routine through which these cases must go? Of course, I realize where you have a case of special hardship justice requires that you are going to make a careful examination. You cannot give a horseback opinion in regard to it, but it has seemed to me at times that possibly a study, a detailed study of what you might call more or less collateral circumstances—I am speaking from the outside—I am not at all familiar with your problem in that case.

Mr. PORTER. Yes.

Senator RADCLIFFE. In some cases I have thought that the detailed study of what you might call collateral circumstances had been possibly carried to an extent that would hardly seem to be necessary and I was hoping as your experience went along in this matter you would either, because you had already made investigations, or reached conclusions which would not require duplication of work, or for the reason possibly that experience had demonstrated that you would not have to make your studies as detailed as you did before, so in that respect you could get into an economy of time.

It seems to me as you move along in this matter you ought to be able to avoid maybe some of the detailed study you would have to do otherwise.

Mr. PORTER. We are constantly endeavoring to do that, to simplify and revise our procedures to the point—well, in the reconversion field instead of in some instances detailed cost analysis that were required, we send out and get telegraphic information on a very simple form and use that as a basis for broad industry action.

Senator RADCLIFFE. And in some cases I take it your detailed studies will not have to go as far as they did before and you can more or less assume some things, without being careless at all, assume at least some facts and some conclusions without as much study being

necessary as was the case in the early days. I am hopeful that is the case because it seems to me that anything along that line would lessen the amount of work required and make for expedition.

Mr. PORTER. We are constantly attempting to simplify and expedite our internal procedures to achieve just that objective.

Senator RADCLIFFE. Of course, we all realize as Senator Murdock pointed out, you have nearly 600 members of Congress who probably call on you at the same time for propositions and it is not always easy to concentrate upon one particular proposition.

Senator MILLIKIN. Mr. Chairman, I would like to ask Mr. Porter to give us some idea of what your system is for expediting the conclusion of cases. Let's assume John Doe came in here last January with an adjustment case. Do you have some master file that shows the progress in each case, or do you have a corps of expeditors that are examining what is on the desks to see what the progress is? How does someone at the top know whether a decision is being made except as I call you up and you say, "Well, what about this bellyache of Millikin?" and there is a big flurry to find out about my bellyache. But I am talking about the general administration of the office. Tell us about John Doe's case, how someone knows it is receiving expeditious attention.

Mr. PORTER. Ordinarily when John Doe comes to Washington he has been through either the district or the regional office, and he is dissatisfied. We would then advise him and if it is an individual case in which he is apart from the industry then he goes to the particular branch that is involved and discusses his problem with them.

If a way can be worked out to give him relief under our existing policies and standards, he is dealt with today. If it cannot be worked out, then he usually comes up here. But we have on industry actions, on general rescue types of action a kind of a docketing system and I get weekly progress reports from the various departments as to the workload and the type of cases they have been handling.

Senator MILLIKIN. How many adjustment cases have you at the present time?

Mr. PORTER. Well, I should say as far as industry-wide cases are concerned—Mr. Baker could correct me on this if I am wrong—we are pretty well on top of a number of industry-wide actions.

Senator MILLIKIN. How many actions have you?

Mr. PORTER. Since VJ-day there have been—was it 525—I had it in my testimony here—and over 12,000 individual adjustment cases.

Senator MILLIKIN. Now, are you prepared to introduce statistics giving us the time lag from the time an individual adjustment case comes to you until the time it is disposed of?

Mr. PORTER. We have made in connection with workload statistics a few studies in connection with the Bureau of the Budget, but in this transition period, Senator, and particularly since the price policy has changed, we have shifted to a new procedure. I can't give you typical cases and all the routing on those cases.

Senator MILLIKIN. Are you prepared to give us statistics that will inform us as to how rapidly you are handling these individual adjustment cases?

Mr. PORTER. Yes, sir; we can undertake to supply that for the record.

Senator MILLIKIN. I think that is very important because it goes to the heart, perhaps, of a great part of the criticism against your agency.

The CHAIRMAN. Yes; that is very important. We will be glad to have it in the record.

(The data referred to, afterwards furnished by Mr. Porter, is as follows:)

STATEMENT OF THE ADMINISTRATOR WITH RESPECT TO PROCEDURES EMPLOYED TO REDUCE DELAY

1. Delegations of authority to field offices

During 1945 we increased the number of pricing and adjustment delegations to field offices by 53 percent. This means that by January 1, 1946, the field offices had 53 percent more pricing and adjustment authorities than they had on January 1, 1945. As a consequence, for instance, field offices are currently processing between 80 and 90 percent of all individual adjustment applications. In addition, we have established a continuous review of pricing and adjustment authorities in the national office with the idea in mind of delegating additional authorities to field offices. One of the keys to this technique of additional delegation is our tie-up between amount of backlog existing in the national office Price Branch and the decision to delegate. This calls for a dual approach to the problem, however, inasmuch as the field office staffs are already overburdened with work. Our first approach is that of attempting to devise simplified pricing or adjustment procedures so that the total work load under a particular pricing or adjustment provision is decreased thereby. It is not possible to greatly diminish the work load by such procedures without at the same time weakening price control over the commodities involved, we then turn our attention toward the question of delegating that authority to the field offices. It must, of course, be recognized that there is insufficient price staff in the field offices to enable us to send additional work load out to them without either sending additional staff or causing them to diminish their attention to other phases of their responsibilities. However, it merits attention, since we are continuing to delegate more and more authority to field offices in order to enable local problems to be handled by local staffs more quickly. Incidentally, the reinstatement of the slaughter-control program as a field administered program indicates this trend, inasmuch as when the slaughter-control program was discontinued last fall it was being handled primarily by the national office.

2. Establishment of priorities

At periodic intervals field offices are issued a priority program sheet which lists the regulations and particular provisions in regulations as well as certain programs to which the field office staffs should give their first and major attention. Although this does not mean that field offices are thereby relieved of responsibility for all other price regulations, it does mean that they are given central guidance as to those regulations and programs which, if handled appropriately, will contribute the most to stabilization. In addition, we have established priority ratings for different types of adjustment and pricing applications so that field offices will handle most promptly those cases involving severe hardship, threatened supply, and low-end goods. This priority rating has been tied in directly with the handling of applications under our wage-price policy. All field offices have been instructed to process first applications and cases in which the applicant is unable to produce and sell until he receives an order from the OPA. This means that first attention is not given applications having time limits which therefore enable the producer or seller to take his requested price unless he has heard from the OPA to the contrary.

3. Operation under wage-price policy

In order for there to be the most efficient use of staff manpower and, also, so that industries and individual companies receive prompt price decisions where wage increases are involved, the national office is giving top priority to the issuance of industry-wide actions. It is important that the timing of these industry-wide actions be coordinated closely with the priority system employed by the field offices in processing their cases. As a consequence, the national office has established a system of biweekly notification of all field offices of industry-wide actions which are in preparation. The field offices are instructed to refrain from process-

ing individual applications if an industry-wide action is to be taken within 30 days of the receipt of the individual application. An exception to this rule is made to allow for the immediate processing of extreme hardship and shortage cases. In addition to this biweekly issuance, the field offices are notified daily of all price-action proposals with a brief résumé of each proposal.

4. *Elimination of backlogs*

A system has recently been devised and put into operation requiring each office to take prompt and efficient steps in eliminating all cases over 30 days old and to report monthly the reasons for delay in each case which has not been handled within a 30-day period. This latter report enables the national office to direct its attention to the areas in which backlogs have developed for the purpose of clarifying the regulation, improving the field instructions, or simplifying the pricing or adjustment procedure. Despite the very sharp increase in the number of individual adjustment applications, this backlog elimination program has been in operation for sufficient period to have shown excellent results.

5. *Automatic pricing and adjustment provisions*

The national office issued an automatic pricing provision for small manufacturers in the consumer durable goods field and, even though this provision did cut down on the pricing work load in this field, the results were so highly inflationary that it was necessary for the coverage of this order to be sharply curtailed. However, it has become the established policy of the agency to make the requirements for small firms less rigorous and the processing of their applications much simpler. We have devised an automatic adjustment provision which has not been issued since industry-wide actions have been taken so promptly after wage patterns have been established that in general this automatic-adjustment provision may not be necessary. The purpose of this provision was to set up a simplified and automatic procedure for adjusting the prices of firms within specified small industries which could not efficiently be handled by industry-wide action. This provision will be held in abeyance but will be available for immediate use if the situation warrants it.

6. *Decontrol procedure*

In order to bring the full knowledge and abilities of our national office and field office staffs to bear on decontrol actions prior to their being taken, a system has been established for obtaining field office recommendations on decontrol proposal without delaying the final decision on the action. In brief, this system calls for a teletype to be sent to the field offices at the time when the decontrol proposal is made. Recommendations and objections are received from the field offices in response to this teletype announcement.

7. *Education of field staffs*

In order for the field staffs to be in a position to operate promptly and efficiently on new programs, series of field office meetings continue to be conducted by national office personnel. For instance, at the time of the issuance of the new wage-price policy, top members of the price department staff met in the various field offices and explained in detail the procedural and policy developments and changes involved in the new wage-price program. At the same time arrangements were made for field office executives to meet with and coordinate their thinking and procedures with Wage Stabilization Board field staffs. This method of maintaining the flexibility and increasing the efficiency of field office staffs is supplemented by explanatory memoranda and price operating instructions.

8. *Improved tools*

In order to obtain the maximum amount of productive output from the relatively small number of skilled staff members, continued effort is being made to increase the number of form economic briefs and form legal orders and opinions. Likewise, effort is being made to obtain the maximum use of form letters where such letters can handle appropriately the trade problem involved. In addition, effort is being made to spell out more clearly in regulations the precise types of minimum information needed on the part of applicants, so that applications when received can more reasonably be expected to contain sufficient data to permit processing and thereby eliminate exchange of correspondence between the office and the applicants. Periodic surveys of field offices are conducted so that we can, through the experience of field staffs, improve price operating instructions, eliminate unnecessary data requirements, etc. In order to increase the productivity of field staffs and at the same time increase the uniformity of treatment

of applicants, efforts are being made to make more uniform our adjustment and pricing provision under the various regulations. An outstanding example of this type of action is that of the general adjustment (general rescue) provision which establishes a uniform adjustment provision for producers covered by approximately 200 different regulations. Such standardization enables all staff members, both in the national office and in the field offices, to handle applications more expeditiously and in a more uniform fashion. In order to eliminate the necessity of various branches in the national office issuing companion actions, treating similarly and concurrently a problem which characterizes various commodity fields, the national office has relied to an increasing extent on the issuance of supplementary orders which have the force of regulation and cut across the various organizational lines within the department. This not only results in more uniform action, but it prevents what otherwise would be a considerable staff assignment for each of the various portions of the department affected by the action. In addition, a small but industrious staff is located in the Office of the Deputy for Price with a major function of expediting urgent field office problems, thereby increasing the efficiency of both the national office and the field offices by eliminating a considerable portion of the dissipation of time which results from failure on the part of the agency to act promptly.

9. Tables showing individual cases handled

The first four of the five tables following show the monthly activity during the year 1945 and the first 2 months of 1946 with respect to individual price adjustment and price authorization applications. In addition, table 5 reflects the number of receipts of price determinations with a time limit filed with OPA during the same period of time.

The Office of Price Administration has segregated individual price applications into four types defined as follows:

1. *Adjustment*.—An application for an adjustment of a present price or pricing method.

2. *Authorization*.—An application for authorization of a price or pricing method where the article may not be sold until such authorization is given.

3. *Determination with a time limit*.—A report of a price or pricing method which becomes effective at the expiration of a specified period of time unless disapproved within that time.

4. *Price determinations without a specified time limit*.—A report of a price or pricing method which becomes effective immediately upon filing but subject to nonretroactive disapproval at any time by the OPA.

In the case of actions 1 and 2, some positive action is required by the Office of Price Administration before the applicant may sell his article either at the adjusted figure or in the latter instance sell at all. It is these particular types of cases which are presently the subject of an ardent campaign to eliminate delays in their pricing. The March figures will reflect some of the results of this campaign and certainly the April figures will give us a clear picture of the improvement.

In the case of price determinations, regardless of whether a time limit is specified or not, the OPA is equally concerned, but the number of cases pending is not as significant since price approvals are automatic and production is not hindered. The number of cases filed under the automatic pricing provision are many times more numerous than either in the case of adjustments or price authorizations.

Table 1 covering combined activity in the field and national office gives the number of adjustment or authorization cases received, disposed, or pending for the year 1945 and the first 2 months of 1946. A total of 106,326 individual applications for price adjustment or authorization have been received as against 104,474 dispositions constituting 98 percent of the total cases received during this period. In April 1945 almost 16,000 cases were pending which was gradually reduced each month to a point in December where only 11,926 cases were pending. January and February of this year show a slight increase in the pending work load primarily due to a considerable increase in the number of cases received.

Table 2 summarizes the pending work-load figure of individual adjustment and pricing authorizations broken down as to the length of time the cases were pending. In the case of adjustment application, it is significant to note that since April 1945 the number of cases pending over 90 days has been cut down approximately 50 percent, while in the case of price authorizations the figure has remained relatively stable. Tables 3 and 4 are break-downs by field and national office of table 2.

Table 5 merely indicates the number of price determinations which have been received each month during 1945 and the first 2 months of 1946. As already

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 141

stated, any case which might be pending in this type of action are of little importance since they are automatically approved, usually within a period of 20 to 30 days.

TABLE 1.—Summary of OPA individual adjustment and price authorization activity, indicating number of cases received, disposed, and pending, by month, for year 1945 and first 2 months of 1946

	Received			Disposed			Pending		
	Total	Adjustment	Authorization	Total	Adjustment	Authorization	Total	Adjustment	Authorization
<i>1945</i>									
January	7,433	2,130	5,303	5,962	1,593	4,369	11,626	4,256	7,370
February	8,924	2,780	6,144	7,622	2,801	4,821	12,920	4,235	8,685
March	9,993	2,273	7,720	8,038	2,353	5,685	13,340	4,155	10,185
April	11,373	4,318	7,055	9,638	3,598	6,040	15,853	4,841	11,012
May	11,121	2,807	8,314	11,681	2,605	9,076	15,292	5,044	10,250
June	8,582	1,939	6,643	10,142	2,132	8,010	13,732	4,849	8,883
July	9,030	1,950	7,080	8,984	2,596	6,388	13,778	4,203	9,575
August	8,816	1,916	6,900	9,819	2,222	7,597	12,734	3,903	8,831
September	8,469	1,375	7,094	9,164	1,693	7,471	12,039	3,585	8,454
October	7,472	1,582	5,890	8,439	1,779	6,660	11,072	3,368	7,704
November	8,257	1,612	6,645	7,866	1,644	6,222	11,459	3,332	8,127
December	6,856	1,407	5,449	7,119	1,468	5,651	11,196	3,271	7,925
1945 total	106,326	26,089	80,237	104,474	26,504	77,970			
<i>1946</i>									
January	8,351	1,978	6,373	7,810	1,948	5,862	11,737	3,301	8,436
February	8,881	2,056	6,825	7,947	1,909	6,038	12,670	3,447	9,223

Source: System for docketing and reporting of individual price actions, chap. 5-0601, OPA Manual.

TABLE 2.—Summary of OPA individual adjustment and price authorization backlogs indicating number of cases pending at the end of each month and break-down by length of time pending

	Total pending			Under 30 days	
	Total	Adjustments	Authorization	Adjustment	Authorization
<i>1945</i>					
January	11,626	4,256	7,370	1,506	3,208
February	12,920	4,235	8,685	1,419	3,788
March	14,340	4,155	10,185	1,497	5,047
April	15,853	4,841	11,012	1,400	4,940
May	15,292	5,042	10,250	1,760	4,038
June	13,732	4,849	8,883	1,235	3,846
July	13,778	4,203	9,575	1,101	4,546
August	12,734	3,903	8,831	1,090	4,081
September	12,039	3,585	8,454	900	2,940
October	11,072	3,368	7,704	1,007	2,863
November	11,459	3,332	8,127	1,062	3,739
December	11,196	3,271	7,925	826	3,219
<i>1946</i>					
January	11,737	3,301	8,436	1,181	3,740
February	12,670	3,447	9,223	1,448	4,129

TABLE 2.—Summary of OPA individual adjustment and price authorization backlogs indicating number of cases pending at the end of each month and break-down by length of time pending—Continued

	30 to 60 days		60 to 90 days		Over 90 days	
	Adjustments	Authorization	Adjustment	Authorization	Adjustment	Authorization
<i>1945</i>						
January.....	828	1,341	447	1,036	1,475	1,785
February.....	806	1,473	518	1,125	1,492	2,299
March.....	714	2,020	546	1,128	1,398	1,990
April.....	861	2,791	558	1,259	2,022	2,022
May.....	869	1,832	571	1,538	1,842	2,842
June.....	1,025	1,665	647	1,018	1,942	2,334
July.....	755	1,774	512	940	1,835	2,315
August.....	610	1,735	458	1,026	1,745	1,989
September.....	693	1,626	386	1,185	1,606	2,703
October.....	493	1,615	413	896	1,455	2,330
November.....	587	1,342	302	812	1,381	2,234
December.....	731	1,609	383	929	1,331	2,168
<i>1946</i>						
January.....	451	1,300	414	1,233	1,255	2,163
February.....	651	2,291	241	721	1,107	2,082

TABLE 3.—Summary of national office adjustment and authorization backlogs indicating number of cases pending at the end of each month and break-down by length of time pending

	Total pending			Under 30 days	
	Total	Adjustment	Authorization	Adjustment	Authorization
<i>1945</i>					
January.....	5,887	1,017	4,870	337	2,416
February.....	6,945	1,046	5,899	355	2,681
March.....	8,209	1,121	7,088	411	3,675
April.....	8,758	1,189	7,569	355	3,549
May.....	7,694	1,269	6,425	379	2,394
June.....	5,649	1,286	4,363	308	1,856
July.....	5,696	1,327	4,369	368	2,294
August.....	4,835	1,172	3,663	325	1,908
September.....	4,141	1,047	3,094	283	1,379
October.....	4,091	1,107	2,984	349	1,301
November.....	4,242	1,063	3,179	337	1,619
December.....	4,297	1,139	3,158	299	1,428
<i>1946</i>					
January.....	4,768	1,169	3,599	387	1,783
February.....	5,220	1,359	3,861	541	1,661

	30 to 60 days		60 to 90 days		Over 90 days	
	Adjustment	Authorization	Adjustment	Authorization	Adjustment	Authorization
<i>1945</i>						
January.....	283	659	123	514	274	1,281
February.....	291	871	147	709	253	1,638
March.....	209	1,371	208	786	293	1,256
April.....	270	1,917	156	803	408	1,300
May.....	217	1,106	200	1,046	473	1,879
June.....	266	733	149	544	543	1,230
July.....	215	648	177	370	567	1,057
August.....	184	688	109	370	554	697
September.....	194	569	110	399	460	747
October.....	173	548	108	429	477	706
November.....	178	642	92	278	456	640
December.....	252	638	126	381	462	811
<i>1946</i>						
January.....	157	525	145	421	480	870
February.....	231	1,030	102	297	485	873

TABLE 4.—Summary of field adjustment and authorization backlogs indicating number of cases pending at the end of each month and break-down by length of time pending

	Total pending			Under 30 days	
	Total	Adjustment	Authori- zation	Adjust- ment	Authori- zation
<i>1945</i>					
January.....	5,739	3,239	2,500	1,169	792
February.....	5,975	3,189	2,786	1,064	1,107
March.....	6,131	3,034	3,097	1,086	1,372
April.....	7,095	3,652	3,443	1,045	1,391
May.....	7,598	3,773	3,825	1,381	1,644
June.....	8,083	3,563	4,520	927	1,990
July.....	8,082	2,876	5,206	733	2,252
August.....	7,899	2,731	5,168	765	2,173
September.....	7,898	2,538	5,360	617	1,561
October.....	6,981	2,261	4,720	658	1,562
November.....	7,217	2,269	4,948	725	2,120
December.....	6,899	2,132	4,767	527	1,791
<i>1946</i>					
January.....	6,969	2,132	4,837	794	1,957
February.....	7,450	2,088	5,362	907	2,468
Region I:					
October 1945.....	486	194	292	96	71
November 1945.....	516	205	311	66	101
December 1945.....	309	180	219	45	78
January 1946.....	310	155	155	71	66
February 1946.....	358	194	164	79	70
Region II:					
October 1945.....	2,843	590	2,253	104	637
November 1945.....	2,855	618	2,237	169	865
December 1945.....	3,037	581	2,456	91	807
January 1946.....	3,433	588	2,845	149	1,177
February 1946.....	3,844	544	3,300	222	1,413
Region III:					
October 1945.....	644	383	261	85	83
November 1945.....	619	387	232	67	130
December 1945.....	599	384	215	72	70
January 1946.....	574	367	207	73	80
February 1946.....	574	386	185	119	78
Region IV:					
October 1945.....	790	294	496	72	155
November 1945.....	691	249	442	81	133
December 1945.....	521	195	326	55	79
January 1946.....	440	218	222	99	73
February 1946.....	350	176	174	73	72
Region V:					
October 1945.....	361	138	223	70	154
November 1945.....	295	147	148	73	85
December 1945.....	276	123	153	54	101
January 1946.....	342	160	182	95	138
February 1946.....	381	153	228	86	154
Region VI:					
October 1945.....	638	372	266	148	144
November 1945.....	579	316	263	120	159
December 1945.....	540	317	223	113	114
January 1946.....	544	321	223	161	156
February 1946.....	519	310	209	156	182
Region VII:					
October 1945.....	47	30	17	18	7
November 1945.....	40	27	13	13	9
December 1945.....	135	38	97	21	91
January 1946.....	66	29	37	21	15
February 1946.....	71	40	31	25	28
Region VIII:					
October 1945.....	1,172	260	912	65	311
November 1945.....	1,622	320	1,302	136	638
December 1945.....	1,392	314	1,078	76	451
January 1946.....	1,260	294	966	125	252
February 1946.....	1,353	282	1,071	147	464

TABLE 4.—Summary of field adjustment and authorization backlogs indicating number of cases pending at the end of each month and break-down by length of time pending—Continued

	30 to 60 days		60 to 90 days		Over 90 days	
	Adjustment	Authorization	Adjustment	Authorization	Adjustment	Authorization
<i>1945</i>						
January.....	545	682	324	522	1,201	504
February.....	515	602	371	416	1,239	661
March.....	505	649	338	342	1,105	734
April.....	591	874	402	456	1,614	722
May.....	652	726	371	492	1,369	963
June.....	739	932	498	474	1,399	1,124
July.....	540	1,126	335	570	1,268	1,258
August.....	426	1,047	349	656	1,191	1,292
September.....	499	1,057	276	786	1,146	1,956
October.....	320	1,067	305	467	978	1,624
November.....	409	700	210	534	925	1,594
December.....	479	1,071	257	548	869	1,357
<i>1946</i>						
January.....	294	775	269	812	775	1,293
February.....	420	1,261	139	424	622	1,209
Region I:						
October 1945.....	33	28	20	63	45	130
November 1945.....	70	52	27	15	42	143
December 1945.....	53	33	32	25	50	83
January 1946.....	27	22	23	14	34	53
February 1946.....	58	20	15	20	42	47
Region II:						
October 1945.....	65	772	59	159	362	685
November 1945.....	55	322	45	368	349	682
December 1945.....	118	646	51	296	321	707
January 1946.....	61	443	58	500	320	725
February 1946.....	86	955	26	290	210	642
Region III:						
October 1945.....	67	25	24	42	207	111
November 1945.....	81	28	37	13	202	61
December 1945.....	55	74	36	14	221	57
January 1946.....	54	16	40	55	200	56
February 1946.....	42	45	29	3	199	59
Region IV:						
October 1945.....	34	56	42	32	146	253
November 1945.....	42	84	27	41	99	184
December 1945.....	34	39	26	55	80	153
January 1946.....	27	24	10	25	82	100
February 1946.....	42	34	17	3	44	65
Region V:						
October 1945.....	28	21	9	27	31	21
November 1945.....	38	28	12	11	24	24
December 1945.....	36	36	11	6	22	10
January 1946.....	33	36	17	4	15	4
February 1946.....	37	59	15	11	15	4
Region VI:						
October 1945.....	56	51	104	33	64	38
November 1945.....	81	37	36	15	79	52
December 1945.....	81	50	54	25	69	34
January 1946.....	47	35	68	19	45	13
February 1946.....	99	12	14	11	41	4
Region VII:						
October 1945.....	3	6	5	1	4	3
November 1945.....	7	2	2	1	5	3
December 1945.....	6	4	6	-----	5	2
January 1946.....	6	20	-----	-----	2	2
February 1946.....	11	1	2	-----	2	2
Region VIII:						
October 1945.....	34	108	42	110	119	383
November 1945.....	35	149	24	70	125	445
December 1945.....	96	189	41	127	101	311
January 1946.....	39	179	53	195	77	340
February 1946.....	45	135	21	86	69	386

TABLE 5.—Monthly receipts of price determinations with a time limit during year 1945 and first 2 months of 1946

	Received				Received		
	Total	National office	Field		Total	National office	Field
January 1945	8,329	4,496	3,833	October 1945	10,194	4,139	6,055
February	7,823	3,651	4,172	November	11,140	3,783	7,357
March	10,238	4,122	6,116	December	8,041	3,607	4,434
April	8,725	4,024	4,701	1945 total	111,666	46,468	65,198
May	11,184	3,883	7,301	January 1946	8,896	4,281	4,615
June	11,751	4,047	7,704	February	8,248	4,437	3,811
July	9,392	4,173	5,219				
August	8,235	3,554	4,681				
September	6,614	2,989	3,625				

Senator MILLIKIN. Now, let me get back to the mechanics of this thing again. What are your mechanical controls for expediting adjustment cases? Let us take a typical adjustment case and run it through your department for me.

Mr. PORTER. Well, I think at the national office quite naturally we attempt to concentrate on industry-wide actions for the entire area.

Senator MILLIKIN. I cannot understand why that would not receive pretty fast treatment because you have organized trade associations and attorneys that are in on your back all the time watching everyday's program. I am talking about individual cases. John Doe mails in an appeal relating to some kind of adjustment. What is your system whereby you know, or someone representing you, knows that this man is receiving the fastest possible treatment you can give him?

Mr. PORTER. Well, the various departments have administrative orders and directions as to the amount of time that should be devoted to a particular case.

Now, since this new wage-price policy we have neglected, I am sure, a number of individual matters that are on the desks of price executives because they have been working on these broad industry-wide actions which have taken precedence. The particular case is pretty hard to put into a category—an individual case that comes to Washington—because our whole effort is to have these adjustments made out in the field and of 12,000 individual price adjustments that have been made since VJ-day, there were approximately 80 percent of these handled by the field office.

Senator MILLIKIN. In other words there would be a couple of thousand handled here?

Mr. PORTER. That is right.

Senator MILLIKIN. I am still keeping my mind on what is handled here. I would like to know your mechanics. I would like to have a description of your mechanics whereby you know or someone acting for you knows that John Doe's case is receiving the utmost expedition.

Mr. PORTER. I would like for Mr. Baker who is in charge of the price department to comment on the mechanics in his department.

Senator MILLIKIN. It would be very helpful if we had some testimony.

Mr. BAKER. Senator, we have in the national office in the price department a docketing system. When this application comes in it is recorded and docketed and then is assigned to the division, branch, or section which is responsible for that commodity or commodities. When it goes down into the section it is docketed there as part of their workload and a record is maintained of the number of days that each item remains in the section—each application.

The control is obtained by the section head and branch chief. The section head weekly reviews with his adjustment people their older cases. He doesn't review the current cases unless they are brought up to date, but cases more than, let us say, 60 days' old—all the old cases are reviewed to see why they are being held up.

Senator MILLIKIN. What is your time—when does that factor come up on a case?

Mr. BAKER. That varies in the individual case. Most of our delays are due to waiting for additional information which was not submitted the first time. One of the faults of our operation consists in waiting to ask for that information instead of getting it in the first place. One effort that is being made now is to be sure that if additional data is required it is asked for at once. But there is no absolute time which is uniform for the department as to when a case begins to get under strong pressure from the branch chief.

That depends somewhat on how much the backlog is and how many people are available to handle it.

Senator MILLIKIN. Does the branch chief have men or ladies whose duties are to keep a constant check on the time element in these cases?

Mr. BAKER. There are two ways it is handled. One is in some areas we have adjustment sections with a section head responsible for all adjustments in that branch. It is his duty to keep track of the progress of the adjustment and to report weekly to the branch chief his progress.

Senator MILLIKIN. I mean if I come over this afternoon and say, "Well, now, tell me about the case of John Doe. It was brought in here last January." Have you a quick and ready way of telling me what the present status of it is and why it has taken from January to the middle of April to have it in its present status?

Mr. BAKER. We can tell you those facts. They may not, however, be complimentary to the organization, but we do know what has happened to it, when additional information was requested, and so forth.

Senator MILLIKIN. I have had several persons who have been employed in the OPA tell me that the delay of applications simply being on desks unattended to has been a terrible thing. So I am trying to figure out what you are doing about it.

Mr. BAKER. That is a very good point, Senator. For example, we have a training branch. Its duties are to improve work methods. Recently an analysis of an individual adjustment operation disclosed 187 separate steps in making that adjustment. During that period they measured the length of time in minutes that it rested on somebody's desk. It was a shocking figure.

Senator BANKHEAD. That is the thing I had in mind when I was asking Mr. Porter about it.

Mr. BAKER. The result of that was that 187 steps were reduced to about 78, with which we are not yet satisfied, but at least that is a

tremendous help. The time of sitting on desks, cutting down excessive clearances, excessive reviews by people, the physical arrangement of desks, and so forth, there is a great deal that still has to be done along that line.

Senator MILLIKIN. What are you going to do about cutting down the lack of attention in those cases?

Mr. BAKER. That, of course, is largely a question of manpower. The best solution now, I think, is further decentralization, as Mr. Porter has said. Our principal trouble is in the apparel branch where new sellers' applications and adjustments constitute a large backlog. There we will do well to move out into the regions and districts.

Senator BANKHEAD. I think that would be a tremendous improvement. You have got your own appointees to pass on it.

Senator MILLIKIN. What is your master central control over the time element at the present time?

Mr. BAKER. The control consists of a tabulation of cases by agents. In other words, there are X cases over 30 days old in such and such a section. That comes up to my own office for inspection once a month. I then call on the division branch chiefs for consultation on those cases. Then those cases go through and they analyze the reasons for delay and attempt to improve them. It would be idle for me to say the system works well and doesn't need improvement. It does.

Senator MILLIKIN. At the present time when would John Doe's case come to the top; say it was filed in January?

Mr. BAKER. His case if filed in January would come up on the first report of cases over 30 days old and it would stay in its appropriate category until the case was closed out.

Senator MILLIKIN. Are you staffed at the top so that you can review these cases and get them closed out?

Mr. BAKER. No, sir; we are not. We are unable to do it, and must rely largely on periodic spot checks rather than any personal handling by Mr. Porter or myself.

Senator MILLIKIN. Are you under any considerable handicap in not having the requisite staff?

Mr. BAKER. I think the answer is a better system at the top and better people at the bottom, good people in the boiler room doing the work with adequate spot checking and good control at intermediate stages such as branch and division chiefs.

Senator MILLIKIN. Do these division heads have an adequate expediting force?

Mr. BAKER. Not entirely, sir. I think that the administration of our divisions from an administrative standpoint rather than from a pricing standpoint can stand considerable improvement; that some better control, as you point out, at division and branch levels is indicated.

Senator MILLIKIN. What do you want Congress to do to help you out on that?

Mr. PORTER. I can answer that. More appropriations.

Senator MILLIKIN. For that purpose?

Mr. PORTER. For that specific purpose. I think probably there is likewise this question on the general personnel front which is a matter of deep concern to all of us. That is the turn-over that we have at this time, not only in our district and regional offices, but the separation in the national office, because the act is beginning to expire, they

look upon it not as a permanent thing. Some of them that have been there 3 or 4 years are looking for more permanent positions.

Senator MILLIKIN. Now, what kind of controls do you exercise over your regional organizations to see that they are expediting things?

Mr. PORTER. There is constantly liaison between the national office and the field. As a matter of fact, when I get through I am going to take a midnight plane to Memphis and meet there tomorrow for an interchange of information as to a specific price adjustment. In the field office there are reporting requirements to the national office. In addition to this reporting system Mr. Baker has additional direct control from his price executives.

Senator MILLIKIN. How do you maintain control over your regions to see that individual cases are being handled promptly in the regions?

Mr. BAKER. The regional picture is infinitely better than the national picture on individual adjustments. We have not therefore had to have the close supervision required in the national office, in general, with one outstanding exception which is our New York district office, New York-Manhattan, particularly there in connection with apparel items. With that exception our field offices generally don't have any old cases in their operation.

Senator MILLIKIN. Do they give periodic reports to you on the time element involved in every case?

Mr. BAKER. No; they don't do that. We merely know the number of cases more than 30 days old which are pending. When that number rises above a nominal figure the regional price executive must report the reasons for it. I would say our record has been to me surprisingly good. That leads Mr. Porter and me to think that that is an additional argument for further decentralization of our overworked staff here.

Senator MILLIKIN. May I ask, if you can do it, that you give us the figures on the time lags involved in each case?

Mr. PORTER. Yes. We will undertake to do that.

Senator MILLIKIN. I think it might be helpful for you in getting some help.

The CHAIRMAN. That may be inserted in the record.

(The figures referred to are the same as furnished on p. 141.)

Senator BANKHEAD. Mr. Porter, I wanted to ask you to state first—as a member of the Appropriations Committee, I don't recall any occasions when Congress refused to give the OPA such appropriations as it urged. Have there been such instances?

Mr. PORTER. Senator, as I review the history of it, OPA was cut down for fiscal '46 and you remember we had to come back for a deficiency appropriation.

Senator BANKHEAD. Was that deficiency the result of a reduction in the original request, or was it as a result of new programs?

Mr. PORTER. It was a combination of both. I have no criticism to make of the appropriations policy of Congress, with the possible exception on enforcements. We are now preparing our budget estimates for fiscal 1947. These factors that Senator Millikin has been talking about will be included in our presentation.

Senator BANKHEAD. I have supported, so far as I can recall, every appropriation that has been requested by OPA.

Mr. PORTER. I know you have.

Senator BANKHEAD. I believe in keeping it if we can.

Senator RADCLIFFE. Mr. Porter, the more you decentralize the more necessity, of course, there is, that you should have, we will say, more competent people and more of them in these regional offices.

Mr. PORTER. That is correct.

Senator RADCLIFFE. Are you having any serious difficulty in keeping and maintaining a high grade of executives which would be necessary to carry on the decentralization policy such as you have just referred to?

Mr. PORTER. I might put it this way: It has been my observation in the 6 weeks that I have been there—I have covered four of the eight regions—that the quality of personnel at the top level is very gratifyingly high. We have a number of people who have been with this program in top policy-making positions in the regional offices and the district offices who have stayed there just as a matter of personal patriotism and at a sacrifice of their own business interests.

Senator RADCLIFFE. So you think you have, substantially speaking, sufficiently competent people to carry out the decentralization policy to which you referred?

Mr. PORTER. I hope we can get them—a number of them are quite restless to get back to their own businesses or to get in a permanent line of activity. It is always a continuing problem.

Senator RADCLIFFE. Do you have many employees seeking transfers to permanent agencies due to the fact that OPA is regarded as a temporary proposition?

Mr. PORTER. I would put it this way, Senator: I say this in all deference—

Senator RADCLIFFE. I am just asking about the problem you have got.

Mr. PORTER. With all deference to the necessary and inherent delays we have had in getting our legislation, that as time goes on it is going to become one of our most serious problems because if we get up to May and June you will find a number of people that have been with this program for a long time will start looking for new opportunities and you can hardly blame them.

Senator RADCLIFFE. No; I would not blame them.

Senator HICKENLOOPER. Mr. Chairman, I would like to ask Mr. Porter a question.

I have been making some inquiries recently and the best information I can get is that price control during the last war was handled by a total personnel of 250 people. Our difficulties occurred when we took off price control immediately upon the end of the war. Now I believe OPA got up to some 64,000 people in price control in this war. We still have somewhere in that neighborhood on the total pay roll of OPA today.

Now, here is another peculiar thing: When we took off price controls after the last war we filled the pipe line of consumer demands in about a year's time. At the end of about a year following the war, maybe 14 months, consumers' goods were such a drug on the market that they at least contributed to a substantial slump in the economic curve at that time. The war has been over in Germany a year. The war has been over in Japan for 9 or 10 months—since last August—yet we have at this late date under a rigid price-control system a tremendous shortage in many lines of merchandise, some of which,

as in cotton textiles, are lines in which the supply of raw material is not short at all. In fact, we have a surplus, I believe.

Now, is it reasonable to say that the bottlenecks that have been established by OPA price control have contributed directly to that shortage that we face today, especially in those lines where the raw material is in a long position?

Mr. PORTER. I think the answer probably, Senator, is taking a look at the production figures and comparing them with some representative period. I would be the last one to say that at some stage the price policy has not been an impediment to production. Our job is to remove these impediments and at the same time do it in a way that is consistent with the stabilization of the over-all picture.

Senator HICKENLOOPER. But the point still remains—I am not using this as an argument to remove price controls—I don't mean that. I would rather see reasonable price control in this period of transition, but we did fill the demand with our industrial set-up after the last war in, say, 14 months, roughly.

Here we have gone with a much more ramified industrial plant in this war, a much more highly developed production plant, and we are struggling along with a very unsatisfactory supply of needed consumers' goods at this time. It seems to me that it follows if you run through this situation that while in certain lines we do have production—I believe you still have price controls on oil, do you not? Someone wrote me this morning and said that you had.

Mr. PORTER. That is correct.

Senator HICKENLOOPER. I believe there is a surplus of oil.

Mr. PORTER. There is no shortage of crude oil. There is a shortage of certain residual fuel-oil products. No one uses crude oil. It is your heating oil and your low distillates, particularly, your heavy bunker oil for the Navy and War Shipping Administration that is very much out of balance.

Senator HICKENLOOPER. I understand that there is plenty of gasoline for everybody that wants it.

Mr. PORTER. Your gasoline is sloshing over the tanks.

Senator HICKENLOOPER. Well, what I started to say is this: The thing that bothers me about this program is that in a comparable period I don't believe we have made anywhere near the progress in producing consumer goods with a much more ramified production system than we had after the last war.

Mr. PORTER. I think there are probably two answers to that question. One is that the demand in this postwar year is much greater for all lines of consumer goods and many products than it was after the last war.

Secondly, our production machinery, our industrial plant, was not converted in World War I to anywhere near the extent it was this time. So you have those two factors that I think distinguish the existing situation from the one a quarter of a century ago.

Senator HICKENLOOPER. Well, you may be right, but my impression is from the letters I get that everybody that had a plant to produce stuff converted way last fall. The problem of conversion was no insurmountable problem at that time. It was comparatively easy because they had gone into war work that was reasonably adaptable to peacetime work. Therefore, that was not a very big problem.

Mr. PORTER. I think there is also the question of backlog. Obviously they did reconvert promptly back to civilian production,

but as distinguished from the last war there is this backlog. There has been relatively little production of consumer goods in certain categories during the past 4 years. So you had that accumulated demand. During World War I many lines continued to produce.

Senator HICKENLOOPER. But at the same time we get letters every day from people that say we want to produce and could produce, but we have a pricing system that causes us to sell at a loss. I have a letter here that I just received this morning. I shall not burden you with it—

Mr. PORTER. Senator, I want to get all of this.

Senator HICKENLOOPER. From a man who outlines a number of things. He refers to the price regulations on a cheap quality of cotton goods. He refers to the sock manufacturer that is only making luxury socks now because he cannot get a price on the cheaper socks that would enable him to produce at cost. This man outlines 10 or 15 different companies that are not producing consumers' goods today in a moderately priced line of merchandise, simply because they cannot get a price out of it to cover the cost of production, and the plant has just quit producing.

Mr. PORTER. Well, we come back to the fact that on your production figures the story is still very encouraging, when we have got 52,000,000 people at work. On any specific item the story indicates from month to month your production levels are much higher than they were in any previous peacetime period. There are those individual cases, to be sure, and those are the ones if you will turn them over to us we will attempt to go to the bottom of them.

Senator HICKENLOOPER. This particular letter is not a letter to me. These individuals wrote this letter to a man compiling information that he had on these particular companies. But it seems to me that this tremendous volume of employment that OPA has found necessary to have in this war, a lot of it, has been not only a waste of money, but it has resulted in greatly slowing down production in this country rather than expediting it.

Mr. PORTER. You can take it item by item. We have been talking about textiles here. The Federal trade index of production, which is based on units of production, not upon dollar value, is 56 points above the 1935-39 average for February.

Senator HICKENLOOPER. I don't think the industrial plant in this country was producing at capacity at that time.

Mr. PORTER. This is February 1946, and it is above 1941, which was 52.

Well, Senator, shall I proceed with my statement?

The CHAIRMAN. Yes.

Mr. PORTER. OPA has met the problem of the manufacturer who could get low-priced fabrics by exempting from MAP merchandise below specified levels. It has also set tolerances above average price levels to protect manufacturers from intervening cost increases. OPA channeling programs have been recently extended to direct more production into essential low-cost fabrics.

Evidence that most manufacturers can and do comply with garment MAP is accumulating, despite a few notorious cases of violation. Third-quarter data showed that "surcharges"—that is, sales above MAP—totaled only one-half of 1 percent of sales volume. The fourth-quarter figures, though incomplete, are still better.

Neither MAP nor any other regulation can bring limited supply into balance with a vastly expanded demand. We have a great deficit in production to make up. To go back to those men's shirts, we made 13 million dozen in 1939 and then there was no backlog of demand to meet. In 1945, because of wartime shortages of materials only 4½ million dozen dress shirts and 2½ million dozen sport shirts were produced. Now, with a CPA program channeling cotton fabric to dress shirts, supply is improving, but patience and a little darning will be necessary before a balance can be reached. For men's suits, the same problem exists in even more extreme form.

Senator HICKENLOOPER. Mr. Chairman, may I ask how many men's shirts are in process of completion now, on the average, at this time? I mean, what is the production?

Mr. PORTER. I will have to get that CPA report that was put out yesterday, Senator. The figure is still not up as high as we would like to see it, but it still shows a gradually accelerating trend.

Present production is now at an annual rate of 15 million suits, but the backlog of demand is estimated at between 35 and 40 million.

Senator HICKENLOOPER. What was the production rate in, let us say, 1940, of men's suits?

Mr. PORTER. Twenty million, Senator Capehart says. My associate says the peak was 21,000,000.

Senator HICKENLOOPER. Twenty-one million annually?

Mr. PORTER. Yes.

Senator HICKENLOOPER. So that we are now producing at the rate of 15,000,000?

Mr. PORTER. That is correct.

Senator HICKENLOOPER. At the rate of 6,000,000 short of prewar production?

Mr. PORTER. That is my understanding.

The women's hosiery shortage is less acute. In January 1946, nylon production was running at the rate of 25,000,000 dozen, more than twice the peak rate of 1941. Total production of hosiery, including rayons, is at a 41,000,000 dozen rate, close to the peak of 44,000,000 in 1939. However, after an annual production of only 35,000,000 dozen in 1945, it will take some time to eliminate the backlog.

The nylon queues—sometimes degenerating into scrimmages, are clear evidence of the inadequacy of even peak production to satisfy pent-up demand.

In the face of shortages like these it is obvious that the result of eliminating MAP would be a resumption of the trend toward higher and higher priced apparel. Our estimate is that this would add well over a billion dollars to the consumers' annual clothing bill. This fact has been almost entirely obscured by the sustained drive which the garment industry, in alliance with retail dry goods associations, has waged against MAP. Consequently, I hope that this committee will subject this issue to the most searching examination.

Lumber and building materials: No committee of the Congress is more familiar than yours with the desperate urgency of the need for more lumber and building materials to meet the requirements of the housing program. If you would believe some of the spokesmen for these industries, you would assume that OPA's position in this crisis was one of obstruction, or at best, indifference.

Senator HICKENLOOPER. Mr. Chairman, I would like to interrupt again. The time is late. I hate to do it, but I would like to ask Mr. Porter again, for instance, about this clothing and other production records here.

Now the peak production before the war, let us take again suits, 21,000,000, or hosiery at the rate of 41,000,000, and the peak in 1939 was 44,000,000. We have several million men coming back from the armed services, most of whom will have abnormal demands for consumer clothes. Yet we were producing some 21,000,000 suits prior to the war. How long at this rate is it going to take us before we can get back not only to production of the abnormal demand for men's clothing, but to pick up the backlog on men's clothing?

Mr. PORTER. I would like to have Mr. Levitties, who has been head of our consumers' good, who is familiar in detail with these statistics, to comment on that.

Senator HICKENLOOPER. I think that would be important in knowing how long OPA would have to continue.

Mr. LEVITTIES. My comment on that is that the Senate Small Business Committee went into this in great detail several months ago. The industry contends that it can produce 28,000,000 suits a year once they have the fabric available. The fabrics are being produced in increasing quantities, to enable the suit manufacturers to produce 28 million suits a year.

Now, this current demand that Mr. Porter quoted a moment ago of 35 or 40 million suits takes into account inventory replenishment as well as current demand and it reflects all of the needs of the returning veterans in that 35 million. The guess on the part of the industry that within a period of a year and a half inventories should be replenished to a point where it can meet the demand.

Senator HICKENLOOPER. Well, now, is that the case in connection with hosiery and cotton goods?

Mr. LEVITTIES. Well, in cotton textiles you have a different situation. In cotton textiles the current production is in excess of—or just about what it was in 1939. Current demand, however, is far in excess of that. Now, how soon the cotton textile industry can produce enough cotton textiles is something I am not prepared to say. I don't know, and I don't believe the industry knows.

Senator HICKENLOOPER. Is the cotton textile industry producing at maximum capacity today?

Mr. LEVITTIES. It is producing at maximum capacity on a single shift and some mills on a double shift. It is not producing at maximum capacity as it did during 1942 when they were operating three shifts. It is my opinion that the measure of difficulty there is the nonavailability of sufficient manpower to run a third shift, rather than a lack of desire on the part of the mills to use a third shift.

Mr. PORTER. We think it is a labor problem much more than it is a price problem, Senator. Does that answer your question?

Senator HICKENLOOPER. Yes. I think it is an important element as to how long it is going to take us to catch up with this backlog, with this demand, a portion of which has been created by shortage in the last few years.

Mr. PORTER. To get back to lumber and building material, let me state OPA's position broadly. We do not propose to make the veteran pay one bit more for the house he builds than is necessary to

provide him as quickly as possible with the materials and services he requires for that purpose. We are not going to be stampeded into making price increases in situations where bottlenecks of manpower or materials, rather than price, limit the expansion of supply. But we have repeatedly authorized, and will continue to authorize, price increases for lumber and building materials on the basis of evidence that price ceilings are standing in the way of increased output.

Here are the facts. Lumber production, after reaching a peak in 1941-42, declined steadily during the war because of loss of manpower, equipment difficulties and decreased availability of stumpages. These factors caused costs to rise and operations to decline in efficiency. Many price increases were granted, so that lumber prices today are more than 75 percent above August 1939 and 25 percent above 1941.

Since VJ-day many actions have been taken to improve lumber production. On the price side numerous adjustments have been made to remove price impediments to expanded output. Some of the principal price increases since August 15, 1945—

Senator HICKENLOOPER. Mr. Chairman, in this lumber business, I am told—I haven't any information that is too accurate on the whole lumber situation, except when they come from other sections of the country, because we do not have any lumber interests in our State of this type, but I am told that one of the difficulties today that would contribute to an increased price of lumber is that OPA is still maintaining an unwarrantedly high price on rough lumber, on lumber that is not kiln dried, and is still maintaining a price below the cost of the production on millwork, such as flooring and house siding and all the various other things that go into home construction.

Mr. PORTER. Well, Senator, I have heard that criticism from a number of sources and have made efforts personally to check into it. It was true that during the war for cantonment construction and for military purposes price incentives were given certain types of construction that were anomalous to peacetime civilian requirements. We have moved as rapidly as we can to straighten these out and put the incentive and the emphasis in line with the requirements of the housing program.

Senator HICKENLOOPER. In other words, you used a price policy to produce the type of lumber that was needed for the war effort?

Mr. PORTER. Correct.

Senator HICKENLOOPER. And to discourage the production of lumber you didn't need?

Mr. PORTER. Correct. Now we have undertaken to reverse that.

Senator HICKENLOOPER. What have you done to reduce the price of certain lumber that should be selling at \$40 a thousand, and has been selling for \$70 a thousand? Have you reduced that price?

Mr. PORTER. I would like for Mr. Holder who has had considerable experience in that field to comment specifically on that item.

Senator HICKENLOOPER. I will include another one in the question, then. What have you done to increase the price of house flooring and siding and sheathing and millwork that, at least as far as I can understand, was intentionally and very properly during the war put at a discouragingly low figure to discourage the production? Have you done anything to increase these?

Mr. HOLDER. We certainly have.

Senator HICKENLOOPER. I am not saying you have not. I just don't know.

Mr. HOLDER. I would like to make this statement: To the best of our knowledge, working with CPA and working with Mr. Wyatt's office, most required adjustments have been completed and were completed some time ago.

Senator HICKENLOOPER. Just give me the details. I would rather not just have conclusions.

Mr. HOLDER. First of all, in the case of southern pine siding, and similar pine items, those adjustments were completed last November and were disclosed at that time.

Senator HICKENLOOPER. What price adjustments were made? I mean how much a thousand?

Mr. HOLDER. At that time we granted an over-all increase of \$2.25 a thousand on finished lumber. We subsequently gave \$3.25 a thousand in February, a total of \$5.50 to the end of February, or 12 percent.

Senator HICKENLOOPER. You say on finished lumber. Does that include house siding and flooring?

Mr. HOLDER. Yes.

Senator HICKENLOOPER. What about millwork?

Mr. HOLDER. Millwork, I believe an increase has been under consideration.

Senator HICKENLOOPER. There has been an increase in the price of millwork?

Mr. HOLDER. Yes, there has been; but I will have to get the details on that.

Senator HICKENLOOPER. I had a letter from a mill company here the other day. I mentioned it to the committee. They said that on doors that would normally sell for around \$4, the black market is paying \$10 or \$15 for those doors. If the milling company could get just a little bit of an increase so that they could afford to make the doors in quantities that they would break the black market. People would probably have to pay \$5 for a door, but they are now paying \$10 or \$15 in the black market.

Mr. PORTER. I think Mr. Riley could tell you about that.

Mr. RILEY. The millwork price about a week ago went up about 18 percent. Doors went up more than 25 percent per door.

Senator HICKENLOOPER. Well, what I have in this report is some 3 or 4 weeks old. I don't know just how long ago it was complained of. They simply couldn't make the doors.

Mr. PORTER. I would like to say this at this point in connection with the housing program. We have organized at OPA a building material division of which Mr. Riley, who has had long practical experience in this field, has come down as director and he and his staff are giving full attention to the question of the price structure you have mentioned.

Senator HICKENLOOPER. A lumber purchaser told me some 3 weeks ago—as I say, I have no first-hand knowledge of this. We don't have a lumber industry of that kind in our State, but he purchases a lot of lumber and he said we are purchasing and selling rough lumber today at \$70 a thousand that should not be over \$40 at the outside, and he said we can do it. He said on the contrary we are held below the cost of production on a lot of stuff. So, he says, we are producing rough

lumber, that is our chief business, it is the only thing we can produce and make a profit on.

He said the price of that lumber ought to be drastically reduced. I don't know. I don't even recall the name of his company now, but I know he was president of a large lumber company. I want to know what has been done on the readjustment of this rough lumber.

Mr. HOLDER. I would guess about the Iowa producer about whom you are speaking—

Senator HICKENLOOPER. No; he is not an Iowa producer.

Mr. HOLDER. In Douglas fir we went further than adjusting prices in helping remove inequities and getting what they needed. During the war what they needed mostly was large green timbers. A substantial price reduction on green lumber was announced on February 15, over 2 months ago. Douglas fir is No. 2 in importance for construction.

Senator HICKENLOOPER. This is in the nature of a rumor to me. I don't know anything about it, but that statement was made and I wanted to inquire about it.

Mr. HOLDER. Your No. 3 species for construction is western pine. We announced some 3 or 4 weeks back a price increase for all types of western-pine lumber. After discussing the matter with CPA, with Mr. Wyatt and people in the industry, we reached the conclusion that the prices were reasonably in balance and we would not need to adjust internal price relationships further. So we put the 11-percent price increase in effect right straight across the board.

Mr. PORTER. Some of the principal price increases Mr. Holder was referring to are contained in this table which I will ask the reporter to copy into the record and will not read.

The CHAIRMAN. That may be done.

(The table is as follows:)

	Percent increase		Percent increase
Southern pine.....	12	Hardwood flooring.....	10
Same (for small mills).....	16	Southern hardwood.....	7
Yellow cypress.....	7	Appalachian hardwood.....	8
Douglas fir.....	4	Western pine.....	11
Northern hardwood and softwood.....	4	Red-cedar shingles.....	16

Mr. PORTER. In a number of these and other actions, price relationships have been rearranged to remove premiums on grades and sizes which had been needed by the armed forces and to increase prices on those required for home building. Direct mill wholesalers have been encouraged to serve small retailers by the grant of a mark-up over mill ceilings.

But price has by no means been the only problem of the lumber industry. There are still substantial manpower shortages in some areas, equipment problems, stumpage shortages, and until recently labor-management difficulties. The weather this winter was the worst in years.

I am happy to report, however, that the picture in lumber production has become much brighter in recent weeks and the outlook is very encouraging. In February, despite many handicaps, national lumber production, adjusted seasonally, was running at a rate of 29 billion feet. This compares with anticipated output of 30 billion this year—far above the prewar average—and a maximum potential under the most favorable circumstances of 32 billion this year.

Senator HICKENLOOPER. That conflicts directly with the Wyatt statement here that their potential was 40 billion a year.

Mr. PORTER. These are figures we have taken from the industry and CPA. I didn't see Mr. Wyatt's figures.

Senator HICKENLOOPER. Well, I am not disputing your statement.

Mr. PORTER. Well, is there a conflict?

Senator HICKENLOOPER. I distinctly remember that he said that the potential production capacity of this country—that is in the housing program—was 40 billion and we had produced 36 billion.

Mr. PORTER. I would like to check that, Senator.

Mr. HOLDER. May I comment on that?

Senator HICKENLOOPER. I just want to know who is right.

Mr. HOLDER. Perhaps I can clarify it. The figure of nearly 40 billion is a capacity figure for 1941 and 1942. There is a production capacity, a milling capacity of that amount. The figure of 32 billion is about the production estimate of the Forest Service for 1946. Recently at hearings in the Senate they made the statement that the available stumpage and standing timber supplies probably would not permit an output this year of more than 32 billion feet. There are, of course, continuing difficulties by way of manpower shortages; 1946, furthermore, got off to a very bad start with some of the worst weather we have ever had in the South, along with strikes out in the West.

Mr. PORTER. So this 32 billion is a Forest Service figure, but let us be very clear on one point—there will be a continuing lumber shortage throughout the year. Total demand is estimated at 36 billion feet or better. We must anticipate a deficit of at least 4 to 6 billion feet.

This will continue to create difficult problems of enforcement. We already have a serious black-market problem on our hands—especially in southern lumber. Both OPA ceilings and CPA channeling orders are involved. But OPA and the Department of Justice are marshaling their resources for a joint campaign against the black marketer on lumber. We have broken such rackets before and we shall break this one. Certainly this is no time to legalize the activities of the law violators.

Senator TAYLOR. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes.

Senator TAYLOR. It is possible, then, Mr. Porter, for the Department of Justice to get in and help you catch these black-market operators?

Mr. PORTER. Indeed it is. We have a working arrangement which has just been recently developed whereby a series of grand juries are going to be established in certain areas to get on top of this problem. I would not like to talk too much about the details of it here, because we don't want to telegraph what we are going to do in that regard, but we are going to make a major effort to get on top of this black-market situation.

Senator TAYLOR. I have come to this conclusion, you either have got to enforce this and give some of these boys a good rap or we will have to abandon the whole thing.

Mr. PORTER. You have to get these supplies back into the legitimate channels or the housing program, in my opinion, is very seriously jeopardized.

Senator HICKENLOOPER. Mr. Porter, do you have any serious hope or faith that you will be able to successfully prevent black marketing in this, and other things, as things are going now?

Mr. PORTER. Well, I think we can with an allocation of orders, with the CPA channeling orders and with policing of what has been characterized for this period as nonessential construction. Controls were taken off after VJ-day and your whole lumber production just flowed indiscriminately.

Senator HICKENLOOPER. I am thinking about the black market in meat, for instance.

Mr. PORTER. I am going to touch upon that a little bit subsequently.

Senator HICKENLOOPER. It seems to me uncontrollable. I am wondering if the same practice under existing conditions won't actually exist in the supply of lumber.

Mr. PORTER. Well, I have some comments on meat subsequently. In building materials, the picture varies widely with the widely differing industry situations. Unlike lumber, many of the other building materials were in low demand during the war, and the problem has been to restore the producing industries to high-level operation.

There have been price impediments to be sure. But a great many price adjustments have been made. I shall file with this committee a list of 66 industry-wide actions OPA has taken to increase prices of building materials between VE-day and April 4, 1946.

(The following was later received for the record):

Price increases on building materials other than lumber since VE-day

Item	Increase	Level	Area	Regulation	Date
Vitrified clay sewer pipe and allied products.	10 percent over 1942 freeze prices...	Manufacturer, reseller...	Western United States (except Pacific coast).	Amendment 76, Order A-1, MPR 188, RMPR 206.	May 5, 1945
Building, chemical, and industrial lime (except agricultural lime).	65 cents per net ton.....	Producer.....	8 southeastern States.....	Amendment 77, Order A-1, MPR 188.	May 12, 1945
Rough quarry limestone blocks.....	6½ percent above 1942 freeze prices.	Quarrier.....		Amendment 78, Order A-1, MPR 188.	May 17, 1945
Lineal sash and frame stock (used for window and door repair).	3 percent above GMPR levels.....	Manufacturer.....		Amendment 6, RMPR 293.	May 30, 1945
Douglas fir stock millwork: Screen doors (smaller sellers).....	1.2 percent above GMPR.....	} do.....		MPR 589.....	June 11, 1945
Door frames.....	10½ percent above GMPR.....				
Cast-iron soil pipe and fittings.....	\$5 per ton.....	Producer, jobber.....	Arkansas, Kansas, Nebraska, Oklahoma and western Missouri.	Amendment 3, RPS 100...	June 14, 1945
Building, chemical, and industrial lime (except agricultural lime).	75 cents per ton over 1942 level.....	Producer.....		Amendment 82, Order A-1, MPR 188.	June 21, 1945
Fire clay and silica refractory brick.....	6 percent over 1942 level; addition of 3 by this amendment.	Manufacturer.....	From Missouri and east of Mississippi River.	Amendment 83, Order A-1, MPR 188.	June 25, 1945
Gypsum lath.....	Actual freight charge from Plasterco, Va., to.....	Manufacturer, resellers.	Florida, Alabama, Georgia, South Carolina, parts of North Carolina.	Amendment 85, Order A-1, MPR 188.	July 7, 1945
Do.....	Actual freight charge from California, Nevada, and Montana to.....	do.....	Oregon and Washington.....	Amendment 86, Order A-1, MPR 188.	July 13, 1945
Vitrified clay sewer pipe and allied products.	1 percent.....	Manufacturer.....	Eastern and East Central.....	Amendment 12, RMPR 206; Amendment 88, Order A-1, MPR 188.	July 21, 1945
Building, chemical, and industrial lime (except agricultural lime).	\$1.20 per ton (from New England and eastern New York State).	Producer.....		Amendment 1, Order 1, MPR 592.	Aug. 13, 1945
Concrete blocks.....	½ cent per unit.....	do.....	Dade County, Fla.....	Amendment 2, Order 1, MPR 592.	Aug. 20, 1945
Gypsum lath and linerboard: Linerboard.....	\$4.25 per thousand square feet.....	} do.....	{Eastern seaboard, California and Nevada.	{Amendment 3, Amendment 4, Order 1, MPR 592.	Aug. 21, 1945
Gypsum lath.....	2½ cents.....				
Cast-iron tube radiation.....	2½ cents net per square foot.....	Manufacturer.....		Amendment 5, MPR 272.	Aug. 22, 1945
Cement.....	10 cents per barrel.....	do.....	Ohio, Michigan, West Virginia, parts of Pennsylvania, Virginia, Kentucky.	Amendment 11, MPR 224.	Sept. 5, 1945

† Effective until Jan. 31, 1945.

Price increases on building materials other than lumber since VE-day—Continued

Item	Increase	Level	Area	Regulation	Date
Cast-iron soil pipe and fittings	4 percent or \$3 per ton	Producer, jobber		Amendment 4, RPS 100	Sept. 7, 1945
Refractory products	8.6 percent	Manufacturer, reseller	Southern California	Amendment 6, Order 1, MPR 592	Sept. 10, 1945
Calcined gypsum plaster bag goods	\$2.40 per ton	do	Eastern Seaboard	Amendment 7, Order 1, MPR 592	Sept. 14, 1945
Structural-clay products:					
Tile	80 cents per ton	do	East of Rocky Mountains	Amendment 9, Order 1, MPR 592	Sept. 19, 1945
Standard brick	\$2 per thousand			Amendment 10, Order 1, MPR 592	Oct. 4, 1945
Building, chemical, and industrial lime (except agricultural lime)	Dollars and cents increase granted producers.	Jobbers, wholesalers, agents.		Amendment 4, MPR 413	Oct. 8, 1945 ²
Hinges and butt hinges	10 percent	Manufacturer, reseller		Amendment 6, RPS 40	Do.
Builders' hardware (locks, door checks, chains, stops, and knobs; sash, door, and transom hardware)	10 percent above levels in effect Oct. 1-15, 1941.	do			
Automatic electric temperature controls	5 percent	do		Order 48, MPR 591	Oct. 9, 1945
² Effective until Mar. 31, 1946.					
Ready-mixed concrete	Dollars and cents increase, portland cement.	Manufacturer	Ohio, Michigan West Virginia, western Pennsylvania, Kentucky.	Amendment 13, Order 1, MPR 592	Oct. 30, 1945
Stokers	5 to 10 percent, depending on size.	Manufacturer, reseller		Amendment 1 to Order 48, MPR 591	Nov. 8, 1945
Portland cement	10 cents per barrel	Producer	South	Amendment 12, MPR 224	Nov. 10, 1945
Ready-mixed concrete	Dollars and cents increase, portland cement.	Manufacturer	Georgia, Alabama, Tennessee, Louisiana, Mississippi, North Carolina, South Carolina, Florida, and parts of Virginia.	Amendment 15, Order 1, MPR 592	Nov. 14, 1945
Low-priced builders' hardware: Certsin cast iron, wrought steel, and some few brass gadgets.	10 percent over March 1942 levels.	Manufacturer, reseller		Amendment 2, Order 1, MPR 591	Do.
Douglas-fir open window sash	11.4 percent	Producer		Amendment 2, MPR 589	Nov. 20, 1945
Gypsum lath, liner board, and plaster	\$3 per thousand square feet	Manufacturer, reseller	Except California and Nevada.	Amendment 17, Order 1, MPR 592	Nov. 16, 1945
Calcined gypsum plaster	\$2.40 per ton \$1.50 per ton \$1.00 per ton		5 eastern mills 2 Virginia mills 5 central United States mills		
Douglas fir and minor species of plywood	7½ percent	Retailers		Amendment 1, 3d RMPR 13	Nov. 24, 1945
Portland cement	20 cents per barrel	Producer, reseller	Nebraska, Kansas, Oklahoma, Arkansas, west Missouri, Idaho, Montana, Wyoming, Utah, Colorado, New Mexico.	Amendment 13, MPR 224	Dec. 11, 1945
Ready-mixed concrete	Dollars and cents increase for portland cement.	Producer	Nebraska, Kansas, Oklahoma, Arkansas, west Missouri, Idaho, Colorado, New Mexico.	Amendment 21, Order 1, MPR 592	Dec. 18, 1945

Vitrified clay sewer pipe and allied products.	9.7 percent.....	Manufacturer, reseller.	Eastern and East Central areas.	Amendment 15, RMPR 206; Amendment 19, Order 1, MPR 592.	Dec. 17, 1945
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Source: Office of Price Administration, Building Materials and Construction Branch, Dec. 20, 1945.

SUPPLEMENT 1, JAN. 30, 1946

Window and picture glass.....	\$3.95 over GMPR.....	Manufacturer.....		Amendment 18 to Order 1 to MPR 592.	Dec. 7, 1945
Vitrified clay sewer pipe, 6 inches and above.	11 percent over GMPR.....	do.....	Southern California.....	Amendment 16 to RMPR 203.	Dec. 26, 1945
Cast iron soil pipe and fittings.....	\$6 per ton.....	Manufacturer, jobber.....		Amendment 5 to RPS.....	Dec. 31, 1945
Enameled cast iron plumbing fixtureware.	8 percent.....	Manufacturer, reseller.....		Order 48 to MPR 591.....	Jan. 2, 1946
Brick and tile.....	\$2 per thousand, 80 cents per ton over GMPR.	do.....	West coast.....	Amendment 23 to Order 1 to MPR 592.	Do.
Glazed brick.....	\$2.50 per thousand.....	do.....	East of Rockies.....	Amendment 24 to Order 1 to MPR 592.	Do.
Clay drain tile.....	80 cents per ton.....	do.....	Ohio and Michigan.....	Amendment 26 to Order 1 to MPR 592.	Jan. 7, 1946
Domestic oil burners.....	9 percent.....	do.....		Amendment 3 to Order 48 to MPR 591.	Jan. 14, 1946
Gas fired and liquid petroleum fired furnaces and unit heaters.	12.5.....	Manufacturer, reseller.....		Amendment 4 to Order 48 to MPR 591.	Jan. 14, 1946
Specified items of brass plumbing fixtures supply fittings and trimmings.	5-25 percent.....	do.....		Amendments 5 and 7 to Order 48 to MPR 591.	Jan. 21, 1946
Brass plumbing fixture waste trimmings and fittings.	9 percent.....	do.....		Amendment 6 to Order to MPR 591.	Do.

SUPPLEMENT 2, MAR. 25, 1946

Item	Increase	Level	Regulation	Date
Gas-fired conversion oil burners.....	9 percent.....	Manufacturer, reseller.....	Amendments 8 and 9 to Order 48 to MPS 591.	Feb. 5
Low pressure steel boilers.....	14 percent.....	do.....	Amendment 10 to Order 48 to 591.....	Feb. 16
Automatic nonelectric temperature controls.....	5 percent.....	do.....	Amendment 11 to Order 48 to 591.....	Mar. 1
Specified hardware items.....	10 percent.....	Manufacturer.....	Amendment 12 to Order 48 to 591.....	Mar. 13
Builders hardware and insect screen cloth.....	do.....	do.....	Amendment 7 to RPS 40.....	Do.
Specified butts and hinges.....	16 percent.....	do.....	Amendment 5 to MPR 413.....	Do.
Specified hardware items and insect screen cloth items.....		Jobbers, wholesalers, and retailers.	SO-151.....	Do.

Price increases on building materials other than lumber since VE-day—Continued

SUPPLEMENT 2, MAR. 25, 1946

Item	Increase	Level	Area	Regulation	Date
Portland cement.....	10 cents per barrel.....	Manufacturer, reseller.	Georgia, Alabama, Tennessee, Louisiana, Mississippi, North Carolina, South Carolina, Florida, and Virginia.	Amendment 14, MPR 224.	Feb. 21, 1946
Electrical clay conduit.....	\$3.25 per ton.....	Manufacturer.....		Amendment 30 to Order 1, MPR 592.	Mar. 13, 1946
12 construction items of softwood plywood.....	20 percent.....	Mill.....		Amendment 2 to third RMPR 13.	Mar. 15, 1946
Ready-mixed concrete.....	10 cents per barrel.....	Manufacturer.....	Georgia, Alabama, Tennessee, Louisiana, Mississippi, North Carolina, South Carolina, Florida, Virginia.	Amendment 34 to Order 1 to MPR 592.	Mar. 22, 1946
Valves and fittings.....	10-20 percent.....	Manufacturer, reseller.....		Amendment 7 to Order 1 to MPR 591.	Mar. 26, 1946
Cast iron drainage staples and specialties.....	do.....	do.....		Amendment 6 to Order 1 to MPR 591.	Mar. 27, 1946
12 construction items of softwood plywood.....	20 percent.....	Reseller.....		Amendment 3 to 3d RMPR 13.	Apr. 1, 1946
Sand lime brick.....	\$2 per thousand.....	Manufacturer, reseller.....		Amendment 35 to Order 1 to MPR 592.	Do.
Glazed windows and sash.....	1 point shorter discount from list.....	Manufacturer, reseller, retailer.....		Amendment 14 to RMPR 293.	Apr. 10, 1946
Cast-iron radiation.....	20 percent.....	Manufacturer, reseller.....		Amendment 7 to MPR 272.	Mar. 28, 1946
Gas boilers.....	10½ percent.....	do.....		Amendment 8 to Order 1 to MPR 591.	Apr. 1, 1946
Douglas fir doors.....	28 percent.....	Mill.....		Amendment 1 to MPR 44.	Apr. 4, 1946
Do.....	Dollars and cents pass through.....	Reseller.....		Amendment 1 to MPR 44 and Amendment 11 to RMPR 525.	Do.
Fireclay and silica refractory brick.....	11 percent.....	Manufacturer, reseller.....	Missouri and east of Mississippi River.	Amendment 36 to Order 1 to MPR 592.	Apr. 1, 1946
Clay glass pots, tank blocks, and companion accessories.....	16 percent.....	do.....		Amendment 37 to Order 1 to MPR 592.	Do.
General manager type grain doors.....	11 percent.....	Mill.....		Amendment 3 to MPR 483.	Apr. 16, 1946
Special millwork.....	30-40 percent.....	do.....		RMPR 525.....	May 3, 1946
Tanks and vessels.....	17 percent over July 1, 1941.....	Manufacturer, reseller.....		MPR 96.....	Apr. 8, 1946
Portland cement.....	10 cents per barrel.....	do.....	Southern California.....	Amendment 15 to MPR 224.	Apr. 17, 1946
Warm-air furnaces.....	12 percent.....	do.....		Amendment 9 to Order 1 to MPR 591.	Apr. 19, 1946
Special cast iron radiation and accessories.....	37 percent over October 1941.....	do.....		Amendment 10 to Order 1 to MPR 591.	Apr. 30, 1946
Clay sewer pipe and allied products.....	15 percent.....	do.....	Eastern and East Central.....	Amendment 19 to RMPR 206; Amendment 38 to Order 1 to RMPR 592.	Apr. 22, 1946

The important fact is that, except in minor instances, price is no longer an impediment to production. The principal difficulties are manpower, raw materials and equipment. Manpower is now the key problem in the brick industry, for example. In the case of cast-iron soil pipe the problem is pig iron. Production control rather than price increases is the answer here. Each day we are running into new cases in which price and other impediments have been removed but shortages of such raw materials as pig iron and sheet steel emerge as the remaining principal difficulty.

In stepping up the production of building materials a great deal more progress has been made since VJ-day than is generally realized and the outlook is good. But even with maximum success, the demand for building materials will run so far ahead of supply that there will be shortages for many months to come.

OPA is cooperating wholeheartedly in the program developed by Mr. Wyatt. We believe that program can and will succeed. But the maintenance of stable building-material prices is crucial to the success of that program. On the other hand, the authorization of premiums which the Senate has voted will go far toward easing our pricing problems. I hope the House of Representatives will concur in the Senate action. But it is only fair to point out that premium pricing cannot be effective unless basic price levels are held stable. By compelling major changes in OPA pricing standards, Congress could easily undo all the good that the premium-payment plan promises to achieve.

Senator HICKENLOOPER. May I ask a question there, Mr. Chairman? Your statement:

It is only fair to point out that premium pricing cannot be effective unless basic price levels are held stable——

Mr. PORTER. Right.

Senator HICKENLOOPER. Wouldn't it also follow that premium pricing cannot be effective unless basic price levels are also sound?

Mr. PORTER. Yes. I would not dispute that for a minute. Now, we come to dairy products.

Dairy products: Few problems which OPA confronts are more delicate than that posed by dairy products. Fluid milk has a multitude of uses. It is not to be wondered that at times the nice machinery of adjustment gets out of balance.

We are faced by a fall in milk production which, although not precipitous, must be promptly halted. Between January 1945 and January 1946, the number of dairy cows dropped 3 percent and milk production fell from an annual rate of 122 billion pounds in 1945 when feed conditions were favorable to a recent estimate of a 118-billion-pound rate, a figure still far above peacetime levels.

This is not to say that the recent difficulties with respect to dairy products have not been real. The increases in costs for food and labor have narrowed unduly the margin between the dairy farmer's cost and his return. The Office of Economic Stabilization has approved two actions, one to be taken immediately and the other by July 1, which will increase the dairy farmer's return by a total of 40 cents per hundred-weight, whether by ceiling-price increase or subsidy or by a combination of both.

While such actions will sustain milk production, further steps must be taken as part of a program developed with the Department of

Agriculture to check the diversion of butterfat from butter to its more profitable uses, a diversion which has come about since the lifting of the butterfat restriction orders, soon after VJ-day.

For the first time in the history of price control we plan to institute a ceiling on the sale of commercially separated cream in bulk. This should serve to protect the margins of the ice-cream manufacturer and the cream retailer.

These steps, together with an allowance for butter storage to be made effective during the summer and with certain local adjustments to prevent diversion will, we are confident, alleviate the present acute shortage of butter.

These steps remove the threat to milk production arising from higher feed and labor costs, and assure a more normal distribution of manufacturing milk among the various uses. Inability to obtain feed may still, however, affect milk production in some localities. With fluid milk taking an unusually large proportion of all milk, and with the total production limited for some time by cow numbers and available feed, I cannot claim that these steps or any others that could be taken will provide within a period of many months supplies of butter and most other manufactured dairy products which will equal demand.

Senator HICKENLOOPER. Do you establish ceilings on fluid milk now to the consumer?

Mr. PORTER. To the consumer, yes; we do.

Senator HICKENLOOPER. Well, then, there is one great difficulty we have in our State. The commercial users of fats and oils will go out and pay 70 cents a pound for butterfat to use commercially. They are paying that today. Our creameries and dairies that supply the public with their butter or milk cannot afford to pay more than somewhere around 55 to 58 cents per pound for butterfat. The result is that these fellows are paying 70 cents a pound for butterfat and are taking all the butterfat and they are by the same token taking all the raw milk—that is, a very substantial portion of the raw milk.

The food consumer, the public, is facing that absolute inability to either get raw milk or cream or butter because of the commercial competition that enables these fellows to pay 50 percent more than the food producers in milk products can possibly pay for their product.

We have had some meetings, I know you have been in them, the last few days. What steps do you contemplate?

Mr. PORTER. Senator, we think that this ceiling on cream, together with the restriction orders on the use of this sort of products will restore from the available supplies a more equitable balance, and at the same time prevent these commercial users you are talking about going out and bidding up the price to the extent they get the supply. So I think the answer is twofold, as I say, for the first time a ceiling on cream for manufacturing uses plus restriction orders that will prevent that diversion. I think that is the only way we can go about it, is through restoration of these orders.

Senator HICKENLOOPER. One of two things is bound to happen. The price of raw cream, the price of butterfats that goes into butter or into consumers' milk supplies has got to go up drastically, because you cannot pay 78 cents for butterfat and make a pound of butter—you can make a little more than a pound of butter out of a pound of butterfat, but you cannot pay 78 cents and be forced to sell it on the market for 55 cents or whatever the ceiling on butter is.

Mr. PORTER. There is no question about that.

Senator HICKENLOOPER. That is why we have no butter, and here we are facing an extreme shortage of butter even in the butter-producing areas of the country.

Mr. PORTER. If you undertake to raise the price upward to meet the competition of these commercial users, I don't know where you would stop, because they would go a little higher. So I think the ceiling I have talked about plus restoration of these control orders will at least have the opportunity to solve that problem.

Senator HICKENLOOPER. All right, then you have got one of two steps: You either have to cut down the price of butterfat which means the farmer will get 20 percent less for his butterfat than he is getting now in the producing area, or you have to subsidize that with public money. I see no other alternative on that theory.

Mr. PORTER. I wonder if Mr. Baker will care to comment on that.

Mr. BAKER. At the present time, Senator, the plan is, of course, to increase the return to the producer, now, by 20 cents a hundredweight, as Mr. Porter has said, and by another 20 cents on July 1, or a total increase of 40 cents a hundredweight, which is roughly equivalent to about a cent a pound.

Senator HICKENLOOPER. Well, is that all subsidy?

Mr. BAKER. That is, the first step of that is subsidy. Whether the second step is a subsidy depends on Congress, and their decision on the extension of subsidies.

Senator HICKENLOOPER. Your decision is that 40 cents a pound—

Mr. BAKER. Forty cents a hundredweight.

Senator HICKENLOOPER. Will be a subsidy?

Mr. BAKER. No, the first 20. But we do recommend that the second 20—

Senator HICKENLOOPER. If Congress authorizes it the second 20 will be a subsidy?

Mr. BAKER. Yes. Now, with respect to the question of butterfat the idea there is that wherever we have an increase in the fluid-milk return we make a corresponding increase in the butterfat price so as to keep them the same as they are now, but by virtue of the restriction orders on heavy cream and on butterfat and ice cream and possibly on a foreign type of cheeses, we divert the butterfat into butter so that the farmer then will presumably either sell his milk as fluid milk, which we have no restriction on in terms of quantities or will at least give butter an equal chance with the butterfats, because no more than a certain amount can be used now on ice cream or in cream itself. That is, by limitation of the butterfat content of cream which will have the effect of increasing the butter supply.

We have added to that a storage allowance on butter which will make it profitable for a person to make butter and hold it in storage, which would not be true under the flat price which he had during the war when the Government bought the butter and stored it at their own expense.

Senator HICKENLOOPER. That is right.

Mr. BAKER. It will not, of course, as Mr. Porter says, increase this total supply of fluid milk or manufactured milk for butter, but at least—

Senator HICKENLOOPER. Well, it won't increase the total supply of fluid milk at the moment, but I would think it might vary conceiv-

ably at some time, very conceivably increase the supply of fluid milk that could be turned into butter.

Mr. BAKER. Yes, sir.

Senator HICKENLOOPER. I don't know whether your scheme will do it, but some kind of an arrangement.

Mr. BAKER. It is a joint program with the Department of Agriculture. At least it should serve to stop the reduction in cow numbers which is now a serious question.

Senator HICKENLOOPER. Very.

The CHAIRMAN. Well, Mr. Porter, it is now 1 o'clock and we will resume at 2:30.

I wanted to announce the witnesses for tomorrow. At 10 a. m. we will hear from William J. Kelly, president of the Machinery and Allied Products Institute.

At 10:30, Roy A. Cheney, president, Underwear Institute.

At 11 o'clock, Arthur Besse, president, National Association of Wool Manufacturers.

At 11:30, Douglas Whitlock, chairman, advisory board, The Producers' Council.

We hope to finish with you this afternoon, Mr. Porter. 2:30 this afternoon.

(Whereupon at 1 p. m. a recess was taken until 2:30 p. m. of the same day.)

AFTERNOON SESSION

The committee resumed at 2:30 p. m. on the expiration of the recess.

The CHAIRMAN. The committee will resume.

Mr. Porter, will you continue, please?

STATEMENT OF PAUL PORTER, OPA ADMINISTRATOR, WASHINGTON, D. C.—Resumed

Mr. PORTER. Mr. Chairman, I am sorry that Senator Bankhead is not here because I would merely like to state for the record something apropos of some questions propounded to me this morning and something that occurred among members of the committee, that I do not want my silence to be taken as indicative that any imputation that Mr. Sells is not a highly competent individual is correct. We value his services at the office very highly and are going to do our utmost to have his leave extended. And I am sure that he does not have to make any apology to the chairman of this committee for being from New York.

The CHAIRMAN. Certainly not. This is my fourth term now from New York, and I think we all agree that the Empire State is a great State.

Mr. PORTER. Mr. Sells has made a very substantial contribution to price control, and his services have been recognized to the extent that one office in the area with which his branch deals has seen fit to try to persuade him to continue to occupy the very important position in the manufacture and distribution of various types of consumer durable goods, and when he does find it necessary to go we will hate to lose him. I want the record to show that we value his services extremely highly.

Senator TAYLOR. And I would like to commend Mr. Sells for the splendid way he handled himself this morning.

Senator MITCHELL. Mr. Chairman, I wonder if Mr. Porter could put in the record a division of the employees in OPA. I believe he said there are approximately 5,500 and 1,500 are on price control, which is approximately one-third.

Mr. PORTER. The principal departments are Price, Rent, Accounting, Legal Department, and Enforcement. Then there are the price control boards, in which there is a small staff that is working directly with boards in the field. I would be glad to give you not only an organizational chart but a break-down of the professional and other services.

Senator MITCHELL. I think it would be helpful to the record. (The data afterward furnished by Mr. Porter are as follows:)

As of (date) Apr. 15, 1946.

Key operating report—Employment summary statement

Organization unit	Last year, Apr. 15, 1945	Preceding period, Mar. 31, 1946			Current period			Increase or decrease (-)		
	Filled	Authorized	Filled	Vacant	Authorized	Filled	Vacant	Authorized	Filled	Vacant
Total										
Permanent.....	61,359	34,094	32,015	2,079	34,654	32,408	2,246	560	393	167
Temporary.....	1,367		177			170			-7	
National office										
Total:										
Permanent.....	3,707	3,366	3,306	60	3,459	3,308	151	93	2	91
Temporary.....	39		30			34			4	
Executive.....	303	335	335		361	336	25	26	1	25
Executive offices.....	30	34	40	-6	34	41	-7		1	-1
Advisory staff.....	72	99	98	1	69	71	-2	-30	-27	-3
Executive services.....	190	171	166	5	227	193	34	56	27	29
Board management.....	11	31	31		31	31				
Administrative management.....	561	531	516	15	531	507	24		-9	9
Information.....	114	90	92	-2	89	91	-2	-1	-1	
Accounting.....	487	519	507	12	544	512	32	25	5	20
Enforcement.....	161	179	172	7	179	173	6		1	-1
Price.....	1,435	1,573	1,546	27	1,616	1,553	63	43	7	36
Rationing.....	516		4	-4		3	-3		-1	1
Rent.....	130	139	134	5	139	133	6		-1	1
Total, field										
Permanent:										
Allocated.....	57,652	30,341	28,709	1,632	30,677	29,100	1,577	336	391	-55
Unallocated.....		387		387	518		518	131		131
Temporary.....	1,328		147			136			-11	

Regional offices										
Total:										
Permanent.....	4,299	4,158	3,774	384	4,311	3,948	363	153	174	-21
Temporary.....	177		28			25			3	-2
Executive.....	151	174	162	12	174	164	10		2	-2
Board management.....	82	74	70	4	75	72		1	2	-1
Administrative management.....	1,869	1,481	1,443	38	1,481	1,440	41		3	-3
Information.....	107	88	84	4	88	86	2		2	-2
Accounting.....	172	203	185	18	206	194	12	3	9	-6
Enforcement.....	668	916	704	212	1,043	828	215	127	124	3
Price.....	601	958	902	56	975	933	42	17	31	-14
Rationing.....	424		1	-1					-1	1
Rent.....	225	264	223	41	269	231	38	5	8	-3
District and area rent offices										
Total:										
Permanent.....	18,119	16,662	15,827	835	16,836	16,008	828	174	181	-7
Temporary.....	453		62			58			4	-4
Executive.....	213	177	169	8	178	174	4	1	5	-4
Board management.....	1,689	1,047	1,018	29	1,058	1,028	30	11	10	1
Administrative management.....	1,316	965	941	24	967	936	31	2	-5	7
Information.....	338	309	301	8	310	301	9	1		1
Accounting.....	586	569	543	26	569	554	15		11	-11
Enforcement.....	4,662	4,678	4,466	212	4,738	4,490	248	60	24	36
Price.....	2,732	4,369	4,206	163	4,384	4,226	168	15	20	-5
Rationing.....	2,648		1	-1					-1	1
Rent.....	3,935	4,548	4,182	366	4,632	4,299	333	84	117	-33
Local boards										
Permanent.....	35,234	9,521	9,108	413	9,530	9,144	386	9	36	-27
Temporary.....	668		57			53			4	

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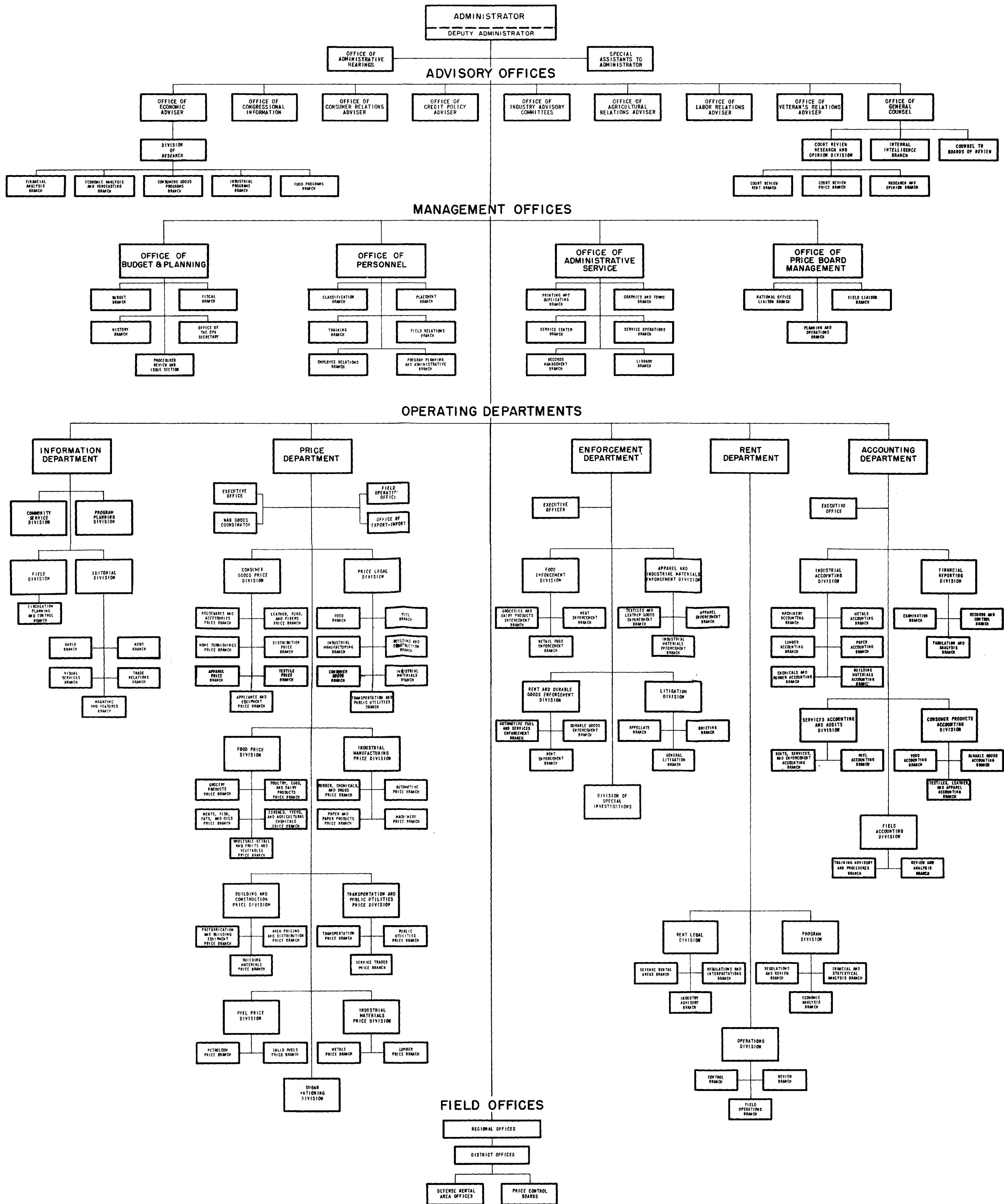
Date: Apr. 15, 1946.

Key operating report—Employment summary statement—Continued

	Region I		Region II		Region III		Region IV		Region V		Region VI		Region VII		Region VIII		Region IX		Total		
	Filled	Vacant	Filled	Vacant	Filled	Vacant	Filled	Vacant	Filled	Vacant	Filled	Vacant	Filled	Vacant	Filled	Vacant	Filled	Vacant	Filled	Vacant	
Total:																					
Permanent:																					
Regional offices.....	327	21	855	34	478	24	529	80	495	45	557	34	246	25	436	97	25	3	3,948	363	
Districts.....	1,230	50	3,549	228	1,855	117	1,944	114	2,180	81	2,346	68	668	34	1,933	128	303	8	16,008	828	
Local boards.....	656	30	2,100	112	1,259	32	1,343	40	1,207	68	1,334	19	374	18	767	48	104	19	9,144	386	
Total.....	2,213	101	6,504	374	3,592	172	3,816	234	3,882	194	4,237	121	1,288	77	3,136	273	432	30	29,100	1,577	
Temporary:																					
Regional offices.....	4		6		2		2		8		2				1				25		
Districts.....	2		17				3		12		6				16		2		58		
Local boards.....			21				16		13						3				53		
Total.....	6		44		2		21		33		8				20		2		136		
Executive:																					
Regional offices.....	15	2	31	3	18	1	24		19	1	19	1	19		17	2	2		164	10	
Districts.....	13		24	1	13	1	26		21		31	2	12		25	2	9		174	4	
Total.....	28	2	55	4	31		50		40	1	50	3	31		42	4	11		338	14	
Board management:																					
Regional offices.....	8		16	1	6		10		9	1	7	2	6		9	1	1		72	3	
Districts.....	78		161		137	4	143	8	132	3	196	3	54	4	93	5	34	3	1,028	30	
Total.....	86		177	1	143	4	153	8	141	4	203	5	60	4	102	4	35	3	1,100	33	
Administrative management:																					
Regional offices.....	126	3	277	4	192	3	204	15	203	1	208	7	80	2	143	8	7		1,440	41	
Districts.....	68		168	5	108	2	110	16	121	1	147	1	53		109	9	52	15	936	31	
Total.....	194	3	445	9	300	5	314	31	324		355	8	133	2	252	1	59	15	2,376	27	
Information:																					
Regional offices.....	9	1	13	1	6	1	11		13		11	1	8		13		2		86	2	
Districts.....	26	2	46	4	36	1	30	1	43		44	1	17	3	41		18	1	301	9	
Total.....	35	3	59	3	42	2	41	1	56		55		25	3	54		20	1	387	11	

Accounting:																						
Regional offices	7	1	65	-1	19		14	2	13	1	29	1	19	3	28	5					194	12
Districts	52	1	122	4	69		85	3	69	-3	65	4	27		53	5		12	1		554	15
Total	59	2	187	3	88		99	5	82	-2	94	5	46	3	81	10	12		1		748	27
Enforcement:																						
Regional offices	66	6	185	16	95	7	129	55	98	39	114	11	33	9	106	72	2				828	215
Districts	362	21	1,135	85	496	28	439	22	596	20	694	29	203	10	488	33	77				4,490	248
Total	428	27	1,320	101	591	35	568	77	694	59	808	40	236	19	594	105	79				5,318	463
Price:																						
Regional offices	84	1	200	6	113	8	112	8	109		135	2	71	10	98	4	11	3			933	42
Districts	343	11	871	45	516	19	505	28	550	14	656	12	174	16	531	22	80	-9			4,226	158
Total	427	12	1,071	51	629	27	617	36	659	14	791	14	245	26	629	26	91	-6			5,159	200
Rationing:																						
Regional offices																						
Districts																						
Total																						
Rent:																						
Regional offices	12	7	68	6	29	4	25		31	4	34	9	10	1	22	7					231	38
District and D. R. A.	288	15	1,022	84	480	64	606	36	648	46	513	18	128	1	593	70	21	-1			4,299	333
Total	300	22	1,090	90	509	68	631	36	679	50	547	27	138	2	615	77	21	-1			4,530	371
Local boards:																						
Administration																						
Price	656		1,973		1,259		1,315		1,198		1,312		364		752		104				8,933	
Rationing																						
Rent			127				28		9		22		10		15						211	

OFFICE OF PRICE ADMINISTRATION GENERAL ORGANIZATION



Senator CAPEHART. Mr. Chairman, might I ask a question or two right here?

The CHAIRMAN. Certainly, Senator Capehart.

Senator CAPEHART. Just before we recessed we were talking about building materials and housing. I have before me the issue of Saturday, April 13, 1946, of the Courier-Journal of Louisville, Ky., in which there is an article entitled "Aide Calls Wyatt's '46 Aim Impossible." Then the article goes on to say:

Don Campbell, lumber consultant to Housing Expediter Wilson Wyatt, called Wyatt's 1,200,000-home goal for 1946 "impossible" and said last night "someone is making political capital of this emergency."

Then the article goes on with a lot of other things but one of the headlines is critical of OPA and under that heading appears this:

The Office of Price Administration refuses to see that it is production and production alone that is holding up reconversion.

Then he goes on to say:

Certainly there is a shortage—caused by the greatest war we have ever been through, and we are in the midst of a housing hysteria. We are getting headlines and ballyhoo, but I will tell you frankly we are not getting houses.

Then he lists some of his objections to the housing agency's program. Then the article goes on to say:

He quoted OPA Administrator Chester Bowles as having said the Government should subsidize manufacturers of "new and untried building materials because we know the public won't buy them."

Then he goes on to say:

I have nothing but praise for legitimate prefabrication, but there is nothing I can say before ladies about all these crackpot prefabricated crackerboxes of which I am afraid we are going to see too many—bought by veterans—within the next few years.

Then he goes on to say:

OPA has been "seeing the light" for the last several weeks, and has raised ceilings on plywood, fir doors, western pine, hardwood flooring, red cypress, and Lake States hemlock, with the result that these materials are being shipped.

I am just wondering if Mr. Porter feels that OPA has been interfering with production as Mr. Campbell, one of the lumber consultants, thinks, and I presume he is working for the Government.

Mr. PORTER. I know Mr. Campbell well.

Senator CAPEHART. I believe he comes from Kentucky, the same State that you come from.

Mr. PORTER. That is correct, although I was born in Missouri.

Senator TAYLOR. Oh, well. That accounts for some things.

Senator CAPEHART. I can understand now why you are OPA Administrator.

Mr. PORTER. But I left Missouri at the age of 3 months.

Senator CAPEHART. That is all right, as long as you came from Missouri.

Mr. PORTER. The last statement that you read is one which I think would undoubtedly reflect Mr. Campbell's attitude, and that is where you said he thinks OPA has seen the light.

Senator CAPEHART. I suppose he means by that to say you are getting religion?

Mr. PORTER. That is right. Certainly there have been so far as I know no substantial differences between Mr. Wyatt's organization

and OPA in connection with price policy with respect to getting out needed materials. We have had innumerable conferences along that line, and will have more. As to the other statements made by Mr. Campbell, obviously I am not in position to comment on those.

Senator CAPEHART. Mr. Chairman, I would ask permission to have this article put in the record.

The CHAIRMAN. That may be done.

(The article appearing in the Courier-Journal, Louisville, Ky., of April 13, 1946, entitled "Aide Calls Wyatt's '46 Aim Impossible" is as follows:)

AIDE CALLS WYATT'S '46 AIM IMPOSSIBLE

Don Campbell, lumber consultant to Housing Expediter Wilson Wyatt, called Wyatt's 1,200,000-home goal for 1946 "impossible" and said last night "someone is making political capital of this emergency."

He asserted the Office of Price Administration "refuses to be realistic" and declared "just a little break, a little give in the line, is all we need to produce."

"If private industry fails to meet that (1,200,000-home) goal this year," Campbell told the Louisville Building Congress, "the Government can go in and say, 'Private industry has failed and we'll build the rest with the taxpayers' money.'"

RECALLED BY WYATT

Campbell served in Washington 3 years during the war, administering lumber distribution for war needs. On his return to his home at Lebanon, Ky., he was elected mayor of the town before being requested by Wyatt to return to Washington as lumber adviser to the housing agency.

He said he knows "of no man more sincere than Wilson Wyatt," but declared he disagreed sharply with the National Housing Agency's current building-restriction orders. Instead, Campbell said, he advocated a nonpriorities go-ahead for all private homes costing up to \$8,000.

He asserted that, "Since VJ-day there has been no policy set on reconversion."

IS CRITICAL OF OPA

The Office of Price Administration, he continued, "refuses to see that it's production and production alone that's holding up reconversion."

"Certainly there is a shortage—caused by the greatest war we've ever been through," Campbell said, "and we're in the midst of a housing hysteria. * * * We're getting headlines and ballyhoo, but I'll tell you frankly we are not getting houses."

He listed some of his objections to the housing agency's program:

1. It's "unrealistic—I don't think 1,200,000 homes will be built this year."
2. The \$6,000 limit on cost of veterans' homes—"Sure, we want cheap homes for veterans but we can't build them for \$6,000 in metropolitan areas."

SKEPTICAL OF PRIORITY SYSTEM

3. The Wagner-Ellender-Taft bill in general—"Why bring another buyer into the market when there is a shortage of materials already?"

4. Veterans' priorities—"I'm skeptical of the way priorities are going."

He quoted OPA Administrator Chester Bowles as having said the Government should subsidize manufacturers of "new and untried building materials because we know the public won't buy them."

"I have nothing but praise for legitimate prefabrication," Campbell continued, "but there's nothing I can say before ladies about all these crackpot prefabricated crackerboxes of which I'm afraid we're going to see too many—bought by veterans—within the next few years."

SAYS HE'S IN DARK

He then listed three things "that don't make much sense to me":

1. Subsidies in the building-materials field.
2. Radical prefabrication.
3. Untried materials "which the Government will have to buy if the public won't."

He said lumber is going into "black market channels," and insisted "the OPA must be made to see the light" and increase lumber prices "to get lumber back into normal channels."

He said, however, that OPA has been "seeing the light" for the last several weeks, and has raised ceilings on plywood, fir doors, western pine, hardwood flooring, red cypress and Lake States hemlock, with the result these materials are being shipped. Douglas fir, redwood, and southern pine are slated for price increases, he said.

HOPES FOR SUCCESS

Despite his expressed disagreement with the restrictive orders, the price controls and the 1,200,000-home building goal, he said he hopes the housing program succeeds.

"What I have said has no political tinge," he concluded. "I'm talking as one American to another. * * * If you don't see that you are losing the American way of life and losing it pretty fast, then I don't think you'd recognize the Goddess of Liberty if you passed her on the street."

In a forum period, following his talk, Campbell was asked:

"What are we going to do about it?"

"I don't know," he replied.

HOUSING BILL RALLY TO BE HELD TONIGHT

Judge Roscoe Dalton, FHA Kentucky administrator, will explain the Patman veterans' housing bill at a rally to urge immediate passage of the original bill at 7:45 p. m. today at the Woman's Club auditorium.

Dr. John J. Cronin, dean of the University of Louisville Kent School of Social Work, will discuss social dangers of a housing shortage, and Dr. Argus J. Tre-sidder, former executive officer of the U. of L. V-12 cadet program, will act as moderator.

WILL START CAMPAIGN

The meeting is sponsored by the Louisville Veterans Housing Committee in co-operation with the American Veterans Committee, American Veterans of World War II, League of Women Voters, American Legion, Council of Jewish Women, Association of University Women, National Association for Advancement of Colored People, and labor groups.

The meeting will begin a campaign to obtain signatures to a petition asking passage of the bill in its original form, as requested by Wilson W. Wyatt, Federal Housing Administrator.

Senator MITCHELL. I would like to comment on OPA reaching a conclusion in a price controversy in preferred areas. In regard to a matter mentioned here this morning, I think the conclusion was reached in a rather expeditious manner after all the figures were available. I would ask, though, the reasons for the delay in the issuance of the order after the conclusion has apparently been reached. On the Douglas fir matter the order followed the conclusion by about 3 weeks. I just wondered what sort of mechanical difficulty there was in getting out the completed order.

Mr. PORTER. We have a number of problems in that regard. One problem, which is not inconsequential, of course, is the drafting of the order. That requires some time, and then the record of the clearance—

Senator MITCHELL. Why does that require time? I think the public should know the difficulties and all of the factors that you have to consider.

Mr. PORTER. I think if you will review that particular order you will find there were a number of emergency matters pending. And it is a question of just when the particular person whose responsibility it is to draft the order can get to it in appropriate sequence. In addition to that—

Senator MITCHELL. And it is a matter of personnel?

Mr. PORTER. Yes.

Senator MITCHELL. If you had plenty of qualified personnel you would have no delay?

Mr. PORTER. Yes. Once the decision is given in Washington it goes out through the regions, and it takes time to get down to the districts. We like to give an appropriate amount of notice so that the director in a particular office where a particular action is a problem, does have complete notice. It consumes time. I think it is probably too long and we will continue to do what we can to shorten it. Then there is also the question for the order to be validated. And it must be printed in the Federal Register. But notification to the regions is probably the principal lapse of time. But we can give on that Douglas fir door order, or any of those others, a complete explanation of what the time spaces were, and the delay. But I think it is generally as I have described it.

Senator CAPEHART. Mr. Chairman, one other question.

The CHAIRMAN. Certainly, Senator Capehart.

Senator CAPEHART. I have three wires, and I have had many more from merchants in Indiana, complaining about the trouser problem. One states:

My trouser manufacturer informs me he is unable to accept additional orders for trousers unless schedule K is amended.

Do you have a trouser expert here, Mr. Porter?

Mr. PORTER. That is a CPA order instead of an OPA order.

Mr. SELLS. That is a CPA problem. I can tell you briefly what the facts are if you would like to have them.

Senator CAPEHART. Will you be able to do what this fellow wants you to do, revise the directive?

Mr. SELLS. CPA has had the matter under advisement and expects to make a decision on it shortly.

Senator CAPEHART. Will you briefly tell us why these people cannot get trousers?

Mr. SELLS. Schedule K channels low-price lines into essential garments. In this case it means trousers and suits. The price lines on cloths that are channeled into garments are woolen and worsted fabrics up to \$3. Generally fabrics under \$2 are woolens, and those above \$2.50 are worsteds. Some trouser manufacturers are using their priorities to get worsted fabrics instead of woolen fabrics that they usually use. In this period of great demand everyone is trying to get all the cloth he can get. So we have had the problem from your State, also from the West coast. We have been studying the problem and hope to make some adjustment of it soon. I do not know exactly what adjustment they will make.

Senator CAPEHART. But they have withdrawn materials from trouser manufacturers?

Mr. SELLS. No. The only thing that would happen would be the relationship between the cost of the material and the price they agree to produce the article under this order. I think the price for trousers is \$5.50 per pair. They would have a very low margin under it. What they have requested is to have the higher price for the goods eliminated. I think what CPA will probably do will be to try to get more woolens for trousers and more worsteds for suits.

Senator CAPEHART. I hope you will remember my batting average as we want to get it done.

Mr. SELLS. I do not think your batting average would be affected in this case, as it is a CPA case.

Senator MITCHELL. I wonder whether the position of the dairy industry, both producers and processors, under the recently announced change in the subsidy plan, was discussed this morning.

Mr. PORTER. Yes, it was, to some extent. I think it is quite clear, as Mr. Bowles testified yesterday, that producers would prefer a price increase rather than a subsidy. And it was the decision of stabilization officials that because of this impact upon the consumer we would proceed by subsidy, even though the low return to dairy farmers is brought up to what we think to be an appropriate level by means of a subsidy. I think the general attitude of the dairy industry is one that is addressed to the whole question of subsidies rather than to the action in this particular case.

Senator MITCHELL. Of course, when you refer to the action in this particular case, one of the organizations in Washington State goes so far as to say that this will mean a milk famine next winter. You, of course, have discussed very thoroughly what you think will be the effect of this order on milk production. But you recognize that milk production has gone down, do you not?

Mr. PORTER. Yes; and that is the reason for this increased return.

Senator MITCHELL. And you think the increased return through a subsidy will bring increased production of milk?

Mr. PORTER. We certainly hope it will stop the downward trend, and are hopeful that it will start some increases. I think it is a feed problem as much if not to a greater extent than the price problem. I remember when the subsidy was first developed, back in 1943, I heard these same predictions, yes both in 1943 and 1944, when I was in Judge Vinson's office, that the subsidy would result in calamity in milk production.

Senator MITCHELL. Actually production was going up then, and at the present time it is going down. So now it is a different picture.

Mr. PORTER. I think the record should show that the Department of Agriculture agrees the return to producers that we are shooting at and have established, is adequate. There is, of course, a difference of opinion as to whether it should be through subsidy or price. But as far as return to the dairy farmer is concerned, and the relationship between dairy prices and the prices of other farm products, the experts of the Department of Agriculture are in agreement that this is a level which should bring forth production.

Senator MITCHELL. And are they in agreement on the shift of emphasis from cream to butter?

Mr. PORTER. Well, I think on that Mr. Baker can perhaps speak with more authority. But I would say in general they do not like, any more than some of the rest of us do, these various control orders. They are difficult to administer, are vexatious, but in the circumstances we felt there was no alternative to stop diversion to ice cream and other products and back into more basic foods.

Senator MITCHELL. One processor wires that the shift will mean the farmer will skim his own milk and the processor will lose that from the economy, and the dealer will lose about a dollar a hundredweight of net income.

Mr. PORTER. I do not follow that. Maybe Mr. Baker can answer that question for you.

Mr. BAKER. In that farm-separated cream area he is doing that now and selling his cream. The problem is to make sure that that cream goes into butter as far as possible rather than into an excessive quantity of butterfat or ice cream. With respect to the farmer now selling fluid milk, we see no reason why there would be any incentive for him to separate the cream and feed the skimmed milk, unless he was in the position where he felt he had to do it. I am at a loss to see how it could encourage farm separation, except where he may have been selling perhaps to a manufacturer and he cannot now separate the butterfat out and sell it for butter.

Senator MITCHELL. Well, that is the point made in this area I speak of. Washington is a fluid-milk area.

Mr. BAKER. You are now referring to the State of Washington?

Senator MITCHELL. Yes.

Mr. BAKER. It has to be kept in mind that there are manufacturing facilities there, and also in Oregon, but in general he would have a free choice whether to ship to the coast or to Spokane as fluid milk class A, or whether to separate and sell his butterfat. He would choose whichever he thought the most profitable at the time.

Senator MITCHELL. The disparity is not such that he would waste skimmed milk?

Mr. BAKER. No. It would be sold to the powder manufacturer or the man who is going to make it into food.

The CHAIRMAN. You may proceed with your statement, Mr. Porter.

Mr. PORTER. At the recess we had reached the subject of meat.

This committee will, I know, be urged by the American Meat Institute to legislate decontrol of meat prices and the abandonment of meat subsidies. I wish I could acquiesce in this proposal. Of the many difficult problems that have confronted OPA, none have been more trying than those concerning the pricing and distribution of meat. And these difficulties have developed the peculiar habit of reaching a crisis stage, each year, just as our legislation comes up for renewal. In previous years the institute's nostrum has been higher price ceilings. This year it would cure our ills by removing controls entirely.

Senator CAPEHART. I presume there has been no lobbying or excessive pressure brought to bear by OPA; that they have just waited until the time the bill comes along annually?

Mr. PORTER. As far as I am concerned, we make our case before the established committees of the Congress; and I think everyone, including the Meat Institute or anyone else, has the same right.

Senator CAPEHART. I agree that both have equal rights and should have equal rights.

Mr. PORTER. The argument appears to run that our efforts to control meat prices have failed so signally that we should confess our inability to cope with the situation, drop our controls, and let events take their course. Admittedly there is a black market in meat. Admittedly if there were no price control, there would, by definition, be no black market. But the suggestion that we lick the black market by dropping controls sounds to me like suggesting that we avoid traffic violations by repealing our traffic regulations. I am surprised

that this proposal should be seriously advanced by the recognized spokesmen of a responsible industry.

Let us, however, soberly analyze the problem and see where we stand. In analyzing it, we must realize that we are concerned not merely with getting available meat supplies fairly distributed to consumers throughout the country at reasonable prices. What we decide to do about meat also vitally affects the supply and prices of grain and grain products, the supply and prices of dairy products, and our ability to make the food-for-famine program successful in helping to feed our war-devastated allies. As a price stabilization decision it is important, but in terms of human starvation it is even more so.

The heart of the trouble is the competition among buyers of live animals, particularly cattle. Cattle just cannot be graded on the hoof. This led OPA originally not to carry controls further back than the slaughterer. But the more the slaughterers received, by price or by subsidy, the more they bid themselves into a squeeze by increasing what they paid for live animals. Finally OPA evolved the present method of requiring slaughterers to average out their purchases so as not to exceed the permitted maximum prices on a dressed weight basis for a monthly accounting period. Under this system, no single purchase constitutes a violation if it is under the overriding ceiling, which means that enforcement on a spot basis at the live animal markets is impossible. The legitimate slaughterer can, and by and large does, stay in compliance. But the fly-by-night buyer stepped into the market and bid more than the legitimate slaughterer could pay and remain in compliance. That is where the black market starts.

Recently some wholesalers, retailers, hotels, and restaurants began to bid extremely high prices for cattle, often, through either ignorance or willfulness. They would then have the animals custom-slaughtered; that is, slaughtered for a fee by an established slaughterer. OPA moved to break this practice up on April 1 by knocking out these newcomers to the custom slaughter field. That did not do the whole job, however, and the Department of Agriculture and OPA have just jointly announced the reinstatement of a slaughter-control program similar to the one abandoned after VJ-day. This program will give each slaughterer a fair chance for his share of the available livestock supply.

Senator MITCHELL. Mr. Porter, can you tell us anything about the number of slaughterers before and after VJ-day?

Mr. PORTER. I do not know how complete our records are on that. It would be pretty much of a guess, but might be interesting. I believe Mr. Ericson could give you some over-all information on that.

Senator MITCHELL. All right.

Mr. ERICSON. We had about 16,500 slaughterers registered under the control order in February of last year. Following VJ-day that order was suspended and it was not necessary for a person to obtain a license to slaughter cattle. So we have no recent figures on that.

Senator MITCHELL. Could you give any comparison between those 16,500 slaughterers and the number in the field prior to any control?

Mr. ERICSON. There are no records available on that. At one time the Department of Agriculture did have 26,000 licenses outstanding, which was in 1943, I believe.

Senator MITCHELL. That established a sort of control.

Senator CAPEHART. Then you have lost about 10,000 slaughterers?

Mr. PORTER. We do know that since VJ-day a number of retail establishments—and I have had a number of those cases called to my attention—where the law prohibited cattlemen slaughtering, and that eliminated newcomers from the market. How many there are I do not know. But it seems there are a lot of them because a great many people who could not get their supply in the regular channel bought live animals and had them slaughtered.

The CHAIRMAN. You may resume your statement, Mr. Porter.

Mr. PORTER. This was a hard decision to make, but it was a necessary one. We know that the same action was severely criticized by many Members of Congress last year, and we disliked the necessity of going back to it. It should be said, however, that its effect is much less drastic than last year because the available supply of meat is much greater. This new program will benefit established slaughterers because the pressure of the Johnny-Come-Lately's has kept them from getting their proper share of the supply at fair prices. I firmly believe that this program will largely solve our difficulties.

Senator CAPEHART. But you still give the war veteran a slaughterer's license?

Mr. PORTER. Yes, sir. Under this program we will have to make certain arrangements for the veteran. And since VJ-day, judging by the way brick and mortar has gone into slaughtering activities, we will have to consider it.

If, on the other hand, we dropped all our controls, what would happen?

The answer to this question calls for a hard look at the facts. Meat production is high, as it has been all during the war. Early forecasts for 1946 indicate a production 33 percent above 1939, in spite of feed limitations. But demand is unprecedented and will continue so.

The real problem is to get available supplies fairly distributed among slaughterers. Forgetting prices for the moment, the removal of controls would surely lead to distortions of distribution such as we have never seen, because it would encourage still more buyers to enter the live-cattle market, and because the packers who distribute their product throughout the Nation would still have to outbid other buyers—with no restraints upon the bidding except what the traffic will bear. With consumer demands as they are today, the traffic will bear a lot. I would be surprised if the 20-percent increase conceded by the American Meat Institute did not fall short of the mark. But assuming it to be only 20 percent, it would mean an increase of about \$1,000,000,000 in the Nation's food bill during the coming year. Meat accounts for more than 7 percent of the average family's living costs. A 20-percent increase in meat prices would add \$40 to its grocery bill in the year ahead.

We confidently believe this 20-percent increase is just a minimum. I believe it would be twice that amount, and I do not think anybody can say where it would stop with this heavy demand.

That is, however, only the beginning. The removal of price ceilings would encourage feeding cattle to heavier weights. This would drain more and more of our limited feed supply from the dairy and poultry industries and the industries making products from grain. This scramble for grain would increase the price pressures on dairy products and such grain products as bread and breakfast foods, which make up another 13 percent of the average family living costs.

I can assure you that price increases in these products would be inevitable.

Senator CAPEHART. Mr. Porter, let us go back to cattle for a moment: I am just wondering when this problem can ever be solved if your figures and your contentions are correct. We certainly cannot raise more cattle than we are raising at the moment. Oh, I presume we could, but I doubt if we would. We could probably raise more hogs. When will we be able to eliminate OPA from the meat market?

Mr. PORTER. Well, I would hazard——

Senator CAPEHART. It is a discouraging situation. It is the assumption that it will stay with us, is it not?

Mr. PORTER. I think this much is true, that we needed during wartime, with family incomes—and I think the figure almost everybody agrees to is around \$2,500, that there are people consuming fluid milk and meat that were never in the market, and that——

Senator CAPEHART. And we hope they will continue to do it.

Mr. PORTER. Yes. What shifts and readjustments will have to be made in our agricultural plan to supply those demands represent a question of time and effort.

Senator CAPEHART. If your contention is correct, one or the other of two things will happen: We must either get greater production of meat or our people must consume less. That would mean a lower standard of living. And that situation is rather discouraging.

Mr. PORTER. Well, I think when there is a——

Senator CAPEHART. Do you think you might be overestimating it?

Mr. PORTER. No; I do not think so. There is this factor we are going to have to face, and I assume this is what is in your mind: That when these controls are lifted, when OPA goes out of existence, let us say in June of 1947, that naturally there are going to be some adjustments and shifts, not only in our whole price structure but perhaps in our agricultural relationships and production plans. And I take it that the whole rationale of extending OPA is based upon the existence of inflationary pressures, which will be loosened to a great degree at that time. Then I think further that we can hope the world-wide food situation will have been alleviated during the coming year to the extent that our foreign demands and the demand for extensions will have lessened. With those two factors we will have to take the chance of getting out of it at that time.

Senator CAPEHART. Possibly production will remain up, but consumption will be decreased to the point where it will automatically take care of itself.

Mr. PORTER. No. I am hoping, except as may be necessary to meet our foreign demands, that we will maintain the highest standard of living and the consumption we had during the war. But I believe it will be safer to let price adjustments in the free economy move and determine this thing, say, from then on rather than now.

Finally, the effects of such a scramble on our commitment to help feed starving people in devastated areas are self-evident. The direct and immediate result of the proposed action would exact a further toll of human suffering abroad.

The renewal of specific controls over dairy products and meat is dictated not only by the necessity for effective price control but as prerequisites to meeting this country's commitments to the hunger

areas abroad. We cannot hope to discharge the obligations to humanity we have undertaken unless we move promptly to restore these controls. They are moderate and, in my judgment, represent the minimum necessary to bring about order in a situation created by the unprecedented pressure of demand against the supply of these basic foods.

These price and production controls will not, of course, work perfectly. But they represent a far better answer to our problems than that of abdicating responsibility by legalizing the black market.

Senator TAYLOR. Mr. Porter, a packer from my State called on me the other day, and I will say that I know him to be absolutely honest, and he said that he was going to have to go out of the business because, as you stated awhile ago, he would go to the sales yards to try to buy cattle; that there he would bid as high as he could go and remain within the ceilings, but that some stranger would come up and bid a few cents more. What will these regulations do to help that man?

Mr. PORTER. I think they will give him more opportunity to get his equitable share. He will have an equity.

Senator TAYLOR. Yes; an equity, but what will the stranger have?

Mr. PORTER. This stranger that comes in will not have a license to slaughter and he will be out of business unless he can qualify under whatever exemptions we work out.

Senator CAPEHART. You have conditions somewhat like in the prohibition era. He will be out of sight but not out of business.

Senator TAYLOR. That is what I am worried about. This Idaho packer told me that on an occasion when they sold to the stranger cattle somebody decided they were going to follow him and see what happened to these cattle. They trailed him and found that he took them out along the road, and evidently he saw that he was being trailed and so he turned them into a pasture. Then some more cattle were brought up and turned into that pasture, and then afterward they disappeared. How will you discourage such a black-market operator?

Mr. PORTER. We are intensifying our efforts in that field. I had heard before I went back to OPA a good deal of discussion along this line: Well, this is a simple matter if you concentrate your enforcement facilities at the yard and follow through to the slaughterhouse and find out who is proper and who is not. Well, it is not that simple. They can use all manner of devices to get around it. I was amazed to discover the job our enforcement people are doing. For instance, the first 2 months 1,285 actions were filed at the preretail levels on meat alone. This program will give us a better chance to see who is in compliance and who is not, because it will eliminate, we hope, a substantial number of those people who are now bidding the market up and diverting supplies from your established slaughterers. If that does not work we will try to find some other solution. But certainly I do not believe that your slaughterer would be in much better position if it were a free market in which he had to outbid those now engaged in what are black-market operations.

Senator MITCHELL. His contention is that if he bids in a free market the regular slaughterer can utilize all of the economic value of the carcass and therefore can bid higher than the fly-by-night man who does not use all of the carcass.

Mr. PORTER. This means that the big operator goes into the cattle-producing market. In addition to that we have certain large-time slaughterers who are slaughtering much more than their regular proportion. The new control is to level off the volume those people can slaughter. It will give the regular slaughterer an opportunity to obtain a regular supply of livestock. It is also much easier, of course, to observe what a person is doing in complying than in following through and seeing that he complies with the price side.

Senator TAYLOR. All I can say is that I hope it works, because there exists a very distressing situation.

Mr. PORTER. If we again, through this program, get a supply of livestock back into established channels that will be a major step. It is my general observation that when these control orders were effective during the war that the various agencies of Government in charge of enforcement were pretty much on top of it, although there were still some black-market activities. But when all controls were lifted after VJ-day you saw lumber and meat begin to dissipate all over the markets. No price control can be successful unless you have a measure that gives you some control of the supply in commodities of this sort.

Senator MITCHELL. I would like to read into the record a paragraph from a letter I received from Carstens Packing Co., in Tacoma, Wash. The writer outlines the difficulty of getting cattle, and says:

In the Portland market, which has always been our chief source of supply and where we should be buying anywhere from 400 to 600 cattle per week, upon checking our records we find that we have only been able to buy 124 head out of this market since the 1st of last December, and these represented purchases we could make to stay within compliance.

Mr. Porter, can you comment on that?

Mr. ERICSON. That is what our program is aimed at, to help these regular slaughterers obtain their regular volume, or more nearly their regular volume of livestock and remain in compliance with the regulations. I will say that Mr. Maxwell, who is the general manager of that firm, was with us this week when we discussed it in Chicago.

Senator MITCHELL. Was he satisfied that it would bring the results you hope for?

Mr. ERICSON. I do not think he expressed himself one way or the other on that. But he also complained about this custom of slaughterers who have come in and taken a lot of cattle he normally got. This program is aimed at correcting that situation.

Senator MITCHELL. Would the situation he mentions be true for the whole country? I mean where he says he has only been able to buy 124 head of cattle out of the market since the 1st of last December, whereas he should be buying anywhere from 400 to 600 cattle per week?

Mr. PORTER. The total volume of livestock, cattle in particular, being marketed now is nearly as large as it was last year. There has been diversion in certain areas, and in some areas it has been severe, and that is one of those areas. That is all.

Senator MITCHELL. Why was that diversion?

Mr. PORTER. We have a bigger influx of people into the market, with more people buying, and consequently a greater strain on our ceiling prices. The markets do not have to be out of line much to throw a man out of compliance. In some cases a man is out of line

with a price of 25 cents to 50 cents per hundredweight more. It does not take much additional pressure to push the market up to where the regular seller finds difficulty in getting his supply.

Senator MITCHELL. You mention that there are factors which would push the Pacific Northwest market up out of line. What are they?

Mr. PORTER. I presume it is because there are more people in that market relative to supply.

Senator MITCHELL. Do you mean more people buying, or the demand of increased population?

Mr. PORTER. The demand is still strong there. In addition to that you have the seasonal decline in cattle, which is rather severe in the Northwest at this time of year. That is a regular thing and it is a little difficult to get ample cattle in the Northwest.

Senator MITCHELL. So you have the normal seasonal trend which is augmenting an already bad situation?

Mr. PORTER. Yes. The same thing is true in other areas at this time of year. For instance, we have a rather bad situation in Texas this time of year, although Texas is normally on an exporting basis.

Mr. Chairman, shall I proceed with my statement?

The CHAIRMAN. Yes.

Mr. PORTER. I now come to retail cost absorption. Since its birth, OPA has never been without some commodity crises such as those I have just reviewed. They evidence the compelling need for price control under present conditions—not its dispensability. One after another, these problems have arisen and for a time have created inconvenience, confusion, and controversy. One after another, they have been solved, sometimes to recur in new forms. In addition, however, there are a few hardy perennials, preeminent among which is the demand of the retail trades to be exempt from the requirement of cost absorption.

Cost absorption, as OPA has often and accurately claimed, is the keystone of price control. The pricing standards to which manufacturers are subject are all essentially cost absorption standards, and I have yet to encounter a persuasive argument why the retail trades should be freed from taking their share of the burden.

Certainly the retail trades are profitable. Department store profits are running 1,000 percent or more above peacetime levels and, now that the excess-profits tax has gone, their net after taxes will be exceedingly high. Moreover, our surveys show that the small stores compare very favorably with the large ones. Sales volume, which is so great a factor in retail profitability, has not merely held up to wartime levels; it has continued to exceed them.

OPA's standards for retail cost absorption are such that there is little or no likelihood that serious hardship will result to any seller. Particularly is this true in the case of sellers specializing in "big ticket" items such as the larger household appliances and automobiles. As to such commodities, the most that OPA has required is that the trade absorb manufacturers' price increases down to the average percentage gross margin which the trade actually realized in peacetime.

In view of the liberality of that rule to the retail automobile dealers, I was dismayed to learn that the House Committee on Banking and Currency had approved an amendment sponsored by the automobile dealers and deftly tailored to cover their special case, although extending also to other reconversion goods. It would compel OPA to pass

through all the recent increases in auto manufacturers' prices to the consumer, pyramided with the full trade discounts and handling charges, which, on paper, the auto dealers had obtained in peacetime.

On a rough calculation, this amendment, if adopted, would be likely over the coming year to transfer an extra \$425,000,000 from the pockets of car purchasers to the pockets of car dealers. On an average it would boost the prices of the largest selling models of Chevrolet, Ford, and Plymouth by \$85 per car. This would not aid production. All of the increase would go to the dealer who already is receiving an average gross margin per car \$68 higher than his peacetime realized margin, when applied to the October 1941 prices of the corresponding models. Moreover, during the war years our surveys show that dealers' net profits have been running at double their prewar average, despite the sharply diminished volume of sales.

The abolition of retail cost absorption in all fields would be still more damaging. It would at once add a billion and a half dollars to the cost of living. It would be a body blow at stabilization.

Senator CAPEHART. Mr. Porter, do you mean to say that automobile dealers have been running along pretty well, that their profits have been above the prewar levels?

Mr. PORTER. Yes, sir.

Senator CAPEHART. And they have been selling just used cars?

Mr. PORTER. No. I am talking from the standpoint of their repairs and service, and the sale of what accessories that have been available. The survey which the agency has made shows—and I think there is not too much difference in the showing of the trade association. While they have criticized our survey, yet they have not produced any figures of their own to show where we are wrong. As I started out to say, we have made a survey of 300 dealers, and taking 1936-39 as 100, their earnings in 1941 show \$281, and in 1944 they show \$202, and in 1945 they show \$235.

Senator TAYLOR. Do they represent their gross earnings before taxes?

Mr. PORTER. That is the net profit.

Senator TAYLOR. Then even without any cars to sell they have made these higher profits by being able to make more profit on their repair work and on second-hand cars; is that it?

Mr. PORTER. That is right. As far as dealers' prospects for the coming year are concerned, it is our judgment that it will be the most prosperous year that the automobile dealers have ever experienced. And one of the reasons for that is that they will get higher margins per car than ever before. And we know that you do not have to make any sales effort on automobiles now. They have long priority lists with this tremendous backlog of demand, and there is a minimum of sales expense involved. And they will be unlikely to make the customary prices on trade-ins and their service departments will actually continue operation at full blast.

Senator CAPEHART. Mr. Porter, I do not want to dispute those figures, but I do wonder how generally they apply. You say you took 300 automobile dealers. It is difficult to understand how an automobile dealer with no cars to sell could make greater profits than in a prewar year.

And right there, Mr. Chairman, may I suggest that we request a representative of the automobile dealers' association to appear here as a witness?

The CHAIRMAN. We will have a witness to tell us their side of the problem when they appear.

Senator CAPEHART. Mr. Porter, frankly I do not understand your figures.

Mr. PORTER. We would like to see their figures. They made a survey of their own but—

Senator CAPEHART. I do not know that it makes any difference on the particular problem but it is an almost unacceptable situation, is it not?

Mr. PORTER. It is surprising when you look at these figures. This survey was made rather recently and under conditions which we think show the situation. We have had proof of one thing and that is that the service departments of automobile dealers have always been the chief money makers for the dealers, and as the wartime experience now proves. And they now will not only have that but the higher gross margin on automobiles than ever before.

Senator CAPEHART. Do you mean higher because 20 percent of \$1,000 is more than 20 percent of \$800?

Mr. PORTER. Yes; for one thing.

The CHAIRMAN. Mr. Mallon, the president of the National Automobile Dealers Association, is going to be here the 23d.

Mr. PORTER. Well, I hope that again you, if I may suggest it, Senator, ask him in what respect he figures that our survey—which we admit may have involved somewhat of the larger dealers—but in what respect the larger survey that his organization made conflicts with the general conclusions that we have reached from our survey.

General pricing standards: This committee has considered at length OPA's basic pricing standards, and I doubt that much would be added to your knowledge by a further review. However, I should like to call the committee's attention to a new product standard which has been developed by OPA to meet the needs of the transition period.

This transition product standard covers the pricing of all products except those in a limited number of categories which I have outlined in a memorandum I should like to file with the committee. Under this standard, the OPA will increase ceiling prices for any products when the ceilings fail to cover the industry's average total cost to make and sell the product. It, therefore, sets a higher level of price than our minimum product standard which ordinarily covered only the industry's manufacturing cost.

And I would like to make it clear that this standard is used on a particular product even when the over-all earnings of the industry from all of its product are at least equal to its peacetime earnings. So I do not want to leave the impression that we allow the industry only total cost on each and every product and hence no profit over-all. If the over-all earnings are below their peacetime standards, we bring up the industry average to that, but this transition product standard is in addition to that, where total costs are allowed on that basis.

There are, of course, a number of situations where the need for expanding the supply of a particular product essential to the transition will require a still higher price adjustment than would be called for by the transition product standard. That standard will in no way obstruct the taking of such action.

(This material furnished for the record by Mr. Porter).

STATEMENT BY OPA ADMINISTRATOR PAUL PORTER TO THE HOUSE BANKING AND CURRENCY COMMITTEE ON EXTENSION OF THE EMERGENCY PRICE CONTROL ACT, MARCH 29, 1946

(The comment on pricing standards referred to in the Administrator's statement of April 17 is contained in Pricing Standards Section herein)

The American people, through their representatives in Congress, now face one of the most critical issues of our time. Can prices and rents be maintained during the coming year, close to their present levels while production is expanding to a point which will make price and rent controls no longer necessary? Or must we face general inflation with its certain aftermath of deflation and depression?

There is serious danger of a severe cumulative inflation in the next 12 months or so. I do not mean just a gradual adjustment of prices to a moderately higher level. I mean a 30, 40, or 50 percent increase in prices on the average, with all the spiraling of prices, wages, and costs which that would entail.

If we can get safely through the next 12 months, I believe it probable that the danger of a cumulative spiral of inflation will be past. The next 6 months will be the most critical of all.

The record of testimony before this committee has made it clear that we are in danger. I will not burden the committee with accumulated evidence of the fact that the danger of severe inflation is greater now than at any time since the outbreak of the war. The testimony before your committee by various groups urging price relief of one sort or another is but one indication of the pressures that exist.

Perhaps even more important than the inflationary economic factors in our situation are the developing rivalries between business, labor, farmers, landlords, and other groups who are concerned about their relative positions in the economy. If these groups fear a substantial rise in prices, nothing can prevent a struggle for at least equal increases in money incomes for all groups. The equities in the relations among different groups are not perfect. Any group can rightfully point to some injustices and to many mistakes. We must, and will, do everything in our power to correct mistakes, and to remove inequities insofar as this can be done without precipitating inflation. But any attempt at wholesale correction of inequities in the present situation will only produce the far worse inequities of inflation and collapse. We cannot afford a continuation of conflict among ourselves over a question which so critically involves our whole national well-being.

The economic and social results to our own country of inflation and resulting collapse are obvious. The economic stability of much of the rest of the world, now very precarious, is also at stake. A severe inflation and collapse here would be reflected abroad. This might well wreck for years all constructive attempts at the sort of international economic relations which we must have as a firm support for international peace.

I want to be completely frank about this. As a matter of fact I have become increasingly concerned during the several weeks I have been at OPA about the number and extent of price adjustments which we have been required to make. There is justification for these actions in cotton textiles, automobiles, lumber, and certain food products. But the vigor of the claims presented by the producing groups involved clearly indicates that but for OPA price controls there would be a swift and, in my view, a disastrous upward sweep of prices in these and other fields.

I am convinced that we can avoid serious inflation, if we have the guts and teamwork to do it. The Congress, the different groups in the country, the OPA, and other Government agencies have the know-how to prevent it. It can be prevented, but only if we have the tools to do it with. It can be prevented, but only by the kind of combined effort and determination on the part of the Congress, the Government agencies, business, agriculture, labor, and the general public which brought us successfully through the war.

This year we have made and will be making a considerable number of price adjustments to meet the needs of the transition period. But I am convinced that we can continue to hold living costs almost as stable as we have since the hold-the-line order was issued in April 1943. At the same time, we can avoid genuine impediments to production. But we can do this only if the price-control law is extended promptly without weakening amendments, only if present subsidies are continued, only if the Second War Powers Act is extended, and only if all groups in the country give support to the price-control program.

Plainly, inflation can be prevented only if we all pull together and if we honestly face the clear need for doing a number of very specific things.

1. PRODUCTION

First of all, we must have production. The OPA cannot assume major responsibility for getting out the goods. Reaching this goal must depend principally upon American workers, farmers, and businessmen. The Government can help—in many ways. The Civilian Production Administration, the Department of Agriculture, and the Labor Department all have substantial responsibilities to help business, labor, and agriculture to keep production rolling. The OPA can and will help by making every effort promptly to adjust ceiling prices whenever they are an impediment to production. The OPA can also help by maintaining stable materials prices which will provide industry with a basis for confidence about future costs. These responsibilities the OPA assumes to the full extent of its resources.

But the primary responsibility for getting out the goods rests with management, labor, and agriculture. Unless we have production we cannot finish the job we've set ourselves. Everyone agrees on this. And while we are all agreeing that production is the first order of business, let's not forget the remarkable record that management, labor, and agriculture have already turned in since VJ-day.

Unquestionably, there are many specific instances in which production has been held up by shortages of materials, equipment, manpower, industrial disputes, or by price impediments. The over-all figures of production and employment, however, show conclusively that we are beginning to roll at nearly top speed. Employment is at the highest levels in our peacetime history. Almost 52,000,000 men are at work.

Despite the rapid rate of demobilization, unemployment is only slightly more than half the 1941 figure. According to the Federal Reserve Board, production is now above the level of any previous peacetime period and far above the 1936-39 average—in spite of our recent troubles in steel, automobiles, and electrical equipment.

Gloomy forebodings about the future of production which are often expressed when price control is under discussion are not borne out in the financial sections of our newspapers. Let me read you a few headlines which have appeared in the last 2 or 3 weeks.

"Thirty-two billion record forecast in food"—"Sharp improvement in hard goods supplies anticipated by retailers"—"Industry spends more than two billion on plant during first quarter"—"Record resources to be used to finance National Dairy Products Corp. expansion"—"Dupont reveals expansion plans"—"American Airlines plans financing of 80 million"—"Record 1946 outlay planned in steel"—"United Fruit appropriates millions for expansion"—"Brick production shows sharp rise"—"Shoe production shows 5 percent increase"—"Rubber consumption in January near peak"—"Kerosene yield strikes new peak"—"Brake Shoe plans to add new plants." These are typical of the plans and attitudes of American business.

Price control is not holding down over-all production. Little, if any, increase in total output could be expected as a result of a general rise in prices. On the contrary, the real danger facing us is that the fear of a general and cumulative increase in prices will give rise to business uncertainty, hoarding, and speculation which would hinder production and check the flow of goods to the markets. So it is vitally important that the general stability of prices be held.

But the important thing is that if we are to win the fight against inflation, we must have all-out production.

2. PRICE ADJUSTMENTS

To be sure of getting production OPA must see to it, as far as humanly possible, that individual prices are not an impediment to the production of particular firms or industries. I have already expressed my concern over the effect on the price level of the large number of price adjustments constantly being made. But within the present pricing standards, OPA must assume responsibility for flexible price adjustments wherever necessary to eliminate hardship and stimulate output of essential products.

Although a general price rise would be more likely to retard than to stimulate the flow of goods to the markets, selective price adjustments are being used and must be used to remove obstacles and, on the recommendation of the supply

agencies, to help attract necessary manpower, materials, and equipment to the points where expanded production is most needed. These adjustments must be made promptly if they are to be effective in breaking production bottlenecks and in creating an atmosphere conducive to the settlement of industrial disputes.

OPA's record for speed is not all that one could wish it to have been. But in the clamor of complaints, it is important to remember the achievements OPA has made since VJ-day in streamlining its procedures to meet the burden placed upon its staff by this period of rapid readjustment.

You are familiar with the reconversion pricing formulas; the special pricing provisions for new, small manufacturers in many parts of the consumer durable field; the incentive pricing for low-price clothing and furniture, and the so-called general rescue adjustment provision to relieve hardship for individual manufacturers in a loss position.

Let me emphasize some other pertinent facts from the testimony at the beginning of these hearings. In the 8 months between VE-day and the end of January 1946, OPA made 192 industry-wide discretionary increases in ceiling prices to aid production of essential commodities or to correct maladjustments or inequities that would interfere with transition. Among these were numerous increases to break bottlenecks, especially in the building materials field, and increases to stimulate larger production of low-priced consumer goods. These 192 industry-wide increases were in addition to 170 industry-wide increases to meet the minimum requirements of law and 85 industry-wide increases to correct certain particular inequities.

In the same period many thousands of individual company adjustments were made to aid essential production, to aid transition, or to remove hardship.

Recently, following the adoption of the new wage-price policy in the middle of February, OPA adapted its procedures to handle quickly the large number of price cases which were anticipated.

Priority was given to industry-wide cases as the most efficient and expeditious way of handling large numbers of individual cases at once. Special handling was given to actions necessary to meet supply emergencies—both industry-wide and for individual firms. And arrangements were made for prompt action where necessary to stimulate larger output of low-priced goods. Methods were developed for quick adjustment of data already on hand to reflect current operating conditions. And simplified forms for telegraphic response were designed for use where additional data were needed.

As a means of concentrating the efforts of its limited manpower on the more important cases, OPA is also extending automatic, self-pricing by businesses in commodity fields where looser pricing methods will not substantially threaten general economic stability.

The results of this streamlining of operations may be illustrated by the rapid handling of adjustments in prices of basic steel and the steel processing and fabricating industries. Price increases covering the whole field of basic steel products were issued promptly after adoption of the new wage-price policy and settlement of the steel wage issue. To be specific, within 10 days, meetings were held with 23 industry advisory committees representing various branches of steel fabrication and processing and machinery industries for which steel was a heavy factor in costs.

By the third week in March, price increases had been issued for about 10 major branches of steel processing and fabrication and for miscellaneous machinery products for which steel was a large element of cost. Industry meetings and collection and analysis of data are proceeding rapidly for other steel-using industries which have asked OPA to postpone action in their cases until they have reached wage settlements which, upon approval, can be taken into consideration along with the increases in the cost of steel.

A study has also been made recently of individual company adjustment procedures and arrangements are being made for a streamlined method of handling cases to reduce the number of reviews and other delaying factors. The result of this work is already beginning to show in some fields in speeding the handling of individual adjustments.

I have said that OPA must make price adjustments where needed to remove impediments to production. This is our intention and this is what we are doing. It is obvious, however, that this does not mean that OPA can give a price increase in every case in which it is alleged that the existing ceiling is hampering production. Nor does it mean that OPA can always give the amount of price increase requested. But if we are to prevent inflation by getting all-out production, the OPA must and will act promptly to remove price impediments.

3. PRICING STANDARDS

OPA must operate on standards and by even-handed application of these standards to all. Price administration cannot be conducted on a horse-trading basis without rank discrimination and unfairness which would discredit the whole operation. Moreover, OPA cannot prevent inflation unless it restricts price increases to cases where they are needed and limits the amount by standards appropriate for the particular purpose. This means that unless we want to take unwarranted risks there can be no weakening of the statutory pricing standards of the law.

In discussing pricing standards and later in discussing decontrol I shall have to register disagreement with a few—but only a few—of the conclusions of the recent reports of the Colmer committee and of the research staff of the Committee for Economic Development. To avoid any possible misunderstanding I want to emphasize that I consider both of these reports to be thorough, careful, and thoughtful studies of the problems of price control in the transition period. We have benefited much from them.

I do not believe I need to repeat in any detail our basic pricing standards which Mr. Bowles presented to this committee not only earlier in this hearing but also in 1944 and 1945. However, there is one point applicable to all those standards which I wish to emphasize. Each standard is a cost absorption standard. That means that it sets a limit to which OPA may require cost absorption of any industry or on any product. In other words, it sets a floor under the earnings of the industry—either overall or on the product.

In addition to the liberal pricing standards specially written into the act for the protection of agricultural and fishery commodities, cotton textiles and meat, there are at least 10 ways in which OPA pricing standards set floors under the earnings of American business which will protect it from being squeezed between maximum prices and rising costs during the coming year:

Floors for industries and trades

1. Every industry not operating at low volume must have ceiling prices enabling it to average at least its base period rate of earnings on its present net worth.

2. Every such industry which in the base period had earnings at a depressed level must have ceiling prices enabling it to average a higher rate of earnings than it averaged in the base period.

3. Every industry operating at low volume must have ceiling prices which, when output reaches a good volume, will enable it to average at least its base period earnings.

4. Every industry making more than one product must have ceiling prices on each product which will enable it to cover its average total cost of making and selling that product. (To this new standard—which we call our "transition product standards"—there are a few exceptions which are covered by a memorandum we are filing with the committee, as Mr. Wolcott requested).

5. Any industry making an essential product in short supply because of present ceilings must be granted increases in those ceilings to the extent needed to bring out the essential supply.

6. Every distributive trade must have ceiling prices providing protection similar to that afforded producers.

Floors for individual sellers

7. Many individual manufacturers of essential or low-end commodities in short supply can obtain adjustments in ceilings whenever needed to enable them to realize profits on those commodities.

8. Every manufacturer, except in a limited number of fields, can obtain price adjustments sufficient at normal volume to eliminate losses caused by his present ceilings.

9. Individual producers of commodities not produced in volume during the war can obtain adjustments in ceilings which will be sufficient to enable them to realize profits on those commodities when their output reaches good volume.

10. Individual distributors of many commodities are protected against having to absorb increases in their suppliers' prices in any case where this would reduce their margin on the commodity below their cost of doing business.

In these 10 ways, OPA has gone far toward eliminating the risk of hardship from price control. True, they do not guarantee protection to every businessman on every product. Neither does competition. Moreover, there are limitations on the administrative job OPA can do, consistently with effective control. And

an attempt to cover every conceivable situation would merely mean impeding relief to those whose need was most substantial.

Of course, the continuing prosperity of American business has done much to keep the number of hardship cases down to manageable proportions. I see no reason to expect a reversal of this trend. On the contrary, as business emerges from the recent period of dislocation and readjustment, a steady improvement in its costs and earnings position seems to me to be certain—provided we in OPA can do our part in holding a reasonably stable level of prices. Given this prospect of improvement, further liberalization of pricing standards would not seem to serve the needs of the economy. On the contrary, it might well be enough to start the destructive inflationary cycle in motion.

The spokesman for looser standards fall into two groups. Those most often heard are the advocates of cost-plus pricing. They are opposed to all cost absorption. Sometimes they voice opposition to cost absorption only when it is applied to distributors. But I cannot see how the Government could maintain one rule for manufacturers and another for distributors. Simple justice means cost absorption for everyone or for no one. That, in substance, means a choice between price control and no price control.

Those who urge cost-plus pricing usually propose that every manufacturing industry be given ceilings assuring it a prescribed margin of profit over its current costs on every product. This is sometimes accompanied, as in the case of Representative Hartley's proposed amendment, with a guaranty to each manufacturing industry and distributive trade of its customary margins and trade discounts and a further assurance to each individual seller that every future increase in his own production and distributing costs may be passed directly through to the consumer, pyramided at each successive stage by the seller's customary percentage of profit.

During the war, unit percentage profit margins fell below prewar levels for a good many commodities even though unit dollar margins were often higher and due to larger volume, aggregate dollar profits rose sharply. Under cost-plus amendments the manufacturers of all these commodities could come in at once to OPA for price increases despite the fact that they are now earning satisfactory profits. These increases would set off another round of increases. Price control of this sort means inflation. I would rather see an end to price control than a sham renewal.

I have said that it would be utterly unfair to require cost absorption of the manufacturer while allowing the retailer to preserve his customary percentage mark-ups. Such a difference in treatment could be justified only if retailers, unlike manufacturers, could not operate without these customary mark-ups. This is not the case.

The choice is seldom between prewar mark-ups and sales at a loss. Drastic changes have come about since 1939 when "customary" mark-ups were in effect. Department store sales volume has doubled since then and all OPA studies indicate that the smaller stores are doing even better. Sales volume has continued to increase despite persistent predictions of empty shelves. High volume means that the expense of selling each unit of goods has dropped. Before the war the retailer did need a 40 cent mark-up on each dollar of sales when he had to pay out 36 of these 40 cents to run the store (NRDCA figures). But today he has to pay out only 27 or 28 cents of every sales dollar, and thus his profit moves from 4 to something like 12 cents for each dollar of sales. There is, I believe, no justification for raising retail prices to preserve this mark-up and so sharply increase profits per units of business on many more units, when stabilization is in danger.

Even on particular products, moreover, OPA's retail cost absorption standards minimize the risk that retailers will have to sell at a loss. Under our strictest rule, absorption on any particular commodity can be required only down to the trade's average cost of doing business, and, as I noted above, for a great many commodities, retailers are allowed to use their own individual expense rates as a floor where the trade's average rate is lower. In other words, for such commodities no retailer need ever sell at a loss for he is always free to increase his own ceiling to the level of his own expense rate.

The abolition of the cost absorption policy at retail alone would increase the consumer's total cost of living by something like 1.4 billion dollars on an annual basis. That money would not be shared by retailers with the manufacturers and producers of materials. That sum is simply what retailers would get from the substitution of historical percentage mark-ups for OPA's present standards. And this vast sum would go to the retail trades at a time when retail earnings—now undiminished by excess profits taxes—are at levels far beyond prewar dreams.

Cost absorption is the core of price control. OPA's standards for its administration are reasonable. They are fair to manufacturers. They are fair to retailers. Subtract cost absorption, and price control becomes officially sponsored inflation.

The second of the two groups of critics of OPA's standards is much more thoughtful. They have recognized the vital necessity for cost absorption at all levels, but at a few points they feel that these standards pinch too tightly. The views of these critics are best represented by the helpful report of the Colmer committee and that of the research staff of CED which parallels much of Mr. Ralph Flanders' testimony before this committee.

They have both advocated the relaxation of the minimum product standards so as to cover average total costs. This has already been done by the adoption of the transition product standard which applies to nearly all products.

The Colmer committee has advocated special consideration for low-end products. I believe that what OPA is now actually doing for low-end manufacturers is substantially what the Colmer committee recommends.

Finally, they have both urged the modification of the industry earnings standard by the substitution of a more liberal base period for 1936-39. (Incidentally, OPA itself does not use 1936-39 in cases where the earnings in those years were unrepresentative or depressed.)

The CED recommendation, as presented by Mr. Flanders, would simply add 33½ percent to the 1936-39 figures which OPA now uses. The Colmer Committee would substitute for 1936-39 the best 3 years in 1936-40.

We cannot agree with these recommendations. Frankly, we believe that they are directed to an unreal problem. But we are also convinced that they would give rise to a very real danger.

No major part of American industry either has been or will be compelled by price control to work for any substantial period of time at the 1936-39 profit level. This country has been passing through the roughest part of the postwar transition—assuming that inflation can be avoided. Although much of industry has remained at profit levels as high or higher than those prescribed by the Colmer and CED reports, nevertheless, a number of industries, including some key industries, have been reduced by temporary transition cost increases to earnings rates below their 1936-39 average.

OPA is giving these industries price relief on a basis which will yield them base-period earnings on the average for the coming year. That means, of course, that they can be expected to earn more than their base-period profit rate in the latter part of the year. In other words, these industries, including many of the reconversion industries, should be catching up during the year with the industries whose earnings have been well above the 1936-39 floor. Consequently, there is no need now for a new pricing standard to keep the general level of industry earnings well above the 1936-39 rate after the present dislocations are behind us. As I stated, I believe the problem is an unreal one.

But, if either recommendation were adopted, OPA would be obliged at once to raise ceilings for all the industries which, at the present stage of the transition, happen still to have earnings which fall short of whichever profit level was selected. These price increases would not be dictated by economic necessity. Their only purpose would be to correct assumed inequities which the steady improvement in business will itself cure. But to make them at this time might well upset the balance which our economy now is rapidly regaining after having sustained an unprecedented succession of shocks in the form of drastic cut-backs, extensive reconversion, acute manpower and materials shortages, and prolonged labor-management difficulties.

This danger is not hypothetical. Let me make it concrete. The steel-producing industry has recently been granted an increase which should yield its 1936-39 earnings on the average over the coming year and considerably above that rate in the latter half of the year. If the Colmer committee amendment were to be adopted, OPA might have to raise steel prices all over again. That would probably mean another wave of price increases for a number of consumer-goods industries, which would themselves have higher claims as a result of the higher standards.

Instead of reaching a period of relative stability in costs and prices in the metal-using industries this summer, business would, therefore, have to be going through the same difficult process of readjustment which is now nearing a completion. Similar increases would be required in many other fields. In other words, Congress would have legislated a new bulge in prices.

I believe the effect of all this would be to touch off another round of wage demands and compel upward adjustments in the level of rents and farm prices to prevent inequities. Not only would it be dangerous to take the chance, but in worrying over the hypothetical inequity which the 1936-39 profit floor might for a while cause to some American industries, I think we should consider the very real inequity to those whose incomes lag behind a rising cost of living.

OPA has had many tough problems in the fight against inflation. No doubt it has many still ahead of it. But the modifications in pricing standards which thoughtful critics propose would not help us solve those problems or win that fight. The radical measures which the cost-plus prices call for would constitute unconditional surrender.

4. SUBSIDIES

A vital part of the antiinflation program is the requested authorization for continuing subsidies for the coming fiscal year. OPA had hoped and expected to be substantially out of the subsidy business by the end of June. It looked last fall as though there would be a sufficient softening of prices so that subsidies could be gradually withdrawn without an over-all increase in living costs. But the predictions went wrong. Employment remained high. Although income fell somewhat, consumer spending stayed up, and inflationary pressures were stronger than ever. The world food crisis has greatly intensified the need for continued subsidies.

It is clear that the price adjustments of this transition period will have some impact on the cost of living. It is OPA's job to continue to keep this impact to a minimum. None of us like subsidies but the simple truth is that our economy could not stand the shock that their abrupt elimination would bring. The resulting increase of living costs would inevitably undermine the stability of the wage settlements which have just been reached and might well precipitate the explosion we all fear. This is not time to play with that kind of dynamite.

It has been suggested that Congress should write into the law a schedule for tapering off the subsidies. I do not believe this is wise. As Secretary Anderson told the committee, the Government pledges itself to withdraw subsidies as rapidly as conditions permit. With the present uncertainties in the picture, I would not dare to predict with any assurance what the economic conditions will be in the months ahead.

A predetermined schedule of removals established now, either by law or administratively, might well necessitate the removal of a particular subsidy at a time when it would be disastrous. If, for example, the tentative removal timetable of last fall had been binding, the consequences to stabilization would have been irreparable. Accordingly, I ask the committee to authorize the continuance for a year of subsidies in the amounts recommended by the Office of Economic Stabilization. Unless this authority is continued, I am convinced we cannot complete the task the Nation has set itself.

5. RENT

Amendments proposing, in one form or another, substantial increases in rent levels have been presented to the committee. The New York metropolitan fair-
rent committee and other real-estate groups have urged that a blanket 15-percent increase in rents be written into the statute and be made effective across the board throughout all defense-rental areas.

The OPA has repeatedly taken the position that the key to the general fairness and equity of the rent regulation is the net operating position of landlords today in comparison with what it was immediately prior to the war.

During the past 4 years the Office has conducted income and expense surveys in 90 different cities and has covered over 200,000 rental units.

While individual area results have varied, the most recent data show that the average net operating income for the year ending June 30, 1945, was 38 percent higher for apartment houses and 37 percent higher for small structures than it was in 1939. There is no evidence of substantial change in the position of landlords generally since that time.

The OPA has taken very seriously its obligation to follow the net operating position of individual areas, and it will continue to do so through regular accounting surveys. If any area falls below the 1939-40 standard of net operating income which we have set up, appropriate adjustments will be made in accordance with the existing statute. Any such change, however, should be done on an individual area basis—just as maximum rent dates were fixed on an individual area basis—and not by imposing a blanket increase on the entire nation.

If the proposed 15 percent blanket increase in rents were permitted, average net operating income would jump to 87 percent above 1939 for apartments and to 82 percent above 1939 for small structures. This increase would immediately push the cost of living up about 4 percent. The repercussion of this on wages and prices would, I believe, soon take from the small landlord more than he could hope to gain from the rent increase.

I am surprised that there are still those who advocate the "fair return on fair value" type of amendment. In the days when I was OPA Deputy Administrator for Rent, this theoretically perfect formula was repeatedly brought forward. It was as repeatedly rejected because it was perfectly obvious that, when applied to 15,000,000 dwelling units, it just could not possibly work. I can promise this committee that the enactment of any such formula now would bury rent control in an administrative morass.

The demand of the hotel industry that a blanket 10 percent increase in room rates be permitted can be dismissed with two facts from the studies of the outstanding hotel industry accounting firm: (1) Most recently published data for some 300 hotels show that net operating income is 182 percent above the 1939 level. (2) A 10 percent blanket increase in room rates would push the percentage increase to 236 percent above the 1939 base.

That rent control has not been inflexible is clearly evidenced by the fact that, since the regulations were made effective, 750,000 individual increases were granted landlords under the provision set forth in the regulation. These individual adjustments have safeguarded the individual fairness of the controls at the same time that they have maintained the general level of rents on an even keel.

On the basis of the record I believe the rent control program should be left intact as long as the present acute housing shortage continues.

6. ENFORCEMENT

No part of the Nation's effort to retain control over the general level of prices is more important than effective enforcement of price and rent regulations. You have heard a considerable amount of testimony critical of OPA enforcement, and I know you have all received a number of individual complaints. Various amendments have been proposed for the stated purpose of correcting alleged abuses. I am not going into the details of either the complaints or the suggested amendments, but I would like to present my general views on the subject.

First, given the magnitude and difficulty of the job, I believe the level of performance of the OPA enforcement staff has been remarkably high. I hope that complaints about individual cases, which, in all fairness, are often pretty one-sided, will not cause you to lose sight of the solid achievements.

Second, I recognize that there is justice in some of the criticisms. In this connection, I should like the privilege of inserting in the record the letter referred to by Representative Dirksen in his testimony here in which I discussed criticisms made by Senator Lucas on the floor of the Senate, since it states my views about enforcement in a way which I hope will be helpful to the committee.

Third, the way to solve our enforcement problems is not by amendments weakening our enforcement powers. The task of enforcing our regulations, tremendous as it was at the height of the war, is even more difficult now. The fight against the black market will rapidly become a very unequal struggle if our enforcement powers are cut down in order to prevent the possibility of their misuse against law-abiding businessmen.

Finally, let me make it completely clear that so long as I am Administrator I intend to see to it that our regulations are firmly and fairly enforced—and enforced with all the vigor and skill we can muster. I am not impressed by sheer statistics. It is the quality, not the quantity, of enforcement cases that counts. As a matter of both good administration and fair dealing, we must and we shall use our limited enforcement manpower where we believe it will do the most good in keeping the cost of living as closely as possible to legal levels.

7. DECONTROL

If the fight against inflation is to be won, OPA must have the confidence of American business, labor and agriculture. There must be confidence in the integrity of the Government's word that it means to drop emergency controls just as rapidly as it is safe to do so. I should like to repeat that ceiling-price controls must and will be removed as soon as they are no longer needed to safeguard the country against the disaster of inflation. I think you are generally familiar with OPA's decontrol policy so I will merely outline it and summarize the results.

Decontrol actions are guided by two basic standards. In the case of commodities that are significant in the cost of living or in business costs, ceilings are suspended when it appears that supply and demand are in such relation that the price will not rise above the ceiling. If after a reasonable period it appears that the price will not rise above the ceiling the commodity is exempted from price control.

In the case of any commodity not significant in the cost of living or in business costs OPA suspends or exempts, even though the price may rise, when it finds (1) that decontrol presents no substantial threat of diversion of materials, manpower, or facilities from production that is more essential to effective transition and does not impair effective price control of other commodities, and (2) that the work involved in control of the commodity is disproportionate to the effectiveness of control or to the contribution to stabilization. In the case of trivial items decontrol takes the form of outright exemption. For others the initial action is suspension.

Since last summer when decontrol actions under this policy were begun, the OPA has suspended ceilings on or exempted several hundred product categories including many thousands of items estimated to have annual sales of at least \$6,000,000,000.

Only a few of these decontrol actions have affected commodities significant in the cost of living or of doing business. Most of the important commodities have remained under control because it was OPA's judgment that their prices would have risen substantially if they had been decontrolled. Where OPA has suspended ceilings on the judgment that prices would not rise, this has generally proved to be correct. This was true in the case of white potatoes, domestic wines, ingot and pig aluminum and ingot magnesium and aircraft. In a very few cases, such as citrus fruits, OPA's judgment was incorrect. A few such mistakes are inevitable, but OPA must go ahead on its best appraisal, to achieve its objective of decontrolling just as soon as the probabilities indicate that the price will not rise.

The list of decontrol actions for commodities not significant in living costs or business costs is already long and OPA is adding to it every week. To date the main commodity fields affected include a wide variety of professional, scientific, and industrial instruments; all musical instruments including pianos; most jewelry; most sporting goods; most toys; fire arms and ammunition; certain narrow fabrics; incandescent light bulbs, and a great number of trivial or luxury food and consumer goods items. In the case of these commodities OPA has made no systematic attempt to discover price movements after decontrol. Most of those for which there is information have shown some increases.

Recently, it has become possible to embark on a more extensive program of decontrol with respect to commodities not significant in living costs or business costs. Very soon, ceilings will be suspended on several large blocks of industrial equipment and a great number of relatively unimportant consumer durable items. Similar decontrol actions will follow in the coming months.

In the present highly inflationary situation this program unquestionably involves some risk, for in many cases prices of these commodities will rise. OPA consumer advisory and labor advisory groups have strongly opposed parts of this program. It is my belief, however, that it is the wisest policy. There are two reasons for this. First, the problem of diversion of manpower, materials, or facilities from commodities essential to transition is beginning to disappear with the easing of the manpower situation and the imminent improvement in the materials situation. Second, the increasing work load involved in transition price adjustments and cases arising under the new wage-price policy makes it imperative for OPA to concentrate its resources where they will count most. This cannot be done if a substantial part of OPA's efforts are dissipated in administering controls over thousands of relatively unimportant items.

If it should appear, however, that in the effort to concentrate its resources on price control of the more important commodities OPA releases from control items which rise precipitately and cause consumer hardship, we will reinstate controls. We must not permit our decontrol program, as rational as I believe it is, to create the kind of inflationary psychology that we seek to avoid. I believe that this policy can be made to work effectively if producers know we mean business and consumers understand that we are concentrating our efforts on products that really count.

You have received several proposals for amendment on the subject of decontrol. Most of these seem to have one thing in common. They are intended to require removal of price ceilings before shortages disappear, in other words when prices would still rise sharply.

The Colmer committee, for example, proposes that ceilings must be removed as soon as the acute demands for a commodity have been satisfied. Thus the amendment would require removal of the ceiling on a commodity before the shortage was eliminated—before the supply had become large enough to fill all the demands at the ceiling prices. Plainly, every time a ceiling was lifted the price would go up. Hence decontrol of the important commodities would always result in increases in the cost of living or in business costs.

The Colmer committee proposal would seem to require the removal of most food ceilings immediately for, aside from a few commodities, the acute demands are surely more than satisfied by present food supplies. If this were done, food prices would of course go up considerably. What would then happen to the wage situation and to general stability?

I cannot believe that the Congress wishes to lose the fight against inflation by requiring OPA to default in the last round. In the critical period in which a severe spiral will develop if adequate controls are not maintained, it seems only prudent to keep ceilings on the important commodities until the market situation is such that their prices will not rise.

The notion that there should be some mechanical test to bring about decontrol with the minimum of reliance upon administrative judgment is very appealing. I myself wish fervently that decontrol could be worked by pushing buttons. The difficulty, however, is that decontrol just isn't that kind of a problem. It is a judgment problem, and the important thing is to get judgment directed to the right issues.

The Colmer committee recommendation signally fails to do this. It charges the Director of War Mobilization and Reconversion with the impossible task of sitting down with each of our 600 industry advisory committees and drafting formulas in terms of yards, sheets, shirts, or tons, which would automatically tell under what future circumstances the demand for its products would no longer be acute. The standard of acuteness is significant only in terms of price behavior. But the formula rules out any consideration of probable price reactions.

This in effect would be a commission to plant a great many uncontrollable time bombs under our system of price control. After the Director had done his conscientious best to guess how many pajamas and alarm clocks and bed springs in the warehouses and the store shelves would blunt the edge of the American housewife's shopping drive, the Director and I could sit back uneasily to await whatever might happen to prices when, one after another, the bombs began to go off.

The act does not need amendment in order to have a decontrol policy with the proper objective of removing price ceilings as quickly as is consistent with maintenance of general economic stability. I pledge that OPA will do just that. With the present outlook on the manpower and materials situation, I believe we can safely complete our program of decontrol action for most all commodities not important in living costs or business costs by the end of this year. We would act immediately instead of spreading decontrol of these commodities over a period of months but for the fact that, if we were to remove ceilings from all of them at once, the cumulative effect on the price level and the country's psychology might be serious.

I think it likely that by the latter part of 1946 and increasingly after the turn of the year ceilings can be lifted from more and more of the important commodities without price increases, as shortages disappear, as operating conditions and costs settle down, and as the country recovers from its present case of inflation jitters. When those conditions come into being, it will also be safe to remove ceilings in those cases, if any, where prices will rise moderately even though supply is large enough to meet the full demand. To lift ceilings in such cases in the present critical situation would be dangerous.

Let me explain this. There will have to be a considerable number of price increases this spring and summer. In some cases they will be needed to keep ceilings "generally fair and equitable." In others they will help solve supply shortages or carry through the transition adjustments from the wartime price structure to the peacetime structure. Other price increases will result from decontrol actions in commodities not important in living costs or business costs. Although all these price increases will not in the aggregate be enough in themselves to upset general economic stability, the public and the business community may not all realize this. Many may jump to the conclusion that these increases mark the beginning of a general upward movement of all prices.

If, on top of all these increases, some new decontrol standard compels us to allow price increases on a lot of basic commodities which are important in business

costs or living costs, businessmen and consumers could scarcely escape the conviction that inflation was really under way.

If they ever come to believe this, nothing can stop them from spending a large part of their enormous liquid assets for protection or for speculation. If that happens, the game is up.

But if OPA is to merit the confidence of business, labor, and agriculture it must continue to get out of price control as fast as it safely can. And that confidence is essential to our success as a nation in completing our task.

CONCLUSION

As I indicated at the beginning of this statement, I am convinced that we now face a critically important decision. In fact it may well prove to be a turning point in the history, not only of our domestic affairs but in our relations with the rest of the world.

The danger of inflation is present, immediate, and serious. Speculation is fully apparent in the stock market, the real estate market, the cotton exchanges, and in the prices of farm lands. Inflation in these markets is unchecked by effective price controls. They serve as a thermometer of the rising temperature of price pressures.

More and more frequently businessmen and landlords are writing escalator clauses into their contracts and leases. This is their hedge against the chance that price and rent controls will collapse. It is a far more important indication of business attitudes about what would happen to prices, if controls were removed, than the recent crop of advertisements predicting an end to our troubles if price controls were eliminated.

Not only are businessmen writing escalator clauses into their contracts but they are increasingly tempted to withhold their products in anticipation of higher prices. The growth of this practice—which would flourish if price-raising amendments were adopted—would be fatal to our all-out production effort.

Farmers are casting an uneasy eye at the gains in wage rates recently made—even though these gains do not fully offset the drop in take-home pay which occurred at the end of the war. Workers and consumers generally are worried about their cost of living. People in all walks of life are awaiting the decision of Congress—a decision which will affect the economic well-being of every one of us.

In the last few weeks, I have devoted myself entirely to the study of OPA policies and procedures. I am aware that price and rent regulations at times make life difficult for farmers and businessmen. I am aware that such regulations are complex, often clumsy, and sometimes fall harder on one firm, industry, or group than on another.

But against this we must weigh the larger problem. The Government has a responsibility to all the people, to see that a precipitous rise in prices does not rob them of savings and destroy the bright prospects for profitable production, good wages, and good farm income we see before us today.

I believe OPA policies as now operating are generally fair. I am fully confident that, under these very policies, we shall see an outpouring of goods for civilians which five short years ago was beyond our most optimistic dreams. I believe that production will come fast. We won't see it at once, for inventories are low, pipe lines are only beginning to fill, and incomes are very close to the peak of the wartime years. But, as each month goes by, more and more industries will show figures to dwarf prewar production.

Until that happens, we must hold back the tide of inflation by these temporary controls—undesirable and difficult as they may be.

It is a hard job. It cannot be done with complete equity for all. It cannot be done without criticism and indeed without some bitterness. But I believe that, in the interests of all Americans, it must be done.

If we are careless or if we lack the courage of our convictions and understanding, we can very easily cast aside our economic future into a wasteland of business failure, farm foreclosure, unemployment, poverty, bitter dissension among groups, intense social unrest and international insecurity.

But if, on the contrary, all of us squarely face the need for all-out production, for prompt price adjustments wherever necessary, for firm administration of present price and rent standards, for the continuation of the subsidy program, for fair and vigorous enforcement of price and rent regulations, for business confidence in the integrity of OPA's decontrol program and for prompt extension of the laws upon which stabilization depends—this country can, during the coming year, lay a stable foundation upon which free private enterprise can build the greatest period of domestic prosperity and international prestige we, as a people, have ever enjoyed.

Mr. PORTER. By an extension of its individual adjustment provisions, OPA has broadened still further the area of protection to industry against possible hardship. In appearing before the House committee, I outlined 10 ways in which OPA's pricing standards now provide floors to protect American business from being squeezed between rising costs and fixed ceilings. That portion of my statement also discusses some of the criticisms which have been directed against the continued use of the 1936-39 base period in our industry earnings standard. However, rather than extend that discussion here, I should like instead to file with the committee my earlier remarks and aim now at a proposal which threatens the stability of our ceiling price structure. I refer to the proposal that OPA should be required to increase ceilings on every product when they do not cover all its current costs plus a margin of profit, usually derived from some base period experience. Such price increases would be mandatory—however profitable overall the producing industry might currently be.

This proposal is one of the principal reasons why the continued success of price stabilization is in grave danger today. And let me give you seven reasons why. And I understand that this particular proposal which I am discussing was adopted in the House today.

1. It would unsettle a great number of price ceilings, as to which, in the absence of cost surveys, no one could say with assurance whether or not they were currently returning the profit margin prescribed in the formula.

2. The influx of demands for ceiling price review would soon overwhelm OPA's limited price and accounting staffs. The job would be far bigger than the recent price revisions pursuant to the new wage-price policy since it would call not merely for profit and loss data but for cost analyses to break out the cost-and-profit position of each particular product covered by over-all profit and loss statements. And I do not know of very many businesses that keep their cost data on a product-by-product basis.

3. Comprehensive surveys recently completed by our Accounting Department show only a relatively few industries equipped to give OPA reasonably reliable product cost data. To get such data, OPA would have to set up and carry through extensive cost-accounting studies. OPA can attempt to do this under its transition product standard only because the volume of cases is much lower, no profit allocation is involved, and current rather than historic cost data can be used.

And I might say parenthetically that our Accounting Department advises that 85 percent of the firms that would be affected by this proposal do not keep cost data and accounting standards that would give us the opportunity to break these individual items out.

4. Applied to most reconversion products, including automobiles, where the temporary bulge costs of the transition period still hold down product profits, the standard would require drastic increases in prices to the consumer, setting ceilings far above the levels needed to bring back production in high volume.

5. Applied to other product fields, it is impossible to calculate the number and amount of the price increases which would be required. They would be serious, and they would serve no useful purpose. Instead, as recent experience has made abundantly clear, the expectation of price increases inevitably disrupts the flow of goods as sellers hold back deliveries in anticipation of higher ceilings.

6. Each unnecessary price increase made under this standard would mean either a direct increase in the cost of living or an increase in business costs likely to threaten the ceilings of other products. One price increase would feed another.

7. The "profit-on-every-product" standard would not give the stimulus to production which OPA can provide by the price increases it authorizes for supply purposes. To be effective, supply price increases must be selective. If prices must be raised under price control, it is important to see that the resulting increases do the maximum of good. Buck-shot methods, such as the proposed standard, are considerably worse than useless.

Senator MITCHELL. Going back to point 5, is there any information available now which indicates that goods are being held off the market because of the present discussion of the continuation of OPA?

Mr. PORTER. That question, Senator, was raised briefly this morning, and we are going to supply what data we have on current inventories. But I can say this: that I recall during the time that we were making adjustments in the textile fields to bring this low-cost production out and give them incentive pricing, that there was a complete stagnation in the textile market at that time for a period of about 3 weeks until we could get these new prices out. And I recall particularly because it was the tobacco-planting season down in my State, in Kentucky, and they were getting no tobacco cloth for the seed beds. I personally got in touch with one manufacturer who had a considerably supply of tobacco cloth, but he said he was not going to move it because the rumor was that there was going to be an advance of from a cent and a half to 2 cents a yard on this cloth. So we had to slap a production directive on, or we would have had no tobacco crop down in central Kentucky. And that is an illustration of what happens in your distributive channels where there is an anticipation of a higher price.

Now, I think that that situation, as Mr. Bowles pointed out yesterday, could get progressively worse as we get towards the time of expiration of this statute, if there is no action by the Congress.

(The following was later received for the record by Mr. Porter);

ADMINISTRATOR'S STATEMENT WITH RESPECT TO CURRENT INVENTORIES

When I appeared before the Senate Banking and Currency Committee on April 17, I agreed to supply for the record what current inventory information we could obtain. Since then we have checked all available statistical records and have been unable to determine the extent of goods being withheld from the market in anticipation of price increases. It is true that there are many trade rumors that the withholding is considerable. Statistical proof is, however, not available. With respect to some particular commodities there is evidence of withholding in anticipation of price rises. For example, in the 5 weeks before the issuance on March 11, 1946, of Maximum Price Regulation 607, relating to prices of men's suits, stocks rose from about 184,000 to about 220,000. Immediately after the issuance of the regulation, shipments more than doubled and stocks declined from the 220,000 high on the week ended March 9 to less than 100,000 on the week ended March 30.

Senator CAPEHART. Will not the same thing be true a year from now, when the law again comes up for expiration?

Mr. PORTER. Well, Senator, I think that that is a problem which is one of the difficult things that OPA will have. I am hoping that by that time we can have worked out from under a lot of these areas and that our job for the last 6 months will really be a transition type of

thing where selective decontrol actions will have been taken, where there won't be this abrupt withholding and inventory hoarding in anticipation of a free market or price increases.

Senator CAPEHART. Would you possibly like to make the statement that if OPA is extended until June 30, 1947, that before June 30, 1947, rolls around you might of your own accord completely have liquidated OPA?

Mr. PORTER. Well, I would not want to make the statement just in these terms. I discuss in the concluding part of my statement here some of our decontrol problems. But I will say this: that I think that it will be the duty of the agency to come before this committee long before the extension or the expiration of the act—assuming that it is extended for a year—so that those problems can be resolved. I am hoping that we can get out of a substantial number of areas. What will happen on rent control, what will happen in certain tight areas, has to me been a problem of congressional determination in 6 or 8 months from now. But I think it is important that we have a year's extension so that it can be considered deliberately and not just in the haste of having 2 or 3 months in which to appraise the situation.

So in answer to the Senator's question I will say that we are going to do everything we can, where we feel that it is safe to do; but on some of these basic things it is a question of congressional policy that must be decided, oh, I would say, out sometime in early 1947.

Senator CAPEHART. It was estimated that there would be 3,500,000 radio sets manufactured by December 30 last year, when the figures were about 300,000. Do you know why the industry fell 3,200,000 sets short?

Mr. PORTER. Well, I think, Senator, that that estimate was probably an extremely optimistic estimate, that it was based largely upon productive capacity, upon the production in the year before the war, plus a lot of hopes on the part of manufacturers, without any real appraisal of what the supply of components and others were.

Senator CAPEHART. Do you know why they are not turning radio sets out today, why there is just a dribble, when the industry has a capacity of about forty million sets a year?

Mr. PORTER. I think we are hitting at a rate now—the last trade figure that I saw was a current rate of around 800,000 a month.

Senator CAPEHART. Which month? I mean August or September—we are certainly not getting them today.

Mr. PORTER. Oh, yes. We had 550,000 in January. That was the production of the Civilian Production Administration, and our people estimate we will get a million in March. Of course, they are not these fine custom built jobs that you and I are used to.

Senator CAPEHART. Well, they are not even the little ones.

Are we going to have the industry here to testify, Mr. Chairman?

The CHAIRMAN. Yes.

Senator CAPEHART. The radio industry?

Mr. PORTER. I have had a number of discussions, Senator, with RMA.

Senator CAPEHART. Yes. They got out a little booklet. They are one of these bad boys.

Mr. PORTER. Oh, no. They not only got out a booklet, but they got a moving picture.

Senator CAPEHART. I know. I say they are one of those very unpatriotic people that Mr. Bowles was talking about yesterday who are fighting OPA.

Mr. PORTER. Well, I think that their difficulty is in a lot of the small components where their suppliers cannot get the raw materials, and that part of it may be a price question; but in as much as I have gone into it, I think that by far the most of it is a supply problem.

Senator CAPEHART. Let me ask you one other question: Do you particularly think that the price of radio sets has anything to do with the cost of living? I might say other items, too, in addition to musical instruments.

Mr. PORTER. Senator, I have long said, as having been a part of the radio industry at one time and more recently on the Federal Communications Commission, that a radio set has long since ceased to be a hobby but has become a household utility; and that, having some 60,000,000 radio sets in this country, and a great backlog of demand for new and for replacements, I think that very definitely it is a part of the cost of living.

Senator CAPEHART. I don't know anyone that doesn't have one. I mean I don't know any particular reason why anyone should buy one tomorrow, unless it would be a new couple who were just married. Everyone has one. I do not see that it has much effect upon the cost of living.

Mr. PORTER. I do not think the type of sets that you are more familiar with is an item in the cost of living. These are the finest ones that are made. I would classify a Capehart as a luxury.

Most products are now individually profitable to the average manufacturer. A few were always sold at a loss or at less profit than others for competitive reasons. In the absence of a special need for such products during the transition, there is no reason why their normal cost-price relationship relative to other products should be disturbed.

I think it is significant that neither the Colmer committee which made an intensive study of our pricing standards nor the House Banking and Currency Committee endorsed the "profit-on-every-product" rule. Nor was it approved either in the staff report of the Committee for Economic Development or in the testimony of Mr. Ralph Flanders, chairman of the CED research committee. A "profit on every product" is a plausible slogan, but its appeal lasts only for those who fail to examine it closely. I urge that this committee reject the proposal.

Commercial rents: I feel called upon to renew the request made by previous administrators that rents on commercial establishments be subject to control in those areas where a shortage of business properties and office space is resulting in sharp and unwarranted rent increases. This problem has become far more acute during the reconversion period than it was at the height of the war.

The recent limitations imposed by the Housing Expeditor, Mr. Wilson Wyatt, on all construction except housing for veterans will of necessity, result in a further increase in commercial rents.

My office has been receiving a steadily rising volume of letters describing fantastic commercial rent increases. These letters come from small businessmen and veterans who are trying to establish themselves in their communities. I am not referring to 10 or 15 percent increases

in commercial rents. The reports run to the doubling and trebling of rents for the same space.

Doctors returning from years of service in the field cannot afford to resume their practice under such circumstances. Veterans cannot reopen the stores in which they once served their communities. The loan provisions of the GI Bill of Rights, designed to enable veterans to start small independent service establishments, become meaningless. And all businessmen are faced with increased rental costs which may require them to seek relief in requests for increased retail prices.

In the present scramble for commercial space in many communities, the small businessman is obviously the one who is most heavily penalized because he cannot meet the rental which larger firms can afford to risk.

Decontrol: As a matter of public policy and good administration, as a matter of relationships with business groups, farm groups, labor groups and consumer groups, and I might add also the Congress, the development of the OPA decontrol policy is of vital importance. There must be confidence in the Government's word that it means to drop emergency controls just as rapidly as possible. There must also be confidence that, in the interests of doing so, controls will not be dropped so rapidly that stabilization will be dropped along with them. I should like to repeat that ceiling price controls must and will be removed as soon as they are no longer needed to safeguard the country against the disaster of inflation. Let me tell you briefly about our decontrol policy.

Decontrol actions are guided by two basic standards. In the case of commodities that are significant in the cost of living or in business costs, ceilings are suspended when it appears that supply and demand are in such relation that the price will not rise above the ceilings the commodity is exempted from price control.

In the case of any commodity not significant in the cost of living or in business costs, OPA suspends or exempts, even though the price may rise, when it finds (1) that decontrol presents no substantial threat of diversion of materials, manpower, or facilities from production that is more essential to effective transition and does not impair effective price control of other commodities, and (2) that the work involved in control of the commodity is disproportionate to the effectiveness of control or to the contribution of stabilization. In the case of trivial items decontrol takes the form of outright exemption. For others the initial action is suspension.

Since last summer when decontrol actions under this policy were begun, the OPA has suspended ceilings on or exempted several hundred product categories including many thousands of items estimated to have aggregate annual sales of at least \$10,000,000,000.

Only a few of these decontrol actions have affected commodities significant in the cost of living or of doing business. Most important commodities have remained under control because OPA judged that their prices, if decontrolled, would have risen substantially. Where OPA has suspended ceilings on the judgment that prices would not rise, this has generally proved correct. This was true as to white potatoes, domestic wines, ingot and pig aluminum, and ingot magnesium and aircraft. In a very few cases, such as citrus fruits, OPA's judgment was incorrect. A few such mistakes are inevitable, but

OPA must go ahead, on its best appraisal, if it is to achieve its de-control objectives.

Senator MITCHELL. What is the relation between supply and demand there when you reach a point where you think you can take off control? Is there any set percentage?

Mr. PORTER. Senator, we haven't taken any mathematical formula on that. There was some discussion in the very thoughtful report of the Colmer committee and likewise of the CED. The CED didn't discuss any mathematical formula. I am incorrect on that. But rather it is difficult to appraise just what the demand of specific items is. Certainly where we can make the calculation that prices will not rise substantially, the element of the supply-and-demand factor enters, but we would be opposed to raising any control, for instance, on automobiles if you would get, say, to the peak prewar production. We know we have a backlog of what? Five to six to seven million automobiles?

Mr. ZENAS POTTER. Twelve.

Mr. PORTER. And probably it is nearer twelve. And the production will not run higher than five million in any one year. Well, now, to say that you would get to some prewar period of production, or even a percentage above that, would not give you any relief in that situation. So it is our view that this is largely a matter of administrative discretion under broad congressional direction to the agency, that we should get out as soon as it is safe to, rather than any arbitrary formula.

Senator CAPEHART. Well, Mr. Porter, if in the next 12 months the automobile manufacturers produced, say, 5 to 6 million cars and it looked as though they were going to produce that many or more in the next 12 months, would you a year from now take automobiles off of the price control?

Mr. PORTER. Well, the case of automobiles is a difficult one to use an illustration on, because of the tremendous backlog of demand, and cars are still going off the road. I would doubt whether from the standpoint of supply-and-demand relationship that production will catch up to the backlog and to the obsolescence before 1948.

Senator CAPEHART. Then, your answer is that a year from now, even if we extend OPA and the automobile industry gets 6,000,000 automobiles, that you would not, even at that time, recommend eliminating it from price control?

Mr. PORTER. Well, there, again, I would go back to my earlier answer: That sometime before June 1947 Congress itself is going to have to determine rent control; and whether automobile control is ended or not I think would depend on the competitive factors and a number of other considerations. But just purely from a supply-and-demand relationship I would say that you can't bring them into balance much before 1948.

Senator CAPEHART. Yet, if radio——

Mr. PORTER. Maybe the decision would be to turn it loose at that time. I don't know.

Senator CAPEHART. If there were 10,000,000 radio sets manufactured in the next 12 months, would you recommend at that time that price controls be taken off of radio sets?

Mr. PORTER. Yes; I think it would be safe to say that there is a——

Senator CAPEHART. But you would not say the same thing about automobiles?

Mr. PORTER. It is our feeling in the agency that automobiles is one of the major exceptions. I mean we cannot see even in a year any safe way of decontrolling automobiles.

Senator CAPEHART. Would you say if the steel industry produces—I believe their capacity is 90—what is it?—90,000,000 tons of steel a year?

Mr. PORTER. I think they hit 58 or 60.

Senator CAPEHART. No; I think they hit 90,000,000, didn't they, or 90,000,000, during the war?

Mr. PORTER. They did in the war, but their normal capacity is—

Senator CAPEHART. Well, if the steel industry would produce a normal capacity of, say, 60,000,000 tons in the next 12 months, would you recommend taking steel off of the priority list or the price list?

Mr. PORTER. Well, I say all these commodities or products, Senator, would require, as we are doing now, a rather separate analysis. Now, if the steel—and it is my impression that your ordinary requirements are much below 50 or 60 million tons—that should—it would probably be safe to decontrol.

Senator CAPEHART. Well, in other words, Mr. Porter, there is just no formula for it. You may and you may not; and therefore you may be back here a year from now asking that price control be extended another year.

Mr. PORTER. Well, I certainly hope not. I should think that in another year it will again be a congressional determination as to what areas we should continue; and if I may just extemporize, the thinking I have done about this, I can foresee a situation in which the OPA, as an agency—certain of its functions would be dropped, in the field of rent control, for example, into the established housing agency; perhaps the Department of Commerce in the field of industrial manufacture, if it was important.

Senator CAPEHART. In other words, you feel that under housing it may go on for a great many years.

Mr. PORTER. I think that we have—

Senator CAPEHART. Of course, that was our contention with the Wyatt bill, that we were setting up a desire in the building industry that would continue for many, many years.

Mr. PORTER. In certain of these areas it may be wise national policy to maintain certain types of controls; but, as I say, I am hoping that in a year from now your established departments of government can assume whatever responsibilities are involved.

Senator CAPEHART. I can't understand why your answer wouldn't be very positive, when any one industry produced for a straight year its maximum production and was in a position for the next 12 months to produce that amount or more—I can't understand why your answer wouldn't be absolutely positive yes, because if your answer isn't yes, then I don't know when we are ever going to get rid of, or when you are ever going to recommend, elimination of price control.

Mr. PORTER. Well, Senator, I think that is true for a majority of your industries, but we must bear in mind that we have got the accumulation of 4 years of demand for many of these products.

Senator CAPEHART. Well, I ask you this: I think this morning it was brought out that the capacity is 28,000,000 suits a year. I guess it was 21,000,000 men's suits, and that possibly the requirements this year would be 28,000,000.

If 21,000,000 suits were produced in the next 12 months, or 28,000,000, would you then recommend that price control be eliminated?

Mr. PORTER. Oh, yes; I think very definitely so, because your demand would begin to slack off; and again I would put it this way, and perhaps I haven't placed enough emphasis on this fact in my statement: that these inflationary pressures—I don't know how you divide them as to what are psychologic and what are economic. I suspect that a great many of them are psychological, and once we get beyond that, then I think it is safe to get back to the free economy of supply and demand and bargaining, except in perhaps a few critical areas.

Now, that is, frankly, the picture as I see it, but as to the timing of it I wouldn't want to hazard a guess.

Senator CAPEHART. Well, if you can't hazard a guess on number of units produced, I don't know what formula or basis you would ever use in talking about specific numbers. It seems to me as though it will have to be your only formula; otherwise it will be purely a guess, the psychological effect that you are talking about.

Mr. PORTER. Well, I think it is principally a question of timing. Now, there are certain areas where we have turned loose already, irrespective of the supply and demand conditions, but I would put it again this way: that by and large it is a matter for congressional determination, with all the facts the executive branches place before you. As far as the decontrol policy of OPA is concerned, as I described here, we are taking some risks, and we are taking what I believe to be a sound policy.

The list of decontrol actions—and I think this is responsive to your point, Senator—for the relatively unimportant commodities is already long and OPA is adding to it every week. To date the main commodity fields affected include a long list of heavy machinery and equipment, a wide variety of professional, scientific, and industrial instruments; all musical instruments including pianos; most jewelry; most sporting goods; most toys; firearms and ammunition; certain narrow fabrics; incandescent light bulbs; and a great number of trivial or luxury food and consumer durable goods items.

Recently it has become possible to embark on a more extensive program of decontrolling commodities not significant in living costs or business costs. Last week two major actions were taken, the first in the capital goods field, and the second involving a large number of relatively unimportant consumer durable goods items.

These two actions have been vigorously criticized by labor and other consumer groups. This criticism is indicative of the deep concern felt by many people over the Government's ability to hold the general level of prices stable. As I have repeatedly emphasized, if this concern turns into lack of confidence, it can quickly become a violently inflationary force, precipitating a rush by consumers and businessmen to convert liquid funds into goods, materials, and equipment.

In the present critical situation, this decontrol program unquestionably involves a risk, for, in many cases, prices of these commodities will rise. There is also a hazard of diversion of manpower, materials, or facilities from commodities needed to aid production in other fields. Nevertheless, it is my belief that this is the wisest policy. In the interests of the over-all program some risks have to be taken, if OPA

is to handle the increased work load as most industries and individual companies seek price adjustments under OPA's liberalized standards.

Except for the recent decontrol action involving many hundreds of miscellaneous durable goods, OPA would have had to undertake extensive cost studies in order to assure equitable pricing of these goods under changing conditions. Although this action covers only about 2 percent of the total dollar value of all consumer durables, including automobiles, the removal of controls, because of the great number of items involved, will relieve the OPA and the industries concerned of a work load utterly disproportionate to any gain to stabilization.

This decontrol action will mean that a more effective job can be done for the products remaining under control. The same reasoning applies to the suspension of capital goods ceilings—with the added considerations that the cost of capital goods is amortized over an extended period of time and that the products decontrolled are not generally used by small businesses and farmers.

Furthermore, OPA can always reinstitute controls, if, in the cases of commodities of importance, prices rise after controls are dropped. This we intend to do. We must not permit our decontrol program, as rational as I believe it is, to create the inflationary psychology that has to be avoided, particularly in the coming 6 to 8 months. I believe that the decontrol policy can be made to work effectively, if producers know we are serious about reinstating controls wherever inflationary price rises threaten the cost of living or the cost of doing business, and if consumers understand that we are concentrating our efforts on the products which really count.

By the latter part of 1946 and increasingly after the turn of the year, I think it likely that ceilings can be lifted from more and more of the major commodities without price increases. This will be possible as shortages disappear, as operating conditions and costs settle down, and as the country recovers from its present case of inflation jitters. It will then be safe also to remove ceilings where prices will rise moderately, even though supply is large enough to be in substantial balance with demand. To lift ceilings in such cases in the present critical situation would be dangerous, to say the very least.

I do not think the policy I have described above requires statutory implementation, but any amendments which looked to a similar decontrol program naturally would not impair our operations. On the other hand, I must earnestly warn against the proposed legislative formulas for removal of controls which, by tying decontrol to some historical supply-demand relationship, completely ignore the sweeping changes which have intervened. Equally unsatisfactory are those proposals which would list by statute the products or product categories for decontrol. Both approaches would interpose a mechanical rule in a task which calls for the exercise of balanced judgment based on the rule in a task which calls for the exercise of balanced judgment based on the most timely production, inventory, and demand information which can be obtained.

The basic issue we face today can be put very simply. The question is whether we are to finish the job that for more than 4 years has been effectively done or whether we are to let inflation loose just as we did after the last war. All the arguments boil down to this one issue.

Senator CAPEHART. Mr. Chairman, I have listened to "inflation turned loose after the last war." I lived through that. I was discharged from the Army in April 1919; and while I was only 21 years old, maybe I was too young to understand, but I don't remember any particular hardship that was worked upon the people. Was it really severe? I have seen some figures on it, but—

Mr. PORTER. Senator, I was a little younger than that at the time, but I think that anyone that reviews the history of that period, of the tremendous deflation that followed—

Senator CAPEHART. I understand about the deflation. I was in the deflation. But we are not talking about deflation now. We are talking about inflation.

Mr. PORTER. I don't think you can separate it.

Senator CAPEHART. I see Mr. Potter sitting over there. He doesn't have much hair; he must have been living in those days. I do not remember anything so serious.

What happened that was so serious as far as inflation is concerned?

If you can't tell us briefly, why, just forget it. But I have been listening to this now here for days and days and days. Just what happened? Tell us briefly what happened.

Mr. ZENAS POTTER. It is a statistical record, and also a fact which I remember very well, that the cost of almost all commodities, in the period immediately—

Senator CAPEHART. They went up.

Mr. POTTER (continuing). Immediately after the war, went up very sharply: Clothes, shoes, feed—all these things.

Senator CAPEHART. Yes; and then they went right down.

Mr. POTTER. They went up for about 13 months, I think, about a year, and then they collapsed in about 9 months.

Senator CAPEHART. Then you could buy two pairs for what you paid for one before.

Mr. POTTER. That is right. But there were 106,000 businesses failed in the next 5 years, which was way above—40 percent above the prewar average. People got caught on inventory squeezes, and there were 450,000 farm foreclosures in the next 5 years, because farm prices dropped harder and farther than anything else.

Senator CAPEHART. Yes.

Mr. POTTER. If I remember rightly, potatoes went down from—they lost 85 percent of their value in a very short time, and cotton went from 39 cents to 9 cents in a year.

Senator CAPEHART. Sugar went down.

Mr. POTTER. Sugar went down from—it was very high here. There were great inventory losses in business.

Senator CAPEHART. As far as I know, the people who really took the licking were not consumers, but they were speculators, the so-called rich.

Mr. PORTER. Well, I think all the regular business—retailers and wholesalers and manufacturers who built inventory on the rising prices.

Senator CAPEHART. I say, it was the speculators and people in business and the so-called economic royalists.

Mr. PORTER. Well, no, Senator.

Senator CAPEHART. Outside of 13 months the public got the benefit of it, primarily.

MR. PORTER. Oh, Senator, I say there were a lot of little people that suffered very greatly from the squeeze, particularly those on fixed incomes, and the deflation that followed. Wages never keep up with prices, and I am intimately familiar with the story of rents in that period because I was required to make a study of it; and where you had your housing accommodations the literature of that period and the press of that period are full of stories of riots, of wholesale evictions that occurred because of this rising price level; and I think that the suffering and the misery that took place at that time is not a statistical thing but an actuality.

Senator CAPEHART. Misery?

Mr. PORTER. Undoubtedly.

Senator CAPEHART. Well, I was a farmer in those days, and I just wasn't conscious of it. Maybe I should go back to the farm again and get away from this.

Mr. PORTER. Well, I think that the farmer, as far as his personal living costs were concerned, was——

Senator CAPEHART. I was not conscious of it.

Senator TAYLOR. May I say, Mr. Chairman, that I was not particularly conscious of the inflation. I was on the farm at that time, too. But then we had so little to consume; if we had to go without sugar, we probably never even noticed the difference. We ate what we raised on the farm.

But about that time I left home, and I got into business, and I was in the deflation, in 1922, wasn't it, along in there, and went broke. So I know the deflation was no fun. [Laughter.] And as long as you—if you have the inflation, then you have got to have the deflation; so even if the inflation is pleasant, why, we had better remember the deflation.

Mr. PORTER. A hangover.

Senator CAPEHART. If we have inflation at the moment, does the Senator mean that we would inevitably have deflation?

Senator TAYLOR. Well, our inflation at the moment is not so inflated as it was at that time. We might keep this price level, but after the last war it was absolutely clear out of reason.

Mr. PORTER. Mr. Chairman, I am about to conclude here.

Senator CAPEHART. Yes, you are just about through?

Mr. PORTER. Four years ago, the Congress registered its determination that the mistakes of the last war in letting inflation overwhelm our economy should this time be avoided. In my opinion, no part of our war planning showed higher statesmanship than that decision by the Congress. It was a decision that has paid off to the American people vastly better than anyone at that time dared to hope.

The facts of economic life—the brutal facts of what inflation does to a country, its economy, and its people—which Congress has before it now—are the facts which call for a reaffirmation of the decision of Congress to maintain a stable level of prices until the danger of inflation is over. Under the 1942 laws, price increases have been held to a small fraction of what they would have been without controls. Price control contributed to the efficient operation of an economy that rang up an almost unbelievable record of all-out production. Price control will permit production to rise to heights unprecedented in peacetime. And price control will provide a general level of prices

which can be sustained without collapse after pent-up demands are satisfied.

I might say, in connection, Senator, with the questions of shirts, I think it is each objective on shirts and suits that when we get into production and we hit this level of 21,000,000 suits, now that would not be enough to satisfy this pent-up demand, but the point is that a given amount of production will give the consumer assurance that he is not going to run to the store and hoard, that he is going to get it, and that in turn will relieve the pressure. We don't have to wait until all the demands are automatically satisfied, is my point.

The question now is simply whether we shall reaffirm as a nation our original determination, to maintain a stable level of prices as a firm foundation for the high levels of production and consumption which are the essentials of a prosperous America.

That concludes my statement, Mr. Chairman.

The CHAIRMAN. All right. I am sure we are all very happy that we had you here. You have presented a fine statement, and I hope it may be distributed so the people can understand just what the problem is.

Mr. PORTER. Well, Senator, I want to thank you and the committee for the extreme courtesy which I personally have received. It was, I may say, a pleasant surprise. [Laughter.]

Senator CAPEHART. You are not disappointed, are you, Mr. Porter?

Mr. PORTER. No, sir.

The CHAIRMAN. Tomorrow morning, I already announced, we are going to start with William J. Kelly, the president, Machinery & Allied Products Institute; at 10:30 a. m.; Roy A. Cheney, the president of the Underwear Institute; at 11, Arthur Besse.

Senator CAPEHART. Well, are these proponents or opponents?

The CHAIRMAN. I think they are opponents. Does that satisfy you?

Senator CAPEHART. Oh, yes. I don't object. I just wondered if we were through with the proponents.

The CHAIRMAN. No; there are some more coming later on.

Senator CAPEHART. Are there?

The CHAIRMAN. The president of the National Association of Wool Manufacturers. And Mr. Douglas Whitlock, the chairman of the advisory board of the production council. Those will be the witnesses tomorrow.

Thank you again, Mr. Porter.

Mr. PORTER. Thank you, Mr. Chairman.

The CHAIRMAN. You have been very, very nice. Very glad to have you.

Mr. PORTER. Thank you, sir.

(Whereupon, at 4:30 p. m., an adjournment was taken to tomorrow, Thursday, April 18, 1946, at 10 a. m.)

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

THURSDAY, APRIL 18, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to recess on yesterday, in room 301 Senate Office Building, Senator Robert F. Wagner, chairman, presiding.

Present: Senators Wagner (chairman), Bankhead, Downey, Carville, Buck, and Millikin.

The CHAIRMAN. The committee will come to order.

Mr. Kelly, you are president of the Machinery and Allied Products Institute?

Mr. KELLY. Yes, sir.

The CHAIRMAN. We would like to hear from you on the matter you know we are concerned with.

STATEMENT OF WILLIAM J. KELLY, PRESIDENT, MACHINERY AND ALLIED PRODUCTS INSTITUTE, CHICAGO, ILL.

Mr. KELLY. Thank you, Senator.

Mr. Chairman, I realize that you want me to observe a time schedule here, and in view of the fact that the time allotted to me would not permit me to make the complete statement that I should like to present to your committee, I wonder if I could have the privilege of presenting that for the record and then using my time to summarize it.

The CHAIRMAN. Very well.

Mr. KELLY. Thank you, sir. For the record may I identify myself as William J. Kelly, of Chicago, president of the Kelly Steel Works and here today in my capacity as president of the Machinery and Allied Products Institute.

May I express on behalf of the Machinery and Allied Products Institute our appreciation for the opportunity to comment on S. 2080 which proposes extension of the Emergency Price Control and Stabilization Acts of 1942, as amended, to June 30, 1947.

As a federation of trade associations in the industrial-equipment field, the institute has a special interest in the effect of the price-control program on the capital-goods industries. These industries create the Nation's facilities for production, transportation, communication, and commerce. Because our primary interest is in the industrial-equipment field, we have made no attempt to seek answers to questions posed by controls over prices of consumer goods, rents, or cost-of-living items. Thus, the views and recommendations we shall present are limited to matters of special significance from the standpoint of manufacturers who produce the tools of industry.

We should prefer, if it were feasible, to develop fully the multitude of specific problems and serious economic results that price control has produced in the capital-goods industries. However, such a presentation is impracticable in the time allotted. Therefore, our statement is of a summary nature and is limited to consideration of (1) the role of machinery in the battle against inflation, (2) some economic consequences of price control in the industrial equipment field, (3) factors which make price decontrol of industrial equipment non-inflationary, and, (4) recommendations for legislative action.

First as to the role of machinery in the battle against inflation: Although our interest naturally concerns the problems of capital-goods manufacturers under price regulations now in force, it includes also the effect of price control on the production of industrial machinery needed for the volume manufacturer of consumer goods at the lowest possible cost. Thus we comment briefly on the role of modern, efficient machinery in the battle against inflation since all of the experts appear in agreement that this battle can be won only through volume, low-cost production.

One of the principal barriers to adequate production of consumer goods is a deficiency of machinery needed for high-volume output. This deficiency is a result of two factors: First, the peacetime industrial plant was badly undersupplied with modern efficient equipment at the beginning of the war as an aftermath of the depressed conditions of the thirties.

Secondly, except in a few segments of the economy which expanded to meet ballooned war demands for peacetime products, consumer-goods producers in general have just completed 4 years of capital equipment starvation as the war program permitted no serious diversion of materials and manpower for machinery used primarily in civilian production.

With equipment replacements generally unavailable in civilian-goods manufacture after 1941, much outmoded and inefficient machinery was continued in use. It was possible to continue with limited capacity and outmoded machinery while many important items—such as washing machines, refrigerators, and vacuum cleaners—were virtually out of production and other civilian products were turned out at greatly reduced rates.

However, new machinery is now required to increase capacity, to meet deferred replacement needs, and to remove bottlenecks in present operations. Moreover, the demands of plants normally engaged in civilian-goods production are augmented by the conversion of war plants to the production of consumer goods.

Thus, manufacturers of all types of civilian goods are currently in the market for the latest and most efficient production machinery. These requirements must be met if the industrial plant is to be physically capable of delivering the volume production needed to checkmate inflationary forces.

Cost-saving essential: The attainment of volume production is not enough. Modern equipment is needed for another reason. Costs must be held in check if we are to avoid an upward spiral of prices, and industry looks to more efficient machinery as the most important means for offsetting the major rise in manufacturing costs which has taken place. Although all costs have gone up, the rise of 44 percent between 1940 and the end of 1945 in straight-time hourly earnings for

all manufacturing—reported by the Bureau of Labor Statistics—is dominant.

Further increase in wage and material costs have occurred since the beginning of 1946 as a result of changes in the Government's wage-price policy. Moreover, the impact of increases still to come remains to be felt.

The net result of these developments is to place a premium on cost saving. Obviously, improved technical efficiency that will effect rising unit labor costs by reducing unit manpower requirements affords the major possibility whereby producers can hold down, or further reduce, prices of consumer goods and services to the buying public. Equally obvious, failure to neutralize the increased costs through more efficient equipment and technology would mean that a major rise in price levels of consumer goods was inevitable.

Technologic program and its effect on the wage level: Aside from its short-term aspects, the attainment of greater technical efficiency has important long-range implications, particularly significant for wage earners. By increasing productivity per worker, technologic progress operates to reduce unit costs and to make possible a low-price economy despite the long-term upward trend in wages. In fact, an increase in productivity furnishes the only sound basis on which a higher wage structure can be maintained so as to mean anything to workers. This is because the benefit of any wage rise is not measured by a given amount of money, but by the purchasing power of the total wage under existing price levels.

If increased wages are simply translated into higher prices, the value of the higher wage is destroyed as far as the worker is concerned and he suffers further damage in the impaired purchasing power of his reserve savings. It is a delusion to seek higher wage levels unless costs and prices are held in check by a compensating increase in productivity, achieved with the aid of aggressive technologic progress. Such progress must be stimulated as a necessary foundation for a high-wage, low-cost, mass-production economy. Producers of industrial equipment can make a major contribution to such progress whenever they are permitted to do so.

Now I should like to discuss some economic consequences of price control over industrial equipment in peacetime.

The current situation of the industrial equipment industries under price control, like Topsy, "just grow up," without the benefit of adequate forethought. As the impact of economic forces set in motion by the war began to register fully on peacetime business, price control evolved from the nuisance category to become a growing hazard to proper functioning of industrial equipment manufacturers in the economy. By the end of 1945 the price situation for equipment producers was difficult and getting worse. Developments since January have further intensified the seriousness of the problem and the need for solving it.

Progressive paralysis of incentives for production: From experiences reported by its member companies, the institute knows that a progressive paralysis of incentives for production of industrial equipment has been taking place. While prices of machinery and equipment have been held rigidly at 1941-42 levels, all elements of cost have surged upward to distort grotesquely the normal price-cost relationship and to reduce radically, or squeeze out, profit.

For example, hourly earnings of wage earners in general machinery manufacture, according to Government figures, have advanced 43 percent from 1941 through 1945. Over the same period there have been increases in costs of materials and of components and semi-fabricated items which range from 10 to 20 percent and from 20 to 30 percent, respectively, for individual manufacturers. Since 1945 there have been further cost rises that substantially increase these percentages.

These are magnitudes of the greatest importance. Taken in conjunction with the change to normal individual order business since VJ-day, which is substantially less profitably than the block-order repetitive production of the war period, they have progressively nibbled down profits in the equipment industries under the hold-the-line program. Indeed, for many companies, production during recent months has led either to break-even operations or to major operating losses. To protect themselves, producers will be obliged to curtail output, abandon loss lines and items, shift to other than normal products, and eliminate developmental work on new types of cost-saving machinery.

Why price control increasingly discourages production of industrial equipment becomes clear when the special characteristics of the machinery business are fully understood. Machinery and equipment are not counter goods, but are normally sold on orders taken before fabrication and the production cycle usually extends from 3 to 18 months, or longer. Hence, orders taken on the basis of past prices and costs are a sure road to insolvency, when, as in the months ahead, a sharp upward rise in costs is inevitable during the period of fabrication.

Because production under present conditions is exceptionally precarious, we know of numerous instances where companies have reduced their activities and where new business cannot be accepted because prospective losses loom too large. The continuation of price control will increase the number of such adjustments that machinery producers find necessary.

Besides holding in leash the full power of the equipment industries for maximum production, price control will increasingly force other adjustments highly disadvantageous to the economy. We have knowledge, for example, of instances where price regulations have operated to distort the composition of production by encouraging companies to drop production of certain lines and undertake the output of different machinery, or simply to swap products with another manufacturer—all without regard to economic needs.

Such adjustments are a result of regulations which allow no price relief to include profit on loss or break-even lines or items. They have the net effect of contracting the efficient low-cost segments of production and expanding the high-cost areas. Thus by substituting other criteria than low cost, efficient operation as a basis for production, price control progressively warps the normal competitive structure of machinery production and sets in motion long-term unstabilizing influences within the machinery industries.

There is also growing evidence that price control retards technologic progress and stifles the development and production of entirely new types of machinery that would further reduce manufacturing costs or produce better products. Since such developmental ventures are

largely experimental and beset with many exceptional hazards, they can be undertaken only when there is a possibility of realizing the higher returns that are necessarily associated with the greater risks involved. Work of this type is so much of a gamble under price regulations that manufacturers cannot afford to undertake it. With the opportunity for technologic improvements unusually promising due to scientific developments during the war, we should not permit price control or any other influence to defeat the social progress that is within our grasp.

We dismiss as illusory the thought that price relief through OPA action has been, or will be, administered to stimulate production effectively or to mitigate the baneful economic results of price control in the machinery industries. Time does not permit us to develop this subject fully, but we emphasize that OPA dispenses price relief for those industries under blanket regulations that reflect the complete orientation of the agency's policy thinking to pricing problems in consumer goods manufacture. Such regulations are unrealistic and discriminatory when applied to manufacturers of capital goods. Moreover, OPA officials have stated in price regulations and to the Congress that there are insuperable administrative obstacles in the way of effective price relief for industrial equipment producers.

We submit that continuation of industrial equipment under a pricing program designed primarily for control of consumer goods and rents is an economic perversion. It discourages the manufacture of vital machinery urgently needed in the battle against inflation, it distorts production and the pattern of normal competition, it arrests technologic progress, and it threatens economic disaster for a strategic segment of the economy.

These are cogent reasons why price control over industrial equipment should be terminated. However, members of this committee will properly question what effect such action would have on the economy as a whole. Therefore, we now consider whether the removal of industrial equipment from price control involves any inflationary threat.

Because cyclical fluctuations of business have an accentuated impact on the capital-goods industries, we would be the last to recommend any course of action that would add impetus to inflationary forces. There is nothing, however, which supports the view that removal of capital goods from price control would be inflationary. On the contrary, the evidence is positive that such decontrol would aid in holding living costs in check and that there would be no unwarranted increase in the price level of machinery and equipment.

The cost of living is not affected by the price level of capital goods. With the prevention of a major rise in living cost the keystone of the stabilization program, it is important to understand fully why the cost of living is not materially affected by the price level of capital goods. We buy consumer goods for direct individual consumption, to keep body and soul together. The purchase is virtually unavoidable and no element of choice is involved except among kinds of goods that serve the same purpose. Thus a rise of 1 cent in the price of bread, meat, or children's stockings is felt immediately in the households of millions of Americans. Such increases directly affect living costs and are inflationary.

On the other hand, the motivation for the purchase of capital goods and the influence of the price level for such goods on consumers are entirely different. Capital goods are not purchased for direct consumption by individuals. They are bought entirely for industrial use to make volume and low-cost production possible. They are never purchased when, in the judgment of the potential buyer, they would increase over-all production expense. The sale objective in their acquisition is lower-cost or better consumer goods.

The prices paid for capital goods have little significance in costing and pricing the consumer goods and services they produce. This is because expenditures for capital equipment enter production expense in the form of depreciation charges, and these charges constitute a very minor fraction of manufacturing costs—less than 2 percent of aggregate costs in all branches of manufacture, according to Treasury reports.

Depreciation is also a relatively inflexible fraction of costs since it is dominantly determined by capital assets already acquired. Clearly, the price level of producers' equipment has no material short-term influence on costs and prices of consumer goods. It is the operating savings accomplished by capital equipment in mass production, not the price of the equipment, which is really important in achieving low prices for consumer items.

And we believe the fear of unwarranted price increases in capital goods is a delusion. Will the removal of industrial equipment from price control result in excessive price to buyers and unconscionable profits for manufacturers? This question expresses a fear which, as I say, is a delusion.

There is no possibility of excessive prices for capital goods because the pressures which normally operate to keep prices at reasonable levels have been reinforced by important influences generated by the war. The war-created factors which are highly significant as brakes on prices in the industrial equipment market are the large wartime increase in the capacity of equipment producers and the existence of large stocks of Government-owned surplus equipment. They combine with strong normal pressures favoring low prices and with powerful limitations on opportunistic pricing to prevent an unwarranted rise in the price level of machinery.

With production expanded during the war many times prewar needs, it is clear that manufacturers can meet all possible demands in the period ahead. It is also obvious that the expanded capacity assures intensive competition which will hold prices and profits within reasonable limits.

How great the expansion has been is revealed by comparing production rates during the war with those in a prewar year, such as 1939. Aggregate figures are not available for this purpose, but detailed records of the War Production Board indicate that production during the war was many times the 1939 rate. For example, percentage increases in rates of output in 1943-44 over 1939 for specific items of equipment were as follows:

Machine tools, 556; internal-combustion engines (including Diesels), 1,402; cutting tools and metal-working accessories, 601; pumping equipment and compressors, 599; industrial cars and trucks, 414; power-transmission equipment, 377; and locomotives, 1,533. Such increases in output could be obtained only with substantial expansion of production facilities.

Competition augmented by Government-owned surplus equipment: The effective competition otherwise assured throughout the industrial-equipment field will be reinforced in certain important segments of machinery manufacture by additional competition from Government-owned surplus equipment. The real importance of the Government surpluses as a market factor is not simply that they cover an extensive aggregate array of machinery, but that they include exceptionally large quantities of specific types of equipment normally used in peacetime production.

It is clear that the competitive influences of surpluses on the machinery market, while selective, will be important and acute in many areas.

Although an over-all inventory of Government-owned equipment is not available, it is known that at the end of the war the Government owned about 600,000 machine tools. Partial tabulations of other equipment items, believed to represent about two-thirds of Government holdings, show 158,342 general-purpose machines, 16,830 special-industry machines, and 189,650 other items of machinery and equipment.

Such figures, although impressive in the aggregate, must be analyzed in connection with other facts to determine their full meaning. In the case of machine tools, for example, the probable surplus available for disposal after Government requirements are satisfied will be from 400,000 to 500,000 units, or something like 10 years' normal output.

Where the quantities of surplus machinery are important, the procedures employed in disposal have a significant impact on prices that can be charged on new production. Under the Clayton formula, which governs disposal prices for machine tools and certain other machinery and equipment, the disposal price of a 3-year-old machine—which would normally have more than three-fourths of its useful life remaining—represents a 54.8 percent reduction from the original cost price. A machine 1 year old is sold at a reduction of 35.6 percent from cost. The fact that a surplus machine is available at bargain discount limits the extent to which prices can be increased on new machinery and still attract purchasers.

Even if there were no expanded production capacity and Government surpluses, strong normal pressures operate constantly to keep machinery and equipment prices reasonable. These derive from the strategic position of the buyer of machinery and equipment whose decision to purchase is optional and is determined largely on the basis of short-term cost savings.

None of the desperation psychology which characterizes customers for war-scarce consumer goods is applicable to buyers of capital equipment. Such purchasers are well informed, deliberate, and in a strong bargaining position. Calculations based on engineering and economic data determine their decisions. In general, industry justifies replacement of capital equipment on the basis of a short pay-off formula.

Briefly, this means that a new machine must recover its price in the form of cost savings over a relatively brief period. If the buyer concludes that prices of machinery are excessive, purchases are simply deferred and the market dries up.

The suggestion that opportunistic pricing of industrial equipment for temporary gain might become significant is amazing to anyone familiar with the pattern of producer-buyer relationships in the capital

goods industries. Unlike the untold millions who are outlets for consumer goods, the number of potential buyers for capital equipment is comparatively small and their confidence is carefully cultivated. Close relationships exist, and infrequently dating back a half century or more, between equipment manufacturers and their customers and there is a high degree of cooperation and mutual trust on the part of both buyer and seller. The influence of this condition as a market deterrent to unwarranted and opportunistic price increases.

Now, Mr. Chairman, to sum up the summary and give you our conclusions, I should like to say this:

We submit that price control over machinery and equipment in peacetime defeats the major objectives of the stabilization program. The observations leading to this conclusion are briefly summarized as follows:

1. Despite a deficiency of production equipment required for volume low-cost output of consumer goods, the production of machinery urgently needed in the battle against inflation is discouraged and thwarted.

2. Technologic progress in the development and production of new cost-saving machinery, important in offsetting rising labor rates, is stifled.

3. The composition of machinery production is distorted by the effect of price regulations on manufacturers' operations and does not properly reflect the real economic needs of industry.

4. The normal competitive structure of industrial equipment production is warped and long-term unstabilizing influences set in motion within these industries.

Fortunately, price control over machinery and equipment can be terminated entirely, since such action would not be inflationary and would not result in unwarranted price increases for the following reasons:

First: Due to phenomenal expansion in productive capacity, industrial-equipment producers are capable of meeting any possible peacetime demand under conditions that encourage production.

Second: Intensive competition is assured among equipment manufacturers, who are normally highly competitive, as the wartime expanded capacity presses for outlets.

I may say on that point, Mr. Chairman, I observed in this morning's press a statement from the White House containing a report made by the Special Investigator of the Disposal of Goods, Mr. Bruce. Mr. Bruce says that he believes the War Assets Administration is now in a position to step up their sales very rapidly and the White House says that Mr. Bruce's report on that point will be accepted and the recommendations he makes carried out, the expediting of the sale of surplus goods would be supported by the White House. That means that 400,000 or 500,000 machine tools alone will be getting on the market very rapidly.

We in the machine-tool industry hope that will be true. We want rapid liquidation. It will cause the keenest kind of competition in our industry, but we invite it because we believe, as I have said here, it is in the interest of the economy to have the finest tools in America at work lowering the price of consumer goods and improving the quality of those goods.

Third: Important types of machinery must face additional acute competition from large stocks of Government surplus equipment which are available at generous discounts.

Fourth: The strategic position of industrial equipment buyers and the economic justification required for purchase exert strong pressures against unwarranted price increases.

Fifth: The prevailing pattern of producer-customer relationships makes opportunistic pricing unattractive.

On the basis of the circumstances we have presented, the Institute recommends that the proposed legislation for extension of price control beyond June 30, 1946, specifically name industrial machinery and equipment as exempt from its provisions. The fact that the OPA Administrator and the Stabilization Director have assured Congress that machinery and equipment will be decontrolled rapidly by administrative action does not alter the validity of this recommendation. We believe that provisions of law which have outlived their usefulness should be discarded through affirmative legislative action.

The CHAIRMAN. Thank you very much. Are there any questions?

Senator CARVILLE. I would like to ask Mr. Kelly, of course, you are familiar with the procedure of OPA in its decontrolling program and you select this machinery and equipment as being—to have it relieved from the control of the OPA. Have you taken into consideration that OPA controls from the raw material stage right up to the manufacturing of your machinery and equipment? Do you think if the OPA would release its controls over the equipment and not the others, it would help your industry?

Mr. KELLY. Well, Senator, I can only speak on the economics of our own industry because it is only with them I am familiar. OPA and we are now in agreement on this suggestion to decontrol. We were not in agreement up to the time we made an appearance before the House Banking and Currency Committee on March 12, but I should like to say this, if I may: That the cooperation we in the Machinery and Allied Products Institute have received from Mr. Porter, from Mr. Baker, from Mr. Bulkley, Mr. Stranahan, Mr. Wallace, and from others of the top policy-making group at OPA has been excellent.

Senator BANKHEAD. Then why are you here, if you have got an agreement with them? Why present the matter to this committee on behalf of your industry if you have a satisfactory agreement with the top people?

Mr. KELLY. We are in agreement that the machinery and equipment industry should be decontrolled, but we are not in agreement on the timing. For example, on the 10th of December certain parts of the heavy-goods industries were decontrolled, but they represented a very small part of the total of the capital-goods-industries production. We believe that all of the machinery and equipment industry should be decontrolled immediately. We feel that it is necessary for Congress to say that to OPA, if they agree with us.

Mr. Baker—

Senator BANKHEAD. Wait a minute. Why if they are willing to do it, why don't you take it and walk off and say, "Thank you"?

Mr. KELLY. As I say, Senator, they are not decontrolling as rapidly as we should like to have decontrols. Mr. Baker, the Deputy Price Administrator, said publicly in New York the other day, he expected

that OPA would substantially decontrol our industry within 60 days. We hope that occurs. There is one reason, though, Senator, for our appearance on this subject—one other reason why we ask that our industries be specified in legislation for decontrol, and that is that Mr. Porter and these other gentlemen who are now associated with him may or may not be associated in those offices if Congress continues legislation covering OPA.

We feel that whoever holds those offices should have a mandate from Congress to decontrol these industries that are so important to getting consumers' goods prices reduced and consumers' goods quality improved.

Senator CARVILLE. Then as I understand it, you are satisfied with the decontrolling program, but it is a matter of time—that it fits into the whole picture of OPA all down the line. Of course, that is going to be Congress' problem, too, as to the matter of time. That is what we are considering. Do you think the decontrols should be cut off as of today? Would not that upset your industry?

Mr. KELLY. Not in the slightest, Senator. I think our industries could be decontrolled today with nothing but benefit to the industry and benefit to the country.

Senator CARVILLE. That takes into consideration the materials and everything that go to make up your product clear down the line from the raw material?

Mr. KELLY. Yes, sir. From the top right down to the bottom.

The CHAIRMAN. All right. Thank you very much. Are there any further questions?

(There was no response).

Mr. KELLY. I will just leave this complete statement for the record.

The CHAIRMAN. Very well. That may be placed in the record.

(The statement referred to is as follows:)

PRICE DECONTROL OF THE CAPITAL-GOODS INDUSTRIES

(Statement of William J. Kelly, president, Machinery and Allied Products Institute, before the Committee on Banking and Currency, Senate of the United States, April 18, 1946)

Mr. Chairman and gentlemen of the committee, the Machinery and Allied Products Institute appreciates the opportunity to comment on S. 2080 which proposes extension of the Emergency Price Control and Stabilization Acts of 1942, as amended, to June 30, 1947.

As a federation of trade associations in the industrial-equipment field, the institute has a special interest in the effect of the price-control program on manufacturers of capital goods. The producers' machinery and equipment these manufacturers make range from drills and cutting tools, through such larger items as machine tools and Diesel engines, to giant hydraulic presses, rolling mills, cranes, and locomotives. Naturally, our interest concerns the problems of these manufacturers in conducting their operations under the various price regulations now in force. More importantly, however, it also concerns the effect of price control on the production of industrial machinery and equipment needed for the volume manufacture of consumer goods at the lowest possible cost.

Since the institute is interested primarily in the effects of price control upon the production of industrial equipment, it has made no attempt to seek answers to questions posed by controls over prices of consumer goods or cost-of-living items. Accordingly, the views and recommendations we shall present are limited to matters of special significance from the standpoint of manufacturers who produce the tools of industry.

I. THE ROLE OF MACHINERY IN THE BATTLE AGAINST INFLATION

Before taking up the particular problems of the industrial equipment industries under price control, we comment briefly on the role of modern, efficient machinery in the battle against inflation because this has direct bearing on the significance of our subsequent observations.

The committee has heard previous witnesses testify on the processes of inflation and on the dire potentialities that reside in the large volume of liquid savings and in the pressure of high national income upon inadequate supplies of consumer goods and services. There is no need to touch further on this subject, but we note that all the experts, although differing widely as to methods of accomplishment, prescribe the same remedy—volume, low-cost production.

Barriers to volume production

It is broadly assumed by these experts that the Nation's industrial plant is at once physically capable of smothering the economy with the low-cost goods now needed to supply the accumulated demands of consumers. Such an assumption is contrary to the facts.

One of the principal barriers to production of consumer goods is a deficiency of machinery needed for high-volume output. This deficiency is a result of two factors. First, the peacetime industrial plant was badly undersupplied with modern efficient equipment at the beginning of the war as an aftermath of the depressed conditions of the thirties. Secondly, except in a few segments of the economy which expanded to meet ballooned war demands for peacetime products, consumer goods producers in general have just completed 4 years of capital equipment starvation as the war program permitted no serious diversion of materials and manpower for machinery used primarily in civilian production.

With equipment replacements generally unavailable in civilian goods manufacture after 1941, much outmoded and inefficient machinery was continued in use. It was possible to continue with limited capacity and outmoded machinery while many important items—such as washing machines, refrigerators, and vacuum cleaners—were virtually out of production and other civilian products were turned out at greatly reduced rates. However, new machinery is now required—to increase capacity, to meet deferred replacement needs, and to remove bottlenecks in present operations.

The demands of plants normally engaged in civilian goods production are augmented by the conversion of war plants to the production of consumer goods. That the conversion process is time-consuming and requires much new machinery and equipment is being vividly demonstrated at present at Willow Run where finished automobiles will leave the assembly line only after needed machinery is forthcoming and the production layout completed. Similarly, other plants fitted for war activities require either much new machinery or important supplemental equipment before they can contribute to peacetime production.

Thus, manufacturers of all types of civilian goods are currently in the market for the latest and most efficient production machinery. These requirements must be met if the industrial plant is to be physically capable of delivering the volume production needed to checkmate inflationary forces.

Cost saving essential

The attainment of volume production is not enough. Modern equipment is needed for another reason. Costs must be held in check if we are to avoid an upward spiral of prices, and industry looks to more efficient machinery as the most important means for offsetting the major rise in manufacturing costs which has taken place. Although all costs have gone up, the rise of 44 percent between 1940 and the end of 1945 in straight-time hourly earnings for all manufacturing—reported by the Bureau of Labor Statistics—is dominant.¹ Further increases in wage and material costs have occurred since the beginning of 1946 as a result of latest changes in the Government's wage-price policy. Moreover, the impact of increases still to come remains to be felt.

The net result of these developments is to place a premium on cost saving. Obviously, improved technical efficiency that will offset rising unit-labor costs by reducing unit-manpower requirements affords the major possibility whereby producers can hold down, or further reduce, prices of consumer goods and services

¹ Monthly Labor Review, January 1946, p. 117.

to the buying public. Equally obvious, failure to neutralize the increased costs through more efficient equipment and technology would mean that a major rise in price levels of consumer goods was inevitable.

Technologic progress and the wage level.

Aside from its short-term aspects, the attainment of greater technical efficiency has important long-range implications, particularly significant for wage earners. By increasing productivity per worker, technologic progress operates to reduce unit costs and to make possible a low-price economy despite the long-term upward trend in wages. In fact, an increase in productivity furnishes the only sound basis on which a higher wage structure can be maintained so as to mean anything to workers. This is because the benefit of any wage rise is not measured by a given amount of money, but by the purchasing power of the total wage under existing price levels. If increased wages are simply translated into higher prices, the value of the higher wage is destroyed as far as the worker is concerned and he suffers further damage in the impaired purchasing power of his reserve savings. It is a delusion to seek higher wage levels unless costs and prices are held in check by a compensating increase in productivity, achieved with the aid of aggressive technologic progress. Such progress must be stimulated as a necessary foundation for a high-wage, low-cost, mass-production economy. Producers of industrial equipment can make a major contribution to such progress whenever they are permitted to do so.

II. THE INDUSTRIAL-EQUIPMENT INDUSTRIES UNDER PRICE CONTROL IN PEACETIME

The current situation of the industrial-equipment industries under price control, like Topsy, "just grew up" without the benefit of adequate forethought. During the war, price control over machinery was integrated with other important controls—such as those over materials, components, wages, and manpower—and conditions of wartime production were exceptional as to volume and nature of output. Under this combination of factors, production at 1941–42 ceiling prices was possible and price control had very little practical effect on manufacturers' operations.

With the collapse shortly after VJ-day of the broad structure which made operation possible under price regulations in wartime, the picture changed. As the impact of economic forces set in motion by the war began to register fully on peacetime business, price control evolved slowly but surely from the nuisance category to become a growing hazard to production and to proper functioning of industrial equipment manufacturers in the economy. By the end of 1945 the price situation for equipment producers was difficult and getting worse. Developments since January have further intensified the seriousness of the problem and the need for solving it.

Unless an adequate solution of the price control problem is forthcoming, equipment manufacturers will be forced to adjust their activities in various ways. Such adjustments have already been made by individual companies to a limited extent, but they will be wide-sweeping under conditions now in prospect. Before considering how such consequences can be avoided, we review briefly the nature of the artificial pressures price control has been building up within the industrial equipment industries.

Progressive paralysis of incentives for production

From experiences reported by its member companies, the institute knows that a progressive paralysis of incentives for production has been taking place. Under the hold-the-line program, the prices of various types of machinery and equipment have been frozen at 1941–42 levels. That this freeze has been effective is proved by the reports of the United States Bureau of Labor Statistics which show no aggregate rise in machinery prices since 1941.² While prices have been rigid, all elements of cost have surged upward to distort grotesquely the normal price-cost relationship and to reduce radically, or squeeze out, profit.

How intense has been the pressure of rising costs on profits from 1941 through 1945? Hourly earnings of wage earners in general machinery manufacture, according to Government figures, have advanced 43 percent in this short period. For important segments of the field the rise was greater, as is shown by the 47-

² See following mimeographed releases of U. S. Bureau of Labor Statistics: Machine Tool Prices, July–December and year 1945; Prices of General and Auxiliary Machinery July 1944–September 1944; and Prices of Construction Machinery, October–December and year 1945.

percent increase in hourly earnings in the machine-tool industry.³ Although over-all figures are not available on material and component costs of machinery producers as a group, experience records of individual companies indicate that the increase in material costs since 1941 ranges typically from 10 to 20 percent and that the rise in costs of components and semifabricated items is in the nature of 20 to 30 percent. Since 1945, as mentioned previously, there have been further cost rises that will substantially increase these percentages.

These are magnitudes of the greatest importance. Taken in conjunction with the change to normal individual order business since VJ-day, which is substantially less profitable than the block-order repetitive production of the war period, they have progressively nibbled down profits in the equipment industries under the hold-the-line program. Indeed, for many companies production during the past few months has led either to break-even operations or to major operating losses.

With manufacturers already in a difficult position, the additional increases in costs of materials, components, and labor—resulting from the current wave of general wage increases sweeping the country—will make large areas of production unprofitable under existing equipment price ceilings. To protect themselves, producers will be forced to curtail output, abandon loss lines and items, shift to other than normal products, and eliminate developmental work on new types of cost-saving machinery.

The damping of output

Although there is great national need for modern cost-saving machinery, it is already clear that price control will increasingly discourage the production of industrial equipment. We know of numerous instances where companies have already reduced their activities and where new business cannot be accepted because prospective losses loom too large. This reaction will become widespread when equipment manufacturers generally feel the effects of sizable cost increases now on the way. Small wonder that the OPA Administrator for Price, in his appearance before the House Appropriations Committee on February 6, testified that lack of important machinery was the only remaining difficulty in attaining adequate production of certain important consumer items.

Production is also discouraged by certain characteristics of machinery manufacture which make operation under price control exceptionally precarious. Machinery and equipment are not counter goods, but are normally sold on order before fabrication is undertaken and the production cycle usually extends from 3 to 18 months, or longer. Hence, orders taken on the basis of past prices and costs are a sure road to insolvency when, as in the months ahead, a sharp upward rise in costs is inevitable during the period of fabrication.

We ask the members of this committee to place themselves in the position of the heavy-goods manufacturer who today is confronted with the decision of whether he should continue production of a machine at the 1941 frozen price, say, \$10,000. Let us assume that this machine has over a thousand parts and components, of which one-half are furnished by subcontractors and suppliers who are now increasing wages and filing applications for price relief with OPA under the new wage-price policy. Do you believe that there is anyone in the universe with such consummate wisdom that he can foresee the results of OPA price action on these hundreds of requests? Moreover, who can forecast today what wage increases and higher material costs the producer will have to pay in the next 12 months on the work he does on the machine? Is not the only prudent answer to the manufacturer's problem that the cards are stacked against him and that he should not undertake production until he knows where he is going to come out?

Distortion of production and competition

Besides holding in leash the full power of the equipment industries for maximum production, price control will increasingly force other adjustments highly disadvantageous to the economy. We have knowledge, for example, of instances where price regulations have encouraged companies to drop production of certain lines and undertake the output of different machinery, or simply to exchange products with another manufacturer—all without regard to economic needs. Such adjustments distort both the composition of production and the normal competitive structure of the industrial-equipment industries.

It is not surprising that what individual companies can produce without loss under price regulations should grow in importance as a determinant of production.

³ The data on earnings in this paragraph are from mimeographed industry reports of the U. S. Bureau of Labor Statistics, which are obtainable on request.

A very substantial portion of machinery output comes from companies that are moderate or small in size. They do not have large financial reserves and their ability to withstand operating losses is narrowly limited. Hence, with rising costs increasing the number of machinery items whose production involves losses and with decreasing opportunity to balance such losses against profits on other items, the manufacturer's only option is to cease making the loss items. Thus many substantial, long-established, and efficient producers will find it necessary to stop entirely, or to reduce to a low rate, the fabrication of certain machinery lines.

The same factors that bedevil production also operate to distort the normal competitive pattern of the equipment industries. We are acquainted with instances where companies that have dropped loss or break-even lines have found it advantageous to inaugurate the manufacture of established lines of equipment different from what they have heretofore produced. The prices permitted by OPA on the lines thus adopted include a profit mark-up which, though low, is more satisfactory than the absence of profit on the previous production. We also know of other instances where manufacturers have simply exchanged products to their mutual advantage. Such adjustments are a result of regulations which allow no price relief to include profit on loss or break-even lines or items. They have the net effect of contracting the efficient low-cost segments of production and expanding the high-cost areas. Thus by substituting other criteria than low-cost, efficient operation as a basis for production, price control progressively warps the normal competitive structure of machinery production and set in motion long-term unstabilizing influences within the machinery industries.

Technologic progress under wraps

There is also growing evidence that price control retards technologic progress and stifles the development and production of entirely new types of machinery that would further reduce manufacturing costs or produce better products. Since such developmental ventures are largely experimental and beset with many exceptional hazards, they can be undertaken only when there is a possibility of realizing the higher returns that are necessarily associated with the greater risks involved. Work of this type is so much of a gamble under price regulations that manufacturers cannot afford to undertake it.

Obtaining official approval of a price for an entirely new type of machine is not only a ponderous, time-consuming, and difficult process, but the regulations are written so as to prohibit an adequate return on such production. According to OPA rules, a new-type machine must be priced under what is known as the formula procedure. In simple terms, this means that a manufacturer must arrive at a price by using the labor rates, material costs, overhead charges, and mark-up in effect on the appropriate 1941-42 freeze dates. Holding the profit on such work to the rate of mark-up on regular products obviously results in a reward insufficient to compensate for the higher risk in making the new-type equipment. Moreover, it is not enough to encourage speculative investment in facilities needed to put the new machine into production. This situation, of course, differs entirely from that mentioned previously where a manufacturer drops a loss line and shifts to a different established product and where the conventional profit mark-up represents a more attractive return than the abandoned production.

It is particularly unfortunate that technologic progress should be thwarted at this time when there are wide areas of industry where the opportunity for technical advance is both promising as well as urgent from a social standpoint. In the field of low-cost housing, for example, there can be no doubt that only through the application of new technical ingenuity and new machinery can the \$6,000 house for veterans become a reality. With no downward trend in costs of building materials and supplies in sight, any opportunity for substantial cost reduction lies in greatly increasing the productivity of construction labor which represents 30 to 50 percent of the cost of residential projects. As evidence of the willingness of labor and management to meet its public responsibilities in this connection, we call attention to the recent collective-bargaining agreement between the International Brotherhood of Electrical Workers and contracting companies in New York City which provides for the use of entirely new cost-saving machinery. However, this equipment must be designed, developed, and produced. On last report the union was earnestly seeking to interest various machinery producers in the project, whereas under normal conditions manufacturers would be seeking the opportunity. It is a tragedy of this time that price control or any other influence should be permitted to discourage technologic improvements and to defeat the social progress that is within our grasp.

Constructive price relief illusory

We dismiss as illusory the thought that price relief through OPA action has been, or will be, administered to stimulate production effectively or to mitigate the baneful economic results of price control in the machinery industries. OPA dispenses price relief for these industries under blanket regulations that reflect the complete orientation of the agency's policy thinking to pricing problems in consumer-goods manufacture. For example, underlying Supplementary Order 142—which is the regulation governing relief action for most machinery and equipment items—are the basic assumptions that (1) losses during the transition period are inevitable and should be absorbed by business because the period is abnormal, and (2) a large proportion of costs incurred in this period are "bulge costs" and must be eliminated in any price consideration. Applicable as these assumptions may be to the typical producer of consumer goods who is in process of change-over to his regular lines and has not yet attained high volume, they are unrealistic and discriminatory when applied to manufacturers of machinery and industrial equipment. These manufacturers have no conversion problems which justify the theory of "bulge costs" disallowance. Any price relief granted equipment producers on the basis of such principles is bound to be inadequate.

There are also insuperable administrative obstacles in the way of effective price relief for industrial equipment producers. With a flood of applications for relief pouring into OPA as a result of the new wage-price policy, it is now generally admitted that the only practical hope for constructive price relief lies in the approval of flat or percentage price increases on an industry basis. Mr. James F. Brownlee, Deputy Director of the Office of Economic Stabilization, has told the Congress that price relief is practical under the new wage-price policy only where it can be dispensed on an industry basis.

But what, indeed, is an industry in the producers' equipment field with its multiple-product companies each turning out a widely different assortment of machinery and parts? That OPA, which prefers to administer relief on an industry basis, has been unable to do so for industrial equipment is admitted by the former OPA Administrator. "In the machinery field," said Mr. Bowles, "it has frequently been found impossible to clearly define an industry, and it is partially for this reason that price adjustments * * * have generally followed along the individual adjustment lines rather than the industry-wide basis."⁴

What this means is that machinery and equipment producers differ so widely in their individual operations that, in general, OPA has found it impossible to deal with them on an industry basis which is the only practical pattern for price relief in the future. To be sure, we are told that "individual applications for relief will continue to be considered." However, such applications not only require a myriad of minuscule administrative operations and rituals which thoroughly obfuscate and defeat the applicant; they will be far down in the list of responsibilities taken seriously by the pricing agency. There is no hope that the procedure of individual relief will solve the pricing problems of machinery producers.

We submit that continuation of industrial equipment under a pricing program designed primarily for control of consumer goods and rents is an economic perversion. It discourages the manufacture of vital machinery urgently needed in the battle against inflation, it distorts production and the pattern of normal competition, it arrests technologic progress, and it threatens economic disaster for a strategic segment of the economy. In addition, price control imposes an insuperable burden of administration on both Government and machinery manufacturers. These are cogent reasons why price control over industrial equipment should be terminated. However, members of this committee will properly question what effect such action would have on the economy as a whole. Therefore, we now consider whether the removal of industrial equipment from price control involves any inflationary threat.

III. PRICE DECONTROL OF INDUSTRIAL EQUIPMENT NOT INFLATIONARY

Because cyclical fluctuations of business have an accentuated impact on the capital goods industries, the Institute has long been especially interested in the problem of economic stabilization. We know from experience that continuous high-level business activity is the proper short- and long-term goal and that both inflation and deflation—while harmful for all industry—are disastrous for manufacturers of producers' equipment. It is for this reason that the Institute, in its

⁴ OPA Supplementary Order 142, issued December 11, 1945, p. 11.

recommendations to the House committee considering the full-employment legislation, strongly urged the creation of an agency capable of giving constructive direction in the solution of the economic stabilization problem.⁵

We would be the last to recommend any course of action that would initiate or add impetus to inflationary forces. There is nothing, however, which supports the view that removal of capital goods from price control would be inflationary. On the contrary, the evidence is positive that such decontrol would aid in holding living costs in check and that there would be no unwarranted increase in the price level of machinery and equipment.

Cost of living not affected by the price level of capital goods

With the prevention of a major rise in living cost the keystone of the stabilization program, it is important to understand fully why the cost of living is not materially affected by the price level of capital goods. We buy consumer goods for direct individual consumption, to keep body and soul together. The purchase is virtually unavoidable and no element of choice is involved except among kinds of goods that serve the same purpose. Thus a rise of 1 cent in the price of bread, milk, or a baby's nursing bottle is felt immediately in the households of millions of Americans. Such increases directly affect living costs and are inflationary.

The motivation for the purchase of capital goods and the influence of the price level for such goods on consumers are entirely different. In the first place capital goods are not purchased for direct consumption by individuals. They are bought entirely for industrial use to make volume and low-cost production possible. They are never purchased when, in the judgment of the potential buyer, they would increase over-all production expense. The sole objective in their acquisition is lower cost or better consumer goods.

The prices paid for capital goods have little significance in costing and pricing the consumer goods and services they produce. This is because expenditures for capital equipment enter production expense in the form of depreciation charges, and these charges constitute a very minor fraction of manufacturing costs—less than 2 percent of aggregate costs in all branches of manufacture, according to Treasury reports. Depreciation is also a relatively inflexible fraction of costs since it is dominantly determined by capital assets already acquired. New additions to capital account, either at high or low prices, would cause no material change. Clearly, the price level of producers' equipment has no material short-term influence on costs and prices of consumer goods. These costs and prices are determined by other factors in the production equation.

Although the price level of capital goods is a negligible factor in the cost of consumer goods, this should not be interpreted to imply that the use of capital equipment is unimportant from the standpoint of living costs. The reverse is the truth. Capital goods perform a most vital function in keeping living costs down by making possible the manufacture of consumer goods at the lowest possible cost. It is the operating savings accomplished by capital equipment in mass production, not the price of the equipment, which is really important in achieving low prices for consumer items. This explains why the availability of adequate machinery is so imperative in the battle against inflation.

Fear of unwarranted price increases in capital goods a delusion

Will the removal of industrial equipment from price control result in excessive prices to buyers and unconscionable profits for manufacturers? This question expresses a fear which is a delusion. It is true that the price level of industrial equipment must rise inevitably to reflect a proper proportion of the increases in costs previously noted, but there is nothing to justify the belief that an unbridled upward surge in prices will take place.

There is no possibility of excessive prices for capital goods because the pressures which normally operate to keep prices at reasonable levels have been reinforced by important influences generated by the war. Two war-created factors which are highly significant as brakes on prices in the industrial-equipment market are the large wartime increase in the capacity of equipment producers and the existence of large stocks of Government-owned surplus equipment. They combine with strong normal pressures favoring low prices and with powerful limitations on opportunistic pricing to prevent an unwarranted rise in the price level of machinery.

Expanded production capacity adequate to meet all needs and assures intensive competition.—The slogan "Tool America for War" which rang throughout the land at the beginning of the war was primarily a challenge to producers of indus-

⁵ Statement to House Committee on Expenditures in the Executive Departments, October 23, 1945.

trial equipment. Time was of the essence in the challenge, and it was met successfully because manufacturers notably expanded their capacity for production.

How great this expansion has been is revealed by comparing production rates during the war with those in a prewar year such as 1939. Aggregate figures are not available for this purpose, but detailed records of the War Production Board indicate that production during the war was many times the 1939 rate. For example, percentage increases in rates of output in 1943-44 over 1939 for specific items of equipment were as follows: Machine tools, 556; internal-combustion engines (including Diesels), 1402; cutting tools and metal-working accessories, 601; pumping equipment and compressors, 599; industrial cars and trucks, 414; power transmission equipment, 377; and locomotives, 1533.⁶ Such increases in output could be obtained only with substantial expansion of production facilities.

With production expanded during the war 4 to 15 times prewar needs, it is clear that manufacturers can meet all possible demands in the period ahead. It is also obvious that the expanded capacity assures intensive competition which will hold prices and profits within reasonable limits. These are the criteria for price decontrol action named by the Stabilization Director. By these criteria, industrial equipment should be removed from price control without delay.

Competition augmented by Government-owned surplus equipment.—The effective competition otherwise assured throughout the industrial equipment field will be reinforced in certain important segments of machinery manufacture by additional competition from Government-owned surplus equipment. The real importance of the Government surpluses as a market factor is not simply that they cover an extensive aggregate array of machinery, but that they include exceptionally large quantities of specific types of equipment normally used in peacetime production. Commenting on the composition of the Government holdings in his recent report to the Congress, the Surplus Property Administrator advised that machine tools and metal-working machinery comprise the largest single block of the Government-owned equipment and that other important categories include general-purpose plant equipment and electrical machinery.⁷ Thus it is clear that the competitive influence of surpluses on the machinery market, while selective, will be important and acute in many areas.

The stock of Government-owned equipment is so widely distributed that an over-all inventory, begun over 2 years ago,⁸ is not yet available. However, it is known that at the end of the war the Government owned about 600,000 machine tools.⁹ Partial tabulations of other equipment items, believed to represent about two-thirds of Government holdings, show 158,342 general-purpose machines, 16,830 special industry machines, and 189,650 other items of machinery and equipment.¹⁰ Detailed break-downs for these categories are not available but the group designated "general purpose equipment" includes important quantities of such items as industrial engines, compressors, pumps, conveyors, cranes of all types, fans and blowers, dust-collection equipment, power-transmission equipment, industrial presses, and miscellaneous additional general-purpose machinery.

Such figures, although impressive in the aggregate, must be analyzed in connection with other facts to determine their full meaning. In the case of machine tools, for example, the probable surplus available for disposal after Government requirements are satisfied will be from 400,000 to 500,000 units, or something like 10 years' normal output. For other kinds of machinery and equipment the ratio of Government surplus to normal production varies in accord with the size of Government stocks.

Where the quantities of surplus machinery are important, the procedures employed in disposal have a significant impact on prices that can be charged on new production. Under the Clayton formula, which governs disposal prices for machine tools and certain other machinery and equipment, the disposal price of a 3-year-old machine—which would normally have more than three-fourths of its useful life remaining—represents a 54.8 percent reduction from the original cost price.¹¹ The discounts are graduated in accord with age, and a machine 1 year old is sold at a reduction of 35.6 percent from cost. Equipment not priced by

⁶ Facts for Industry Series 50-3-5, published by War Production Board and U. S. Department of Commerce, November 15, 1945, p. 16.

⁷ Fourth Quarter 1945 Report to the Congress by the Surplus Property Administration, p. 24.

⁸ Disposal of Government-Owned Production Facilities, Machinery Institute Research Memorandum No. 4, January 1944, p. 5.

⁹ American Machinist, October 11, 1945, p. 123.

¹⁰ American Machinist, October 11, 1945, p. 125.

¹¹ The percentages of discount stated apply on sales to a buyer not in possession. The discounts are 5 percent less when sale is made to a contractor in possession.

formula is sold by negotiation in which the formula discounts are a dominant consideration. Disposal prices combined with Government financing of surplus-equipment sales set standards which weigh heavily in the pricing of new production. It is true that a new machine will be more efficient and attractive than used Government equipment, but the fact that a surplus machine is available at bargain discount limits the extent to which prices can be increased on new machinery and still attract purchasers.

Normal pressures for fair capital-goods prices strong.—Even if there were no expanded production capacity and Government surpluses, strong normal pressures operate constantly to keep machinery and equipment prices reasonable. These derive from the strategic position of the buyer of machinery and equipment whose decision to purchase is optional and is determined largely on the basis of short-term cost savings.

None of the desperation psychology which characterizes customers for war-care consumer goods is applicable to buyers of capital equipment.

Such purchasers are well-informed and deliberate. Calculations based on engineering and economic data determine their decisions. If they conclude prices of machinery are excessive, purchases are simply deferred and the market dries up.

Fair prices reduce sales resistance for another reason. In general, industry justifies replacement of capital equipment on the basis of a short pay-off formula.¹² Briefly, this means that a new machine must recover its price in the form of cost savings over a relatively brief period. Obviously, the lower the price of the machine, the more ready the demonstration of required cost savings in the short period. Equally obvious, high prices make more difficult the economic justification of purchases and reduce the volume of equipment that can be sold.

Limitations on opportunistic pricing important.—The suggestion that opportunistic pricing of industrial equipment for temporary gain might become significant is amazing to anyone familiar with the pattern of producer-buyer relationships in the capital-goods industries. Unlike the untold millions who are outlets for consumer goods, the number of potential buyers for capital equipment is comparatively small and their confidence is carefully cultivated. Close relationships exist, not infrequently dating back a half century or more, between equipment manufacturers and their customers. The purchase of large, expensive, complex, and frequently individually designed machinery requires a high degree of cooperation and mutual trust on the part of both buyer and seller. The influence of this condition as a market factor cannot be demonstrated statistically, but we submit it is a powerful deterrent to unwarranted and opportunistic price increases.

IV. CONCLUSION

A wise national stabilization program should be discerning and adjustable on the basis of economic necessity and advisability. At best price control is simply a tool designed to do a job and it should be modified or discarded wherever it fail to meet the test of proper performance. We submit that in the field of machinery and industrial equipment production it fails to meet the test of useful performance. The observations leading to this conclusion are briefly summarized as follows:

1. Despite a major deficiency of production equipment required for volume low-cost output of consumer goods, the production of machinery urgently needed in the battle against inflation is discouraged and thwarted.

2. Technologic progress in the development and production of new cost-saving machinery, important in offsetting rising labor rates, is stifled.

3. The composition of machinery production is distorted by the effect of price regulations on manufacturers' operations and does not properly reflect the real economic needs of industry.

4. The normal competitive structure of industrial equipment production is warped and long-term unstabilizing influences set in motion within these industries.

Fortunately, there is no need to continue price control over machinery and industrial equipment. It can be terminated entirely since such action would not be inflationary and would not result in unwarranted price increases for the following reasons:

1. Due to phenomenal expansion in productive capacity, industrial equipment producers are capable of meeting any possible peacetime demand under conditions that encourage production.

¹² The Short Payoff on Machinery Replacements, Machinery Institute Research Memorandum No. 1, June 1943.

2. Intensive competition is assured among equipment manufacturers, who are normally highly competitive, as the wartime expanded capacity presses for outlets.

3. Important types of machinery must face additional acute competition from large stocks of Government surplus equipment which are available at generous discounts.

4. The strategic position of industrial-equipment buyers and the economic justification required for purchase exert strong pressures against unwarranted price increases.

5. The prevailing pattern of producer-customer relationships makes opportunistic pricing unattractive.

The conditions of production and competition in the industrial equipment industries conform in every way with the criteria for price-decontrol action advanced by responsible officials. Moreover, price control over machinery and industrial equipment is not only unneeded in peacetime, but defeats the major objectives of the stabilization program. No useful purpose will be served by legislation which extends beyond June 30, 1946, the authority of the pricing agency to exercise price control over this segment of the economy.

On the basis of the compelling circumstances we have presented, the institute recommends that the proposed legislation for extension of price control beyond June 30, 1946, specifically name industrial machinery and equipment as exempt from its provisions.

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The CHAIRMAN. Here is a statement submitted by Mr. Foreman, managing director of the Associated General Contractors of America, Inc., which will be made a part of the record.

STATEMENT OF H. E. FOREMAN, MANAGING DIRECTOR, THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA, INC., WASHINGTON, D. C.

Mr. FOREMAN. The Associated General Contractors of America is the national association of construction contractors. Its members, over 3,575 in number, operating in all parts of the country, perform every type of construction.

At its twenty-seventh annual convention, held in Chicago in February of this year, the following resolution, a copy of which has been transmitted to every Member of Congress, was unanimously passed:

GOVERNMENT REGULATION

The Associated General Contractors of America, at its Twenty-seventh annual convention on February 21, 1946, expresses the conviction that the construction industry could execute the work which is vitally needed for the development of the Nation more quickly, more efficiently, and more economically if wartime controls over the industry and the other industries supplying it were abolished, and goes on record as being opposed to Government control over the construction industry by the continuance of wartime regulations beyond the periods currently established by law.

We desire to present here some of the facts and the thinking which inspired the passage of this resolution.

Construction is well known as one of the most complex and intricate of all industries. The fact that each project differs from all others in many particulars and that in the industry a great number of different grades of many different materials and items of equipment are used make the preparation of cost estimates a highly technical operation.

Furthermore, the contractor has to take into consideration many other items, such as weather, unknown soil conditions, the future availability of the various kinds of labor which may be needed as the work progresses, and so forth, all of which are exceedingly uncertain to say the least but which have a very profound effect upon the cost of the project.

In spite of these facts, however, in 1943 the OPA determined to establish ceiling prices on construction operations. This effort resulted in Maximum Price Regulation 251. Our association made formal protest against this regulation, chiefly on the grounds that it was impractical from every point of view. It was subsequently modified somewhat, but it still exists to harass contractors who find it exceedingly difficult, if not impossible, to understand and apply to their operations.

In construction there exist many technical and business procedures which over many years have demonstrated their sound practicability. The importance of a thorough understanding of them, to the successful management of a construction business, is well known to contractors, but is frequently not understood by the layman and we are certain that for the most part they have never been comprehended by OPA. When ill-advised attempts to regulate these procedures are made by those who do not have a well-grounded experience in this industry, the entire mechanism is thrown out of adjustment, and confusion, uncertainty and apprehension are the inevitable results. Thus, the great construction industry with its enormous potentiality to make national prosperity a reality is rendered to a great extent impotent.

Construction has long been regarded as a basic industry which might be counted upon to operate as an effective wheel in our national economy. It normally furnishes lucrative employment to hundreds of thousands of laborers and skilled craftsmen. Of course, the industry simply cannot function without materials.

We now have a huge potential market for construction. We are reliably informed by the material manufacturers that they have ample capacity to supply the needed materials. That they have been strangled by the unrealistic and ineffective pricing policy of OPA is well known to us all. Inventories have been depleted by demand and have not been replenished for the reasons cited. It is, therefore, clear that the construction industry is ready and anxious to go ahead, but it finds itself without the necessary materials.

Costly delays and apprehension which has been brought about through Government interference have a far more harmful inflationary effect than would result from the early removal of price control from these materials. The normal competition which would inevitably develop with expanding production would in our opinion, soon result in a reasonable price structure in this field and the construction industry could then move ahead to the performance of its normal functions in our national economy.

The CHAIRMAN. Next we will hear from Mr. Devereaux, vice-president of the Underwear Institute.

STATEMENT OF F. R. DEVEREUX, VICE PRESIDENT, UNDERWEAR INSTITUTE; PRESIDENT, ONEITA KNITTING MILLS, UTICA, N. Y.

Mr. DEVEREUX. Senator Wagner and gentlemen, I understand that I have been asked to appear before this committee by the Underwear Institute because my mill—the Oneita Knitting Mills of Utica, N. Y.—has been seriously affected by OPA's pricing policy and because our case illustrates the fact that unless we are given immediate and substantial relief we cannot continue long in business.

Due to a technicality our prices were frozen as of September and December 1941 instead of March 1942.

We normally manufacture 80 percent men's and boys' lightweight underwear and 20 percent men's and boys' heavyweight underwear, and our underwear is medium-priced serviceable underwear that goes to all parts of the country.

You will recall that when the Bankhead amendment was passed in September 1944, OPA arbitrarily ruled that lightweight underwear was not a major item and, therefore, did not come under this amendment. So 80 percent of our product received no relief from the amendment.

In 1941 we used 17-cent cotton for our costs. Today we are using 29½-cent cotton.

Senator BANKHEAD. Oh, no; no; no. That is a way above the market. The market is about 27 cents.

Mr. DEVEREUX. Senator Bankhead, I am adding the basis to the type of cotton we use.

Senator BANKHEAD. That is the highest quality in the market?

Mr. DEVEREUX. Yes.

Senator BANKHEAD. Very high quality?

Mr. DEVEREUX. We use strict Middling inch-and-one-sixteenth and inch cotton. The last quotation I had was 125 points for the inch and 350 points on for the inch-and-one-sixteenth, so that I think the price is 29½ cents on the market today, or very close to it. When I wrote this it was that.

Senator BANKHEAD. Well, the market is as high now as it was last week, if you keep up with matters of that sort.

Mr. DEVEREUX. I think we use as high quality cotton as any knitting mill in the country. I cannot substantiate that, but that is my opinion.

Senator BANKHEAD. Go ahead.

Mr. DEVEREUX. There is a difference of 12½ cents a pound or approximately \$375,000, the major part of which we have had to absorb.

There have been a number of yarn advances since March 1942 amounting to 15 cents per pound on Combed Peeler and 10¼ cents per pound on Karded. Most of this advance we have had to absorb.

Our labor since 1942 has been advanced 32½ percent and again we have had to absorb a substantial amount of this advance because OPA in their so-called relief orders never allow us to include indirect labor, foremen and office salaries and executive salaries. This 32½ percent in dollars amounts to over \$1,000,000.

So today we find ourselves with the cost of practically every item we make well above ceiling prices. We have been losing money since July 1945 and the situation has been rapidly growing worse. How much longer we can continue in operation on the present basis is a question I shall have to decide very soon. We employ 1,200 people now and there are already 12,000 people in Utica unemployed.

There are two matters that I should like to particularly emphasize. The first is that the so-called relief orders issued to date by OPA, with one exception have in no case given us adequate relief. OPA has announced time and again through the papers that they are granting the textile industry a 15-percent advance or a 10-percent advance.

The CHAIRMAN. Can I ask you a question there, Mr. Devereux?

Mr. DEVEREUX. Yes.

The CHAIRMAN. You said 12,000 people are unemployed in Utica?

Mr. DEVEREUX. That is the figure I just got from USES.

The CHAIRMAN. What is that due to? Why are they unemployed?

Mr. DEVEREUX. I think it is partially due to the fact they are getting \$21 unemployment insurance and they apparently are not interested in going back to work. The period we thought they would take to rest up after the war was over is now long past, and they just have not returned to work.

Senator BANKHEAD. We had evidence here yesterday or day before that there wasn't any unemployment in this country.

Mr. DEVEREUX. There is in our city.

Senator BANKHEAD. And that output was the greatest in history—total output.

Mr. DEVEREUX. All the textile mills are running well below their labor capacity. We should be employing about 1,700 people.

Senator BANKHEAD. They were talking about all industry, of course, the national output.

Mr. DEVEREUX. This may be just our own city, but those are USES figures. I was on the War Manpower Commission with the people that issued those figures, and I have confidence they are correct.

Senator BANKHEAD. Now, are those former textile workers?

Mr. DEVEREUX. No.

Senator BANKHEAD. How much is textile labor?

Mr. DEVEREUX. Well, take our case, we should be employing 1,700 and we are employing 1,200.

Senator BANKHEAD. Why don't you employ the other 500?

Mr. DEVEREUX. Because we cannot make the styles we want to, because of the great loss we have to take. We cannot get yarns.

Senator BANKHEAD. Is that due to the MAP program?

Mr. DEVEREUX. No; it is due to the fact OPA has not given us relief.

Senator BANKHEAD. What sort of relief?

Mr. DEVEREUX. Cost, plus a reasonable profit. We have not been able to get that.

Senator BANKHEAD. So you are limiting the garments, you are just not operating to that extent?

Mr. DEVEREUX. That is right.

Senator BUCK. Are you actually losing money, or not making as much money as you would like to make?

Mr. DEVEREUX. We are actually losing money since July last year.

Senator BUCK. How much do you suppose you have lost in that 8 months?

Mr. DEVEREUX. Several hundred thousand dollars. I would say about \$200,000.

Senator BUCK. How can you afford to keep on at that rate?

Mr. DEVEREUX. We cannot. At the same time we don't like to close the company up.

Senator BUCK. Well, when you take those figures to OPA don't you get any consideration or any relief?

Mr. DEVEREUX. I am going to bring that out in just a minute, if I may. I am going to illustrate by a relief order. May I proceed?

The CHAIRMAN. All right.

Mr. DEVEREUX. As I said, the so-called relief orders issued to date by OPA, with one exception have in no case given us adequate relief. OPA has announced through the papers many times that they are granting the textile industry a 15-percent advance or a 10-percent advance. These announcements are in my opinion willfully misleading. OPA does not tell the public or you gentlemen that there are certain qualifications under these special orders that in every case so far but one restricts or nullifies any price advantage given under the order.

For example, take the most recent order SO 154, the first item "balbriggan athletic shirts," on which they have given a cut-off price of \$4. OPA does not say that irrespective of this new \$4 price, we can only add to our original ceiling price increases since January 1942 on yarn and direct labor increases, so instead of giving us a price of \$4 our price is \$3.12 per dozen, and our current cost is \$3.24. This is not adequate relief.

The one exception I mentioned was SO 137, which applied to heavy-weight underwear only. This order gave us cost plus 4 percent, but was so distasteful to OPA that it has recently been rescinded, leaving us with a large inventory that we cannot ship out except at a substantial loss.

I will now read a letter from OPA dated April 12, 1946, with regard to this order:

Your telegram of April 5, to Mr. Porter, regarding extension of SO 137 has been referred to me for reply.

SO 137 was a very special type of supply order, issued by us October 17, 1945, on the urgent representations of the War Production Board and the then Director of the Office of Economic Stabilization to relieve a critical supply situation in heavy-weight underwear. The order was once extended from January 31 to March 31 to make certain that the supply was not interfered with during any of the cold months.

Now, gentlemen, you don't make underwear the way you get water out of a faucet. We have to start making heavy-weight underwear in January for delivery in June or July or August for the following fall. We have to have time.

Now, I will tell you what that order has done to us. We decided to make part wool heavy underwear. We ordered our wool top. We got part of it in. We started our production, got a good production, and the order was rescinded. We have \$175,000 worth of wool top on order and every dozen we get out must go at a loss. Continuing the letter:

However, this order cannot be further extended under our office standards. It is a type of order not generally available to industry and the special circumstances under which it was issued no longer exist. It would simply give rise to an inflationary spiral in underwear pricing, and this everyone seeks to avoid.

We are, however, moving to include most of the items formerly covered by SO 137 in SO 154 at an early date. MAP adjustments to make the adjusted prices effective will also be made. These actions should be completed before the first of May and on over-all underwear regulation of the MPR 607 type will be completed as rapidly thereafter as circumstances permit.

Yours very truly,

J. S. LIBERMAN, Jr.,

Price Executive, Apparel Price Branch, Consumer Goods Price Division.

Six hundred and seven was promised on December 11, 1945. We are still waiting for it.

I bring this matter before you because it is my honest conviction that unless you require OPA by law to give us adequate relief the shortage of underwear will become even more acute and at least some of the old established mills will have to shut down. Without a direct relief amendment from you gentlemen, I am convinced OPA will not really change its present policy.

The second matter is the question of relief to a mill that can show an over-all loss on all major items.

OPA tells you that there is a provision for relief in such a case.

Let me tell you how this has worked in our own case. Last February 2, 1946, at the suggestion of OPA, we started to apply for an over-all relief under Supplementary Order 133. The OPA gentleman that suggested we use this form said that he had not read it, but that he felt sure it was the form we wanted. To say that this form was complicated is putting it mildly. It took us 2 weeks to prepare the information required under SO 133 and we worked at top speed. When completed this form went to the Syracuse Office of OPA. Syracuse cleared it promptly, but instead of going directly to Washington we found that it had to be also cleared by the New York office of OPA. In spite of the fact that we urged the Washington office of OPA by telephone to help us clear this form through New York, it took over 3 weeks to get this application cleared through New York, and the

work of actually getting it out of New York was done by Dr. Teper, economist of the International Ladies' Garment Workers' Union, who gave us his full-time assistance.

When this order reached Washington, OPA called us and informed us that they were issuing a new Supplementary Relief Order, SO 149, and this new order would give us cost plus 3 percent with qualifications instead of only cost.

There was nothing for us to do but wash up SO 133, and start on SO 149. Unfortunately, we found SO 149 much more complicated than SO 133. For one thing it required a detailed statement of costs, ceiling prices, and losses on every item we make.

Now, here it is, gentlemen. I just got it ready. There are 76 items in this list, 7 of which show us 1 or 2 cents of profit. There are items of lightweight underwear and heavy-weight underwear. Just to mention a few, part wool unionsuits—25 percent wool—shows a loss of \$2.22 a dozen. On part wool shirts it shows a loss of \$1.72 a dozen. I will leave this with you.

The CHAIRMAN. Very well.

(Statement of current costs and ceiling prices filed in connection with SO 149, is as follows:)

Current costs and ceiling prices filed in connection with SO 149, Oneida Knitting Mills, 851 Broad St., Utica 2, N. Y.

<i>Style</i>	APRIL 10, 1946.	
18A. Boys' lightweight balbriggan athletic shirt, sizes 24 to 34, made from 20KP, at \$0.5050 per pound:		<i>Per dozen</i>
Current cost.....		\$2. 26
Ceiling price established under SO 139.....		2. 19
Loss.....		. 07
20A. Men's lightweight balbriggan athletic shirt, sizes 34 to 46, made from 20KP, at \$0.5050 per pound:		
Current cost.....		2. 88
Ceiling price established under SO 139.....		2. 65
Loss.....		. 23
S27A. Men's combed Swiss rib built-up shoulder, athletic shirt, sizes 34 to 46, made from 30CP at \$0.6300 per pound:		
Current cost.....		3. 24
Ceiling price established under SO 139.....		2. 65
Loss.....		. 59
2019/2. Men's lightweight balbriggan short-sleeve shirts, 3-button front, sizes 34 to 46, made from 20KP, at \$0.5050 per pound:		
Current cost.....		5. 06
Ceiling price established under SO 139.....		4. 15
Loss.....		. 91
20N. Men's lightweight balbriggan short-sleeve shirts, pull-over type, sizes 34 to 46, made from 20KP, at \$0.5050 per pound:		
Current cost.....		3. 80
Ceiling price established under SO 139.....		3. 74
Loss.....		. 06

234 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Current costs and ceiling prices filed in connection with SO 149, Oneida Knitting Mills, 851 Broad St., Utica 2, N. Y.—Continued

<i>Style</i>	<i>Per dozen</i>
2019—Dr. Men's lightweight balbriggan ankle-length drawer, string back, double gusset, sizes 32 to 44, made from 20KP, at \$0.5050 per pound:	
Current cost.....	\$5. 27
Ceiling price established under SO 139.....	4. 15
Loss.....	1. 12
1824/2. Men's lightweight balbriggan short-sleeve shirts, 3-button front, sizes 34 to 46, made from 18KP, at \$0.4950 per pound:	
Current cost.....	5. 34
Ceiling price established under GMPR.....	4. 55
Loss.....	. 79
CGM—4. Men's lightweight balbriggan short sleeve shirts, pull-over type, sizes 34 to 46, made from 12KP, at \$0.4625 per pound:	
Current cost.....	4. 38
Ceiling price established under SO 139.....	4. 15
Loss.....	. 23
1824AG. Men's lightweight balbriggan ankle-length drawer, Army gusset, 4 button, back strap, sizes 32 to 44, made from 18KP, at \$0.4950 per pound:	
Current cost.....	6. 22
Ceiling price established under GMPR.....	4. 55
Loss.....	1. 67
1823/2. Men's combed balbriggan short sleeve shirts, 3-button front, sizes 34 to 46, made from 18CP, at \$0.5575 per pound:	
Current cost.....	5. 76
Ceiling price established under GMPR.....	5. 25
Loss.....	. 51
1823. Men's combed balbriggan ankle-length drawer, 4-button back strap, double seat, sizes 32 to 44, made from 18CP, at \$0.5575 per pound:	
Current cost.....	6. 43
Ceiling price established under GMPR.....	5. 25
Loss.....	1. 18
CGMB—4. Boys' short sleeve, pull-over type, balbriggan shirt, sizes 24 to 34, made from 12KP, at \$0.4625 per pound:	
Current cost.....	3. 37
Ceiling price established under SO 139.....	3. 16
Loss.....	. 21
18N. Boys' short sleeve, pull-over type, balbriggan shirt, sizes 24 to 34, made from 20KP, at \$0.5050 per pound:	
Current cost.....	3. 02
Ceiling price established under SO 139.....	3. 16
Profit.....	. 14

Current costs and ceiling prices filed in connection with SO 149, Oneida Knitting Mills, 851 Broad St., Utica 2, N. Y.—Continued

<i>Style</i>		<i>Per dozen</i>
DC/2. Men's combed Cooper spring needle lightweight, short-sleeve, ankle-length union suit, sizes 36 to 46, made from 30CP, at \$0.6300 per pound:		
Current cost.....		\$10. 73
Ceiling price established under GMPR.....		9. 125
Loss.....		<u>1. 605</u>
28WA. Men's combed lightweight balbriggan athletic shirt, sizes 34 to 46, made from 28CP, at \$0.6150 per pound:		
Current cost.....		3. 05
Ceiling price established under GMPR.....		3. 125
Profit.....		<u>. 085</u>
23R. Men's long-sleeve, grey random, heavyweight shirts, weighing approximately 8 pounds on size 42, made from 13½KP, at \$0.4700 per pound, sizes 34 to 46:		
Current cost.....		8. 04
Ceiling price established under amendment 6 to MPR 221.....		6. 71
Loss.....		<u>1. 33</u>
23R/2. Men's short-sleeve, grey random, heavyweight shirt, weighing approximately 8 pounds on size 42, long sleeves, made from 13½KP, at \$0.4700 per pound, sizes 34 to 46:		
Current cost.....		7. 15
Ceiling price established under amendment 6 to MPR 221.....		6. 43
Loss.....		<u>. 72</u>
23R. Men's ankle-length, grey random, heavyweight drawer, 3-button yoke front, sizes 32 to 44, made from 13½KP, at \$0.4700 per pound:		
Current cost.....		7. 80
Ceiling price established under amendment 6 to MPR 221.....		6. 71
Loss.....		<u>1. 09</u>
97GN. Men's long-sleeve, ankle-length unionsuit, 25-percent wool, 75-percent cotton, weighing approximately 15 pounds on size 42, sizes 36 to 46, made from 10's 25-percent wool at \$0.8457 per pound.		
Current cost.....		22. 22
Ceiling price established by Office of Price Administration letter dated Jan. 29, 1946 (Docket No. 6062-221-303-32).....		18. 00
Loss.....		<u>2. 22</u>
10WS. Men's long-sleeve 50 percent cotton 50 percent wool undershirt, 3-button front, sizes 34 to 44, weighing approximately 10 pounds on size 42, made from 10's 50 percent wool at \$1.20 per pound:		
Current cost.....		18. 22
Ceiling price established by Office of Price Administration letter dated Sept. 28, 1945 (Docket No. 6062-221-303-22).....		16. 50
Loss.....		<u>1. 72</u>

236 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Current costs and ceiling prices filed in connection with SO 149, Oneida Knitting Mills, 851 Broad St., Utica 2, N. Y.—Continued

Style

	Per dozen.
10WD. Men's ankle length, 3-button front drawer band, 50 percent cotton 50 percent wool drawer, sizes 32 to 44, made from 10's 50 percent wool at \$1.20 per pound:	
Current cost.....	\$17. 97
Ceiling price established by Office of Price Administration letter dated Sept. 28, 1945 (Docket No. 6062-221-303-22).....	16. 50
Loss.....	1. 47
B65N/8. Children's 1-piece tinted union suits, made from 22CP at \$0.5775 per pound, Dutch neck, short sleeves, button front, French leg, drop seat, sizes 2 to 12:	
Current cost.....	6. 96
Ceiling price established by Office of Price Administration letter dated Mar. 28, 1945 (Docket No. 606-221-303-11).....	6. 47
Loss.....	. 49
B65N/6. Children's 1-piece tinted union suit, made from 22CP at \$0.5775 per pound, Dutch neck, button front, cuff knee length:	
Current cost.....	7. 48
Ceiling price established by Office of Price Administration letter dated Mar. 28, 1945 (Docket No. 606-221-303-11).....	6. 88
Loss.....	. 60
B51TA. Boy's 1 by 1 rib, spring needle athletic shirt, sizes 24 to 34 made from 20CP at \$0.5675 per pound:	
Current cost.....	3. 93
Ceiling price established under amendment 6 to MPR 221.....	3. 50
Loss.....	. 43
B51TN. Boy's 1 by 1 rib, spring needle wing sleeve shirt, sizes 24 to 34 made from 20CP at \$0.5675 per pound:	
Current cost.....	4. 92
Ceiling price established under amendment 6 to MPR 221.....	4. 19
Loss.....	. 73
B151TK. Boy's 1 by 1 rib, spring needle, elastic top, fly front knee drawer made from 20CP, at \$0.5675 per pound, sizes 20 to 34:	
Current cost.....	4. 47
Ceiling price established under amendment 6 to MPR 221.....	3. 96
Loss.....	. 51
51TA. Men's 1 by 1 rib, spring needle athletic shirt, sizes 34 to 46 made from 20CP, at \$0.5675 per pound:	
Current cost.....	5. 20
Ceiling price established under amendment 6 to MPR 221.....	4. 88
Loss.....	. 32

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 237

Current costs and ceiling prices filed in connection with SO 149, Oneida Knitting Mills, 851 Broad St., Utica 2, N. Y.—Continued

<i>Style</i>		<i>Per dozen</i>
51TN. Men's 1 by 1 rib, spring needle wing-sleeve shirt, sizes 34 to 46 made from 20CP, at \$0.5675 per dozen:		
Ceiling price established under amendment 6 to MPR 221	-----	\$6. 21
151TK. Men's 1 by 1 rib, spring needle knee-length drawer, sizes 32 to 44, made from 20CP, at \$0.5675 per pound.		
Elastic top, fly front:		
Current cost	-----	5. 49
Ceiling price established under amendment 6 to MPR 221	-----	5. 34
Loss	-----	. 15
151TD. Mens' 1 by 1 rib, spring-needle, ankle-length drawer, elastic top, fly front, sizes 32 to 44, made from 20CP, at \$0.5675 per pound:		
Current cost	-----	8. 21
Ceiling price established under amendment 6 to MPR 221	-----	7. 25
Loss	-----	. 96
M51T. Children's French leg, elastic drop seat, short-sleeve, button-front union suit made from 1 by 1 rib spring-needle fabric, sizes 2 to 12, 20CP, at \$0.5675 per pound:		
Current cost	-----	7. 78
Ceiling price established under amendment 6 to MPR 221	-----	6. 58
Loss	-----	1. 20
M51T/3. Children's knee length, elastic drop seat, short-sleeve, button-front union suit made from 1 by 1 spring-needle fabric, sizes 2 to 12, 20CP, at \$0.5675 per pound:		
Current cost	-----	7. 32
Ceiling price established under amendment 6 to MPR 221	-----	6. 31
Loss	-----	1. 01
851TU/3. Boys' 1 by 1 rib spring-needle, combed, short-sleeve, knee-length union suit, made from 20CP, at \$0.5675 per pound, sizes 26 to 36:		
Current cost	-----	8. 38
Ceiling price established under amendment 6 to MPR 221	-----	7. 43
Loss	-----	. 95
CRT. Children's 1 by 1 rib combed, spring-needle pantie, yoke front, sizes, 2 to 6, made from 20CP, at \$0.5675 per pound:		
Current cost	-----	3. 30
Ceiling price established under amendment 6 to MPR 221	-----	2. 64
Loss	-----	. 66

Current costs and ceiling prices filed in connection with SO 149, Oneida Knitting Mills, 851 Broad St., Utica 2, N. Y.—Continued

<i>Style</i>		<i>Per dozen</i>
CRT. Children's 1 by 1 rib, combed, spring-needle pantie, yoke front, sizes 8 to 16, made from 20CP, at \$0.5675 per pound:	Current cost.....	\$3. 98
	Ceiling price established under amendment 6 to MPR 221.....	3. 56
	Loss.....	. 42
		<hr/> <hr/>
DNV. Children's Dutch neck, 1 by 1 spring-needle, combed, short-sleeve vest, sizes 2 to 6, made from 20CP, at \$0.5675 per pound:	Current cost.....	3. 48
	Ceiling price established under MPR 221, amendment 6.....	3. 43
	Loss.....	. 05
		<hr/> <hr/>
DNV. Children's Dutch neck, 1 by 1 spring-needle, combed, short-sleeve vest, sizes 8 to 16, made from 20CP, at \$0.5675 per pound:	Current cost.....	4. 43
	Ceiling price established under MPR 221, amendment 6.....	4. 52
	Profit.....	. 09
		<hr/> <hr/>
SVT. Children's 1 by 1 rib, combed, spring-needle, sleeveless vest, sizes 8 to 16, made from 20CP, at \$0.5675 per pound:	Current cost.....	4. 29
	Ceiling price established under MPR 221, amendment 6.....	3. 50
	Loss.....	. 79
		<hr/> <hr/>
ICT. Children's button-on training pant, 1 by 1 spring-needle, sizes 2 to 6, made from 20CP, at \$0.5675 per pound:	Current cost.....	3. 53
	Ceiling price established under amendment 6 to MPR 221.....	2. 64
	Loss.....	. 89
		<hr/> <hr/>
ICV. Children's vest, 1 by 1 spring-needle, to be used with ICT listed above, sizes 2 to 6, made from 20CP, at \$0.5675 per pound:	Current cost.....	3. 53
	Ceiling price established under amendment 6 to MPR 221.....	3. 52
	Loss.....	. 01
		<hr/> <hr/>
BG. Baby's balbriggan gown, drawstring bottom, sizes 0 to 2, made from 26KP, at \$0.5475 per pound:	Current cost.....	5. 79
	Ceiling price established under MPR 221.....	5. 00
	Loss.....	. 79
		<hr/> <hr/>

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 239

Current costs and ceiling prices filed in connection with SO 149, Oneida Knitting Mills, 851 Broad St., Utica 2, N. Y.—Continued

Style		Per dozen
IK. Infant's 1 by 1 rib, spring-needle, combed, training pant, sizes 1 to 4, made from 20CP, at \$0.5675 per pound:	Current cost.....	\$5. 14
	Ceiling price established under MPR 221.....	4. 00
	Loss.....	1. 14
IR/51T. Infant's 1 by 1 rib, spring-needle, combed, training pant, sizes 1 to 4, made from 20CP, at \$0.5675 per pound:	Current cost.....	3. 25
	Ceiling price established under MPR 221, amendment 6.....	2. 64
	Loss.....	. 61
CXD. Ladies' balbriggan bloomer, elastic top and legs, sizes 38 to 44, made from 26KP, at \$0.5475 per pound:	Current cost.....	4. 99
	Ceiling price established under MPR 221.....	4. 50
	Loss.....	. 49
CXD. Ladies' balbriggan bloomer, elastic top and legs, sizes 46 to 60:	Current cost.....	5. 86
	Ceiling price established under MPR 221.....	5. 20
	Loss.....	. 66
IV50W. Children's vests, 1 by 1 spring-needle, combed, short-sleeve, to be used with IB50W pant below; sizes 2, 3, 4, and 6, 26CP, at \$0.6150 per pound:	Current cost.....	3. 23
	Ceiling price established under GMPR.....	3. 15
	Loss.....	. 08
IT50W. Children's pant, 1 by 1 spring-needle, combed, button-on, to be used with IV50W above; sizes 2, 3, 4, and 6, 28CP, at \$0.6150 per pound:	Current cost.....	3. 03
	Ceiling price established under GMPR.....	3. 15
	Profit.....	. 12
IR-50W. Infant's training pant, 1 by 1 spring-needle, combed, made with double gusset, sizes 1, 2, 3, 4, made from 28CP, at \$0.6150 per pound:	Current cost.....	3. 03
	Ceiling price established under GMPR.....	3. 15
	Profit.....	. 12
B336WN. Boys' solid white, ribbed, T shirt, no pocket, sizes 24 to 34, made from 18KP, at \$0.4950 per pound:	Current cost.....	3. 33
	Ceiling price established under GMPR.....	3. 25
	Loss.....	. 08

240 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Current costs and ceiling prices filed in connection with SO 149, Oneida Knitting Mills, 851 Broad St., Utica 2, N. Y.—Continued

<i>Style</i>		<i>Per dozen</i>
B336CN. Boys' solid color, ribbed, T shirt, no pocket, sizes 24 to 34, made from 18KP, at \$0.4950 per pound:	Current cost.....	\$3.33
	Ceiling price established under GMPR.....	3.375
	Profit.....	.035
336WN. Men's solid white, ribbed, T shirt, no pocket, sizes 34 to 46, made from 18KP, at \$0.4950 per pound:	Current cost.....	4.11
	Ceiling price established under GMPR.....	3.75
	Loss.....	.36
336CN. Men's solid color, ribbed, T shirt, no pocket, sizes 34 to 46, made from 18KP, at \$0.4950 per pound:	Current cost.....	4.11
	Ceiling price established under GMPR.....	3.875
	Loss.....	.235
KA4. Misses' crew neck, short-sleeve pull-over, sizes 14 to 20, made from 38CP, at \$0.7000 per pound:	Current cost.....	5.71
	Ceiling price established under GMPR.....	5.25
	Loss.....	.46
KA4TN. Misses' turtle neck, long-sleeve pull-over, sizes 14 to 20, made from 38CP, at \$0.7000 per pound:	Current cost.....	7.52
	Ceiling price established under GMPR.....	7.00
	Loss.....	.52
B22N. Boys' interlock pull-over, sizes 8 to 18, no pocket, short sleeves, made from 22CP, at \$0.5775 per pound:	Current cost.....	5.42
	Ceiling price established under GMPR.....	5.75
	Profit.....	.33
B30N. Boy's interlock pullover, sizes 8 to 18, no pocket, short sleeves, made from 30CP, at \$0.6300 per pound:	Current cost.....	4.91
	Ceiling price established under GMPR.....	5.25
	Profit.....	.34
30P/2. Men's short-sleeve, crew neck, pullover shirt, made with 1 breast insert pocket, natural shade, sizes 34 to 46, made from 30PC, at \$0.6300:	Current cost.....	6.86
	Ceiling price established under GMPR.....	6.50
	Loss.....	.36
30P/2. Men's short-sleeve, crew neck, pullover shirt, with 1 breast insert pocket, light shades, sizes 34 to 46, made from 30PC, at \$0.6300 per pound:	Current cost.....	6.96
	Ceiling price established under GMPR.....	6.625
	Loss.....	.335

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 241

Current costs and ceiling prices filed in connection with SO 149, Oneida Knitting Mills, 851 Broad St., Utica 2, N. Y.—Continued

Style		Per dozen
1422/2. Men's short-sleeve, crew neck, pullover shirt, with 1 breast insert pocket, natural shade, sizes 34 to 46, made from 22 CP, at \$0.5775 per pound:	Current cost.....	\$7.66
	Ceiling price established under GMPR.....	7.25
	Loss.....	.41
		<hr/> <hr/>
P200-IC. Men's terry cloth, button-front coat, 2 patch pockets, sizes 34 to 44, made from 57 percent 18KP and 43 percent 7½KP, at \$0.4728 per pound:	Current cost.....	11.08
	Ceiling price established under GMPR.....	9.50
	Loss.....	1.58
		<hr/> <hr/>
P200-I. Men's terry cloth pullover, long sleeves, no pockets, sizes 34 to 44, made from 57 percent 18KP and 43 percent 7½KP, at \$0.4728 per pound:	Current cost.....	8.00
	Ceiling price established under GMPR.....	6.75
	Loss.....	1.25
		<hr/> <hr/>
SO. Men's oxford gray sweat shirt, V insert in neck, set-in sleeve, rib-tail bottom, weighing 10 to 10¼ pounds on size 42, made from 26KP-30KP-15 Gr backing, at \$0.4743 per pound, sizes 34 to 46:	Current cost.....	9.71
	Ceiling price established under amendment 6 to MPR 221.....	8.25
	Loss.....	1.46
		<hr/> <hr/>
SOX. Men's oxford gray full-freedom sleeve sweat shirt, V insert in neck, rib-tail bottom, weighing approximately 10 to 10¼ pounds on size 42, made from 26KP-30KP-15 Gr backing, at \$0.4743 per pound, sizes 34 to 46:	Current cost.....	10.07
	Ceiling price established under amendment 6 to MPR 221.....	8.14
	Loss.....	1.93
		<hr/> <hr/>
SOBX. Boys' oxford gray, full-freedom sleeve sweat shirt, V insert in neck, rib-tail bottom, made from 26KP-30KP-15 Gr backing, at \$0.4743 per pound, sizes 24 to 34:	Current cost.....	7.82
	Ceiling price established under amendment 6 to MPR 221.....	6.77
	Loss.....	1.05
		<hr/> <hr/>
SOBXT. Boys' full-freedom sleeve sweat shirt, V in neck, rib-tail bottom, colored sleeves, made from 26KP-30KP-15 Gr backing, at \$0.4649 per pound, sizes 24 to 34:	Current cost.....	8.04
	Ceiling price established under amendment 6 to MPR 221.....	7.15
	Loss.....	.89
		<hr/> <hr/>

242 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Current costs and ceiling prices filed in connection with SO 149, Oneida Knitting Mills, 851 Broad St., Utica 2, N. Y.—Continued

Style		Per dozen
SSP. Men's training pant, string top, string bottom, made in small, medium, and large, 30KP-26KP-15 Gr backing, at \$0.4667 per pound:	Current cost.....	\$10.87
	Ceiling price established under amendment 6 to MPR 221.....	9.95
	Loss.....	.92
		<hr/> <hr/>
SC. Men's colored sweat shirts, V in neck, rib-tail, made from 26KP-30KP-26KP-15 Gr backing, at \$0.4649 per pound, sizes 34 to 46:	Current cost.....	10.69
	Ceiling price established under amendment 6 to MPR 221.....	9.62
	Loss.....	1.07
		<hr/> <hr/>
3SS. Boys' silver gray sweat shirts, no V insert in neck, rib-tail bottom, set-in sleeve, made from 26KP-30KP-15 Gr backing, at \$0.4667 per pound, sizes 24 to 34:	Current cost.....	6.52
	Ceiling price established under amendment 6 to MPR 221.....	5.75
	Loss.....	.77
		<hr/> <hr/>
2SC. Juvenile colored sweat shirts, V insert in neck, rib-tail bottom, made from 26KP-30KP-15 Gr backing, at \$0.4649 per pound, sizes 2, 4, 6, 6X:	Current cost.....	5.99
	Ceiling price established under amendment 6 to MPR 221.....	5.75
	Loss.....	.24
		<hr/> <hr/>
SCBI. Boys' colored sweat shirt, crew neck, freedom sleeve, with V insert in neck; same yarn as SC above:	Current cost.....	7.80
	Ceiling price established under amendment 6 to MPR 221.....	7.75
	Loss.....	.05
		<hr/> <hr/>
10XI. Men's rib utility sweat shirt, freedom sleeve, military shoulder, made from 11KP, at \$0.4951 per pound, sizes 34 to 46:	Current cost.....	9.18
	Ceiling price established under amendment 6 to MPR 221.....	7.76
	Loss.....	1.42
		<hr/> <hr/>
FX404. Men's combed, lightweight sweat shirt, made from 16CP, at \$0.5500 per pound; the garment has a rib-tail bottom, crew neck, with ribbed cuffs; sizes 34 to 46:	Current cost.....	10.41
	Ceiling price established under amendment 6 to MPR 221.....	9.93
	Loss.....	.48
		<hr/> <hr/>

Current costs and ceiling prices filed in connection with SO 149, Oneida Knitting Mills, 851 Broad St., Utica 2, N. Y.—Continued

<i>Style</i>		<i>Per dozen</i>
51TU. Men's 1 by 1 rib, spring-needle, long-sleeve, ankle-length union suit, combed, sizes 34 to 46, made from 20CP, at \$0.5675 per pound:		
Current cost.....		\$15. 62
Ceiling price established under amendment 6 to MPR 221.....		13. 75
Loss.....		<u>1. 87</u>
51TU/2. Men's 1 by 1 rib, spring-needle, short-sleeve, ankle-length union suit, combed, sizes 34 to 46, made from 20CP, at \$0.5675 per pound:		
Current cost.....		14. 38
Ceiling price established under amendment 6 to MPR 221.....		13. 37
Loss.....		<u>1. 01</u>
KP1. Men's balbriggan, long-sleeve, high-neck, pajama-top, and long-leg, ski-bottom, fly-front pajama bottom, made from 18KP, at \$0.4950 per pound:		
Current cost.....		14. 11
Ceiling price established under SO 139.....		13. 50
Loss.....		<u>. 61</u>
KP2. Men's brushed, flat, long-sleeve, high-neck, pajama-top, and long-leg, ski-bottom, fly-front pajama bottom, made from 11½KP, at \$0.4600 per pound:		
Current cost.....		15. 72
Ceiling price established under SO 139.....		13. 50
Loss.....		<u>2. 22</u>

NOTE.—All foregoing prices are based on our terms of 2/30 or net 60—f. o. b. Utica, N. Y.

Mr. DEVEREUX. It is now April 18 and only as of today have we finished preparing this order.

Now, it will probably have to go to Syracuse for approval, then to New York, and then to Washington, and if it is approved we may be notified sometime in May or June. Perhaps OPA considers this relief, but it has taken us from February 2 to April 15 to prepare these forms and now it may be two or more months before we know whether or not we get relief. This will mean that we have been operating at a serious loss for approximately 5 to 6 months while trying to get critically needed relief, in addition to the 6 months of operating at a loss which made us eligible to apply for relief under these forms. That is a year. And we have to meet a pay roll every Friday.

Incidentally, there is still another catch in SO 149. The order states that if in the base period—1936 through 1939—your profit was less than 3 percent on net worth, OPA will bring you up to 3 percent and if more than 6 percent OPA will bring you down to 6 percent. Our net worth is \$2,000,000, and we shall be allowed 3 percent on this, or \$60,000, out of which we have to pay taxes, depreciation, and dividends, if any.

Senator BUCK. How much would that be? How much would you have left?

Mr. DEVEREUX. Nothing.

Senator BUCK. When you pay those items how much would you have left?

Mr. DEVEREUX. We wouldn't have anything left. We couldn't pay our preferred dividends.

This gives us a profit of approximately 1.2 percent on our sales. I wonder, gentlemen, if you think any firm can exist on this type of relief.

I want to emphasize by the two points that I have made that OPA is not giving us the relief that they want you to think they are giving us, and that unless you gentlemen force OPA by law to give us a total cost plus a reasonable profit, the knit-goods industry, in my opinion, is going to be badly crippled, if not partially destroyed, and the supply of underwear now woefully short will continue to diminish and the black market will continue to flourish.

And finally—OPA speaks of the threat of an inflationary spiral in underwear prices. Ordinarily a man will buy six undershirts a year or a limit of six twice a year. Even today with cotton and labor at a new high level, I believe the average underwear mill would be well satisfied with an advance of 7 or 8 cents per garment. If the man I speak of had to pay 42 cents more per year for six shirts, I wonder if you would consider this serious inflation.

I also want to state that the elimination of MAP without price relief will not help us now because all of our major underwear numbers are priced below cost.

The experience of my company—one engaged in selling to the wholesale trade—is, I believe, typical of that of many mills making underwear. However, so that the committee may have a full picture of conditions within the industry, it is desirable that you also have the viewpoint of a company selling directly to retailers. For this phase of the situation, I know that the committee will be interested in additional facts to be presented by Mr. Gordon D. Pray, vice president and production manager of the Globe Knitting Works, of Grand Rapids, Mich.

Senator BUCK. You started your statement by saying 20 percent of your output was heavyweight underwear?

Mr. DEVEREUX. Yes.

Senator BUCK. Was that 20 percent of the national output?

Mr. DEVEREUX. Oh, no; of our output.

Senator BUCK. What do you make besides underwear?

Mr. DEVEREUX. We make some outerwear.

Senator BUCK. On the outerwear you are making a profit?

Mr. DEVEREUX. The outerwear prices are all shown in this list I have submitted.

Senator BUCK. There are only five or six you make any profit on at all?

Mr. DEVEREUX. That is correct.

Senator BUCK. That list is going to be placed in the record?

Mr. DEVEREUX. As I understand it.

Senator BUCK. What do you suggest be done with OPA?

Mr. DEVEREUX. That they give us real cost plus a reasonable profit.

Senator BUCK. You recommend it be done through legislation? Have you any suggested amendments?

Mr. DEVEREUX. No, sir.

Senator BANKHEAD. Have you given any consideration to the basis of figuring your profit?

Mr. DEVEREUX. Well, OPA has sent accountants into our firm time and again. We have just had them there. They have gone over our records. They did a beautiful job. The accountant told me he didn't see how we could possibly continue to exist under the present system.

Senator BUCK. Won't one of those House amendments that were passed yesterday take care of your case?

Mr. DEVEREUX. I think it would, sir; yes, sir.

Senator CARVILLE. You mentioned the black market. So far as your business is concerned, how does it enter into underwear?

Mr. DEVEREUX. In our own city I know if you bought a shirt you would pay about three times as much as we could furnish it to you if we are allowed to make a reasonable profit. I don't know how that happens. I suspect a good deal of that merchandise comes from mills that have reorganized under a new name, or have started business since 1942. They have been granted a reasonable price. These mills have just started up. The old-line mills are held back to the 1941-42 profits.

Senator BUCK. I am not quite sure I would have, in your case, gone along for 9 months at the loss you have sustained.

Mr. DEVEREUX. That is what is worrying me, gentlemen. That is why I am here.

Senator BUCK. How much longer are you going to do it?

Mr. DEVEREUX. We are going to do it just as long as we can.

Senator BUCK. Your capital is \$2,000,000 and you have already lost \$400,000?

Mr. DEVEREUX. No, about \$200,000.

Senator BUCK. \$200,000 in 9 months?

Mr. DEVEREUX. In 6 months.

Senator MILLIKIN. What is the answer of OPA to your predicament? What excuse do they give?

Mr. DEVEREUX. In this case they have changed the order, so that we had to prepare a new order. That order was submitted to their office—149 was submitted only the day before yesterday. How long it is going to take them to act on that, I don't know, but from my experience, I think it will be some time. And then when they do act on it that will only give us relief for 4 months. Then they have a right to review our case, and if they find we are making more money than they think proper, they can withdraw or cancel that order. That is the thing that hurts us so. They have given us—like this 137—they have given us relief, and then they pull it out from under us.

Senator BANKHEAD. Well, have they done that? Have they pulled any relief out from under you?

Mr. DEVEREUX. I beg your pardon?

Senator BANKHEAD. Have they withdrawn any relief?

Mr. DEVEREUX. Yes. They withdrew 137 which gave us a profit plus 4 percent. They left us with 175,000 pounds of wool top which is very hard to get.

Senator MILLIKIN. Did they contend your profit was unreasonable before they pulled that rug out from under you?

Mr. DEVEREUX. That letter just says it is not the type of order they care to issue; that it met an emergency. It may have met an emergency, but the emergency is going to be there next fall and people want heavyweight underwear.

Senator BANKHEAD. How long have you been applying to them for relief?

Mr. DEVEREUX. Well, 3 years.

Senator MILLIKIN. Have you made any money during any of those 3 years?

Mr. DEVEREUX. Yes, we made money on our war contracts. We made money up to July 1945. Then all our war contracts were terminated.

Senator MILLIKIN. But since that time you have lost money?

Mr. DEVEREUX. That is correct.

Senator BUCK. Perhaps they figure you made so much on your war contracts you had better lose a little.

Mr. DEVEREUX. That is their attitude.

Senator BUCK. Is that it?

Mr. DEVEREUX. That is their attitude. They want to limit us to the 1936-39 period when our earnings were less than 4 percent. But they forget our production has increased.

The CHAIRMAN. Did you make a very large profit during the war?

Mr. DEVEREUX. No, we didn't.

The CHAIRMAN. Larger than in peacetime?

Mr. DEVEREUX. In the year 1943. Not in the other years. After taxes we added not more than \$20,000 to our surplus.

Senator MILLIKIN. Have they said to you in effect that because you did make money during the war they are not going to permit you to make any money now, or is that your inference?

Mr. DEVEREUX. That is more or less my inference, although when they talked to the committee—our committee—in December about this new order which they are going to issue, 607, they said that you are not going to be allowed to make over 2 percent profit under any circumstances. We are going to limit you to that irrespective of what this order says.

Senator MILLIKIN. Is that 2 percent on an item, or 2 percent of your total turn-over, or 2 percent on what?

Mr. DEVEREUX. Entire production.

Senator MILLIKIN. For what period of time?

Mr. DEVEREUX. Until they choose to withdraw the order.

Senator MILLIKIN. Well, I am still a little confused about that. Two percent profit on something that you turn over 24 times a year is 48 percent profit. Are we talking about 2 percent profit a year or something else?

Mr. DEVEREUX. Two percent profit a year.

Senator MILLIKIN. Two percent profit a year.

Mr. DEVEREUX. On total production.

Senator MILLIKIN. On your total production.

Senator BANKHEAD. Is that based on sales—2 percent of your sales? They have got two bases, you know, one is sales, and the other is capital investment.

Mr. DEVEREUX. This order has not been issued. That is why I am a little uncertain myself.

Senator MILLIKIN. They have said to you you would not get more than 2 percent a year?

Mr. DEVEREUX. That is right.

Senator MILLIKIN. Net?

Mr. DEVEREUX. Net. And they don't allow us to add indirect labor costs.

Senator BUCK. Is that after taxes?

Mr. DEVEREUX. Before taxes.

Senator MILLIKIN. Before taxes?

Mr. DEVEREUX. OPA has never considered anything after taxes. It is always before taxes.

Senator MILLIKIN. Well, of course, that is confiscation.

The CHAIRMAN. We had better get the actual testimony about that.

Senator MILLIKIN. Mr. Chairman, I suggest we get someone up here from OPA and let's get into that. If correct, that is an example of perfect asininity in the administration of the OPA.

The CHAIRMAN. I have sent for someone from the OPA.

Senator MILLIKIN. I wish we had more Members of the Senate to hear that.

Senator BUCK. We will probably hear a lot more of it before we get through.

Mr. CHENEY. Mr. Chairman, my name is Roy A. Cheney, president of the Underwear Institute. We have occupied only half an hour of the allotted time, and inasmuch as our industry is divided into two great groups, those who sell to the wholesale trade and those who perform the functions of wholesalers and sell to the retail trade, we would like to have the committee hear Mr. Gordon D. Pray, vice president of the Globe Knitting Works, of Grand Rapids, Mich.

Senator MILLIKIN. Is Mr. Devereux going to be available when we get the OPA representative here?

Mr. CHENEY. If he is not, I will be here, sir.

STATEMENT OF GORDON D. PRAY, VICE PRESIDENT, GLOBE KNITTING WORKS, GRAND RAPIDS, MICH.

Mr. PRAY. Mr. Chairman and members of the committee, I am Gordon D. Pray.

The CHAIRMAN. Is Mr. Devereux here?

Mr. DEVEREUX. Yes, sir.

The CHAIRMAN. Stay here a little while, Mr. Devereux. A representative of the OPA will be here soon.

Mr. PRAY. As a matter of information and introduction for the record, I am vice president and production manager of the Globe Knitting Works, located in Grand Rapids, Mich.

I wish to give my hearty endorsement to the statement of Mr. Devereux. He has made an accurate and convincing analysis of the critical condition to which the OPA has brought the manufacture of underwear in this country. His statement, while it is applicable to the underwear industry as a whole, is especially applicable to the position of the mills of which his firm is an example, those mills doing a substantial wholesale business. I would like to supplement his analysis with a statement on behalf of the retail outlets, mills that also perform the functions of wholesalers, of which the Globe Knitting Works is characteristic.

Our business and our plant are versatile. It is possible for us to manufacture many different lines besides underwear, although we are

essentially an underwear mill and despite the fact that we would prefer to remain an underwear mill. Because of our potential versatility we will find a way to operate profitably; we will find a way to pay dividends to our stockholders, but it will not be through the manufacture of underwear unless relief is granted from the loss-enforcing orders of OPA.

Senator BUCK. What are you going to make if you do not make underwear?

Mr. PRAY. We can make sport garments, T-shirts, women's dresses, women's knitted gloves.

Senator BANKHEAD. Are they not likely to cut you off from materials for those nonessential things?

Mr. PRAY. Not to our knowledge, sir.

Senator BANKHEAD. You know they are doing it, do you not? They allocate material now.

Mr. PRAY. They could do it.

Senator BANKHEAD. According to the evidence, they have frozen material for making chenille bed-spreads because they want all the material for undergarments.

Mr. PRAY. Then we will have to find a way to make undergarments profitably, if that is the case. We have several directions in which we can go in changing our production. We have, for example, in our plan 46 lines of men's, boys', women's, and children's lightweight underwear, 250 different styles. A hundred and twenty, it so happens, show a loss. We have already, and will continue to channel our production through lines that are profitable to us, regardless of the need of that type of underwear. That, of course, would be our first step in changing our production. I might add to that, that that is a thing we have been forced to do for the past 2 years.

Senator BUCK. I do not understand that. On the more expensive grade of goods they permit you to make a profit?

Mr. PRAY. The more expensive grades of goods, according to the orders that have been issued by the Office of Price Administration in the past few years, seem to be completely taboo; and that is something that I would like to speak about in my presentation.

Senator BUCK. You can derive a profit from manufacturing a better grade of goods?

Mr. PRAY. Not necessarily. We not only cannot derive a profit, but we are excluded from relief as to better quality goods.

A ceiling price is placed on goods which are eligible for relief under orders. For example, OPA has said that a man's cotton union suit will receive relief providing the ceiling price goes no higher than \$10 a dozen. We have been making quality underwear in our factory for 49 years, and \$10 a dozen is a low-priced item for us.

I will say more about that a little later, sir.

The point I wish to emphasize is this, that by its current regulations OPA is penalizing not the Globe Knitting Works, but the public. It is not depriving my company of a profit, but it is depriving the public of underwear. The public is the loser, for it is obvious that we cannot continue to manufacture and sell underwear at less than it costs us to make it.

The CHAIRMAN. You say you are making a profit?

Mr. PRAY. Our over-all operation is at a profit; yes, sir.

Senator MILLIKIN. Did you customarily carry loss lines before the war?

Mr. PRAY. Yes, sir.

Senator MILLIKIN. Are you carrying more of them now than you did before?

Mr. PRAY. Yes, sir. At the moment, I would say by 10 to 1. I would not give you that figure as an accurate figure, however.

Senator BANKHEAD. What is your complaint? What are you here for? What is your objective?

Mr. PRAY. We want to make underwear, sir, and we want to be given prices that will enable us to make it.

Senator BANKHEAD. They are forcing you to make other things rather than underwear?

Mr. PRAY. No, sir; they are not forcing us to make other things.

Senator BANKHEAD. If you are making a profit, what is your complaint?

Mr. PRAY. We have had trouble with that point of view for some time, sir. Our business is to make a profit and we must continue to make a profit. We would like to make a profit making underwear; we would like to make a profit making all kinds of underwear which we have normally made during peacetime years, so that we can continue to supply our retailers with the type of merchandise they want from us and have expected from us. We cannot make a profit on all of the garments that our retailers want and the consumers need.

Senator MILLIKIN. Would not that be in the so-called low-price field?

Mr. PRAY. That is possible. At the present time it is a grouping above the low-price field, however, and is covering practically all of the essential numbers in the men's and boys' lines particularly.

Senator MILLIKIN. Would it be fair to say that if you had a better price on your lower-price garments you would make them, whereas if you did not get a better price you would have to stop making them? Is that the point?

Mr. PRAY. Yes, sir; and for two reasons.

Senator MILLIKIN. And the orders of the OPA are driving you into the higher-price field?

Mr. PRAY. The orders of OPA, up until this point, have driven us to the profitable field. It may be the higher-price field in one classification. Take men's athletic shirts. We do happen to have a profit on a \$6.75 shirt. That is one reason that you find so many dollar and dollar-and-a-half undershirts on the market.

Senator BANKHEAD. You mean, men's shirts?

Mr. PRAY. Yes, sir.

Senator BANKHEAD. What did those sell for before the war?

Mr. PRAY. At a dollar.

Senator BANKHEAD. And they have gone up to \$6.50? Price control is very effective.

Mr. PRAY. I mean, \$6.75 a dozen. I think I will bring out the points as we go into this.

The Globe Knitting Works and other mills will be forced increasingly to turn from the manufacture of underwear and concentrate on more profitable lines.

To illustrate OPA's insistence upon loss-producing underwear, an insistence which is forcing us now into other lines, let me read to you a recent exchange of telegrams between the Globe Knitting Works

and OPA. I think, by reading these telegrams, it will explain our position completely.

We sent this telegram on March 22, 1946, to Mr. Paul A. Porter, Administrator; George Baker, Deputy Administrator, and Chester Bowles, Director, OES [reading]:

There is no need of our telling you that there is a critical shortage of knitted underwear. Knitted underwear is our business. We are selling our lightweight underwear on our price list of October 20, 1941, and our winter-weight underwear on our price list of August 1, 1941. Since then our labor rates and costs of materials have increased by more than 40 percent.

The recent labor rates having been made with the approval of the Labor Board. [Continuing reading:]

A large volume of war production and the discontinuance of many high loss civilian underwear styles helped sustain our profit structure during the past few years. Now that we are back into civilian production, we should be doing everything possible toward relieving the existing underwear shortage. This we are unable to do under your regulations.

Every basic item in our men's and boys' underwear lines shows us a loss. A large portion of our women's and children's underwear are heavy loss numbers. Our latest increases in labor rates together with increased yarn costs will make it necessary to drop many of our basic lines unless relief is given immediately.

This explains some of our problems. [Continuing reading:]

Our price on men's lightweight cotton shorts is \$4.50 per dozen. We need a price of \$6.18 to just break even. Our price on men's lightweight cotton undershirts is \$3.40 per dozen. We need \$4.17 to break even.

Our price on men's lightweight cotton shorts—incidentally, that is the only one we now have left in the line. We have discontinued about eight in order to manufacture that classification at a profit, and we are down to the last one now. If we discontinue this number we are out of the men's shorts business.

The CHAIRMAN. Is there any answer to this telegram?

Mr. PRAY. Yes, sir; I have it and will read it, sir. I have not yet completed the reading of the telegram which we sent. [Reading further:]

Our price on men's lightweight unionsuits is \$13.50 per dozen.

I might add there that the ceiling for relief in this particular classification is \$10 a dozen. This is the only suit we have made for years.

Senator MILLIKIN. This is all cotton?

Mr. PRAY. Yes, sir. [Reading further:]

We need a price of \$16.71 to break even. Our price on our men's winter-weight cotton union suits is \$13.90. We need a price of \$19 to break even. Our price on winter-weight cotton shirts and drawers is \$6.54. We need a price of \$8.44 to break even. These comparisons show break-even prices with no profit considered.

These are but a few of the items on which we are in serious trouble. These are numbers that we should be producing in volume. These figures show clearly what a difficult position we are in.

Senator BUCK. Have you endeavored to get relief on those items?

Mr. PRAY. Yes, sir. This is the wire which we have sent to Mr. Bowles, Mr. Porter, and Mr. Baker.

Senator MILLIKIN. What is the date of that wire?

Mr. PRAY. March 22, 1946. [Reading further:]

One of your Washington auditors is in Grand Rapids working on our books at the present time and you can immediately verify these figures through him.

Our entire line was audited and the figures I have given you are in the Office of Price Administration. I might add that since 1942 we constantly had auditors in our building representing the Office of Price Administration and checking our books, and they have apparently been aware of the situation.

Senator MILLIKIN. Have they challenged your own presentations so far as costs are concerned?

Mr. PRAY. No, sir. [Continuing reading:]

We called on your office in January seeking relief. We were told you were working on a relief order for the industry that would be out in a week or two. We are still waiting for that order.

This telegram was dated March 22, 1946, and we are still waiting for that order. I might add, also, that in midsummer of 1945 we were also told that the order was forthcoming, and in September and October and November and December we were advised that an order on lightweight underwear was forthcoming.

Senator MILLIKIN. During that period of time did you continue to make those items?

Mr. PRAY. We set up a very ambitious production schedule in the last half of 1945, despite the fact that a large portion of that production was at a loss. We did so on the basis and on the assurance that a relief order would be forthcoming. Fortunately, in 1945 we were able to sustain a loss; we were able to produce merchandise that we cannot produce now because of further increases in costs of raw materials, further increases in costs of labor, in addition to the fact that we are not now manufacturing Government underwear.

Senator MILLIKIN. You said you set up an ambitious production schedule. I asked you if you made the goods.

Mr. PRAY. Yes, sir.

Senator MILLIKIN. You carried out the schedule?

Mr. PRAY. Yes, sir. [Continuing reading:]

You have given the cotton-yarn spinners increases of more than 40 percent on yarn prices and we are paying these increased prices but have received no relief to offset these higher costs. Our prices were set when our minimum wage was 33½ cents per hour. Our present minimum wage is 55 cents per hour and our average wages have increased accordingly. The Government has openly condemned wages of less than 55 cents an hour as substandard. OPA has granted increases to other industries for going to the 55-cent minimum but we are paying these higher wages with no price relief in return.

We have been in the underwear business 49 years. We are one of the largest and best equipped mills in the country. We were given the Army-Navy E award with three stars for outstanding war production. It is regrettable that a mill with our record is prevented from producing to capacity because of OPA's delay in working out relief for the underwear industry.

Senator MILLIKIN. At what percentage of capacity are you now working?

Mr. PRAY. I would say, about 65 percent.

Senator MILLIKIN. Could you get available labor to come up to the maximum?

Mr. PRAY. We have space and equipment for approximately 1,350 to 1,400 employees in our mill. That is what we employed before the war. We slipped down from year to year until we had 850 employees in August of 1945. That was due to the tremendous amount of heavy goods manufactured in the Michigan area during that time.

Senator MILLIKIN. Did that represent a loss in production per person?

Mr. PRAY. We have gained in dozens produced per employee, steadily, up until the present time.

Senator MILLIKIN. Let us get back to the other point.

Mr. PRAY. We went to 850 employees in August, Senator. We have stood still for about 3 months, and then our employment picked up and it has been going up until we now employ about 1,050.

Senator MILLIKIN. Can you get all the labor you need to run at capacity?

Mr. PRAY. I would not know that. We have gradually been increasing our production. What we will be able to do in a month or two I cannot say.

Senator MILLIKIN. Have you been increasing your pay roll?

Senator BANKHEAD. Is there anything holding production back or retarding it?

Mr. PRAY. At the present time the greatest difficulty we can see is the difficulty of being able to produce underwear at a profit.

Senator BUCK. Can you get raw material?

Mr. PRAY. As to our getting material for our present production, frankly, we are working hand to mouth. We have never operated with such low inventories of yarn, on our standard basic counts of yarn. That subject is a price problem also. I think that the yarn situation pricing problem also ties up with ours. [Continuing reading:]

OPA and OPA alone is responsible for our inability to produce greater quantities of civilian underwear. The urgency for immediate relief is self-evident. We need help now, not 2 or 3 months from now.

We have already reduced our production schedules on critically needed underwear by 33½ percent because of inadequate prices. We must further curtail production of all critically needed underwear items which under present regulations are now being produced at substantial losses. We will be forced to make these additional reductions in production unless we hear from you that adequate relief is immediately forthcoming.

That telegram was signed by R. W. Clements, president, Globe Knitting Works.

In answer to that wire to Porter, Baker, and Bowles we received a detailed reply from Mr. J. S. Lieberman, Jr., Price Executive, Apparel Branch, Office of Price Administration, reading as follows [reading]:

Your telegram of March 23, 1946, to Mr. Porter, with reference to price adjustments on underwear, has been referred to me for reply.

As you doubtless know, we have just issued Supplementary Order 154, providing a method of adjusting prices on certain specified underwear items. We expect to add to this order, in the near future, a number of garments formerly covered by Supplementary Order 137.

I will explain those orders later, gentlemen. [Continuing reading:]

So far as underwear is concerned, this order is interim in nature, pending the completion of an over-all 607-type of underwear regulation. Our accountants are completing collection of data basic to such a regulation, and we expect to have the summary of their findings upon which to start work within a week or 10 days.

We do not know just how soon this over-all underwear regulation can be completed. For your information, I am enclosing copies of Supplementary Orders 154, 149, and 133, which may be temporarily useful to you. As I have said, there will be early additions to Supplementary Order 154.

We shall make all possible haste with the 607-type of regulation.

Very truly yours,

J. S. LIEBERMAN, Jr.

Senator MILLIKIN. It boils down to the fact that he told you absolutely nothing?

Mr. PRAY. That is right.

The CHAIRMAN. Do you know what the orders are?

Mr. PRAY. Yes; I know the numbers of them. I will explain them to you.

Our problem in the past 2 years seems to have been a waiting policy that has been used—promise and wait, promise and wait; and by the time those promise-and-wait periods were over, the crisis was over. But, somehow or other, nothing has happened.

On April 11, 1946, we replied to Mr. Lieberman with the following telegram, a copy of which was sent to Mr. Porter [reading]:

Your letter of April 4 in answer to our telegram of March 23 has been received. You have suggested that we might be able to obtain relief from orders 154, 133, and 149. We have studied these orders carefully and find that they will be of slight help.

The new interim order 154 provides only partial relief.

Incidentally, that is the new interim order that has been talked about for the last 6 months. It was the very special order that was created to provide light-weight underwear. [Continuing reading:]

Out of 120 loss numbers, we have been able to apply for new prices on only 5 items. Of these five, three will still show sufficient losses to discourage production.

In other words, two items out of our entire line will receive relief under order 154.

Senator MILLIKIN. Would you mind reading that last sentence again, about loss items?

Mr. PRAY (reading):

The new interim order 154 provides only partial relief. Out of 120 loss numbers, we have been able to apply for new prices on only 5 items. Of these five, three will still show sufficient losses to discourage production.

Senator MILLIKIN. I do not quite get the point of that. Would you mind elaborating that?

Mr. PRAY. Order 154 provides that a manufacturer of certain limited types of underwear, men's underwear only incidentally, can receive 13 cents a pound, for example, for relief for the number of pounds of the yarn that is used in the underwear manufacture. It provides also that he can receive his increase in labor, direct labor, not overhead, not supervisory labor or anything of that sort. Therefore the increase is limited to a formula and is not based on your profit position before or after. We might have an item that we are making 10 percent profit on, and we can still get this increase and make 25 percent profit if such a thing were in our line today. But it has no relationship whatsoever to the profit on the item. It is a formula increase that you can take.

Does that explain it, sir?

Senator MILLIKIN. No; I am not sure that it does. You referred to 120 loss items?

Mr. PRAY. Yes.

Senator MILLIKIN. Is the point that this order would give you a chance only so far as five items are concerned?

Mr. PRAY. Yes. It is limited to such an extent that instead of helping us on our production, it helps us only on really two items.

Senator MILLIKIN. You start with five, and the limitations are such that it would apply only to two. So it comes down to 2 out of 120; is that right?

Mr. PRAY. Yes.

Senator BANKHEAD. If there were no OPA how many items would you produce?

Mr. PRAY. We would produce all numbers. We have felt all along, and we have tried hard to follow this policy, that during the war years we should continue to manufacture all of the merchandise that our regular trade usually expects of us. We want to be in business another 49 years, and another one after that, if we can.

The CHAIRMAN. Did you do well during the war? Did you make large profits?

Mr. PRAY. Our profits in the entire mill ranged around 9 percent before taxes. Our Government profits during the war years—I mean, our profits on Government underwear, Army and Navy—averaged slightly over and slightly under 4 percent. I might add that our books have been checked for 3 years by the Army price board, and those figures have been accepted.

Senator BANKHEAD. What were your profits after taxes?

Mr. PRAY. I cannot tell you exactly. I do not have those figures with me. But our 1945 operation, if I remember it correctly, was a total of 8.9 for our entire mill, and I believe that our profits were about 3.5 or perhaps 4. I do not have those figures with me, and I do not remember.

Senator MILLIKIN. After taxes?

Mr. PRAY. Yes. After taxes they broke down to about 3.5 to 4 percent.

In further explaining order 154 the telegram says:

154 allows recovery of only a part of the increased cost of yarn. Prior to OPA the Government pleaded with industry to hold down prices. We were willing and able to cooperate because of substantial inventories of low-priced materials. Consequently, when OPA froze our prices these prices were based on costs of materials far below the existing market. To illustrate this inequity, 154 allows a recovery of 13 cents on 1/30 combed peeler yarn. Actually, the increase in our cost of this yarn is 21 cents.

Senator MILLIKIN. Are you still talking about cotton?

Mr. PRAY. Cotton yarn; yes, sir. [Continuing reading:]

154 allows no recovery on increased costs of thread, elastic, buttons, facings, and other findings, nor does it allow for increased operating expenses other than direct labor. For example, on our men's shorts 9/32 we will receive under 154 a new maximum price, if they allow it, of \$5.58, whereas we need a price of \$6.18 to break even.

Senator MILLIKIN. Have you had any field conferences on this matter? Has anyone been to your mill and talked to you about it?

Mr. PRAY. The auditor is the last man that was in our mill. He left about 2 weeks ago.

Senator MILLIKIN. Have you been down to talk to them?

Mr. PRAY. I was down there in January.

Senator MILLIKIN. What did they say in answer to fact of the kind that you are developing?

Mr. PRAY. As far as the men that I have been able to contact, or, I should say, our mill has been able to contact, they have been men who are able only to mete out relief to us as such relief is written up in orders. I imagine that is true from Mr. Porter down.

Senator MILLIKIN. You do not know what the philosophy is for denying your plea?

Mr. PRAY. We cannot know, of course. [Continuing reading:]

The cost of elastic alone on this garment has increased 45 cents per dozen, and we receive no price relief whatsoever for this increased cost.

154 provides no relief whatsoever for boys', children's, or women's underwear.

I think you have all heard that boys, children, and women are also in need of light-weight underwear.

The CHAIRMAN. Did they recognize that it would be a loss to you? You discussed it with them, did you not?

Mr. PRAY. We prepared a set of figures, Senator, which would show our profit in each individual item in each classification and for the entire mill based on the way we wanted to produce underwear for the 1946 season. That production starts, incidentally, in November 1945. We showed individual profits and losses on each one of those numbers. We computed that on the basis of the volume which we felt we should produce of those items, the comparative volume. It so happens that that shows a 3 percent loss for our entire 1946 operation. Those figures were shown to OPA, but OPA has power to act only according to the regulations at that time in force.

Senator MILLIKIN. Mr. Chairman, I am interested in how sharply this problem was brought before OPA. Was it all by correspondence, or were you down here and did you bring it to the attention of someone who was in charge and had authority; or where does it rest with relation to someone in OPA who had the power to make a decision?

Mr. PRAY. Generally Mr. Cheney has been presenting the problems with regard to the industry for a great many months. Specifically, as far as we are concerned, I personally visited Mr. Boner, the head of the Knit Goods Division, and showed him these figures early in January and went over the entire situation with him. At that time they said:

We have no mechanics with which to deal out relief to your firm, no mechanical means to do so. However, you may rest assured that there will be an order out in a week or two which will give you relief on your light-weight underwear line.

And of course that is the thing I am talking about.

Senator MILLIKIN. But that has not materialized?

Mr. PRAY. That came out and that gave us relief on two numbers in our entire line.

The CHAIRMAN. We must not overlook the fact that we must protect the consumer, too.

Mr. PRAY. We must protect the consumer; we agree. We are not asking for complete release of OPA controls. We have always believed in OPA, in their controls. Frankly, we have lost faith in their ability to function. As far as we are concerned they have not acted promptly; they have not seemed to take a realistic attitude; they have given us the impression that they have not understood underwear production from the production standpoint.

Those are our opinions only, of course.

The CHAIRMAN. You would not want to see the OPA Act repealed, from the standpoint of the public interest, would you?

Mr. PRAY. We feel that from our own standpoint and from the standpoint of the public interest, if OPA were to allow us our actual costs plus a reasonable profit, two things would be accomplished.

We would, first, be able and willing and happy to produce our entire lines of underwear as they are needed by the consumer. We would be able to do that at a profit and, at the same time, the consumer would be able to obtain underwear which he is not able to do at the present time.

Senator BANKHEAD. How much difference in cost would it be to the consumer if all the mills could be operated as you desire?

Mr. PRAY. I could not answer that question as far as the entire industry is concerned.

Senator BANKHEAD. What about yours? What would be the average increase to the consumer?

Mr. PRAY. In our particular operation we show on this production plan a loss of 3 percent of our selling price.

Senator BANKHEAD. On the entire output?

Mr. PRAY. On the entire output, on a weighted average, based on desirable production from the consumer's standpoint. We show a loss of 3 percent now. We would have to make up that loss and be accorded a reasonable profit.

Senator BANKHEAD. Three percent between your gross receipts and your gross costs?

Mr. PRAY. Yes, sir. I might say that during the very difficult years in the textile industry—they were not inflationary by any means, referring to 1936 to 1939—our particular mill was making 7½ percent net profit before taxes.

Senator BANKHEAD. That is not a desirable basis to take, 1936 to 1939.

Mr. PRAY. No; it was not good. In fact, as far as the textile industry is concerned—I am giving a personal opinion again—I think you will find in checking this history that actually the textile industry in our field, at least, is too big for the needs of the Nation. Actually it has been a highly competitive industry. All the way through it has been highly competitive, and it was highly competitive in the 1936 to 1939 period. I think we showed a very favorable profit as compared with the industry.

Senator MILLIKIN. What is the customary mark-up? Let us take a cotton athletic undershirt. What is the retail price?

Mr. PRAY. We have in the past 15 years attempted to obtain a 10-percent profit on our underwear operation.

Senator MILLIKIN. You sell them for how much a dozen?

Mr. PRAY. Our line bases on our original selling price of undershirts. For example, we have a shirt at \$3.50 a dozen. Another one at \$6.75 a dozen.

Senator MILLIKIN. What does the retailer sell it for?

Mr. PRAY. Fifty cents.

Senator MILLIKIN. Do you work through distributors?

Mr. PRAY. No; we sell direct to the retail trade.

Senator MILLIKIN. That is the customary additional mark-up in the business?

Mr. PRAY. Yes.

Senator BANKHEAD. Do you allow about 100 percent to the retailer?

Mr. PRAY. No. The retailer, in our type of merchandise—this is prior to regulation 580—sold our goods for approximately 40 percent of the retail price.

Senator BANKHEAD. You said you sold them at 25 cents to the retailer, and the retailer sold them at 50 cents. That is a hundred percent.

Mr. PRAY. I am sorry. I misunderstood the question. He sold them for 50 cents; that is right.

Senator BANKHEAD. What did he pay for them?

Mr. PRAY. He paid \$3.50 a dozen.

Senator BANKHEAD. And he sold them at \$6?

Mr. PRAY. Yes, sir.

Senator BANKHEAD. That is nearly a hundred percent.

Mr. PRAY. Ordinarily the mark-up of our merchandise has been approximately 40 to 42 percent of the selling price of the merchandise. That has been pretty standard. There have been some exceptions to it, of course.

Senator BANKHEAD. What is the spread between the mill, the wholesaler and the retailer?

Mr. PRAY. I cannot speak for the wholesaler, Senator. Maybe Mr. Cheney can.

Senator BANKHEAD. You do not know anything about the customs in the trade?

Mr. PRAY. As far as wholesale mills are concerned, I am not acquainted with their profit or marginal structure. I think Mr. Cheney could perhaps answer that better than I can.

Senator BANKHEAD. The thing that I am trying to get information on is this. Mr. Bowles and others continue to talk about the high price of cotton. According to my information, the retailers and wholesalers get practically 80 percent of the consumer's dollar; 15 percent goes for other purposes, and the farmer gets about 10 percent. Is not that about right? You are familiar enough with your trade and business to know what the distribution is.

Mr. PRAY. In our merchandise I would say, as an average, that our cost of materials is approximately 40 percent of the total cost of our goods.

Senator BANKHEAD. Forty percent of what?

Mr. PRAY. Of the price at which we sell our merchandise to the retailer. We manufacture, Senator, the actual stock—in these days we are not carrying much—which the retailer orders. We have no middlemen's set-up in our particular organization. We do not manufacture to sell to a jobber who releases to the trade. We sell our merchandise directly to Marshall Field, Altman's, and to the rest of the trade that buys our merchandise.

Senator BANKHEAD. You did not get my question. I am trying to find out what percentage of the consumer's dollar you get, for instance.

Mr. PRAY. That we receive?

Senator BANKHEAD. Yes.

Mr. PRAY. We receive approximately 58 percent of the consumer's dollar—58 to 60 percent normally.

Senator BANKHEAD. What does the retailer get? He gets a hundred percent of what you charge?

Mr. PRAY. Based on 100 percent selling price of the retailer, we in turn receive back from the retailer from 58 to 60 percent of the selling price.

Senator BANKHEAD. And the retailer gets what percent?

Mr. PRAY. He would get from 40 to 42 percent of that.

Senator BANKHEAD. That makes about 80 percent, as was stated a while ago. There is less than 20 percent all along the line from the farmer to the retail merchant. And still some people insist that the high price of cotton affects the scarcity of cotton goods, when the price going to the farmer, out of the entire sum, is almost negligible.

Mr. PRAY. It is a small amount; yes.

Senator BANKHEAD. When you get down to the increase in the price of cotton, it is practically nothing, and still Mr. Bowles got jittery about it and went into the field of trying to regulate the exchanges on account of the increase of 3 or 4 cents a pound in cotton.

Mr. PRAY. If the spinners and manufacturers were allowed a reasonable profit on spinning and processing yarn, and then we were in turn allowed a reasonable profit in manufacturing that yarn and converting it into materials and into underwear, the cost would still be away up.

Senator BANKHEAD. What is your principal garment?

Mr. PRAY. You mean, the type of cotton we use?

Senator BANKHEAD. No; I mean the quality.

Mr. PRAY. In our leading type of garment, in our shirts, for example, we use a total of 2½ pounds of combed cotton. That is our biggest item in our men's line.

Senator BANKHEAD. If cotton increased 3 cents a pound, what would you sell the shirts for?

Mr. PRAY. That does not include the additional processing costs.

Senator BANKHEAD. No; I know. I want to see what effect the increase in the price of cotton would have.

Mr. PRAY. It would represent approximately 4½ to 5 cents per dozen in our selling price. Everything I am talking about is in dozens. You have to divide it by 12.

Senator BANKHEAD. That would make it about a half cent more per garment?

Mr. PRAY. Yes, sir.

Senator BANKHEAD. Still we hear all this clamor, which is creating friction, about the increase in cost of the raw material on which all the textile business is based.

Senator MILLIKIN. I would like to ask the witness a question. As I figure it, you are selling a cotton undershirt for 29 cents and the retailer gets 50 cents?

Mr. PRAY. Yes.

Senator MILLIKIN. If you got what you say you should have, to get cost plus a fair profit, how much would you sell that shirt for?

Mr. PRAY. If we sold it for \$4.16 a dozen, a 10-percent profit would be approximately \$4.50 a dozen.

Senator MILLIKIN. If you got what you want for this shirt you would get \$4.16 a dozen?

Mr. PRAY. Plus a profit. We will assume that 40 cents would be a 10-percent profit. That is \$4.50 a dozen.

Senator MILLIKIN. If you had a dollar increase it would be about 8 cents per item?

Mr. PRAY. That is right.

Senator MILLIKIN. That would make the cost per item 37 cents, and the retailer would sell it for what, under the customary mark-up?

Mr. PRAY. Under the customary mark-up he would sell that garment for about 65 cents.

Senator MILLIKIN. So that would represent a total increase to the consumer of 15 cents per garment?

Mr. PRAY. Yes, sir.

Senator BANKHEAD. What sort of shirt are you talking about—undershirts?

Mr. PRAY. Yes, sir. If I may resume the reading of the letter:

We have manufactured better quality underwear at medium prices for 49 years and have built up one of the largest and best-equipped mills in the country. The patronage of our customers in normal times should be proof of the demand for this better merchandise.

The CHAIRMAN. From what you have said so far, you are doing pretty well in your line of business. I do not see why you should complain.

Mr. PRAY. Are you talking about our prices and profits?

The CHAIRMAN. Yes.

Mr. PRAY. OPA has talked about our vast profits in the last year or two, the profits of the entire underwear industry.

The CHAIRMAN. I am thinking of the consumer in connection with it.

Mr. PRAY. Our profits have been made at the expense of the consumer, Mr. Chairman. We are going to continue to make them, because we feel that we are good businessmen and we want to make those profits in making the kind of underwear that the trade and the consumer want. We have made those profits, frankly, at the expense of the consumer, and we will have to continue that same policy.

The CHAIRMAN. You can understand why the consumers throughout the country are for the continuance of OPA. They think it gives them some protection.

Mr. PRAY. Yes. [Continuing reading:]

154, like so many other regulations, places a ceiling or a cut-off price, above which relief is not available.

On men's shorts \$6 is the top; on shirts \$4 is the top. [Continuing reading:]

Such a cut-off leaves most of our items out of consideration. Why are we as manufacturers of quality underwear not entitled to the same relief as are those manufacturers of lower quality goods?

We are staying in our field. We want to stay there. We should not have to go out of it.

Further answering Mr. Lieberman's letter, we stated as follows:

You have suggested that 149 might be useful to us. This regulation is discriminatory and can be used only by a few mills whose production is 85 percent winter underwear. The fact that we make substantial quantities of lightweight underwear in addition to heavy weight underwear denies us any relief under this regulation.

I think Mr. Lieberman probably knew that when he sent it to us.

The CHAIRMAN. Mr. Lieberman, will you come up here? Some of the Senators will undoubtedly want to ask you some questions.

(Mr. Jerome S. Lieberman, Jr., Price Executive, Apparel Branch, OPA, took a seat at the committee table.)

Mr. PRAY. I had just stated that 85 percent of winter underwear production was fixed under regulations which Mr. Lieberman recom-

mended, and we think it would be of no value to us. [Continuing reading:]

You have recommended regulation 133. This is a regulation for failing businesses.

We do not want to be put into that position. I am almost afraid to say this, considering the ladies at the press table, but we have a nylon hosiery division. [Continuing reading:]

We have been able to maintain a profit in our hosiery division and on some numbers in our underwear lines, but OPA prices have forced us to withhold production on a substantial volume of needed underwear. Therefore, in order to protect our profit structure, our production of vitally needed underwear will continue to be curtailed until OPA provides relief on such items.

You have indicated that a new "over all" regulation for underwear is in process. However, you did not know how long it would take for this regulation to be completed. This information is not encouraging as it holds no promise for early relief.

Based on past history, this promise did not substantiate in our mind any feeling that we would get something quickly on it. [Continuing reading:]

As previously stated, our need for relief is immediate, and our current production plans must be developed accordingly. Consequently, we are again reducing our schedules on our loss numbers.

This was just a short time ago. [Continuing reading:]

We need an order immediately, one similar to 137, providing a simple pricing formula for all loss numbers in all of our lightweight and heavyweight lines.

I would like to repeat: A simple pricing formula. The average formula we have had in the past has always been very confusing. [Continuing reading:]

Such an order to allow us our actual present day costs with a reasonable profit. Immediate price relief is the only method by which OPA can assure consumers sufficient underwear for their 1946 needs.

That is the end of my presentation. Thank you.

Senator MILLIKIN. I would like to ask the gentleman who just came in: Are you familiar with this case?

Mr. LIEBERMAN. With Mr. Pray's case specifically? I do not know the precise details.

Senator MILLIKIN. Why do you not give them cost plus a reasonable profit, assuming that you do not?

Mr. LIEBERMAN. I think that in the letter written to Mr. Pray we indicated the immediate means of relief which were available to him. We said, for example, that SO 133 was an order for failing businesses. However, it also could be used as a stopgap measure to see that he did not suffer loss pending the completion of the orders which we would draw for the industry as a whole. We were also, as indicated in the letter, working on an order to include other items in SO 154 which will cover heavyweight items and some additional lightweight items. But that does take some time. I have, however, a draft of the order with me. It has to be retyped and cleared, and we expect to issue it within the next week.

Senator MILLIKIN. Are you in position to say what that will do?

Mr. LIEBERMAN. There may be some slight changes in the items themselves.

Senator MILLIKIN. Will you listen to this carefully, Mr. Pray, to see whether or not it means anything?

Mr. PRAY. I will, sir.

Mr. LIEBERMAN. The principal addition to the order will be boys' athletic shirts with a cut-off of three and a quarter; and there may be some changes in the cut-offs by some slight amount. Men's briefs up to four and a quarter. Boys' briefs three and a quarter. Men's shirts with sleeves, under 6 pounds, \$4.75 per dozen. That cut-off may well be changed. Then men's union suits, 9 pounds and over, with no cut-off. We did not deem it necessary to supply cut-offs in the heavyweight items. Boys' union suits, finished weight of 7 pounds and over. Men's drawers and shirts with sleeves, 6 pounds and over. Boys' drawers and shirts with sleeves, 5 pounds and over.

In addition to that there are, with cut-offs, children's waist suits, 3 pounds and over; children's union suits, 6 pounds and over, both with cut-offs, at \$7.50. Children's sleepers, 5 pounds and over, a cut-off of \$9.

Senator MILLIKIN. Does that do you any good, Mr. Pray?

Mr. PRAY. I would like to answer that several different ways.

In regard to the lightweight underwear, on 154 as such we receive relief on two items. I do not say we have received that relief; we have not received it yet. We will receive it on the 25th of April if it is accepted. We should have been manufacturing lightweight underwear in November of 1945. We have lost our November, December, January, February, and March production. We have lost that time in which we could go out looking for yarns.

Senator MILLIKIN. What do you say, Mr. Lieberman, as to the reason for that delay?

Mr. LIEBERMAN. The sharpest part of the increase, of course, has occurred with the recent cotton increase, the recent yarn increases. It was difficult for us to pick out the items which were in a loss position for the industry as a whole at that time, that is, the lightweight items, because our study had shown that the lightweight items for the industry as a whole, that is, all lightweight items taken together, were in a profitable position, that the industry could make lightweight items on a profitable basis.

Then we culled through the items and picked out those individual items, certain types of garments, such as athletic shirts, which were not in a profitable position, and we intended to issue an order to cover those.

One delay occurred because one of the proposals—and I will accept responsibility for this—which was made was not in accordance with our standards. In other words, by making that type of relief available to this industry we would have had to make it available to every industry, and it would have raised prices generally too much. We had to go back, and in the meantime these other yarn increases came about, with increased labor costs, as well. So we redevise a method to return to the industry on these loss items a more liberal form of relief for those particular items due to the increase that had occurred meanwhile, and with the changed picture of raw materials and labor I would say that added a great deal to our difficulty in arriving at a means of relief.

Senator MILLIKIN. That indicates to me that you never can catch up with the requirements of the industry. These things are always in a state of flux, are they not?

Mr. LIEBERMAN. We feel that with this new type order it will be easy for us to keep abreast of the current situation, because we allow the manufacturer to figure his own labor increase; that is, he makes the calculations himself on the basis of the changes that have occurred since March 1942, and the present time.

Senator MILLIKIN. You manufacture your stuff for the future season when?

Mr. PRAY. We start off in November of the preceding year to manufacture our lightweight underwear.

Senator MILLIKIN. Do you run on a seasonal basis or a continuous basis?

Mr. PRAY. I would like to explain it this way.

We have about 250 different knitting machines in our mill, of various sizes and cuts. We must operate all of the various types of those knitting machines 12 months a year in order to produce the volume what our mill is set up for. We cannot stop making winter underwear in December and wait until May or June. We have to manufacture all the year round. The same thing in lightweight goods. That is in order to produce as much as we can out of that mill. Otherwise we lose the facilities of the mill.

Senator MILLIKIN. As I get the gist of what you said, this delay occurred because you did not know exactly what kind of an order to make?

Mr. LIEBERMAN. Yes, sir.

Senator MILLIKIN. And all those months of production have been lost, to the extent that the production has been lost, because of lack of order. Is that correct?

Mr. LIEBERMAN. The way you put it, I believe it is to the extent—

Senator MILLIKIN. I do not want to assume my case. To the extent that manufacturers have not made these items, because they could not make them at a profit or could not avoid a loss to that extent. That great loss in production has been going on all of these months because you folks could not agree on the type of order to put out. Is that correct?

Mr. LIEBERMAN. I should think that the question of which yarns go into which items and which items are profitable is still up to the mill to decide; and I doubt that any mill would claim that all items are in a loss position.

Senator MILLIKIN. No; there is no claim of that kind here.

Mr. PRAY. There is a claim, however, that OPA believes they know which items are in the loss position. Our feeling is that this thing is so big and is such a big problem that I believe it is too hard to handle for any one group of men.

Senator MILLIKIN. Does it not come to this, that they no sooner catch up with one crisis, after a long while, than they are in the middle of another crisis?

Mr. PRAY. That is our experience. It takes at least 3 months from the time we start the yarn going into our knitting department until we get it cut and into the dye house, to get the finished product. We allow it to condition, and then we have got to put it through from 15 to 25 different manufacturing processes, and it takes us, at a minimum, 3 months to do that.

The CHAIRMAN. What is your answer with reference to that delay? That sounds unreasonable.

Mr. LIEBERMAN. I would say that there was no delay in production, from the figures which we have been able to see. Athletic shirts, which are one of the items complained of most, increased sharply in production beginning in October. If I am not mistaken, the increase ran in the neighborhood of 150 to 250 percent in production. That is what the month-by-month figures show, even though the industry was awaiting this order.

The CHAIRMAN. Your answer is that it did not delay them?

Mr. LIEBERMAN. The only delay that would have occurred because of the price impediment would be the delay in shipment. But, according to the figures, production did increase substantially.

Senator MILLIKIN. Was not that due to the fact that these people had war orders, and hence all of their peacetime lines showed, for a period at least, an increase in production?

Mr. LIEBERMAN. Yes; I think that had a great deal to do with it.

Senator MILLIKIN. So we have got to find a basis of comparison other than the lack of basis that is implicit in your answer.

Mr. LIEBERMAN. The only thing is that no yarn lay idle during this period. At least we have heard of no such condition, because I do not think anyone contends that it did. In other words, all the yarn that was available was knit.

Senator CARVILLE. As I understood Mr. Pray, they could make money on those athletic shirts.

Mr. LIEBERMAN. I started with athletic shirts because that was the item as to which they complained they could not make money.

Senator CARVILLE. Maybe I misunderstood it.

Mr. PRAY. Our combed cotton athletic shirt is made at a loss. Our mercerized shirt is made at a profit.

I would like to ask this question. We will assume that athletic shirt production nationally is up. I do not know whether it is or not; but even though it is, why should the Globe Knitting Works, which has been supplying a regular number of customers over a period of all the way from 5 to 40 years, because of that, be prohibited from manufacturing athletic shirts at a profit?

I would also like to ask this question. How can it be determined that there is not a loss position in boys' or men's athletic shirts anywhere in the country because of that production, when actually we have two numbers in our line right now that are at a loss; and why should we be discriminated against? Why should we not be allowed a profit if a mill that makes a poor grade of undershirt on a greater volume of business is allowed a profit? Also, why, again, on these garments that are being added to 154, despite the fact that they are being added to that line, I notice that the cut-off price is below the price of our one and only boys' shirts.

The CHAIRMAN. I do not know the answer to that. You will have to ask Mr. Lieberman.

Mr. LIEBERMAN. The idea of 154, in this period of marked yarn shortage, when there is just not enough material to go around, is to make sure, first, that the yarn available goes into the low- and medium-price field; and that is why we have used cut-off prices on these items and provided relief there.

Senator MILLIKIN. What do you mean by cut-off prices?

Mr. LIEBERMAN. By cut-off prices I mean up to which the adjustment permitted under this order applies.

Senator MILLIKIN. A self-imposed ceiling?

Mr. LIEBERMAN. Yes, sir.

Mr. PRAY. The boys whose mothers buy their briefs at Marshall Field's, Mandel Bros., Lord & Taylor's, Saks Fifth Avenue, and Altman's, are going to be just as bare if they do not get underwear as the boys whose mothers buy cheaper underwear.

Mr. LIEBERMAN. It is also true that according to the figures we have, they cover from about 75 to 90 percent of the normal production of these items. In other words, the bulk of the brief lines are covered. As a rule, I would say that the price differences; that is, in terms of cents per garment, are not too great.

Senator MILLIKIN. But it is unrealistic, is it not, because you have not got a normal demand situation?

Mr. LIEBERMAN. I guess I was misunderstood. I meant that our cut-off points are at prices which cover the price lines at which these garments were produced normally.

Senator MILLIKIN. But you are not contending that there is sufficient production at the present time?

Mr. LIEBERMAN. No, sir. My statement was not directed toward that. It was directed at the point that the relief provided has provided for from 75 to 90 percent of the price lines which normally were used for those items.

Senator MILLIKIN. Is that a fair basis of considering the rise in the costs of all kinds?

Mr. LIEBERMAN. That is a starting point. To that may be added the increases in labor and material costs.

Senator CARVILLE. There has been testimony here that these prices are so made that they do not include the taxes. I suppose that is real estate, personal, and income taxes. Do you consider the tax situation in setting prices?

Mr. LIEBERMAN. No, sir. I do not know what is meant by the tax.

Senator CARVILLE. What did you mean by the tax?

Mr. PRAY. That was Mr. Devereux's statement.

Senator MILLIKIN. The gist of that, as I got it, is that before taxes the over-all profit of the company is 8 percent a year. After taxes it is 3 percent.

Senator BUCK. Mr. Lieberman, do you have the final say on fixing prices for companies such as this one that is represented here today?

Mr. LIEBERMAN. No, sir.

Senator BUCK. Are you the one he has appealed to in the past?

Mr. LIEBERMAN. I think Mr. Pray has spoken to Mr. Boner, rather than to me.

Mr. PRAY. I have spoken to Mr. Boner.

Senator BUCK. Is he present?

Mr. LIEBERMAN. No, sir. I am Mr. Boner's superior, but my actions must be cleared by the Division and by Mr. Baker, the Deputy Administrator for Price.

Senator BUCK. You just about have the final say; if you O. K. it, it goes through, does it not?

Mr. LIEBERMAN. Not necessarily. It has happened that it has not.

Senator BUCK. Sometimes?

Mr. LIEBERMAN. Yes.

Senator BUCK. How big a company is your company, Mr. Pray?

Mr. PRAY. Two million dollars today. It was \$5,000,000 last year and 5½ million dollars the year before.

Senator BUCK. So that you can write the death sentence of this company, allow it to make a little money, or put it into the hole, can you not?

Mr. LIEBERMAN. No, sir.

Senator BUCK. Who has the final say as to whether they make a profit or not?

Mr. LIEBERMAN. Mr. Porter has the final say. All of our actions are done on the basis of the policy that is set forth.

Senator BUCK. Do you believe in the profit system?

Mr. LIEBERMAN. Of course.

Senator BUCK. You do?

Mr. LIEBERMAN. Yes, sir.

Senator BUCK. What is your experience in this line?

Mr. LIEBERMAN. I have no experience in the underwear line. Before coming to OPA I was in Wall Street.

Senator BUCK. In the brokerage business?

Mr. LIEBERMAN. Yes.

Senator BUCK. Yet you are fixing prices down here on underwear?

Mr. LIEBERMAN. I alone am not fixing prices on underwear. The men in our section, consultants, and men from the industry whom we call in at meetings and discuss these matters—we, plus the policy-making officials, fix the prices.

Mr. CHENEY. May I make an observation?

The CHAIRMAN. All right.

Mr. CHENEY. I cannot recall a single recommendation made by the underwear industry committee to the Office of Price Administration which has been followed. I do know that we have given them four or five consultants to advise them on how to price underwear. Three of them resigned in disgust, and one died. The man who is there now, it is my impression, is having a continual lot of trouble in having them listen to his recommendations. I think they are mostly disregarded.

When you come to the production of lightweight shirts, or the production of any other underwear, as you who have been in business or connected with it know, you have a plant employing from a hundred, in some instances, to three or four thousand people. You have got to keep that plant operating. You are responsible to the board of directors. You have some feeling for your employees.

The OPA promised last October, after the people of the country had been advised why they could not get underwear, that we would have immediate relief. Our people, because of the burden of running their plants and because of those promises, continued their operations. The order came out, No. 139, and it was not the type of order which our advisory committee recommended.

This order 154, of which we have heard, purported to take care of only four types of underwear, lightweight union suits, athletic shirts or drawers and midlengths, they call them in the trade—

Senator MILLIKIN. What is that?

Mr. CHENEY. A short knitted garment that comes down to just above the knee. Even though a large number of mills producing, I would say, 80 percent of the men's briefs, of the type made by Coopers, Inc., for example, and known as jockey shorts, have been to the Office of Price Administration asking for relief, and no relief was given. This is a man's knitted brief which comes down just about covering the thigh.

I do not think the type of people who are supposed to make the policies have the time to go into these industries, the multiple number of industries under control by OPA. It seeps down until it gets to men like Mr. Lieberman, who has been in Wall Street; Mr. Boner, who was an economist—I think, an instructor in economics at some small college west of the Mississippi—I have forgotten where it is; a man who is also qualified as an economist; and two or three young lawyers—

The CHAIRMAN. That sounds like quite a long story.

Senator MILLIKIN. I would like to hear this story.

Mr. CHENEY. There are five levels of OPA that come into the Knit Goods sections. That means a price executive there, plus an economist, plus a lawyer, must agree that an order is correct. If they approve, it goes from that level to Mr. Lieberman's level. He, the price executive, his economist, and his lawyer must approve and agree. Then I understand it moves to a higher level, and the economist and the price executive and the lawyer there must agree, and it goes up five levels to the Director. If any one of those 15 men on those five levels disagree, it has to come down to the bottom. They have all got to agree. So there are interminable delays.

Senator MILLIKIN. Is that a correct statement of the thing?

Mr. LIEBERMAN. No, sir. I think it is exaggerated.

Senator MILLIKIN. Go ahead.

Mr. CHENEY. That is my belief and my information. I am wondering why, when this light-weight order 154 was issued, these items were not included. They are now being included several weeks later.

I am wondering also if these new additions to order 154 will permit a mill to include indirect labor as well as direct labor costs. Under the Wage and Hour Administration even the elevator operator in a building which rents space to tenants who are engaged in interstate commerce is considered in interstate commerce and therefore subject to the benefits of that law.

Why is not indirect labor in our mills given the benefit of that same principle? But, no; it is only direct labor that can be computed in our costs.

You have heard Mr. Devereaux's statement. He is in an over-all loss position. Before I came here another mill, the largest one in the United States, showed me their sheets, like Mr. Devereaux's; and that mill is in an over-all loss position.

Thank you, Mr. Chairman.

Senator MILLIKIN. What do you say to that, Mr. Lieberman? What have you to say with reference to the five escalators, up and down?

Mr. LIEBERMAN. It is not a fact, as Mr. Cheney states, that 15 people have to agree at different levels. The facts are worked up in the section by, as a rule, the section head and the men working with him. Then one lawyer and myself pass on it, and from then on, if our

facts are right, it is usually checked only for policy at the higher levels to see that it agrees with the general policy.

Senator MILLIKIN. How many levels?

Mr. LIEBERMAN. The Division level, the Deputy Administrator's office; and the Deputy Administrator's office ordinarily has merely a formal approval.

Senator BUCK. I do not see how your experience as a broker qualifies you to fix prices. That is one of your duties, is it not?

Mr. LIEBERMAN. My duty was to look into other people's business down there as it was here. If you mean, do I know the underwear industry from having worked in it, I do not. I think no one man in this job has ever had enough experience in all the industries that are covered, to be able to do that.

Senator BUCK. I do not mean that, but I think somebody that had had some association or connection with the industry during his business experience could have better fixed prices.

Mr. LIEBERMAN. The way it works is that the facts are collected in the section from consultations with the industry, that is advice from the industry, so that it is the industry's responsibility in a sense to supply us with the facts which will make our regulations apply to their industry. The general regulations in essence state that the prices are determined as they have been determined in the past by the industry.

Senator BUCK. Is there anybody in this branch of OPA who has had experience in the textile business?

Mr. LIEBERMAN. In the entire branch, or the underwear section? In the branch; yes. In the underwear section we do not have any men who have had experience in the knit underwear business. Our paid employees have not had experience in the business, but we have a consultant who is in the underwear business; and of course we call upon members of the industry themselves to provide us with information.

It has been impossible to get men in each of the industries to become paid employees of the agency. In that one branch alone I would say conservatively there are 50 to 75 different industries represented. I do not have that many employees including stenographers.

Senator BUCK. I am quite sure that if called upon they would be glad to furnish some capable men to sit in with the OPA and try to work these things out.

Mr. LIEBERMAN. That has not been our experience, sir.

Senator BUCK. You mean, it has not been the policy of the agency?

Mr. LIEBERMAN. We have been most anxious to get people from industry and have asked them repeatedly to come down.

Senator MILLIKIN. The testimony is that when they come and advise you, you pay no attention to the advice.

Mr. LIEBERMAN. I had hoped that we would not get on to that subject. I think that is generally quite true in this instance, and it is true because the recommendations made by this group to us have been so completely ridiculous in terms of price control that it was obviously impossible for us to follow them. It was further known by the people who made the regulation, because they had had a great deal of experience in dealing with them that that was the case.

Senator MILLIKIN. Did they ask for anything other than cost plus a reasonable profit?

Mr. LIEBERMAN. I remember one meeting when the position taken was that what we want is a 15-percent increase. No facts, no figures. When the policy was explained—which was well known, anyway—when we had discussed the matter further, it ended with the flat statement, “We want a 15-percent increase.”

Senator MILLIKIN. Taking all of the cases before you, if it came to a 15-percent increase in order to get production, what would be your viewpoint toward that?

Mr. LIEBERMAN. I would consider that we would be well on the way to inflation. I may have misunderstood your question.

Senator MILLIKIN. As I got your point, they came in and, without any supporting data, asked for a 15-percent increase. Is that correct?

Mr. LIEBERMAN. Yes, sir.

Senator MILLIKIN. I assume they asked for it because, out of their own experience, they figured that a 15-percent increase was necessary to get production. I assume that.

The CHAIRMAN. That would be a pretty large increase.

Senator MILLIKIN. I am not competent to judge. I am taking it just as he stated it. If that kind of an increase is necessary, considering the individual cases in the industry; if the individual cases in the industry bring you to that conclusion, how are you going to get production unless you give them the increase?

Mr. LIEBERMAN. If I understand you correctly, if a 15-percent increase is required to run the industry as a whole—

Senator MILLIKIN. Make it “X” increase.

Mr. LIEBERMAN. If “X” increase is required to run the industry as a whole, we would give them that increase under the law. There is no argument or discussion about it.

Mr. PRAY. I would like to observe that the price we need on men’s shorts—and we all know that many men need shorts badly—is \$6.18 a dozen to break even only. The reason for that is that our costs of labor have gone up, as authorized by the Labor Board; our costs of materials that go into the garments have gone up, as authorized by the Office of Price Administration. We will need a 36-percent increase to break even.

Senator MILLIKIN. What is your answer to that?

Mr. LIEBERMAN. If Globe is a high-cost mill, and I believe that is the case, then as a marginal producer it still has available to it the relief provided by SO 133, which at least allows them to break even.

Senator BUCK. That is a big incentive for anybody to put goods out to the public!

Mr. PRAY. We are not that type of businessmen.

Mr. LIEBERMAN. I say, if it is a high-cost mill, which I think is the case.

Senator MILLIKIN. Do you not have to get high-cost mills, medium-cost mills, and low-cost mills to operate if you want to get this production? Do you not have to adopt policies that may be tailored to those different categories and which must be tailored to them in a way that will get production? Can you exclude one of those categories and get that production?

Mr. LIEBERMAN. We do not attempt to exclude them.

Senator MILLIKIN. The testimony is to that effect—or I have misconceived the whole force of it. The gentleman has just testified that he has got to have a 36-percent increase to produce a certain line of goods which we need badly. How could you meet his problem?

Mr. LIEBERMAN. I say, first, if his position is that bad, because his costs are away out of line, he has available to him immediately the SO 133 type of relief which allows him to break even.

Senator MILLIKIN. But, as Senator Buck has pointed out, there is no incentive to produce involved in that.

What relief will this proposed order give you folks?

Mr. PRAY. Up until today, order 154 has given us a loss of 56 cents on these men's drawers, an actual loss. The OPA auditor has already checked that. It still is no incentive. On the new numbers that are added we will not be able, in men's or boys' lightweight underwear, to apply for relief for one number, additionally to the two we have that show a reasonable profit. We have been excluded and discriminated against on every one of these cut-off prices.

Senator MILLIKIN. So, this order will do you no good, roughly speaking?

Mr. PRAY. On lightweight underwear; no. They have chosen to erect no cut-off ceiling on some winter-weight goods. I do not know why the story is different there from what it is on lightweight goods. So we will receive some benefit on that, depending on how much we are able to regain; and we know in advance that we will not be able to regain, in our increased costs of yarn or buttons or facings. We will not be able to increase our price on the basis of our increases in indirect labor or supervision or shipping-room costs or anything-of that sort. We will get a partial relief.

Senator MILLIKIN. What do you propose to do about this long-time delay? How do you intend to overcome that?

Mr. LIEBERMAN. We have been trying to devise means at the office to cut down the period of time it takes, by being less precise and taking rough-cut action, even though it means that in some instances the actions will not be as noninflationary as they were before.

Senator MILLIKIN. Are you getting anywhere with it?

Mr. LIEBERMAN. I think we have progressed a good deal. As a matter of fact, 154 is one step in that direction, in that the manufacturer figures his own labor increase and merely reports it to us.

Senator MILLIKIN. What new device will you adopt that has not been used in the past? I am still thinking of the 5-month delay we were discussing when you first came in. How are you going to overcome delays of that kind, specifically?

Mr. LIEBERMAN. Specifically in this field the only means have been, first, to devise a mechanism which can be used of the 154 type. Once that has been put into effect, it becomes a very easy matter to add items to it. It can be done by a simple amendment stating the item.

Senator MILLIKIN. It has been suggested here this morning that in fixing your prices you take into consideration whether a company made money during the war. Do you do that?

Mr. LIEBERMAN. We fix the prices on the basis of the industry as a whole.

Senator MILLIKIN. You do not include adjustments to meet the situation of particular companies?

Mr. LIEBERMAN. You are talking about individual adjustments?

Senator MILLIKIN. You said you set your prices on an industry-wide basis; is that correct?

Mr. LIEBERMAN. Yes.

Senator MILLIKIN. Do you make adjustments for individual cases?

Mr. LIEBERMAN. One adjustment is that of SO 133.

Senator MILLIKIN. Do you make adjustments to meet inequities of individual businesses?

Mr. LIEBERMAN. Yes.

Senator MILLIKIN. You cannot run a business on a national average. That is what I am getting at.

Mr. LIEBERMAN. It depends upon the type of the order, Senator. If the company starts with its own prices and is allowed to add increases which have occurred, then it still has as a basis its own experience. Some of the orders are on a cost-plus basis, which means that the company's experience in the base period is used as a basis for the prices.

Senator MILLIKIN. In the meantime it has had to put out a lot more money for labor. How do you adjust that?

Mr. LIEBERMAN. You mean, an individual company, or the industry as a whole?

Senator MILLIKIN. An individual. In other words, the base period is unfair because the costs have increased since that time. How do you adjust that?

Mr. LIEBERMAN. They can apply for relief under SO 133.

Senator MILLIKIN. That brings them up to cost?

Mr. LIEBERMAN. Yes.

Senator MILLIKIN. What other relief?

Mr. LIEBERMAN. We have SO 154 now, but it is on an industry-wide basis, because those cases generally occur that way. It allows them to add labor and materials.

Senator MILLIKIN. That has not produced production in many cases, where a more equitable treatment might have produced production.

Was not that the order that you said gives you some relief in 2 out of 120 loss items?

Mr. PRAY. Yes, sir. It gave us relief on five; on two it gave us a profit; on three other items it did not give us a profit and therefore discouraged production.

Senator MILLIKIN. Let us say it gives you relief in 5 out of 120 loss items; is that right?

Mr. PRAY. Yes, sir.

Senator MILLIKIN. And you cut out the five rather than two, because the profit on two is spread out on the other three?

Mr. PRAY. There is not sufficient profit in the two to even balance the other three.

Senator MILLIKIN. How do you meet a situation of that kind?

Mr. LIEBERMAN. By adding other items to this list at the present time.

Senator MILLIKIN. The gentleman states that that does not do any good.

Mr. LIEBERMAN. On his heavyweight business I think he said it would do him good.

Senator MILLIKIN. What was your testimony on that?

Mr. PRAY. That on lightweight goods we will receive no relief whatsoever.

Senator MILLIKIN. Is it not the lightweight goods that you are trying to promote?

Mr. LIEBERMAN. Up to the cut-off point.

Senator MILLIKIN. And not after that?

Mr. LIEBERMAN. That is right, sir.

Senator MILLIKIN. In other words, you would stop production if it hits your cut-off point?

Mr. LIEBERMAN. What we want to do is to encourage production up to the cut-off point.

Senator MILLIKIN. You mean, you want as much production as possible up to the cut-off point?

Mr. LIEBERMAN. Yes.

Senator MILLIKIN. So, if you need more, you cannot have it because it has reached the cut-off point; is that right?

Mr. LIEBERMAN. No. The point is that all the yarn that is available we want to be used, obviously, and we want it to be used in items that reach the market in the low and medium-price lines; and that is why we instituted the cut-off point.

Senator MILLIKIN. And at the present time you are putting into that low price category all of the yarn that reaches the mills?

Mr. LIEBERMAN. I say, as far as I know, all the yarn will be used.

Senator MILLIKIN. But a part of it will be used for high-priced items.

Mr. LIEBERMAN. In many instances the high-priced items may still be profitable.

Senator MILLIKIN. But that does not produce the low-priced items that you are talking about?

Mr. LIEBERMAN. That is correct.

Senator MILLIKIN. And we are after low-priced items.

The CHAIRMAN. Mr. Lieberman was asked whether he was ever engaged in this business. I was once a member of an appellate division which had before it a utility case which we had to decide, as to whether certain action taken was confiscatory or not. There was not one of us who knew very much about the utility corporation, but I think we made a good decision in the matter. We might have been criticised if we had had utility experience. I think that although Mr. Lieberman has not had a background of experience in this business, his intelligence should not be against him.

Mr. PRAY. Mr. Chairman, you have been very generous in your time, and I greatly appreciate it. I would like to leave this one thought, however, sir, that as businessmen we in the Globe Knitting Works are not defeatists. We are not going to our stockholders and report to them that we will have to go to a loss position which order 133 requires in order to get relief. We are going to find a way to conduct our business successfully and report favorably to our stockholders.

The CHAIRMAN. We want to help you in that regard. I think you are entitled to it.

Mr. PRAY. We hope we can do it by manufacturing underwear.

Senator BUCK. I think this Congress is going to try to find a way to see that you can do so.

The CHAIRMAN. Mr. Devereaux, you said, if I recall your testimony correctly, that the OPA, in the examination of the work with which you are concerned, said that you could not get more than a 2-percent profit. Is that what you said?

Mr. DEVEREUX. Not quite. I was referring to 607 which has not come out.

The CHAIRMAN. You said something about 2 percent.

Mr. DEVEREUX. My understanding was—and of course I did not get it directly; I got it from Mr. Cheney—that after this order was drawn we would be limited to a 2-percent profit.

The CHAIRMAN. Do you know anything about that, Mr. Lieberman? I think the Senators here thought it was rather unfair to limit the concern to a 2-percent profit.

Mr. LIEBERMAN. The type of order which is under discussion imposes no limit on profit. The way the amount that is the margin is figured out is to apply to a sample of the industry the base-period profit of that industry the dollar amount of the base period profit adjusted for returns on the net worth in the interim, and then the firm figures out its own margin on that basis. If the volume of sales increases there obviously is no restriction on the amount of profit. There is usually a relief provision in there to see that a firm does not operate at a loss. As a matter of fact, the order has not yet been worked to the point where it can be said what the margin will be.

Mr. DEVEREUX. All that I can say, Senator, is that that is the report which the task committee brought back to us.

The CHAIRMAN. That was the rumor?

Mr. DEVEREUX. No, sir; it was under discussion, and in discussing this new order, that was the interpretation they got.

The CHAIRMAN. I should be very much surprised if the OPA decided that 2 percent was the highest profit.

Mr. LIEBERMAN. I should say that, contrary to the usual experience in this case the story diminished as it became a rumor.

Senator BUCK. That should not surprise you any more than the fact that there is a company which, for 9 months, has not made any money and is still operating and losing money. Are you familiar with this case?

Mr. LIEBERMAN. I do not know Mr. Devereux's company. What is it?

Mr. DEVEREUX. The Oneida Knitting Mills.

Mr. LIEBERMAN. No, sir; I am not familiar with it.

Senator BUCK. Maybe you can give us some reason for the situation that exists. I understand that his company is capitalized at \$1,800,000 and it has lost money constantly since September.

Mr. DEVEREUX. Since July 1945.

Senator BUCK. And that loss is cumulative and amounts to something like \$200,000 or \$300,000, and it is still losing money on every item it produces. Why cannot some correction, through your agency, be found for that situation?

Mr. LIEBERMAN. Do you know anything about the case, Mr. Ailes?

Mr. AILES. I am not familiar with this specific case, either. I was interested to know whether Mr. Devereux's company had ever applied for price relief.

Senator BUCK. I imagine he has, a number of times, from what he said.

How many times have you applied?

Mr. DEVEREUX. We have to establish a 6-month loss period before we can apply, under 133. I do not think Mr. Lieberman made that clear. So we had to operate at a loss for 6 months, and at the

end of that time we immediately applied. That was February 2, and our application just went in this week.

Mr. AILES. I am sure that the order provides that to qualify for relief under 133 a company must demonstrate that for 3 months its operation has been at a loss or that there are changes in circumstances which make the profit experience for the preceding 3 years irrelevant on the question of what the earnings are going to be. I think there must be some mistake about it.

Senator MILLIKIN. Let us cut through the administrative procedure. Assuming that a company of the type which is represented by Mr. Devereux does have a loss position such as he says it has; assuming that his representations are correct, you have the means within your organization to give relief, have you not?

Mr. AILES. Yes, sir. We have SO 133 on the books which gives relief to almost any kind of producing business.

Senator MILLIKIN. Is that where you come up to the cost level?

Mr. AILES. Yes. Over and above that, depending on the product that it makes, if you have an essential supply situation where you have got to do something extra to get out adequate production, we have more liberal provisions, such as this 154 provision that Mr. Lieberman has discussed, which gives any company in this area the right to add to its ceiling price its own base period of price increases in labor and materials which have occurred since that date, which ordinarily would yield a substantial profit, assuming that the volume of production is not such that the overhead has tremendously expanded. That is quite a bit more than SO 133.

Senator MILLIKIN. Would all of the factors which you have mentioned enable Mr. Devereux to operate his business at a reasonable profit?

Mr. AILES. I do not know what commodity the company manufactures.

Senator MILLIKIN. Is the application pending over there at the present time?

Mr. DEVEREUX. Yes, sir; it went in on the 15th.

Senator MILLIKIN. Why don't you gentlemen take a look at that application and come back here and tell us what the situation is?

Mr. LIEBERMAN. Where was it filed?

Mr. DEVEREUX. In the Washington office.

The CHAIRMAN. How long ago?

Mr. DEVEREUX. The 15th.

Mr. AILES. Of February?

Mr. DEVEREUX. No; this month.

Senator MILLIKIN. Let us take a fresh look at it; let us have the case before us and see how your minds operate in that case, what the regulations are that are applicable to it, and let us see if we cannot, instead of dealing with a lot of generalities, take that case and draw something out of it.

Senator BUCK. I think these gentlemen would like to get a copy of the testimony so that they can read it.

The CHAIRMAN. The committee will take a recess until next Monday morning at 10 o'clock, in this room.

(Whereupon, at 1:15 p. m., a recess was taken until Monday, April 22, 1946, at 10 a. m.)

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

MONDAY, APRIL 22, 1946

UNITED STATES SENATE,
Committee on Banking and Currency,
Washington, D. C.

The committee met at 10 a. m., pursuant to recess on Thursday, April 18, 1946, in room 301, Senate Office Building, Senator Robert F. Wagner (chairman) presiding.

Present: Senators Wagner (chairman), Barkley, Bankhead, Downey, Murdock, McFarland, Fulbright, Mitchell, Carville, Tobey, Taft, Millikin, Hickenlooper, and Capehart.

The CHAIRMAN. The committee will come to order. Thursday we had a matter up here and Senator Millikin asked a question which the witness was unable to answer. Senator, will you present your question again now?

Senator MILLIKIN. Mr. Chairman, on last Thursday Mr. Devereux testified to practices of OPA, so far as his mill is concerned, which he regarded as unconscionable. In order to bring the thing to focus we had Mr. Lieberman, head of the Textile Division of OPA, come over here, and we got some of his reactions on it. We suggested that over the week end he look into the case more completely and be prepared to tell us just how the OPA as a case example would handle that kind of a transaction. So I believe it would be a good idea if we had Mr. Devereux and Mr. Lieberman finish this piece of testimony.

Mr. BAKER. I will get Mr. Lieberman over here within a few minutes. If you want to proceed with something else, I will have him over here within a half hour.

The CHAIRMAN. Very well. Mr. Besse.

STATEMENT OF ARTHUR BESSE, PRESIDENT, NATIONAL ASSO- CIATION OF WOOL MANUFACTURERS

Mr. BESSE. I will identify myself for the record as Arthur Besse, representing the National Association of Wool Manufacturers.

Mr. Chairman and gentlemen, the horsemen ride again.

Senator TOBEY. What horsemen?

Mr. BESSE. I will name them.

Senator BARKLEY. There are a couple of plugs there that he has named.

Mr. BESSE. Their number has increased to five. They include: Chester Bowles, Director of Economic Stabilization; Paul Porter, Price Administrator; W. Willard Wirtz, Chairman of the National Wage Stabilization Board; John D. Small, Chairman of the Civilian Production Board; Clinton P. Anderson, Secretary of Agriculture.

This group, giving to the White House what it calls "an accounting of trusteeship under the hold-the-line order of April 8, 1943," calls for the renewal of the Emergency Price Control Act "without the crippling amendments which are now being proposed."

That is hokum of the highest order.

Senator TOBEY. What is hokum?

Mr. BESSE. The statement that they must continue the Emergency Price Control Act without crippling amendments.

Senator TOBEY. You make a statement to that effect, but that does not make it so. There is a difference of opinion as to whether it is hokum. If you have any evidence to give us, we will be glad to hear it, but just calling it hokum doesn't help us much.

Senator BARKLEY. Is it your judgment that anybody who wants to continue OPA is indulging in hokum?

Mr. BESSE. Anyone, Senator, in my opinion, who says it must be continued without crippling amendments.

Senator BARKLEY. Is guilty of hokum?

Mr. BESSE. I think so.

Senator BARKLEY. Well, then, I am guilty of hokum and I haven't any respect for anybody who charges me with any such motive. You will have to improve your testimony considerably from now on if I am going to give it much weight.

Senator MILLIKIN. I suggest the witness has a right to his opinion.

Senator BARKLEY. Certainly he has a right to his opinion, but this is just name calling.

Senator TOBEY. He has a right to come here and give evidence, but not to call names.

Senator MILLIKIN. He has certainly got that right.

Senator TOBEY. Leave name calling out of it.

Senator MILLIKIN. He has a right to name call, if Bowles and these other fellows have got a right to go on the air and to call Congress names, the witness has a right to come in here and call Bowles names.

Senator TOBEY. And we have a right to discount it if that is what his testimony is going to consist of.

Senator MILLIKIN. You have a right to discount it if you want to, but he has a right to make these statements.

Senator TOBEY. I am serving notice now that I am going to discount henceforth and forevermore a man that begins a statement that way.

Senator CAPEHART. Mr. Chairman, let me say I am not going to discount it. He hasn't used half as strong epithets as I have listened to Mr. Bowles and Mr. Porter and others use. They have called the businessmen of this Nation every name under the sun and I am going to insist that this witness be allowed to make his statement.

Senator BARKLEY. I would like to have you describe any instance—

Senator CAPEHART. I will be very happy to put in the record a speech that Mr. Bowles made in Wichita, Kans., in which he accused everybody that was opposed to this bill for the extension of OPA as being unpatriotic and against the interests of the Nation.

Senator TAFT. "The greedy interests of businessmen," I think he said.

Senator CAPEHART. That is right. If it is good for the goose it is good for the gander.

Senator BARKLEY. Let's get on with the goose.

Senator TOBEY. It is all right as long as it is "propagander."

Senator CAPEHART. I want the record to show that he is doing nothing more than those who are in favor of the bill have done, including Mr. Porter and Mr. Bowles.

The CHAIRMAN. I don't recall Mr. Porter saying any such thing as you allege.

Senator CAPEHART. Mr. Chairman, I will be very happy to put in the record a speech Mr. Bowles made, and I will be very happy to put in the record——

The CHAIRMAN. I don't remember Mr. Porter saying anything like that.

Senator CAPEHART. I will be happy to put in the record Mr. Porter's statement the other day in which he used language equally as strong as we are now hearing, and you will remember that I commented on it at the time and said that it was unfortunate. Let me say this: Such language as is being used at the moment by this gentleman and others they have been taught how to use by Mr. Porter, Mr. Bowles, and other advocates of OPA.

Senator BARKLEY. I would like to have you put in the record any statement, any speech or newspaper interview, or anything else that attempts to hold up to ridicule and contumely everybody that dissents from the policies of OPA.

Senator CAPEHART. Let me say this: I am opposed to it. I think it is wrong. I think it was wrong for Mr. Porter to do it in that instance, and I said so. I certainly don't condone it, but my point is if one side has a right to do it, I think the other likewise has a right to do it.

Senator BARKLEY. I haven't seen any statement of Mr. Bowles or Mr. Porter or any of these five horsemen named that has gone anything like this far.

Senator CAPEHART. You evidently didn't read Mr. Bowles' speech in Wichita.

Senator BARKLEY. I did not read Mr. Bowles' speech in Wichita, I didn't see it. I don't read all the speeches that are made, even those that the Senator from Indiana makes. I don't have time.

Senator CAPEHART. I think it is unfortunate that both sides have been using such language. I said that the other day and I say it again, but I don't like to see one crowd condemned and the other praised, when both have been using the same kind of language.

Mr. BESSE. I am a little overwhelmed, Mr. Chairman, with this discussion.

The CHAIRMAN. I am, too. I have never heard a witness speak that way.

Mr. BESSE. But it is my own opinion and I hope you will accept it as such.

The CHAIRMAN. I will.

Mr. BESSE. What the group asks is that the OPA, badly "crippled" by its own inefficiency, stubbornness, and lack of realism, be continued "as is" and allowed for another year to cripple industry and delay the attainment of higher production levels. The adjective "crippling"

is well chosen, but it should be applied to the OPA rather than to the amendments which it is now proposed to add to the Emergency Price Control Act.

Do these five administrators seriously contend that neither Congress nor business groups can suggest any possible changes in OPA policy which would improve the administration of price control? That is what their plea amounts to. They say in effect that under no circumstances will the OPA itself make any of these suggested changes unless forced to do so by Congress, since they believe that to make the changes will cripple the agency.

That puts the responsibility squarely up to Congress. The OPA has served notice that it intends to stand pat, to make no changes, to take no steps to prepare for a return to a normal free economy. It recognizes no validity in the idea that we are in a transition period from a war to a peace economy. Transition means (and I am quoting Webster) "passage from one place, state, stage of development, and so forth, to another; change." This is a transition period. Changes must be made in OPA policy. The OPA itself will not make them. We have no alternative other than to come to Congress with a plea that you make the necessary revisions.

On behalf of the wool textile industry, I am suggesting three specific amendments. These suggestions are based on experience in our own industry. They may not go as far as certain amendments suggested by other groups, but I am confident that there is no industrial group which would not approve of our proposals.

1. The MAP. The first amendment is one to prevent, after June 30, 1946, the continuance of Maximum Average Price programs, referred to in this alphabetical age as MAP.

These MAP programs have nothing whatever to do with price control as such. Each individual item subject to price control has a specific price ceiling of its own, a ceiling which is either a stated dollar and cents amount or is arrived at by an applicable formula. The MAP regulation does not affect these specific ceiling prices in any way but superimposes a further obligation on the producer to so arrange his sales and production that the average price of all the products sold or delivered in each calendar quarter is equal to, or in many cases less than, the average price of the products delivered in a specified base period. The manufacturer is not only required to sell every item at or below its ceiling price; he is also directed to sell his variously priced items in certain predetermined proportions. This obligation obtains whether his customers want to buy his products in those predetermined proportions or not.

Thus, if the maximum average price of a particular wool textile mill is \$3 a yard, it becomes necessary, every time the mill sells a yard of \$3.25 fabric, to offset it with the sale of a yard of cheaper fabric at \$2.75. To the consumer who wants a \$3.25 fabric, Mr. Bowles says, in effect, "no, father knows best; you can't have a \$3.25 fabric; Adolph Menjou already has that; you will have to be content with something at \$2.75 so that the BLS cost of living index won't go up again."

Of what use is the extra money so many people have if they can't buy something better than they had before? What is the sense of making cheaper fabrics than the public wants if the public has the money and wants to spend it for better products?

Mr. Bowles appears to want to keep people from spending their money so that they will continue to have "surplus purchasing power" which will hang over the market and continue to constitute an inflation threat. This would seem to be the best possible way to preserve the threat of inflation indefinitely and provide for permanent price control.

Senator MILLIKIN. It is argued if they didn't put pressures to bear on the market for lower priced goods that poor people wouldn't be able to buy anything. What is your comment on that?

Mr. BESSE. Our industry, and I suppose it is true of practically every other industry, works to a certain market. We have mills who make high-priced material, mills who make medium-priced fabrics, and mills who make cheap fabrics. By and large they don't get out of their particular niches. A mill equipped and designed to make lower priced fabrics cannot make higher priced fabrics if they want to, but there is a certain limit to which they can trade up. The limit is very definite and very real.

Senator MURDOCK. May I ask a question, Mr. Chairman? I move this morning that we let the witness finish his statement before we interrogate him.

The CHAIRMAN. That is up to the committee.

Senator MILLIKIN. I had finished, Senator.

Senator MURDOCK. I don't want to vary any rule, Mr. Chairman.

The CHAIRMAN. It is suggested that we permit the witness to finish his statement before we begin the questioning.

Senator MILLIKIN. That is entirely agreeable to me.

Mr. BESSE. Some of the questions would perhaps be answered in the testimony.

The CHAIRMAN. I see. All right. Go ahead.

Mr. BESSE. The maximum average price program in the wool-textile industry is particularly "crippling" because it requires mills to hit an average price in each quarter which is 4 percent below the corresponding average in 1944. A mill which delivered fabrics at an average price of \$2.50 in 1944 is supposed currently to achieve an average of \$2.40. By reason of cheapening its fabrics to the extent of 10 cents a yard, this mill is presumably doing its bit—I quote from the act: "To protect persons with relatively fixed and limited incomes * * * from undue impairment of their standard of living" and is also assisting "in securing adequate production of commodities and facilities" and helping to prevent "a postemergency collapse of values." Is not this a little absurd?

What has happened is that in effecting this cheapening of fabrics, wool-textile mills have tended to make lighter weight fabrics, which, because they are lighter, sell for a lower price. Topcoating fabrics have been made, instead of heavy overcoatings; tropical men's suitings have been made, instead of standard suiting weights; women's-wear fabrics have replaced the heavier goods used for men's apparel.

Mr. Bowles at various times has attributed the shortage of suits for veterans to the fact that the wages paid in textile mills were too low to attract sufficient help. Employment in the wool-textile mills has increased from 134,000 at VJ-day to over 160,000 today. Factory wages in the industry currently average over \$1 an hour. Insofar as there has been any shortage of men's-wear wool fabrics, it has been due to the fact that OPA regulations (particularly the wool MAP)

have operated to foster the production of fabrics of types other than those customarily used in men's suits. If it had not been for the wool MAP there could have been in the fourth quarter of 1945 and the first quarter of 1946 an added production of over 20,000,000 yards of men's-wear fabrics, enough for 6,000,000 men's suits.

We told Mr. Bowles last August that this is what would happen. He accused us of being uncooperative, expressed himself as confident that the MAP would not operate to distort the proportions of various types of wool fabrics produced—and clung to his MAP. Mr. Bowles was wrong—but he still clings to his MAP.

During the 6 months ending March 31, 1946, the wool-textile industry produced approximately 100,000,000 yards of men's-wear fabrics and 97,000,000 yards of women's-wear fabrics. Historically, men's-wear fabrics comprise around 62 percent of the total produced. Had this ratio obtained during these 6 months, there would have been 22,000,000 yards more of men's-wear fabrics than there were. The wool MAP was the primary cause of this dislocation of production. If the OPA is extended, there should be a provision specifically prohibiting the continuance of these crippling, complicated, whimsical programs.

The House bill, H. R. 6042, prohibits such programs in section 7, which provides for the addition of a subsection (p) to section 2 of the Emergency Price Control Act. The language of this subsection is as follows:

After July 1 no maximum price order shall be issued or continued in effect requiring any seller to limit his sales by any weighted average price limitation based on his previous sales.

I recommend that the same amendment be incorporated in the Senate bill.

The second amendment I wish to suggest has to do with individual as contrasted with general price ceilings.

One very unfortunate aspect of price control arises from the OPA attitude toward its own complicated and involved orders. Once an order is issued it becomes sacred and its faults are defended as tenaciously as its virtues. The OPA goes further, and prevents itself from giving relief in certain cases by incorporating in its orders relief provisions of extremely limited applicability.

Specifically, the OPA has refused to consider applications for adjustment of price ceilings on individual items unless a concern was operating at an over-all loss. The result has been that producers have given up the manufacture of such unprofitable items. We make no claim that the wool-textile industry has been unable, or is now unable to operate at a profit. The industry, by and large, is making profits but making profits by changing the type of products manufactured. The production of some items has become unprofitable and since the OPA refuses to consider making adjustments on such items, the mills merely drop these numbers and substitute something else. Mr. Bowles thinks we should continue to produce unprofitable items because he believes somebody wants to buy them.

We don't agree with him. The OPA has had two choices. One was to adopt a realistic attitude and admit that what makes the wheels of industry turn is the expectation of profit. The agency would then have adjusted ceilings so that it was possible to make a profit on

certain products, the production of which has been drastically curtailed.

The other alternative was to decide (as the OPA did) that the retention of a certain theoretical price level was more important than the production of standard products. The result is that we have the price level, but we don't have the goods.

The OPA theory is that because at certain times certain firms have been willing to produce certain items at a loss, anybody should be willing at the present time to produce items which they are allowed to sell only at prices less than the cost of production. And this is what Mr. Bowles terms a "practical program," one which is working satisfactorily and which should not be changed in any particular.

The leopard is not going to change its spots, nor the Ethiopian his skin; unless Congress revises the rules the OPA will continue to insist that unprofitable items should be produced along with profitable ones; industry will continue respectfully, to decline to produce them. In my opinion there just won't be production of these unprofitable items until their production again becomes profitable.

The only practical way of accomplishing that is for the Congress to insist that in every price order there be a provision for according price relief as respects individual items now having ceiling prices too low to permit production at a profit.

I suggest possible wording for such an amendment as follows:

Every price regulation issued pursuant to this Act shall contain a hardship provision which will permit the granting of relief as respects the ceiling price of an item which cannot be produced at a reasonable profit without requiring a producer to show that his over-all activities are conducted at a loss.

May I say that is not a mandatory provision. It is merely a provision to permit OPA to make adjustments if, in its opinion, it believes after presentation is made that the adjustment should be accorded.

The third amendment has to do with the OPA's present tendency to control profits rather than prices.

Obviously with a limited extension of price control in prospect, it is not feasible to write into the act new concepts or formulas which will necessitate complete revision of existing price regulations. However, certain principles should be established which the OPA should be obligated to observe in writing any new orders or in making amendments to existing ones.

You will note that there again that is optional on the part of OPA. I am trying to suggest that OPA should give itself a little more leeway to take action when that action is justified.

The basis for price control provided in the present so-called wage-price program is completely unrealistic. It appears to spring largely from Mr. Bowles' thesis that profits are not important to producers and that cost absorption is something which jobbers and distributors should welcome with open arms. This wage-price program, to which the President has given support, sets the base period return on net worth as the measure of an adequate profit. It would be difficult to imagine anything better calculated to discourage production. Congress repealed the excess-profits tax as of January 1. This so-called wage-price formula would establish a profit base for industry lower than the level of profits after the payment of the former excess-profits taxes.

The OPA price policy—I say this advisedly—because they only get to that formula in case of revisions in existing regulations—but if fully effectuated, would be roughly equivalent to an act of Congress continuing the excess-profits tax and raising the tax to 100 percent in all instances. And this policy is adopted without consultation with Congress, by an executive agency of the Government which has for years protested that it was not controlling profits.

In the wool-textile industry the profit record in the base period years was as follows: In 1936 the aggregate profits were \$19,195,000; in 1937 the aggregate loss was \$1,753,000; in 1938 the aggregate loss was \$14,319,000; in 1939 the aggregate profits were \$20,839,000.

That gives an average aggregate profit for 4 years of \$5,990,500.

Senator BARKLEY. That is per annum?

Mr. BESSE. That is per annum, correct, Senator.

So the formula under which the OPA is now operating would thus permit prices calculated to return to the 500 mills in the wool textile industry an aggregate profit of less than \$6,000,000 on yearly sales of approximately \$1,000,000,000. The OPA figures this would amount to approximately 1.6 percent on the aggregate net worth of the industry.

A new order which they have issued suggests that will be raised to 3 percent, if it fell below 3 percent.

This alluring profit prospect is held out to industry which appears singularly unappreciative and understandingly reluctant to wear out the tools of production in return for a profit which is only a fraction of what one may obtain by acquiring a Government bond.

There is no reason to expect that the OPA or other related administrative agencies will adopt a more realistic policy or will awake to a realization of the fact that if production increases are desired they will be achieved only if the rewards, not only to labor, but to management as well, are substantial enough to provide the needed incentive. The amendment which I suggest is as follows:

Whenever a new price regulation is promulgated or an old regulation is amended—

You will note we don't suggest the OPA is obligated to do that; merely if they do that—

the Price Administrator shall establish ceilings which will, as nearly as can be determined, provide prices which will exceed prices prevailing in 1941 to the same extent that the cost of producing the same or a comparable commodity exceeds the cost of producing such items in 1941.

If I could explain that in slightly different words it means the producer would get the same dollars and cents margin that he got in 1941, not the same percentage of profit. In other words, he would not get a profit on his increased price. It would provide a means of returning to the manufacture of the items now largely discontinued because they cannot be sold at a profit.

Such a provision would definitely prevent any run-away inflation or undue price increase, but would permit a producer to obtain his former dollars and cents mark-up although it would not provide for any additional profit on the increase in price.

Such a provision is not an invitation to inflation. It is a common-sense approach to the problem of production and a realistic treatment of price ceilings during a transition period. If the OPA is sincere in saying its object is to approach decontrol as rapidly as possible, it

cannot object to the inclusion of such an amendment to the act. If the agency does object to such an amendment, it is ample proof that the amendment is necessary and that realistic price ceilings can be expected only if Congress will lay down specific rules for the OPA to follow.

The CHAIRMAN. Are there any questions to be asked of the witness?

Senator BARKLEY. I would like to ask Mr. Besse if his organization are members of the National Association of Manufacturers.

Mr. BESSE. No; we are not.

Senator BARKLEY. Not connected with them in any way?

Mr. BESSE. No.

Senator BARKLEY. You don't approve of their program to abolish OPA entirely?

Mr. BESSE. I am giving you my three suggestions which certainly are much more moderate or go to a lesser extent, I would say, than the NAM suggestions.

Senator BARKLEY. I appreciate that, but are you offering these suggestions merely because you don't think Congress might repeal the law entirely, or let it terminate, or do you advocate its continuance with these amendments?

Mr. BESSE. Yes. I would like to put it this way, Senator: That I am suggesting the three amendments based on experience in our industry, and don't want to be in a position of commenting on amendments which are based on experience in other fields of which I am ignorant.

Senator BARKLEY. That is all.

Senator TAFT. Mr. Besse, there is one thing that seems to me somewhat illogical in your statement. If your description of the character of OPA is correct, I don't see what you would gain by making a lot of optional amendments.

Mr. BESSE. Well, frankly, Senator Taft, our experience has been this: That in the case of specific problems we have been to what we might call the operating level of the OPA and they have been very sympathetic, but always point to the general policies under which they work which preclude them from giving relief in the case under review.

Senator TAFT. It seems to me if Congress were going to correct them it is perfectly foolish to pass optional amendments. I don't know what the amendments ought to be, but I agree with you fully that the OPA doesn't intend to change it, and I don't think any optional amendments will bring about any change. If you want it changed you are going to have to have compulsory amendments, in my opinion.

You start off calling them every name under the sun, with which I have some sympathy; then you propose to leave it all to them. I don't understand the logic of your position.

Mr. BESSE. The logic can be explained only if you are familiar with the different levels in OPA. There is a distinct difference between what you might call the operating level and the policy level. The people on the operating level do take time and do understand the specific problems, and I think even are sympathetic to the problems, but the higher level has laid down policies from which they cannot depart. One is the profit-year base. That is 1936-39.

Senator TAFT. This last amendment I am interested in because it seems to me that something of that sort has to be done and it is a

better general approach than the so-called Wolcott amendment in the House bill. Why do you select the year 1941?

Mr. BESSE. I haven't too much basis, Senator, for the year 1941. I don't particularly hold to it. I am simply suggesting that as a year in our industry which could be considered fairly satisfactory, but not an extraordinary year. I am not sufficiently versed in the general economic theory to know whether that is a better period than 1939, 1941, or 1942.

Senator TAFT. I proposed an amendment of this kind last year. I think we made it 1940, and I think the OPA objected that that was an unreasonable year, a year of wide margins in most industries, and I think finally we settled on 1939. Have you any particular objection to 1939 or an average of 1939 and 1940, or something of that kind?

Mr. BESSE. No. Either one of those I think would be perfectly satisfactory.

Senator TAFT. You make a statement here on this MAP I wanted to get perfectly clear. You say:

The MAP regulation does not affect these specific ceiling prices in any way, but superimposes a further obligation on the producer to so arrange his sales and production that the average price of all the products sold or delivered in each calendar quarter is equal to, or in many cases less than, the average price of the products delivered in a specific base period.

Does that MAP regulation increase the average over the average price in any base period?

Mr. BESSE. None I have ever heard of. It does not in any case in our industry.

Senator TAFT. Does it ordinarily go to 1944 or does it go to prewar?

Mr. BESSE. The MAP order for our industry is entitled SO 113. It has been amended a number of times. There are two bases. One is the 1944 base with a 4-percent roll-back. The other is 1941—April 1, 1941, to March 30, 1942, the goods actually delivered in that period reconverted to the price which they would have sold at if they had sold at the ceiling subsequently imposed, which is, without the 4-percent roll-back.

Senator TAFT. Do you know whether, generally, MAP goes back to prewar prices in most industries?

Mr. BESSE. No; it does not.

Senator TAFT. Usually some period during the war?

Mr. BESSE. Some period during the war; that is correct.

Senator TAFT. During which period, however, prices were fixed?

Mr. BESSE. All prices were fixed. They tried to fix a general average as distinguished from the specific prices which were all fixed.

The CHAIRMAN. Your association, as a whole, discussed the OPA, did they not, at a meeting of some kind?

Mr. BESSE. We often discuss it, Senator. We had one of our friends from the OPA—don't let that surprise anybody; we have a number of friends in the OPA—we had Mr. Sells up to talk to us 2 weeks ago. We had quite a large meeting at which he endeavored to answer some of our questions on the operation of OPA. Mr. Sells is here now,

The CHAIRMAN. I am wondering whether your organization was in any way concerned with the statement you made here, whether they knew about it.

Mr. BESSE. They have not received this statement yet. A number of them have read it, but not the industry as a whole.

The CHAIRMAN. I remember a professor once said to me in college, "When you cannot debate a question, then abuse it." So I read this first page and I thought it was rather abusive.

Senator TAFT. Mr. Besse, one thing I would like to ask, I don't quite understand in these last two amendments—you say in a comparable—some comparable commodity. Do you mean by that items as well as commodities?

Mr. BESSE. That is right.

Senator TAFT. You mean major items only, or minor items, or—

Mr. BESSE. Any item which would have a specific price ceiling. You treat it according to whether or not it has its own price ceiling.

Senator TAFT. There are some items which are completely by-products which it is almost impossible to determine the cost of manufacturing a particular item. What would you do with that kind of a case?

Mr. BESSE. There has been some kind of determination setting the ceiling price which now prevails.

Senator TAFT. Yes; probably a historical determination. Supposing that a commodity under some such consideration has always been sold at a loss because it was purely a byproduct. Would you have—you then would say—your second amendment would not apply to that because there would be no margin on it?

Mr. BESSE. That would be correct—the way it is written.

Senator TAFT. That is your idea of how it should be worked out?

Senator BARKLEY. You stated in your statement that because of the price policies many of the mills in your industry—I understand you speak only for your industry—

Mr. BESSE. That is right.

Senator BARKLEY. Had eliminated production of unprofitable items because they could make more profit, or make a profit, on others. Isn't it true that long before the OPA was established, and before the war, not only woolen manufacturers, but other manufacturers generally produced articles upon which they made no profit, because they did make an over-all profit on their entire outfit? They might have had a dozen or 50 different items and they don't make a profit on everyone of them. They use some of them as fillers or feeders, items they could sell at a loss because they made a profit on the whole?

Mr. BESSE. We don't do that intentionally. As I pointed out, we had two base years in which we made an over-all loss. You sometimes find yourself in that position.

Senator BARKLEY. That may not be true of woolen manufacturers, but it is true of other industries. There were years in which there was an over-all loss, I imagine, if you went back further you would find more than 2 years, during peacetimes, in which there was an over-all loss, but isn't it true that in normal business years concerns do make articles which are along the line of their product, but which they wish to sell to their customers as sort of an inducement to get them to buy something else on which they don't make a profit?

Mr. BESSE. That is quite true, Senator, but if you are realistic you will appreciate these items are not being made today.

Senator BARKLEY. You say they are not being made—

Mr. BESSE. You cannot buy them.

Senator BARKLEY. Because the manufacturer has deliberately decided to cut them out. You say he is only willing to make the

particular items on which he can make a profit—on each individual item—regardless of his over-all profit position.

Now, why should he change his policy and method simply because we have the OPA, when he has been doing that all the time heretofore?

Mr. BESSE. I might answer that by asking you another question—
Senator BARKLEY. I am asking you the questions.

Mr. BESSE. As to why the cotton manufacturer stops making white shirts. The reason is he cannot make money on them and he can make money on something else.

Senator BARKLEY. I am asking you about your industry, not about cotton manufacturers. If I could give you an answer as to why shirt manufacturers do not make white shirts, I would be glad to do so, but I don't know the answer because I am not in the white-shirt business. I know that I am almost out of white shirts and I cannot buy any.

Mr. BESSE. So am I.

Senator BARKLEY. But you know, and I know, and all of us know, that in all industries in normal peacetimes there are items that are made at a loss. They don't eliminate those items because of that loss, they go ahead and make them because they make up the difference in their total output.

Senator TOBEY. What they call "loss leaders."

Mr. BESSE. Yes; but the loss leader has disappeared today.

Senator BARKLEY. That is what I am trying to get at. Why should it disappear under the OPA system merely because they are making it at a loss, when they have been making it at a loss all the time?

Mr. BESSE. It disappears because there is ample demand on the market for your other products.

Senator BARKLEY. In other words, you have abandoned the practice and the policy and the custom and the rule which has been in effect for generations, simply because there is a shortage in everything. You can get some profit out of the things you make?

Mr. BESSE. If you want to apply that to our industry, I will say that we never had that policy.

Senator BARKLEY. I thought you said you did.

Mr. BESSE. No, sir; I didn't.

Senator BARKLEY. You mean the woolen manufacturers never made anything prior to the year 1941 or 1940 at a loss, although they were making profits on other things?

Mr. BESSE. We don't intentionally price a fabric at a loss and go out and sell it. The woolen industry as a general matter does not make goods and stock pile them. We make samples which are given to the garment manufacturers who in turn get orders from retailers and those orders flow back to the mill and we make the fabric on order. We don't intentionally go out and sell at a loss in order to sweeten up the market. We do make losses, but they are losses not of intent, but of accident.

Senator BARKLEY. Your castigation here seems to include CPA as well as OPA. I happen to have had my attention brought to the fact that in a certain fabric out of which men's suits are made, there were only 5,000,000 yards in the United States. There were 27,000,000 yards asked for by the clothing manufacturers throughout the country. The CPA was compelled to allocate that 5,000,000 yards among all

the clothing manufacturers who had asked for or who needed 27,000,000 yards. What would have happened if there had not been a CPA to allocate that goods among all the concerns in some fair degree, in proportion?

Wouldn't the one who was most able to pay the highest price have gotten the goods and the smaller concern wouldn't have gotten any?

Mr. BESSE. The price has nothing to do with it, because the price of the article, no matter who buys it, is based on a ceiling price.

Senator BARKLEY. I am talking about your theory that the CPA and the OPA have restricted the manufacturer unfairly. They go together, they work together. As long as there is a shortage there has to be some sort of allocation, because of the fear that was entertained by small manufacturers that the big concerns would get all the material and they would have to close their plants. If it were not for the CPA that fear would have been realized.

Mr. BESSE. As a matter of fact, among clothing manufacturers—the big fellow is worse off today than the little one, but I haven't said anything in my statement about the CPA.

Senator BARKLEY. Well, you included Mr. Small as one of the five horsemen.

Mr. BESSE. I am including him because he is one of the five that made the report to the White House.

Senator CAPEHART. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes.

Senator CAPEHART. Mr. Besse, have you ever known of an instance in which a manufacturer deliberately made a product and sold it at a loss?

Mr. BESSE. Yes. You mean a woolen manufacturer?

Senator CAPEHART. Woolen manufacturer.

Mr. BESSE. I don't recall of any. There may have been some, but I don't recall any such instances. I have known of it being done in certain industries.

Senator CAPEHART. Isn't it a fact that there is a lot of confusion at the moment in respect to these so-called loss items, in that the manufacturers do not indulge in the practice of making and selling merchandise at a loss, but the practice is indulged in and has been by your retailers of selling certain items at a loss in order to get people into their store to induce them to buy other merchandise? Aren't the items that are sold at a loss sold at a loss by the retailers rather than by the manufacturers? In this instance, aren't we talking about manufacturers rather than retailers?

Mr. BESSE. I think that would be a very fair generalization.

Senator CAPEHART. I have been in the manufacturing business 25 years. I have never known of a single manufacturer that ever made a single item deliberately at a loss. They do lose money, but they don't intend to. I do know this: In practice in normal times department stores and other stores and other retailers buy merchandise and sell it at a loss, or no profit; they use it as a leader in order to get people into their store with the hope they will sell them profitable items. That is what is normally called in the retail business, "stocking."

I think we should differentiate between the manufacturer and the retailer.

Senator BANKHEAD. What was that word?

Senator CAPEHART. Stocking. I don't even know how to spell it. That is what they call it. In other words, it is taking unfair advantage of the customer by advertising merchandise at a loss, getting a lot of people into the store, then trying to sell them merchandise on which they do make a profit. It is a common practice. It has been indulged in for years. I think we should differentiate between retailers selling at a loss and manufacturers selling at a loss, or the producer. It is the producer we are interested in at the moment, because we all want to get goods. I don't believe any manufacturer ever deliberately sold merchandise at a loss.

Senator BANKHEAD. I notice a statement here on page 4:

If it had not been for the wool MAP there could have been in the fourth quarter of 1945 and the first quarter of 1946 an added production of over 20,000,000 yards of men's wear fabrics, enough for 6,000,000 men's suits. We told Mr. Bowles last August that this is what would happen.

I would like to hear you elaborate on that statement and tell us why it occurred, and how you know it has reduced production to that extent.

Mr. BESSE. Well, ordinarily we would produce, as I said in my written statement, approximately 62 percent of the total fabric for men's wear and 38 percent for women's wear. During the war, naturally, there was a lot greater emphasis on women's wear because we didn't count in our production materials which went to the armed services, which primarily was made by the mills that made men's wear fabrics.

Now, after VJ-day we not only had our normal production which we should have returned to, but we should have increased the amount of men's wear fabrics to take care of men who would be demobilized from the armed services. So the percentage really should have been higher than 62 percent. I was careful to say, Senator Bankhead, that had the historical percentage of 62 percent been achieved there would have been, or could have been, 22,000,000 yards of fabric more than was actually produced.

I will go further than that and say that the bottleneck in men's apparel is not woolen fabric.

The bottleneck today—and we think that this is being proved by studies which the Government is making—exists in the lack of labor in men's clothing factories, or a number of them.

Senator MURDOCK. Lack of labor where?

Mr. BESSE. In men's clothing factories. A lot of them have more goods than they are able to cut at the present time, although they are not in all cases just what some people would like. The distribution has not been exactly what some might desire; but we are ahead in the supply of materials.

Senator MURDOCK. Does not that rather weaken your argument against MAP?

Mr. BESSE. I do not think so.

Senator BANKHEAD. What brought about the shortage?

Mr. BESSE. The MAP, as I tried to point out, forces us to hit a certain average price of deliveries and has tended to emphasize the production of lighter-weight goods. This meant a shift from men's wear to women's wear; it has meant a shift from overcoating fabrics to top-coating fabrics, and from men's standard 13½-ounce worsted suiting to tropical suiting.

Senator BANKHEAD. Because you are required to produce a certain amount of the lower-grade goods?

Mr. BESSE. We are required to hit a certain figured average price for all deliveries.

The CHAIRMAN. In addition to the amendments which you have suggested, your association has never suggested that OPA be repealed?

Mr. BESSE. No; they have not.

The CHAIRMAN. Thank you very much.

Senator BARKLEY. Do I understand that you are speaking for yourself, or as president of the association, or have they authorized you by any resolution or any action that they have taken to present this statement?

Mr. BESSE. They have not seen the statement. I wrote it at the end of last week. We have had a number of meetings of our executive committee and our board of directors, and we had our regular annual meeting on April 9 at which the matter was discussed in some detail.

Senator BANKHEAD. Did the consensus of opinion develop at those meetings?

Mr. BESSE. Exactly.

Senator MURDOCK. I am a little surprised, Mr. Besse, at this statement on page 3; and I think you admit by that statement that there is a tremendous surplus of purchasing power in the hands of the people. Is that right?

Mr. BESSE. That is correct.

Senator MURDOCK. And as a result of that we have a tremendous threat of inflation, have we not?

Mr. BESSE. I cannot follow you there.

Senator MURDOCK. You state here that Mr. Bowles is rather anxious to keep people from spending too freely. It seems that that is the purpose of all of us, not to allow this tremendous surplus of purchasing power to be dumped into the market all at once and thereby cause runaway inflation. But you say here that this should be removed because it is a threat to inflation. That is, as I understand your philosophy, people should be allowed to spend as extravagantly and as rapidly as they possibly can in order to remove the threat of inflation which exists by reason of the tremendous surplus purchasing power in the hands of the people.

Mr. BESSE. But, Senator, it is not the spending of the money that causes inflation; it is the existence of the money.

Senator BANKHEAD. And the running up of prices by bidding?

Mr. BESSE. Yes.

Senator MURDOCK. The threat of inflation is really worse than inflation itself, as I understand you?

Mr. BESSE. No. I think we have all the elements of inflation because of government policy in certain other directions that have produced the tremendous amount of money.

Senator MURDOCK. We have a threat of inflation in this tremendous surplus purchasing power in the hands of the people, and what you want to do is to induce them to spend it as rapidly as you can, and bring about inflation, as I see it—

Mr. BESSE. I cannot follow you on your definition of inflation, which Mr. Webster defines as the production of an exceptionally large amount of additional money or credit.

Senator MURDOCK. You made the statement here that there is a tremendous surplus of purchasing power, and then you complain that there is any restraint at all on the expenditure of it. So it seems to me that your philosophy is that the threat of inflation is even worse than inflation itself.

Senator BANKHEAD. Let me ask him a question there, if you do not mind, before you leave that point.

The Senator has asked you about the inflationary effect of a large purchasing power and the use of it by the people. Would the rapid purchasing of goods in larger quantities than now be inflationary if the goods were available and if the exceptionally large buying did not run the prices up? Would the mere fact of the quantity of purchases be inflationary?

Mr. BESSE. No; I would not think so.

Senator MURDOCK. I am in full agreement; but we have not the supply of goods.

Mr. BESSE. That is right.

Senator MURDOCK. So, if we just turn the money loose and let everybody run in and buy and compete in a market that does not have the products to sell, then certainly inflation results from that very thing.

Mr. BESSE. You have not gotten my philosophy at all. I am not even suggesting that you stop price control.

Senator MURDOCK. Everybody that I hear talk about price control always says, "We don't want to do anything about getting rid of it; we want to keep it, but, as far as I am concerned, it should be realistic."

Senator BANKHEAD. If you could read my mail you would not think everybody wanted to keep it.

Senator MURDOCK. That is what I understand your philosophy to be.

Mr. BESSE. I have a little extra purchasing power, and I would like an automobile. I cannot buy it, because there are none available. But if I bought a \$2,000 automobile I would have \$500 less extra purchasing power than if I bought only a \$1,500 automobile. Of what use is my extra money if I want a \$2,000 automobile and you will not let me buy one for over \$1,500?

Senator MURDOCK. But your money is in circulation whether you have it or not. The mere fact that you have spent it for a \$2,000 automobile does not do away with that money. It simply transfers the \$2,000 to somebody else, instead of your having it in your own pocket.

I would like to ask you one or two questions on this MAP discussion which you have made here. Does MAP require that any more of the cheaper fabrics be made than were made in 1941 when you had a very high level of consumer goods production?

Mr. BESSE. No.

Senator MURDOCK. You take the position that higher-price goods should be allowed to be manufactured instead of requiring you to manufacture low-priced goods; is that right?

Mr. BESSE. I do not exactly say that. In our industry, as I explained before, we operate on orders accepted from retailers, back through the manufacturer. We are very responsive to the retail demand. If they want cheaper goods we are going to make cheaper

goods. If they want better goods, we make better goods. That is what they want to do today, and I do not see how you can fuss about their having money and not spending it if they want better goods and are able to buy them and we are able to make them.

Senator MURDOCK. That is on the assumption that everybody has more money to spend now than they had formerly?

Mr. BESSE. No; it is not. We are making plenty of cheap goods today. You can find certain places in the market where there is an excess of cheap goods that are not wanted.

Senator MURDOCK. We do know that the discharged serviceman has not any big surplus of money, so that there must be cheap products for the people that do not have a surplus of money.

Mr. BESSE. And there are.

Senator MURDOCK. Does MAP require that 4 percent be deducted in computing the mills' maximum average price?

Mr. BESSE. If it is on the 1944 basis; yes.

Senator MURDOCK. But there are some qualifications and modifications as to its application?

Mr. BESSE. That is right.

Senator MURDOCK. I think you have stated that so far as men's fabric production is concerned there is no shortage of wool products at this time?

Mr. BESSE. That is correct. We are not the bottle-neck.

Senator MURDOCK. The bottleneck, as I understood you, is labor?

Mr. BESSE. Labor in the garment-manufacturing plants.

Senator MURDOCK. So that MAP is really not causing any hardship from that standpoint, is it?

Mr. BESSE. Yes; it is. I say this once again. We are making lighter-weight fabrics than we would like to make, and lighter-weight fabrics than our customers would like to have us make, and we are making topcoats instead of overcoats. It has an effect that you will see next winter when people want to buy heavy-weight overcoats. We are making men's wear, but not the kind that the public would like if they could have freedom of choice. So that MAP is affecting the garment worker and the public.

Senator MURDOCK. Does not the tendency to drop unprofitable items and less profitable items in favor of the ones having the greatest cost indicate a need for an order such as MAP to make sure that production is not concentrated only on the high-profit items?

Mr. BESSE. The MAP has nothing to do with the high-profit items. It is the high-priced items, which may or may not be high-profit items. Sometimes they are profitable and sometimes they are not; it does not necessarily follow.

Senator BARKLEY. You have eliminated the cheaper ones to make the more expensive?

Mr. BESSE. We have not eliminated the cheaper ones.

Senator MURDOCK. I think you stated that that is the very thing you have done; drop the unprofitable item and you have gone to the higher-profit items.

Mr. BESSE. But you are talking at one time about profit and at another time about price. High price and high profit are not necessarily synonymous.

Senator MURDOCK. I confined my question to profits, and you talked about price. I thought I was following you in your statement

here that you had dropped the less profitable items and had gone to the more profitable items.

Mr. BESSE. I do not want an argument with you.

Senator MURDOCK. I do not want to argue with you, either.

Senator BARKLEY. I apologize for injecting my question there.

Senator TOBEY. You have placed MAP as the first amendment. Is that the most important change that you would like to see?

Mr. BESSE. I do not think so, Senator Tobey.

Senator TOBEY. You put it first.

Mr. BESSE. Many of our people think it is the most important. It is an amendment already in the House bill, and for that reason I put it in here in exactly the same language as it appears in the House bill.

Senator MURDOCK. Are there any specific classes of wool products which are unprofitable at the present time?

Mr. BESSE. That is a very hard question to answer. It depends a good deal on the specific mill. We have about 600 different mills in the industry, and different mills are set up on a different basis. You cannot say that a single item is unprofitable. The industry makes a tremendous number of products, and it is difficult to put a single class forward as being a particular class which is unprofitable.

Senator MILLIKIN. I was very much interested in some observations that Senator Murdock made. I quite agree with you that if a man has excess spending power he should be allowed to buy better goods. I assume that you have no objection to some sort of control as a ceiling for better goods?

Mr. BESSE. I have no objection to a ceiling on anything, if the ceiling is placed intelligently and runs to specific items.

Senator MILLIKIN. I assume that.

Mr. BESSE. That is right.

Senator MILLIKIN. Senator Murdock made the point that a considerable part of this country has not shared in the outflow of this illusory cornucopia; that they do not have excess spending power, but they must have goods also. Is there any objection to a specific allocation of goods, whether woolen fabrics or cotton fabrics or whatever it may be, to assure a supply of goods to people in that category?

Mr. BESSE. We do not think that any allocation is any longer necessary.

Senator MILLIKIN. But if it were necessary, there would be no objection to that?

Mr. BESSE. It is a tremendously complicated thing in the apparel field. Where you have thousands of customers, it is almost impossible. We are struggling with the CPA—and I did not want to bring them in—as to certain priorities that we feel are not necessary but which certainly are very complicated and bothersome if you do not get them.

Senator MILLIKIN. The evidence shows that there has been a great deal of administrative inefficiency; but if we should find in the upset economy of the times a great category of people that are not able to indulge in buying better things and must buy the kind of things they have always bought, and if it takes an allocation of goods to supply that need, and, again, assuming that it is efficiently administered; could there be any legitimate objection to that?

Mr. BESSE. If you could show that the need is actually existent.

Senator MILLIKIN. I am assuming that.

Mr. BESSE. Some of these programs are based on a carry-over of psychology, and the psychology persists after the need has disappeared.

Senator MILLIKIN. I think there is a distinction in the practice of business when there is a buyers' market and when there is a sellers' market. In normal times, when we have a buyers' market, I am suggesting, and I would like to have your reaction to it, that the buyer establishes the terms on which the goods are sold. That operates to the benefit of the man who buys cheap goods. For example, in that kind of a market, the great mail-order houses, the great department stores, the great chain stores, the great mass purchasers, know exactly the costs of the producer, the manufacturer, and the fabricator, and in that kind of a market they can get items at cost or just a little above cost, and at the same time take some higher-priced items on which the seller can get by and make a profit. Is not that a common condition in a buyers' market?

Mr. BESSE. In general; yes.

Senator MILLIKIN. When it comes to a sellers' market, the seller can dictate his own terms as to whether he is going to indulge in loss leaders or not, and naturally, in his own interest, in times of that kind, which are times similar to these that we are having now, he does not indulge as widely in loss leaders as he does when the buyer controls the situation. Is not that correct?

Mr. BESSE. That is correct.

Senator MILLIKIN. Thank you.

Senator BARKLEY. What is your individual company?

Mr. BESSE. I have no company.

Senator BARKLEY. You are not a manufacturer yourself?

Mr. BESSE. Not at the moment; no, sir.

Senator MURDOCK. OPA's compilations indicate a profit, before taxes, in your industry of 33 percent in 1942. Do you disagree with that?

Mr. BESSE. I have the figures here. I have no reason to think that they are not correct.

Senator MURDOCK. And 37 percent in 1943 on net worth, before taxes.

Mr. BESSE. I have the figures on profit, but not the percentage of net worth for those years.

Senator MURDOCK. In your best judgment would that be far out of line—33 percent in 1942, 37 percent in 1943, on net worth, before taxes?

Mr. BESSE. It would sound high. I can only take the figures on the actual profits after taxes. I have not got the OPA figures in detail on our industry as far as net worth is concerned, except for the base years and for 1946.

Senator TAFT. Can you put those figures in the record later?

Senator MURDOCK. I would like to have them in the record, if there is no objection, Mr. Chairman.

The CHAIRMAN. Very well.

Senator CAPEHART. Does the able Senator from Utah have the figures of the net profit after taxes?

Senator MURDOCK. The statement that I have here is an OPA compilation, indicating a profit before taxes of 33 percent in 1942 and 37 percent in 1943, on net worth.

Senator CAPEHART. On the net worth of the companies?

Senator MURDOCK. Yes.

Senator CAPEHART. But what is the profit on sales after taxes?

Senator MURDOCK. I do not have that.

Senator CAPEHART. Of course, that is the real figure that should be put into the record.

Senator MURDOCK. Their estimate also is that in 1944 and 1945 the profits on the same basis are estimated to be equally as good; and a comparison is suggested of these figures with your statement of 1.6 percent in a base period.

Mr. BESSE. The figure of 1.6 percent in a base period is the OPA figure. I do not have any such figure. But I have the OPA estimates of profits, after taxes, in 1943 and 1944. They show \$53,500,000, approximately, for 1943, and \$51,000,000 in 1944. During those years we were doing a business of substantially \$1,350,000,000, after taxes.

Senator CAPEHART. How many manufacturers?

Mr. BESSE. That is an OPA compilation. For 1 year there were 78 manufacturers, which would be a rather large segment of the industry, because they took the large outfits.

Senator CAPEHART. In your statement I think you said that there are 500 mills?

Mr. BESSE. There are.

Senator CAPEHART. Do those figures represent 500 mills or 78 mills?

Mr. BESSE. They are based on 78 organizations, and are blown up to give an approximate industry figure. I do not question them; I think they may vary one way or the other, but for all intents and purposes they come pretty close to a fair average.

Senator BARKLEY. Did any of those companies make goods for the Government?

Mr. BESSE. All of them, practically.

Senator TAFT. What percentage of their business was Government business?

Mr. BESSE. At the peak of Government business, slightly over 40 percent.

Senator TAFT. That was all subject to renegotiation?

Mr. BESSE. Yes.

Senator TOBEY. That is only about 4 to 4½ percent—\$53,000,000 on \$1,350,000,000.

Senator McFARLAND. May I ask Senator Murdock one question in order to complete the record? Do the figures you have there show where the OPA got the net worth figure? Did they make it up, or did they take it from the companies, or where does it come from?

Senator MURDOCK. The Senator has asked me a question that I cannot answer; but I think there are some OPA officials here and possibly they can tell us where it came from.

Senator McFARLAND. I think it would be well if we knew where they got their net worth figures.

Senator MURDOCK. Yes; I think the source should be in the record. If they can give it to the committee I would like to have them do it.

Mr. SELLS. I do not know exactly which report Mr. Besse is quoting from.

Senator McFARLAND. It is not his figure; it is the one that Senator Murdock has.

Senator MURDOCK. I am supposedly quoting from OPA compilations here.

Mr. SELLS. The source of the information is the Division of Research of the Office of Price Administration. The data are taken from two sources: One is for the base period, reports either submitted to the Government or transcripts obtained from the Bureau of Internal Revenue, and for the current period the annual financial report made to the OPA Accounting Division.

If the Senator wants a description of the mechanism used in the Accounting Division for compiling the reports, I believe a representative of the Accounting Division is present.

Senator McFARLAND. No; I did not want to take up a lot of time. I thought it would be well to see whose figures the net worth was taken from.

Mr. SELLS. You mean, the individual companies, sir?

Senator McFARLAND. No. As I understand it, you said you made base figures.

Mr. SELLS. Yes.

Senator BARKLEY. But you do not make it up out of the sky. You make it up from the figures of the Bureau of Internal Revenue for one period, and from the reports of the Accounting Division of the OPA for the other period?

Mr. SELLS. Yes.

Senator McFARLAND. What figures do you get from the Internal Revenue Bureau?

Mr. SELLS. The Accounting Division of OPA obtains transcripts, under certain conditions, from the Bureau of Internal Revenue for previous years. Those are generally confined to corporations of certain sizes, and certain conditions of protecting the confidential character of the data are agreed to between the OPA and the Bureau of Internal Revenue before the transcripts are released. They are not made available except to the head of the Accounting Division as individual company reports.

Senator McFARLAND. I just want to ask one more question. Have you ever submitted these figures to the companies as to whether or not they were correct, or whether they challenged the net worth figures?

Mr. SELLS. Whenever an OPA accountant gets a report from a company he usually is instructed to submit the information that he has taken to the company's own accountants before he leaves.

Senator McFARLAND. I do not think you understand me. I do not want to go into a lot of details. When you make up these net-worth figures of companies do you submit them to the companies for their approval?

Mr. SELLS. If you are referring to the income-tax transcripts—

Senator McFARLAND. No; I am not talking about that.

Mr. SELLS. You are talking about the reports we get from them?

Senator McFARLAND. These reports that you give us here—do the companies challenge them, or have they had an opportunity?

Mr. SELLS. I think I understand your point. Any figures that the industry submits to OPA are the industry's own figures. We do not submit the arithmetic of putting the company reports together, to them, except where a survey is made and we go over it with the industry advisory committee. In these cases I would say the answer is "Yes."

Senator McFARLAND. You have not taken the individual companies' net worth and submitted it to them; all you have done is to file a general record. Is that right?

Mr. SELLS. No, sir; we have taken the individual companies' own net worth as they submit it to OPA, and use that figure.

Senator McFARLAND. In determining and 33 and 37 percent figures?

Mr. SELLS. Yes, sir.

Senator McFARLAND. Why did you not answer me in that way in the first place, then?

Mr. SELLS. I intended to. The 1936 and 1939 figures are from the Bureau of Internal Revenue. The current period figures are from reports made to OPA by the companies which we have put together from their statements to us.

Senator TAFT. Are English woolens coming in yet?

Mr. BESSE. In very small amount.

Senator TAFT. Do you look for any considerable increase in the importation?

Mr. BESSE. We are very much disturbed over the situation. The passage of the reciprocal trade agreement last year permits a further reduction of 50 percent in the tariff. Our wages here are approximately a dollar an hour as against an average in Great Britain, figured at a pound being worth \$4.02, of 31 cents an hour. It is a tremendous differential for us to overcome.

Senator FULBRIGHT. The principal reason for your objection to OPA is that it holds down production. Apparently that is not true in your industry; there is no shortage of goods?

Mr. BESSE. There has been. We have gone ahead and progressed faster than the clothing industry has.

Senator FULBRIGHT. You say there is a surplus of goods now?

Mr. BESSE. It has affected types of goods we have manufactured, as I tried to bring out a number of times.

Senator FULBRIGHT. The quality is not the best you could make, but there is more than they can make up. Is that one point?

Mr. BESSE. I think that is correct today.

Senator FULBRIGHT. And the industry is reasonably profitable?

Mr. BESSE. There is no more than is needed. You have to make that distinction. If the clothing manufacturers could obtain more labor, then their next bottleneck is pocketing, in cotton goods. If they get enough of that, then they are short in coat linings. Then they would be short of woolen goods unless we could increase in the interim.

Senator FULBRIGHT. So far as your industry goes, there is more material now than the manufacturers can make up?

Mr. BESSE. That is correct.

Senator FULBRIGHT. And, furthermore, your industry is reasonably profitable; is that correct?

Mr. BESSE. We are not too profitable. I might add for the record that increased payments to labor following the OPA figures are something like \$100,000,000 a year. Of course it is a little difficult to determine exactly what the effect of that is after taxes. But, as against the last tabulation that the OPA or the Treasury Department or anyone else has, we have increased wage payments in the industry, plus a number of other benefits, vacations with pay, shift premiums, and so forth, which would amount to approximately \$100,000,000 a year, which is a substantial item.

Senator FULBRIGHT. All I was trying to develop was this. Is it your method to get better prices or increased production if the profits are satisfactory? I just wanted to know the exact reason why you would like to change the OPA, if it is not either profit or production.

Mr. BESSE. It is both.

Senator TOBEY. One complements the other, does it not?

Mr. BESSE. Exactly. There are certain things that we are not going to produce unless they are profitable.

Senator FULBRIGHT. If there is sufficient supply in the hands of the manufacturers, I do not see what you are worrying about.

Mr. BESSE. It is a little difficult to know what the future is going to bring. We have only just recently come into the position where we have begun to think about a possible buyers' market. That might arrive by reason of the fact that we had gotten enough to satisfy the public demand. It may also come because our customers are not in shape to use our material as rapidly as they would like to.

Senator FULBRIGHT. When that time arrives, you have no doubt in your mind about the OPA, have you?

Mr. BESSE. They want it for another year.

Senator FULBRIGHT. Do you have any thought that there will be a buyers' market before the year is out?

Mr. BESSE. There may be.

Senator FULBRIGHT. In your line?

Mr. BESSE. There may be; yes.

Senator FULBRIGHT. Then you have overproduction in your line?

Mr. BESSE. We have overproduction if our customers are unable to use the goods; and we cannot tell exactly when they are going to reach that point.

Senator TOBEY. You do not see it on the horizon yet, do you?

Senator FULBRIGHT. He said within a year.

Senator McFARLAND. Who is going to be hurt if lighter clothing is produced instead of heavier clothing?

Mr. BESSE. Probably the retailer. He will have an overstock of undesirable goods.

Senator BARKLEY. Is the inability of your customers to use your goods brought about by shortage of labor or shortage of some other kind of goods they have to have?

Mr. BESSE. It is something of both. It is shortage of labor in the clothing industry and shortage of trimmings and linings.

Senator BARKLEY. There is nothing we can do, through the OPA, to remedy the shortage of labor?

Mr. BESSE. I do not think so.

Senator MILLIKIN. Do the woolen manufacturers have statistics on their present inventories?

Mr. BESSE. In our hands?

Senator MILLIKIN. Yes.

Mr. BESSE. We have figures. They are not particularly important. We do not have an inventory except by accident. We make goods on order, and when the goods are finished we deliver against the order. When we have an inventory it is a mistake.

Senator MILLIKIN. Are you working pretty close to a hand-to-mouth basis as you are going along now?

Mr. BESSE. From the standpoint of selling?

Senator MILLIKIN. From the standpoint of inventories. Are you up with your orders, or are you piling up inventories?

Mr. BESSE. We never pile up inventories.

Senator TOBEY. Don't you, on a few staples?

Mr. BESSE. We do not mean to, Senator. Occasionally that is true with a mill that makes only one product. A mill might make a very heavy overcoating; and you have some in your State that have to start in November making overcoats for next year. Perhaps the customers do not want them until along in February or the 1st of March. It is only a very short interim period. It is all sold and merely waiting for delivery instructions.

Senator MURDOCK. I think this is a repetition of my first question, but you did admit, I think, that in 1941 we had a very high level of consumers' goods production; is that right? I think you answered it in the affirmative before.

Mr. BESSE. Total production, when we started to make Government goods on a very large scale in 1941.

Senator MURDOCK. There was a very high level of consumer goods production in that year, was there not?

Mr. BESSE. Reasonably high. It was not exceptionally high.

Senator MURDOCK. You are not required today, under MAP, to allocate any more fabrics to cheaper production than you were in 1941?

Mr. BESSE. No bigger proportion; that is correct.

Senator MURDOCK. Now, if I may ask this final question, Mr. Chairman.

In reference to the general theory of price ceilings and OPA earning standards, did OPA force you to take losses in the application of earning standards?

Mr. BESSE. I am afraid I do not understand the question. In what connection?

Senator MURDOCK. This is a question that was submitted to me so, if you do not know what it means, we will pass it up.

Does it give base-period profits regardless of increase in investment?

Mr. BESSE. If I understand that question, you mean——

Senator MURDOCK. I am not sure that I understand it.

Mr. BESSE. As I understand it, you are asking if, in figuring base-period-profit percentage, you take into account changes in your net worth during that period, the answer, I believe, is "yes." It certainly should be.

Senator MURDOCK. This list of questions was submitted to me just as I came in, and I think this has a particular bearing. However, I must confess that I do not understand all the details myself.

Mr. SELLS. On this last point that Senator Murdock made, I would like to point out that in measuring the necessity for a price increase under the industry-earnings standards, the two loss years that Mr. Besse cited in his testimony would not be treated as loss; they would be sent in as zero, and if any increase had occurred since the base period, in net worth, the increase would be reflected in determining what the minimum profit to be allowed is so that even under the OPA standards the industry would be allowed more than the 5 to 6 million dollars that he cited. It would be increased to the extent that the net worth of the industry has increased since the base period, although it must be pointed out that the industry's earnings even in 1945 are still so far above the base-period earnings adjusted for increases in net worth, that, so far as I know, no general price increase

could be permitted. On the other hand, we have been discussing with the wool industry recently a number of adjustments on base-period fabrics which are now being studied in order to be sure that no staple product should be required to be produced at a loss. The industry knows that, and I believe Mr. Besse knows that, too.

Mr. BESSE. I am amazed to hear Mr. Sells say that in figuring base-period profits you deduct the two lowest years.

Mr. SELLS. I did not say that; I said they are sent in at zero.

Mr. BESSE. That is about the same thing.

Mr. SELLS. No; it makes quite a difference.

Mr. BESSE. According to SO 149, that is not what you do. It says that an adjustment will be granted only to the extent necessary to permit the applicant to realize currently on his net worth the same percentage return as he realized on the average in the years 1936 to 1939. There is nothing in here that says anything about putting in as zero certain years.

Mr. SELLS. You are talking about an individual adjustment. I was talking about a general adjustment for an industry.

I might point out that for the cotton and wool industries this order you just quoted from permits any individual manufacturer a minimum return of 3 percent on net worth and a maximum of 6 percent, even if that would bring him above the general ceiling permitted to the industry. The point in that is to encourage full production in both the cotton and wool industries.

Senator BANKHEAD. I want to get a fair statement of the difference between the base for ascertaining percentage of profit, the net sales, and net worth. For instance, on woolens, in 1936 and 1939 you had 1.8 percent, and in 1944 the figure was 9.4. That is on net worth.

On net sales you had 1.4 in 1936 and 1939, and 3.8 in 1944. There is quite a difference there. Is there any reason for that difference in the two methods of ascertaining profits?

Mr. SELLS. There are two different ratios. In the first case the ratio of net profits before taxes to net sales is obtained by taking the net sales from a consolidated profit-and-loss statement for the industry and dividing that into the net profit. In the second case the net worth is used rather than the net sales.

Senator BANKHEAD. What is net worth?

Mr. SELLS. It is an accounting term. I suppose a better way to explain it would be assets over liabilities, or the stockholders' investment in the business.

Senator BANKHEAD. It is not based upon a year's run of business?

Mr. SELLS. No. The net worth is more a measure of the investment that the stockholders have in the business, and the sales reflect a year's operations.

Senator BANKHEAD. In connection with net worth, you get your percentage by taking the value of the investment to begin with?

Mr. SELLS. That is correct.

Senator BANKHEAD. Which gives a higher percentage on the average?

Mr. SELLS. In general the return on net worth is higher than the return on net sales as a ratio. On wool for 1944 the ratio of profit on sales is 3.8 and on net worth 9.4 percent.

Senator BANKHEAD. As to cotton, in 1936 and 1939 you have a profit by the companies on net sales of 4.5 percent.

Mr. SELLS. That is correct; 4.5 as compared with 5.2. The net worth is higher in the base period.

Senator BANKHEAD. In net worth you have 3.5 for 1936 and 1939.

Mr. SELLS. That is after taxes. If you want to compare the ratios on net sales and net worth for cotton, it would seem to me that for the base period the comparable figures would be column 1 to column 3, which are both before taxes, or column 5 and column 7, which are after taxes. If you look at columns 1 and 3, then the ratio of net profit to net sales for the base period is 4.5, and then in column 3, on net worth, 5.2, which is higher.

Senator BANKHEAD. Take 1944.

Mr. SELLS. Taking 1944, it shows from 10.6 on net sales to 22.7 on net worth.

Senator BANKHEAD. When you take net worth you have the profits twice as much as you would in the operation of a business, without considering the amount invested?

Mr. SELLS. The reason for that is the increase in the investment.

Senator BANKHEAD. So, when you use net worth on cotton and on wool you show a very much larger or higher percentage of profit than you would if you used net sales, which is the conduct of the business, the difference between the outgo and the income. That is true, is it not?

Mr. SELLS. The figures show that.

Senator BANKHEAD. That is all.

The CHAIRMAN. Thank you very much.

Senator MILLIKIN. Mr. Chairman, we had Mr. Devereux, representing textile mills, who gave us a recital of facts which, if correct, seemed to impress at least some of the members of the committee as representing a grave injustice. Mr. Lieberman was here, and it was agreed that over the week end the OPA officials would take a look at that case and give us their reactions to it today, so that we might see OPA in the actual process of studying a case and reaching its conclusions.

Have you done that, Mr. Lieberman?

Mr. LIEBERMAN. We are in the process of doing it now, Senator.

Senator MILLIKIN. Are you prepared to testify this morning?

Mr. LIEBERMAN. As to the results which will be arrived at on the completion of the processing, no, sir. We have not completed it yet. The accountants will finish their work on it this noon, and we will be happy to have an answer tomorrow morning as to the results.⁴

Senator MILLIKIN. Do you think it would be better that we not go into it now, but wait until tomorrow?

Mr. BAKER. If the question is on the adequacy of the result, we can get that upon the completion of the accounting study. If the question is on the length of time in which the application has been in the shop, and our procedure, we can testify at this time.

Senator MILLIKIN. I think we understood from the testimony on Friday that the particular application has been before OPA only a short time.

Mr. BAKER. It came in last week.

Senator MILLIKIN. I think it is clear in the testimony.

Perhaps, Mr. Chairman, we ought to defer this until tomorrow.

The CHAIRMAN. Very well.

STATEMENT OF DOUGLAS WHITLOCK, CHAIRMAN, ADVISORY BOARD, THE PRODUCERS' COUNCIL, INC., WASHINGTON 5, D. C.

Mr. WHITLOCK. Mr. Chairman and members of the committee, my name is Douglas Whitlock and I appear as chairman of the advisory board of the Producers' Council, the national organization of building product manufacturers.

The Council's membership is composed of about 80 concerns manufacturing building materials and equipment, together with 20 national trade associations representing manufacturers of materials and equipment.

The Council is vitally interested in legislation affecting the operation of the OPA because OPA policies have been directly responsible for delaying the construction of homes for veterans and for retarding other types of essential construction. By restricting the output of building products, the OPA not only has reduced the value of all types of construction but also has directly and substantially increased the cost of building.

Eight months have elapsed since the end of the war, and the manufacture of standard, low-cost building products needed for low-cost veterans' homes still remains shackled by inaction on the part of OPA. Recent reports indicate that production of the scarce building materials is ranging from 30 to 70 percent below the 1941 rate at the present time, mainly because of inadequate price ceilings.

Existing manufacturers have ample plant capacity to produce enough materials to meet the full requirements of the Wyatt program this year, but the OPA, after 8 long months, has not yet been willing to make the ceiling price adjustments which not only would mean more homes for veterans, but also would permit a substantial reduction in the total cost of the materials used in those homes.

Every additional day that the OPA continues in its present course means fewer new homes this year. Every day that Housing Expediter Wyatt fails to use his powers to order the OPA to make the needed adjustments postpones the day when the critical housing shortage will be overcome.

Our views on the subject of price controls are shared by at least one well-informed Government official who is an authority on building materials. I refer to Mr. Don Campbell, lumber consultant to Housing Expediter Wyatt, who previously spent 3 years here in the Lumber Division of the War Production Board.

According to a statement in the Louisville Courier Journal, Mr. Campbell, in addressing the Louisville Building Congress last week, made the following statement regarding building product prices:

The Office of Price Administration refuses to be realistic. Just a little break, a little give in the line, is all we need to produce.

At another point in his talk, Mr. Campbell said:

Lumber is going into black-market channels * * *. The OPA must be made to see the light * * *.

He added that the OPA must increase lumber prices to get lumber back into normal channels.

When the statements of the construction industry are backed up in this forceful manner by a man of Mr. Campbell's experience in the

Government itself, it seems to us that there cannot be too much dispute about the facts in the case.

We in the construction industry feel obligated to bring out these facts, because someone ultimately is going to be blamed for the unnecessary continuation of the housing shortage. We wish to make it perfectly clear that the blame does not belong, and cannot be placed, at the door of the construction industry or the manufacturers of building products.

If the goals of the Wyatt housing program are not met this year, the blame will belong, and will have to be placed, squarely on the Office of Price Administration, which seemingly is more interested in controlling the construction industry than in getting homes built for veterans at lower cost.

However, the Council at this time is not asking that all price controls over building materials and equipment be removed immediately. We recognize that the supply of some products is so much less than the demand that the sudden removal of all price controls might have undesirable consequences during the period required for production to catch up with demand.

On the other hand, we do ask that Congress take prompt and effective steps to make certain that the policies of the OPA will be so directed in the future that the production of building materials can be increased sufficiently to meet the pressing need existing today.

Senator MURDOCK. I wonder if the witness later on in his statement states the products from which he thinks price controls should be removed and those on which he thinks they should be continued.

Mr. WHITLOCK. Senator, a little later on I outline in detail the methods, but the actual product is not named.

Senator MURDOCK. Could you not give us those products, so that we will know what we are talking about and so, in interrogating the OPA officials, we can ask them specifically about this or that product and see what the agreement or disagreement is?

Senator McFARLAND. I think there is on file with this committee some testimony given before the joint committee of the Senators and Representatives from the lumbering States, and that testimony will point that out in detail.

Senator MURDOCK. Is there any reason why this witness should not include it in his statement?

Senator McFARLAND. I know of no reason, except that it may be very voluminous.

I might state, Mr. Chairman, that I received a phone call from Arizona this morning asking that Mr. Warren be permitted to make a short statement on this matter also, if that can be arranged.

Senator MURDOCK. As I understand the witness, he represents not only lumber, but all types of building products.

Mr. WHITLOCK. Yes, sir.

Senator MURDOCK. I think a statement from him, unless it would be too voluminous, certainly would be helpful to the committee on the very question he raises. He wants price control on some items and wants control entirely removed from others. That is your position, is it not?

Mr. WHITLOCK. Senator, a little later on I want to explain how we think OPA could work on building products. Of course, if the mandate of this Congress is to be made a little different from the present

situation, it may be that we would need a very slight action and in some instances no action.

Senator TAFT. I suggest that we let Mr. Whitlock finish his statement, and then ask him to cite us a dozen or so specific cases.

Senator MURDOCK. I would like to have that done.

Senator TOBEY. Before you go further: The Producers' Council, Inc., is a national organization of manufacturers of building materials and equipment?

Mr. WHITLOCK. A national organization of manufacturers of building products.

Senator TOBEY. What percentage of production in those lines do you represent?

Mr. WHITLOCK. Senator, through the trade associations I represent a very large percentage. The council has both types of membership: It has individual manufacturers, of whom we have some 80; then we have 20 national trade associations which represent varying degrees of production in their particular industries, some as high as 90 percent; others maybe not so high. So that we represent a very large percentage of the production of building products.

Senator TOBEY. More than a majority?

Mr. WHITLOCK. Yes, sir.

Senator McFARLAND. Are you the only witness dealing with lumber?

Mr. WHITLOCK. I think not, Senator. I think the National Lumber Manufacturers' Association is to appear a little later.

During the war, the OPA endeavored to accomplish two purposes: First, to prevent inflation by regulating sales prices; and second, to restrict the use of critical materials and labor by discouraging the production of nonessential goods.

But the war is over. Industry now faces the complex problem of reviving its peacetime production. There still is need to prevent run-away inflation, but there is no longer any need or any excuse for trying to discourage the production of nonwar goods. Yet the OPA seems not to recognize that fact. The OPA does not realize that many of the very items which were least wanted during the war are in greatest demand and are most urgently needed in peacetime.

We urge that Congress use every legislative device at its command to make it mandatory on OPA to adopt and put into practice policies which will permit maximum production of currently scarce civilian products, including those low-cost, standard, building products needed to build low-cost homes for veterans.

Since before the end of the war, OPA has failed on two counts to discharge its responsibilities so far as the production of building materials and equipment is concerned.

First, it has failed to approve certain fully justified ceiling price increases needed to permit manufacturers of building products to make wage adjustments which are required to attract more labor to their plants.

Second, it has failed to adjust price ceilings on certain low-cost, standard, building products which are essential to home construction but which cannot be produced in volume now because present ceilings permit no profit.

In the case of some items, inadequate price adjustments have been made. In the case of other building products, 4 to 6 months or more

have been lost before the OPA finally has granted necessary ceiling price increases.

Specifically, 6 months were required to get an increase in brick prices; 6 months elapsed before manufacturers of clay sewer pipe obtained necessary increases; 3 to 4 months passed before the OPA made its decision with respect to ceilings on enameled plumbing fixtures; essential price adjustments on coal furnaces and air conditioners were pending for 5 months without decision; 18 months were required to induce the OPA to adjust ceilings on millwork; and 5 months passed in the case of window screens.

These examples can be multiplied several times, demonstrating beyond question that the OPA has been consistently slow and reluctant to take action. Each major request for ceiling-price adjustments requires endless argument, telephoning, surveying, and discussion. And each month of delay means fewer homes built for veterans, fewer schools, and fewer hospitals.

The OPA waits 4 to 6 months or more and then grudgingly grants the requests which have been pending, indicating clearly that the manufacturers were fully justified in their requests and showing with equal clarity that the fault lies with the OPA. That agency either doesn't want to speed up construction or else doesn't have the ability to make quick decisions.

Before making any specific recommendations as to the nature of the legislation which we believe Congress should pass at this time, I should like to stress the fact that this country cannot attain full production of building products or other goods, and cannot attain full employment, until price controls have been removed completely.

I repeat, that the council is not asking removal of all controls at this time, but we are asking that all controls be removed at the earliest possible date.

Maximum production cannot be attained until industry is encouraged to make bold plans and to take those risks without which all-out production is impossible. If we are to have maximum production and employment, management must be able to plan with confidence so that it will be free to use its full ingenuity in achieving its goals, that its plans will not suddenly be blocked by new or changing regulations.

Business is a gamble, and the odds must be favorable before stockholders and directors are justified in taking long chances. New investments in plants and tools and machinery cannot and will not be made unless there is a fair chance of paying out the investment and making at least a moderate profit.

The confidence needed, if risks and long chances are to be taken, does not exist today and will not exist so long as the Federal Government is in position to change the rules of the game at any time, and on short notice. How can anyone feel free to make large new investments when the Government stands in position to wipe out all chance of profit merely by issuing a new restrictive order or lowering a ceiling price?

Take the case of the small home builder who has the capital, the organization, the land, and the know-how to build 10 small homes for veterans. Under normal circumstances, he feels free to take the risk because if he has guessed wrong about his costs or if costs increase while the homes are being built, he can add a few dollars to his selling prices and still make a profit or at least come out even. He is willing

to take these chances. Experience has taught him that, with freedom of action, he can usually come out all right on the average. He may lose on his first group of homes and then make up the loss on the second group. He understands that and is willing to take the risk.

But all of that is changed when the Government controls home building. The Government can effectively prevent the builder from obtaining the few extra dollars needed to make up for higher costs, which may be incurred after construction starts. The decision is made by a Government employee who may be completely new to his job and without any practical experience in the building of homes.

Indeed, this new and inexperienced Government employee may prevent the builder from starting his project at all, by insisting on a selling price which will not cover costs.

Under these conditions, the only safe course for the small builder is to play safe. Either he cuts down his building program, to avoid the chance of heavy loss, or else he sits back and waits for conditions to change. He can't risk all he owns, when the Government can wipe him out by an unfavorable ruling.

Take the small manufacturer, or the large manufacturer, if you wish, of a scarce building product. He has to decide whether to produce at capacity or at half of capacity or not produce at all. He has to decide whether to expand or improve his plants, whether to hire and train new workers, whether to buy costly new machinery. The decision rests on the possibility of realizing a profit.

If he produces at capacity and if his costs rise suddenly with no change in his ceiling price, the manufacturer stands to lose heavily. He knows that in advance. He knows how exceedingly difficult it is to get an adjustment in ceiling prices from the OPA. The safe course, and the course which many are following of necessity, is to produce on a moderate scale, thereby running less risk of heavy loss. Profits, if any, will be smaller, but so will losses be smaller. Continuation of controls means continuation of conservative policies, and conservatism does not permit all-out production.

Those are the factors which prevail while controls remain in effect, while the Government arbitrarily decides whether a businessman is to make a profit—while the Government, not free competition and ingenuity, determines the fate of business.

That is why we say that controls must be eliminated completely at the earliest practical date. That is why we say that the policies of the OPA must be flexible and sensible so long as controls remain. Past experience convinces us, without the slightest doubt, that the policies of the OPA will not be reasonable, or practical or sensible, unless Congress can give the OPA a clear and unmistakable mandate through new legislation.

Senator TOBEY. Are we to interpret that statement that the policies of OPA in the past have not been reasonable, practical, or sensible?

Mr. WHITLOCK. Exactly, Senator.

Senator TOBEY. That is your indictment?

Mr. WHITLOCK. That is my interpretation.

Earlier, I said that the OPA has failed to approve many needed price increases, and thus has prevented production of critically needed building products. The time available to me here today does not permit of a detailed report on these instances, and I shall not attempt to enumerate them. Instead, I urge that your committee arrange

to hear the chairmen of the OPA industry advisory committees who have been dealing with these problems and can give you complete information.

The CHAIRMAN. What is his name, sir?

Mr. WHITLOCK. Senator, there is one in each industry—brick, lumber, sewer pipe. There are 10 critical materials under Priority Regulation 33, and there are seven advisory committees covering those critical materials.

The CHAIRMAN. Yes.

Senator CAPEHART. They would be good fellows to hear from.

Mr. WHITLOCK. They could give you the detailed information of their struggle with OPA to get ceilings that will permit the production of those critical items.

Senator CAPEHART. Would they like to appear?

Mr. WHITLOCK. I think, Senator, they probably would like very much to come and appear. I know in one instance one has asked to appear, but due to the time schedule of the committee he has received a letter that he would not be able to appear.

Senator CAPEHART. Mr. Chairman, I suggest that we ask them to appear, because they have been working with OPA for—well, I presume since the inception of OPA, over a period of 4 or 5 years, and it would seem to me as though they would be better qualified to give us the facts than any of the witnesses we have listened to and may listen to in the future, because they are experienced men, and they should know what they are talking about.

Senator TOBEY. Could they not call 1 spokesman for the 10, instead of all coming in at length, and save time?

Senator CAPEHART. They represent different industries.

Senator TOBEY. Could they not get together and make a concentrated solution?

Senator CAPEHART. I have no objection to that, but I think we should hear from them either as a group or individually.

Mr. WHITLOCK. Senator, I am in a capacity of representing all building products, and in an effort to conserve time I am giving you the general statement. However, if you want to know about the problem of these individual products which are in short supply, the man who knows the detail, the man who has worked with it through the months, is the chairman of the advisory board to OPA from that particular industry or product.

Senator TOBEY. Appointed by OPA?

Mr. WHITLOCK. Appointed by OPA, but comes from the industry, of course.

Senator TOBEY. Yes.

Senator CAPEHART. He represents all the industry, and with the industry he will—

The CHAIRMAN. Well, this gentleman, I understand, represents the entire industry.

Senator CAPEHART. He represents the entire industry, but he is not as familiar with the workings of the factories and their problems as these other gentlemen.

The CHAIRMAN. Well, I am doing the best I can—

Senator CAPEHART. Oh, I appreciate that.

The CHAIRMAN. Within the next month or so to reach some decision by the committee.

Senator CAPEHART. Yes. And I think it is important that we reach a decision, and I think it is important also that we reach the right decision.

The CHAIRMAN. I assume that when Mr. Whitlock has spoken he is speaking for the entire industry.

Mr. WHITLOCK. That is correct.

The CHAIRMAN. Isn't that correct?

Mr. WHITLOCK. That is correct.

The CHAIRMAN. Then, here is the man that speaks for the entire industry.

Mr. WHITLOCK. However, if you wanted to know the detail of any product, Senator, the advisory board chairman would be best equipped to give you that information.

Senator MURDOCK. But there is none of them as well equipped as you are to give us the general over-all picture; isn't that correct?

Mr. WHITLOCK. That is correct, and that is what I am trying to do here, Senator.

Senator MURDOCK. If we want details with reference to particular products, we can go to these advisory members.

Mr. WHITLOCK. That is correct.

Senator MURDOCK. But to get the over-all picture, you are the proper man, are you not?

Mr. WHITLOCK. That is correct; yes, Senator.

Senator CAPEHART. If we want to get the picture of the lumber industry, you want the chairman of the advisory board; or the brick industry.

Senator MURDOCK. That is what I understood:

Senator CAPEHART. Or the roofing industry or the plywood industry. And they can give us more information than possibly what we are getting. And I am not discounting what we are getting.

Senator MURDOCK. Mr. Chairman, what is the rule now as to the different—I have had innumerable telegrams from the hotel people that they are——

The CHAIRMAN. There is one representative to appear for the hotels.

Senator MURDOCK. And they are dissatisfied with the time allotted. I think it is a half hour.

Is that the general rule that the committee has adopted?

The CHAIRMAN. I am just trying to reduce the time as much as I can.

Senator MURDOCK. Yes, I know.

The CHAIRMAN. So that we can get in within the next 6 weeks or so.

Senator MURDOCK. But you are giving them the same time as you are to any other?

The CHAIRMAN. The same as to any other, yes. Well, 1 minute, gentlemen.

Senator MURDOCK. I would like to hear from them.

The CHAIRMAN. Yes. I think we shall recess now until 2:30, and will you be back at 2:30? Will you promise to be back at 2:30?

Senator Taylor, will you be back at 2:30?

Senator TAYLOR. Yes, I will be back.

The CHAIRMAN. The committee will take a recess until 2:30, when the Senators all promise to be here.

(Whereupon, at 12:10 p. m., a recess was taken until 2:30 p. m. of the same day.)

AFTERNOON SESSION

The committee reconvened at 2:55 p. m., upon the expiration of the recess.

STATEMENT OF DOUGLAS WHITLOCK, CHAIRMAN, ADVISORY BOARD, THE PRODUCERS' COUNCIL, INC., WASHINGTON 5, D. C.—Resumed

The CHAIRMAN. Mr. Whitlock, we shall go on now. Will you continue your statement? You were on—

Mr. WHITLOCK. Page 7, I believe, Senator.

The CHAIRMAN. Yes. If you would rather put the rest into the record, you may do so.

Mr. WHITLOCK. Well, perhaps I should cover it.

The CHAIRMAN. All right. Page 7?

Mr. WHITLOCK. Yes; page 7.

The CHAIRMAN. All right.

Mr. WHITLOCK. I said also that the OPA has failed to permit ceiling-price adjustments needed to permit manufacturers to pay the higher wages required to attract additional labor to their plants. Without this additional labor, production cannot be increased. Again, I urge that the committee seek the facts from the chairmen of the industry advisory committees.

If you will consult the advisory committee chairmen, you will conclude, I am sure, that the OPA itself has been the greatest bottleneck in home building. By delay and procrastination, the OPA already has deprived veterans of thousands of new homes. The same will be true in the future unless the policies of that agency are radically changed.

Let us look now at the results of these misguided policies which the OPA has been following. I have said that the OPA has retarded home building. In addition, the OPA has increased the cost of building homes, and the increases are substantial. In the first place, the shortage of certain building products has resulted in a vicious black market for some materials. The industry advisory committee chairmen can tell you what has happened. They can tell you about the ingenious barter system which has been set up in some places to circumvent ceiling prices.

The black market directly increases the cost of building homes. But with a free flow of materials, there would be no need for these illegitimate transactions, and the black market would soon disappear. It exists only because of the shortages perpetuated by the OPA.

Home-building costs are further increased by the fact that builders are compelled to buy the high-priced luxury grades of some essential home-building products. The low-price, standard lines, needed to build low-cost homes for veterans, cannot be produced because existing OPA ceiling prices do not permit a profit on these grades. Thus, the builder, if he is to build at all, must pay far more for a luxury grade than he would have to pay for the standard grade, even after the necessary ceiling-price adjustments had been made.

In simple mathematics, ceiling-price discrepancies force the builder to pay \$2 for a fancy grade when he could buy the standard line for \$1.20 even after a 10-percent increase in the present ceiling. Forcing

builders to buy luxury building products increases the cost of building homes for veterans.

The inadequate ceiling prices which exist today in the case of some scarce products also increase the cost of home building by causing long delays in construction. The builder has to wait 10 days for brick, another week for millwork, 2 weeks for plumbing fixtures, and 10 or 12 days for electrical equipment, all because the supply is not sufficient to permit prompt arrival of materials and equipment on the job.

Meanwhile overhead continues to pile up, interest charges keep on, laborers are paid for idle time, and the cost of the home mounts higher and higher. These delays increase the cost of home building, and all of the factors just enumerated also increase the cost of all other types of essential construction.

We contend that as much as half of the recent increases in the cost of building are a direct result of these factors. We also contend that judicious increases in the ceiling prices of the standard building products which are scarce today would permit a saving in building cost which would be twice as great as the amount of the increases in the ceilings. In other words, the OPA is directly responsible for much of the high cost of building today. The cost of building would drop appreciably as soon as the OPA adjusted ceiling prices. Veterans' homes would cost less.

Among the OPA policies to which we object in the strongest possible way is the one by which industry must agree to pay increased wages without any assurance of receiving ceiling-price adjustments to compensate for the increases.

In a set of questions and answers issued by the Office of Economic Stabilization in connection with the Wage and Salary Regulations issued March 10 by the Stabilization Director, the following question and answer appeared:

May OPA advise an employer who is engaged in wage negotiations what price increase he might be entitled to if he should make a certain wage increase and secure approval of it?

The answer which appears in the document is "No."

Economic Stabilizer Bowles in a press release dated February 27 made this statement:

Under no circumstances will OPA set a price or promise a price adjustment in advance of a wage agreement.

In other words, a manufacturer who is faced with a demand for increased wages must agree to an increase; and then, and only then, can he attempt to secure a compensating increase in his ceiling prices to permit him to pay the higher wages.

We submit that this is a completely unrealistic policy. It means that a manufacturer first must bind himself to increased costs and then try to get fair treatment from the OPA.

Under the OPA policy as enunciated by Mr. Bowles, the manufacturer either must close down his plant until the increased ceiling is approved or else must pay the higher wages without a higher ceiling, perhaps incurring heavy losses, during the period required for OPA to reach a decision.

In actual practice, as stated previously, 4 to 6 months or 2 years are required to get these decisions in case after case. Certainly, this is not a policy calculated to speed up production of materials. Some

effective means of assuring shortcuts in this procedure must be found, if production is to reach the necessary increased levels. Many building-product manufacturers already are operating on so narrow a margin of profit that they cannot possibly pay higher wages without higher ceilings. And the OPA refuses to give any assurance of bridging the gap, if increased wages are agreed to.

Senator MITCHELL. Would you say that OPA is just as slow in handling price increases now as it was 6 months ago?

Mr. WHITLOCK. Well, there has been an effort made on the part of OPA to try and speed up some of these building-material prices. However, an example of just what I have been illustrating here to the committee can be given you from the brick industry where we—

Senator MITCHELL. And how many price increases have there been in the brick industry, for instance?

Mr. WHITLOCK. The brick industry has had two price increases; that is, two general price increases. There are price increases area by area; that is, they have 17 areas, and there were price adjustments made in practically all of the 17 areas a little over a year ago. Then in September last year they made a second general price increase throughout the entire eastern part of country.

We have this situation today: That we have wage demands from labor which we are not in a position to agree to without some assurance there is going to be a price adjustment. Now, we have asked OPA how long it would take to make a survey and give those adjustments if we were able to agree with labor on the high wage they are asking, and they tell us that it will be anywhere from 90 to 120 days; so we would have to be paying that high wage anywhere from 3 to 4 months before they could complete their survey and the 700 brick plants could make the adjustment. Now, we are simply—our hands are tied when it comes to making those wage adjustments.

Senator MITCHELL. And you say your hands; you mean the whole industry?

Mr. WHITLOCK. The brick industry.

Senator MITCHELL. On a Nation-wide basis?

Mr. WHITLOCK. On a Nation-wide basis. Individually there are 700 plants, and OPA tells us that they cannot make individual adjustments; they haven't got the staff to make the adjustments for the individual plants. They tried that at the beginning of OPA, and they were swamped with applications for price adjustments, so they went to what they called a regional basis and put in 17 areas, and then they made their surveys by areas, and even that was too slow. So then they finally came to a Nation-wide adjustment on what they called a discretionary basis.

Now, the only thing we know is that they tell us it will take 3 to 4 months, and we would have to be paying those high wages before they could even make the survey, which would mean that we would operate at a loss for from 3 to 4 months because of their lack of staff; the time it takes, and the necessary delays that come through the procedures of OPA.

Senator MITCHELL. Has the employment in the brick industry increased materially in recent months?

Mr. WHITLOCK. After the price increase last September, Senator, the employment immediately increased; plants opened up. Nearly half of the industry was shut down in September of 1945. With

the price adjustment of September 18 all but about 169 plants have opened up. They are recruiting their labor and training their crews to work together.

Senator MITCHELL. And they are being able to recruit labor now, are they?

Mr. WHITLOCK. There are a few——

Senator MITCHELL. They are getting labor now, are they?

Mr. WHITLOCK. There are a few spots, not many, where the labor supply is not adequate, but generally the labor supply is adequate.

Senator MITCHELL. The shortage has not occurred generally.

Mr. WHITLOCK. However, labor is demanding higher wages after the settlement of the steel strike, and the brick industry is in a position now of not being able to negotiate those higher wage agreements because of this OPA delay. The net result is that the plants are shutting down. In Ohio last week another plant shut down, a large one, and I had a message this morning that three others will shut down this Friday. So that by the time that we get plants under way we are finding them closing up again and brick production being curtailed again.

Moreover, the OPA consistently refuses to raise ceilings on individual building products when they find that the company involved is making an over-all profit or if they decide that the company is likely to start making a profit. In other words, if the ceiling price on a scarce and urgently needed building product is so low that the product cannot be produced except at a loss, the OPA gives no relief because the company is making a profit on its other lines, which may have no relation whatsoever to the building industry.

Similarly if prevailing ceiling prices permit a company to produce a high-priced luxury line at a profit and require that a low-priced standard line be produced at a loss, the OPA will not adjust the ceiling on the standard line if they find that the company is making an over-all profit.

No company can be expected to produce goods at a loss. Congress surely does not expect that the OPA will follow such a policy. Yet that is exactly what is happening in many cases. We urge that Congress revise the OPA law in such a way as to require the OPA to change policies in this respect. The revision in the law should be airtight. It should be so carefully worded that the OPA cannot evade the intent of Congress.

The situation is critical, and building-product manufacturers will have to have some relief without delay if veterans' housing needs are to be met. We therefore are proposing for the consideration of this committee, and are urging the adoption of, a program which we believe will prevent runaway inflation and at the same time permit the free flow of building products. We are proposing, for the time being, a middle course between absolute discontinuance of controls and the intolerable conditions which manufacturers have faced in their dealings with the OPA. This is our program:

1. Since the OPA now has a mandate from Congress to fix all prices in order to accomplish an objective necessary for war, Congress must give OPA a new mandate to prevent runaway inflation and to accomplish the entirely different objectives of peace.

2. Instead of controlling all prices, the OPA should be instructed to exercise control only over a limited list of scarce items where

control is necessary until supply catches up with demand. The list of items to be controlled should be those which affect the cost of living, particularly those pertaining to shelter, food, and clothing. These items should be specified by Congress, and any additions to the list made by OPA and the President should be subject to the later approval of Congress.

3. Congress should state in the mandate that price control is temporary and that the objective is to get away from it as soon as possible and get back to price determination in the market place where the governing factors are competition and the decision of the individual citizen to buy.

4. Congress should prescribe a formula for fair pricing as a guide to all sellers of scarce commodities in this temporary period when demand exceeds supply.

5. Manufacturers or sellers of scarce commodities should submit price schedules based upon the fair-price formula to the Administrator for his approval. Businessmen would thus have an incentive to price below the fair-price formula to avoid rejection by the OPA.

6. OPA should be given power to investigate and take into Federal court, and thus bring before the bar of public opinion, those individuals who, when given a chance to exercise freedom under a prescribed formula, violate that privilege by charging more than a fair price.

7. Congress should prescribe that, when supply and demand come into approximate balance on any item designated for price control, the OPA must remove controls without undue delay, thus giving everyone an incentive to produce to the limit of capacity so as to bring freedom from Government controls as soon as possible.

8. Such a new mandate from Congress should be made effective at once, instead of at the expiration date of the present act on June 30, 1946, and should instruct the OPA to eliminate controls on a gradual basis, so that all controls will end on a definite termination date fixed by Congress.

9. Congress should specify that the function of OPA is not to fix prices, but to protect the public against unfair prices, and that prices on each item must be sufficient to encourage full production and hence full employment as soon as possible.

In the long run, full production—getting supply ahead of demand—is the only real preventive of runaway inflation.

I should like now to return to point No. 5 of the program just proposed. Some workable means must be devised for permitting a prompt increase in production of building materials. We have three alternative methods. First, we could eliminate OPA price controls completely—a move that the Council is not recommending at this time. Second, Congress could stipulate that OPA must establish ceilings which permit a reasonable profit for every producer or distributor. The one objection to that plan is that OPA would face a huge task in making the many thousands of decisions required. That objection can be overcome by the adoption of the fair-pricing formula for all producers and distributors.

Under this plan Congress would set up the formula, stipulating the choice of base periods to be used in calculating profits, and would provide criteria upon which the manufacturer or distributor could determine the reasonable rate of profit to which he is entitled. Then

with little or no delay, each producer or distributor could promptly figure his own permissible prices, submit them to OPA for checking, and proceed to manufacture and distribute his products without further delay or red tape. In point No. 6, we proposed that the OPA would have the power to take into Federal court and prosecute any producer or distributor who violated the fair pricing formula.

The CHAIRMAN. Mr. Whitlock, you say here,

First, we could eliminate OPA price controls completely—a move that the Council is not recommending at this time.

Mr. WHITLOCK. That is correct.

The CHAIRMAN. In other words, you think the OPA ought to be continued?

Mr. WHITLOCK. If there is a mandate given by Congress, Senator, that will allow a fair pricing formula to be adopted and put into effect at once to give a fair pricing formula to producers of materials, we have no objection to OPA being continued.

The CHAIRMAN. Of course, that is what they are trying to do, I think.

Mr. WHITLOCK. We are pointing out, Senator, that under the House bill which is now before your committee the formula is cost plus a reasonable profit, and OPA to fix the ceilings. We point out that we think that Congress should adopt a formula which is cost plus profit based on a base period established by Congress, and that the manufacturers determine their price from the formula.

Senator BANKHEAD. Wait a minute right there. Base period. Would you have a uniform base period for all industries?

Mr. WHITLOCK. I think the 1941 has been—is coming commonly into—

Senator BANKHEAD. Well, I mean you would have the same base period to all industries?

Mr. WHITLOCK. Yes. In other words—

Senator BANKHEAD. And if you could not get 1941, if there were some objection to it because it is so near the war, what period would be a fair one?

Mr. WHITLOCK. 1939–41, if you wanted to have a long period of years.

Senator BANKHEAD. 1939, 1940, and 1941?

Mr. WHITLOCK. That is right; and take the rate of profit for an individual manufacturer at that period, let him take his current costs of production, add to that his rate of profit, file his profit with the OPA, subject to being checked.

Senator BANKHEAD. Suppose he was not in business those 3 years.

Mr. WHITLOCK. Well, then, Senator, as under the present conditions, he would use a comparable plant in the vicinity. I mean that is an exception that has been established in the present law. As you know, if you have a product today that you were not producing in 1942, you would take that product as produced by a similar manufacturer.

Senator BANKHEAD. Would you fix a uniform basis, like credit, like sales, or invested capital? They use them both down at OPA now, I understand.

Mr. WHITLOCK. Well, Senator, our formula that we are suggesting would be to take your current costs based on your present methods of accounting for costs.

The CHAIRMAN. Suppose I were opening a business now. What would happen to me?

Mr. WHITLOCK. You would have to take—without any profit experience you would take a plant in the vicinity of your own plant producing a similar line of articles. That is the system that is used now in the OPA.

The CHAIRMAN. All right.

Mr. WHITLOCK. Then you would add to that current cost a rate of profit from the base years, whatever years Congress should decide, whether it is 1941 or 1939-41, and then in that way each producer could automatically determine his own prices. There would be a tendency to price those below the allowable maximum, because he wouldn't want them subject to question.

Senator BANKHEAD. Well, you would not stop with a question; you would include a prosecution, wouldn't you?

Mr. WHITLOCK. Include prosecution, Senator. In other words, we believe that the theory of OPA should not be price-fixing, but to protect the public against unfair pricing.

Senator BANKHEAD. I think there is a good deal of merit in that idea if you can work it out in a practical way.

Mr. WHITLOCK. The question that I raise with you and the committee is that if we have to wait for the long period of time it takes for OPA to establish thousands of prices, we are going to be back exactly where we are today, where we have to wait months and months to try to get adjustments; where if we had from Congress a formula to allow a producer a profit incentive to produce and to get his material flowing into this market to snow under inflation and let the producer establish his prices subject to check and prosecution if he acts unfairly, we can automatically get out from under our trouble.

Senator BANKHEAD. Well, now, that ought to have, should it not, a very large appropriation for policing? Policing, seeing when the price program is violated, and bringing about prosecution?

Mr. WHITLOCK. Senator, there isn't any question, the public should be protected against unfair prices.

Senator BANKHEAD. I like the idea if you can enforce it and prevent violations, if you can hold down very generally to a price level.

Mr. WHITLOCK. I don't believe, Senator, that you can create an organization big enough to fix the prices. I think that probably you can get an organization to police the fair-pricing formula.

Senator BANKHEAD. That is what I am talking about. That is what I am thinking would be a good program. I think the present system has been very, very unsatisfactory.

The CHAIRMAN. I think we need a larger appropriation; don't you think so?

Senator BANKHEAD. Yes; I think that.

Mr. WHITLOCK. Well, I hope you will not give them a larger appropriation to fix prices. I hope you will give them an appropriation to protect the public against unfair prices and let the producers know what Congress believes is a fair price.

Senator BANKHEAD. I mean, Senator Wagner, I would be willing to give them whatever amount they thought they ought to have to police a program of that sort, but I would not give them any big appropriation to make prices as they do now.

The CHAIRMAN. In other words, you are near the end now, aren't you?

Mr. WHITLOCK. This solution to the problem involves by far less red tape and delay than any other, and it protests the consumer adequately against unwarranted price increases. No one can oppose the principle of permitting a reasonable profit, and we believe that this is the one practical way to get increased production with the least delay.

The effects of the OPA policies with respect to building products are not being felt only in the reduced volume of home building. Because of these very policies which restrict the supply of materials, the Government has found it necessary to impose limitations on other important types of construction. This means that the building of new factories needed to provide employment for veterans is being slowed down and in many cases stopped. It means that veterans will be unable to build stores in which to start new small businesses. It means that important public works will be held up for an indefinite time—all because the OPA does not believe in encouraging production, even when increased production will mean lower building costs and will result in a reduction in current building costs which have been inflated by that agency's very policies.

The CHAIRMAN. Are there any questions to be asked of this witness?

Senator BANKHEAD. Have you prepared an amendment to cover your thoughts?

Mr. WHITLOCK. Yes, Senator; we had some amendments prepared for the House bill, in relation to that. Now we have just secured copies of the bill as it was amended by the House. I just received one this morning. But we will have an amendment prepared incorporating this that I have presented here to your committee. We hope that we could secure the adoption of it, because we believe it is one way—

Senator BANKHEAD. Well, I would like to see it. I don't know whether anyone else would or not.

Senator MITCHELL. You do not favor the so-called Wolcott amendment, then?

Mr. WHITLOCK. Well, the Wolcott amendment in principle we agree to, that is cost plus a reasonable profit; but if we have to wait for the administrative agency of OPA to establish the prices, with the amount of red tape and investigation and delay that takes place when you have to go there for the establishment of a price, we think that it will be probably just about as bad a situation as we have today.

Senator BANKHEAD. Is it your thought to have a price for the industry, the same price for the industry, or to have every producer and manufacturer have a separate and independent price?

Mr. WHITLOCK. Every manufacturer, Senator, would have an individual price which would be—

Senator BANKHEAD. Well, you would make it just about as bad as you have it now.

Mr. WHITLOCK. The responsibility is on him, Senator, to take from his books his current costs and his base-period profit and file those with OPA.

Senator BANKHEAD. Well, you run into the almost impossibility of policing an individual pricing system.

Mr. WHITLOCK. Well, of course, it is subject to checks. If there is a complaint of unfair prices it could quickly be checked.

Senator BANKHEAD. If you could set up an industry-pricing formula it would appeal to me very strongly, with adequate power to police it.

Mr. WHITLOCK. If there is sufficient information on costs of production available by industries, I see no reason why we could not do it by industries, Senator, but you run into the question of information being readily available to establish your prices by industries.

Senator BANKHEAD. But still, to establish it individually, you would have to know whether it is right or not. You have advisory committees and put responsibility on them, have you not?

Mr. WHITLOCK. In the example I gave you of the brick industry, in order to determine our present costs if we increase our wages, it will take from 3 to 4 months of survey before the industry's costs can be determined. Now, each manufacturer knows his own costs, knows his costs with the increased wages he has to pay.

Senator MITCHELL. But all the figures on that are now in the OPA as a result of their former survey, are they not?

Mr. WHITLOCK. No. Unfortunately, they made a survey up to January 1, 1944. The year 1945 is missing. So if they give us an increase to compensate for the wage adjustments that the industry faces, they will have to survey the entire industry for 1945 costs, profits, and losses, because they say they cannot act on information that they gathered up to the first of 1944. So they do not have that material, and that is why the delay of 3 to 4 months.

Senator MITCHELL. My Wyatt has told the committee that 64 price adjustments have been made in the building materials line. I wonder if you could estimate the number of adjustments which would have to be made to bring about the production you suggest here.

Mr. WHITLOCK. Senator, we have asked for that information from OPA; we have asked it from industry advisory committees. It is a constantly changing situation.

Senator MITCHELL. If you change one price you change all prices?

Mr. WHITLOCK. It is always shifting. One price change changes another, and so on; and in most cases the adjustments have been too little and too late. By the time we got them we had another problem already facing us.

Senator MITCHELL. So it is a tremendously complicated situation.

Mr. WHITLOCK. It is tremendously complicated. And, as I say, I do not believe there is any agency of the Government that can have enough competent people to make the necessary adjustments promptly enough to keep the production flowing; and unless there is some formula by which industry can operate and be policed against the unfair price, to protect the consumer, why, I don't think OPA can be made to work. And if we do not get that kind of mandate from Congress to OPA, then the Producers' Council will join with the others that OPA should be abolished immediately.

Senator TOBEY. Mr. Whitlock, on page 6 of your statement, referring to decisions about building of homes, you say:

The decision is made by a Government employee who may be completely new to his job and without any practical experience in the building of homes.

Indeed, this new and inexperienced Government employee may prevent the builder from starting his project at all, by insisting on a selling price which will not cover costs.

Do you mean just that?

Mr. WHITLOCK. I do.

Senator TOBEY. Don't you know that all decisions are reviewed by competent people in the OPA; that no one man makes a decision that crucifies any industry, without its going up to a review board?

Mr. WHITLOCK. I read—

Senator TOBEY. Don't you also know that, in whatever the industry is, they have men with the OPA who are familiar with the industry, who pass on these things?

Mr. WHITLOCK. Let me, Senator, give you a specific example: The man who passes upon the brick industry happens to come from the sewer-pipe industry. There is no brick manufacturer in OPA, no one with brick-manufacturing experience, that is setting the price on brick.

Senator TOBEY. Well, conversely, on lumber, on fruit, and on shoes, to my recent knowledge, there are men there that are experts, past masters in those industries, of unqualified reputation for their honor and integrity and business acumen, who are there on the job. You know that, don't you?

Mr. WHITLOCK. I don't know about the fruit industry. But I do know about building products, Senator.

Senator TOBEY. Do you agree with me that the OPA has had the toughest job in Washington for the last 4 years and that, while there are many abnormalities and incongruities and inconsistencies connected with the work, in the over-all sense they have done a magnificent job in the interests of the American people and the little people, and saved the taxpayers billions of dollars?

Mr. WHITLOCK. I am afraid, Senator, I can't agree with all you say. I think they have got an impossible job. I think that they cannot adjust the price ceilings promptly enough to keep production flowing.

Senator TOBEY. Well, I wouldn't—

Mr. WHITLOCK. Unless we get production, we are going to have scarcer and scarcer situations.

Senator TOBEY. Don't misunderstand me. I am not unsympathetic. I am merely pointing out, I think, in the larger terms; that's all. And I think you err in your indictment about these things, because it is the exceptional case in OPA where some whippersnapper, as you infer from these things, has come in on the job inexperienced and puts down a dictum, "Thus sayeth the Lord, and this will be the price." Now they have experts in most departments, to my keen observation, who are experienced and know their stuff. And I have not always agreed with them; very often disagree; have today, about a matter. But nevertheless they have reason and faith that is great, and by and large they have done a magnificent job, too. If there are exceptions, that is our job to find out, and if this committee can give some relief to industries such as yours and others, we want to do it. We are not tied down, we are not hidebound, we are not blind to these things. But I think just a blanket indictment of OPA in these broadly stated, definite terms you put in here is going too far, especially in this statement here.

Mr. WHITLOCK. Senator, the construction industry, where we are very greatly concerned, is one-fifth of the total economy of the United States. We are not an isolated case. Veterans' housing is a national crisis; that is not an isolated case. We are lacking the building materials to build veterans' homes, to build our factories, to build our

stores, to build our hospitals and our schools, because a great segment of our economy is so crippled. I don't believe that we are asking you to take an isolated case; I think we are showing you a situation that faces this country that is pretty desperate; and if those statements are broad, the fact is we do not have materials. The reason we don't have materials is we cannot get adjustments. Six months to get an adjustment from the brick industry, 15 signatures, and there wasn't a brick manufacturer involved; it happened to be a sewer-pipe manufacturer who was our consultant. Now, Senator, there is a basic material, and I say that there isn't any Government agency that has manpower enough or ability enough to adjust the intricate economic pricing system that we have in this country fast enough to keep production moving.

Senator TOBEY. So on the matter of bricks nobody that knew anything about the brick industry had anything to say about the dictum; is that correct?

Mr. WHITLOCK. That is true. We had an advisory committee, but they refused to recognize their recommendations, and the advisory committee was on the verge of resigning, and then they said, "Well, if you wait until morning we will try to do something, if you won't resign."

The CHAIRMAN. When was that?

Mr. WHITLOCK. September 18.

The CHAIRMAN. Is Mr. Baker here?

Mr. BAKER. Yes.

The CHAIRMAN. Have you heard the questions of Senator Tobey with reference to a criticism made by Mr. Whitlock?

Mr. BAKER. Yes.

The CHAIRMAN. Have you an answer to them?

Mr. BAKER. Yes, sir; we have. I think, with the committee's permission, the best answer would be to file with the committee before the hearings close, within a day or two, a list of all building materials with a statement of the adjustments that have been made and with what delay, if any, they have been made, so that the committee can reach a conclusion as to the merits of these contentions.

Particularly, with respect to brick, I might have one comment in reply. The \$2 increase given brick sometime ago was given with the understanding that about a dollar of it would be used to raise wages in the industry so as to attract more labor. I don't know how much of that has now been used, but at the time we checked last about 80 cents of it was given in anticipation of a wage increase.

Since that time, as Mr. Whitlock has pointed out, it is not appropriate for us under Wage Stabilization Board restrictions to anticipate wage increases, but only to act after a number of patterns have been set in the industry.

Nevertheless it is entirely possible, and being done every day, for us to secure in advance of any such approval by the Wage Stabilization Board, any data required for use when such approval is obtained without delay. It is also true that if there is an increase needed in the brick industry, or any other essential industry, for supply purposes and if that recommendation is made by CPA and approved, in the event we don't like it or agree with it, by the Office of Economic Stabilization, as being needed, we will make it with or without further data; we will make it with good figures or poor figures; and we will make it at once.

I have here a list which we will file with the committee of every pending industry-wide action which is in our Building Materials Branch. There isn't a thing in this list that won't be completed by 3 weeks from today.

Senator MILLIKIN. Would you mind repeating that?

Mr. BAKER. This is a list of everything that is pending in the Building and Construction Division on an industry-wide basis. Within 3 weeks everything on this list will have been cleared through to the Federal Register. In that time no doubt other things will come up. We have made, as the Senator knows, many, many adjustments on lumber. We will probably have to make more and I wouldn't want the committee to think we thought our job was over.

We did reach the target once before. The target doubled under the Wyatt program, on which many, many new items have to be covered. For example, the ones that we have just completed, Douglas fir doors, softwood plywood—softwood plywood, a case where we increased thin plywood in order to make it as profitable as thick plywood, so that it would be manufactured. Glassed sash; southern pine grained doors. Fireclay and silica brick. Refractory tank block—I don't think the committee wants me to take the time to go through this list. In addition to this there are a list of 15 items in process in the shop. They have gone so far that I have before me the actual amount of the increase which will be granted in each case.

I am personally very proud of the business expertness—and I thank Senator Tobey for his remarks—and the performance of our Building Construction Division and of our Lumber Branch. I think a detailed statement of their activities since VJ-day will be of considerable help to the committee in judging whether substantial amendments are needed in order to expedite the building construction.

Senator TOBEY. Mr. Baker, Mr. Whitlock has indicated that in his experience with OPA he has found these men in charge up there would be new men without experience in the particular field they are administering. Is that or is it not true? According to my understanding in most of these fundamental requisites for business and building there are men in your department who are familiar with that kind of business whom you have called down to Washington and made a part of your organization and they give consideration to these special cases. Isn't that true?

Mr. BAKER. Yes, sir. It is not true in every case that we have in our office a person fully familiar with one particular product. I think Mr. Whitlock is correct if he says we don't always have an expert in each individual item.

Senator TOBEY. But you often do have?

Mr. BAKER. We try to have persons expert in that general line of business, in addition to the necessary group of economists and lawyers who do their part. I must say, however, I do feel there has been unnecessary delay in some instances in issuing actions. During the war and prior to the end of the elimination of L41 which you are familiar with, there was little if any residential construction. There was no need at that time for these brick plants to open. That is why they closed, because they didn't want them open. They wanted the manpower and the material and the efforts to be used elsewhere. I believe if we had worked faster back in July and August we would have saved a month here or 2 or 3 months there. I think that portion

of Mr. Whitlock's statement is appropriate. I do feel that at this time, in the last few months, we have managed, in spite of a tremendous work load, to catch up with it and to catch up on the wage-price front, as well, where our action has had to follow wage increases, and where it has followed them in every case by 30 days, and in many cases quicker than that.

Mr. WHITLOCK. Senator, I would like to point out that I don't see the answer to this in what Mr. Baker has outlined. In Ohio, where we have 20 percent of the total brick production of the United States—that is Ohio and western Pennsylvania—we are faced with a wage increase demand of 95 cents an hour. Under the wage stabilization agreement we can pay only 18½ cents.

Now, our base pay on VJ-day was 62 cents. So we have to take 62 cents plus 18½ cents, which gives us 80½ cents. That is all we are permitted under the wage stabilization program to seek approval on. Yet labor says to us, "We have got to have 95 cents or we strike." Five plants are struck now and there are strike notices against practically all the remaining plants in that area, or 20 percent of the total production.

We cannot grant 95 cents if we wanted to because we have no way of making the adjustment. We have no way of getting a price increase. We cannot go to the Wage Stabilization Board because they say 18½ cents. We cannot go to OPA and ask for a price increase because we have to be paying the wage and our hands are just tied.

Senator TOBEY. You have a vicious circle there?

Mr. WHITLOCK. We have a vicious circle. Brick production is stopping at a time when veterans need homes. I don't care how many tables are put into the record of the past performance. The truth is brick production is stopping today. Brick production was held up from June when we applied before until September, before we could open our plants, because they had no staff to do it with. If the veterans are going to have homes, if we are going to build factories and stores and all the things that Congress has urged be done in this country, someone has got to break this vicious circle and bottleneck.

Senator TOBEY. Mr. Baker, on the anomaly which he cites now, in your judgment what is the answer?

Mr. BAKER. I don't know, Senator. Without wishing to pass the buck I must say the problem is one of wage-stabilization policy, not within the jurisdiction of this Office.

The CHAIRMAN. You recognize the difficulty, do you not?

Mr. BAKER. I recognize, sir, there may well be wage demands which are in excess of those that can be approved by the Wage Stabilization Board. Yes, sir.

The CHAIRMAN. I mean the particular case Mr. Whitlock announced just now.

Senator BUCK. How do you get bricks? That is the important thing.

Mr. WHITLOCK. I think it is time we stopped adopting policies and get some production in this country. The brick industry wants to produce. We are ready to produce. We want to build veterans' homes. The next thing you know we are going to be accused of not building those homes, when the truth of the matter is we have no means of producing to build those homes. That is what I am trying

to say to you Senators, that the conflict in the wage-price policy and OPA policy is the situation that prevents production. If we are going to have an OPA amendment it must be made so that it is automatic, so we can get this production in this country to work, to stop this inflation we are all worried about.

Senator TOBEY. Has your council approached the Wage Stabilization Board on this matter?

Mr. WHITLOCK. Yes.

Senator TOBEY. What answer do you get?

Mr. WHITLOCK. Eighteen and one-half cents. They say, "You cannot get more without our approval." Labor says, "We are going to have 95 cents," which is 35 cents increase, and we cannot collectively bargain because we have in effect the Government sitting over here saying, "You cannot do this. You cannot approach us to get any answer to this until you have done something," and labor and management sitting across the table without any possibility of coming to an agreement, and the plants closed down.

One closed Friday. Three more will close next Friday. Those plants we got opened up in September after we finally, after 6 months, got a price increase out of OPA.

The CHAIRMAN. Do you have a collective-bargaining agreement as to the price?

Mr. WHITLOCK. As to the price, no.

The CHAIRMAN. I thought you said you had.

Mr. WHITLOCK. No; the price will be entirely dependent upon our cost and labor is a big factor.

Senator MITCHELL. What factor is it? How much of a factor?

Mr. WHITLOCK. It varies. It is in the neighborhood of 65 to 75 percent.

Senator MILLIKIN. Mr. Chairman, I would like to pursue Senator Tobey's question a little further and ask Mr. Baker what in your opinion is the proper legislative remedy, if there is one.

Mr. BAKER. Is the Senator directing his question to the wage question involved here?

Senator MILLIKIN. I am speaking of the question which has been raised.

Mr. BAKER. With respect to the wage question, I am not empowered to speak. With respect to the price question there are two answers. One would be that we have not been able through lack of personnel or the size of the job to make adjustments in prices fast enough. My answer to that is that I think we can show that is not the case; that our record on price adjustments is a good one. We will never agree, I think, with any industry—or with most industries—that we have given them enough. In fact, if they said we did I should begin to worry about the integrity of our operation in the shop. Others we have given—

Senator HICKENLOOPER. May I interrupt there, Mr. Chairman? That statement sounds to me like you were indicting industry as dishonest and dishonorable when they present their figures to you.

Mr. BAKER. The general practice of the industry, sir, in asking for increases, in order to get production is to ask for as much as they think they can get, or more than they think they can get. It is a good democratic American trading proposition which they engage in. We expect to find them asking for more than they really expect to

get and finally do get. I don't say, and my experience is that it is not true, that industry presents erroneous figures to us. They don't, in general.

Mr. WHITLOCK. Senator, I would like to answer that because I feel that is an indictment. The brick industry asked for a 10 percent increase in June 1944. They fought for that increase from June until September and they got 10 percent. They finally got what they asked for. It was what they needed. There was no attempt to come in on a horse-trading proposition. The advisory board came in and told them what it would take to get brick production going and get those plants opened up, and pay the wage contracts, which was 10 percent.

The situation was exactly the same in September as it was in June and we got 10 percent. Now, I say that we didn't come in and try to horse trade with them, but I will tell you how we got that 10 percent. The night before we got it the advisory board announced its resignation because they couldn't tolerate the situation they were placed in. They were asked the next morning to reconsider and given the price increase.

Senator MILLIKIN. I would like to pursue my question a little further. Does the testimony suggest that possibly wage stabilization and price control should be under a single direction?

Mr. BAKER. In cases, sir, where problems of supply and of price and wages seem to conflict, that is a matter which is under the control of the Office of Economic Stabilization and that is under a single head.

Senator MILLIKIN. It is a control rather far removed from the operational stage.

Mr. BAKER. That Office is not far removed from OPA, and CPA is in a similar position. We all work together.

Senator MILLIKIN. Well, apparently there is either a removal in distance or in time lag, under the testimony here.

Mr. BAKER. Our record with respect to price action taken following the wage-price policy enunciated recently discloses we have acted, I think, with what the committee will feel to be commendable promptness. As I have stated, I think our actions prior to that time, and to some extent during the war, have been delayed longer than they should have been, due, perhaps, to an excessive zeal in getting exactly the right figures, and so forth.

With respect to actions since the wage-price policy, we have acted so quickly after the announcement of a wage pattern that I am pretty sure there are substantially no objections to the delay—with respect to delay in our action, although there have been objections, and always will be, to the amount which we have granted.

With respect to the question here of brick production and wages it must be clear that any such proposal as Mr. Whitlock's of automatic pricing would completely nullify the wage stabilization policies of the Government.

Senator MILLIKIN. How are you going to get bricks?

Mr. BAKER. The suggestion is that no wage settlement can be made except at the figure named by labor. I cannot comment on whether that is true or not.

Senator MILLIKIN. Still we don't get the bricks.

Mr. BAKER. What I am saying, Senator, is that the mere fact that a demand has been made—

Senator MILLIKIN. I am not directing any criticism at you. I am trying to find out how do we get bricks.

Mr. BAKER. My suggestion is that as far as OPA is concerned—and I know that you are anxious to answer the larger question which I am not helping on—as far as this Office is concerned we will not delay the production of bricks by a delay in our own action following the approval of a wage pattern for this industry.

Senator MILLIKIN. So that the answer as far as my problem is concerned is to get faster action on the part of the Wage Stabilization Board.

Mr. BAKER. Well, after all, what they are asked to do—I am a little out of my depth here—is to approve something that has been agreed upon. My impression from Mr. Whitlock's statement is that it has not been possible to reach an agreement as yet, because of these limitations which he has described and which I am sure he has correctly described.

Mr. WHITLOCK. I think perhaps it would clarify your thinking if you go back to the old way we used to do when we collectively bargained.

Senator MILLIKIN. That has been a long time ago, but tell us about it.

Mr. WHITLOCK. It has been a long time, but if you can remember back so far, we would go in and labor would make its demand and management would have to determine what its costs were going to be, what the conditions of the market were, what its competitive situation was with reference to prices, et cetera, and we would negotiate it into an agreement between labor and management. Then you set your price based on your cost plus a reasonable profit and you knew what you could sell your products for in the market place. Now we go in and labor says we have got to have a certain figure. Management says, "Well, we can't give you that much. We might give you so much, but we have first got to go to the Office of Economic Stabilization and see if we can get permission; and then after we get that we have to see if we can get a price increase to cover the costs that have been increased."

We go to Economic Stabilization and they say, "We have a policy that says you cannot pay more than 18½ cents." So we are stymied at the first place. Then we go to OPA and say, "What can we do about price?" They say, "You have to get your peace made with the Office of Economic Stabilization before we can even consider it."

Then they say to us, "It will take 3 or 4 months to make a survey nationally before we can determine what your price will be, but you will have to be paying the higher wage that the Office of Economic Stabilization will hand up."

Then you go back and tell that to labor. They say, "We are not going to work until you pay our demands."

So that brick production is stopping every single day and with this situation remaining, the veterans are without homes.

The CHAIRMAN. Well, there is one thing I haven't been able to find out. Do you have collective bargaining with the workers?

Mr. WHITLOCK. We are in the process now of collective bargaining, but we don't have collective bargaining because we cannot collectively bargain, because we have two other people sitting on the sidelines that are writing the rules.

The CHAIRMAN. I mean, have you agreed upon a price?

Mr. WHITLOCK. No. There is no way for us to agree because labor is demanding 95 cents. We are saying, "We are going to give you an increase if we can get a price increase and if we can get permission to pay it."

The CHAIRMAN. You want to increase the price of the commodity?

Mr. WHITLOCK. We have to do it, Senator. That was admitted in September when they told us to give the increase that we got then to labor, which we have been accused of not doing. I don't know what the survey will show. I think we did give it to labor. We got them into our plants, at least.

Senator TOBEY. You spoke of these advisory boards, Mr. Whitlock. I think you said the only reason they got an increase from OPA at that time was because the advisory board threatened to resign and under that duress they came across. Is that a fair picture of the position of advisory boards in OPA?

Mr. BAKER. In fairness to Mr. Whitlock I think I would like to say this: As I say, I have observed in our own shop and I have been responsible for them, of course, delays that were excessive. I think it is quite likely, although I know nothing about this instance, that such an occasion might have occurred. It might have been a desirable thing to make the Office of Price Administration move faster than it might otherwise have done; that the executive in his anxiety to do an exact careful job, may have been overdoing it, and may have finally decided that rather than have the thing blow wide open he had better stop then and there and decide to do it. To that extent it was probably a good thing that is what happened.

Senator TOBEY. These advisory boards are appointed by the OPA, are they not?

Mr. BAKER. Yes, sir.

Senator TOBEY. They are supposed to know what they are doing—supposed to be experts in their own line?

Mr. BAKER. They are supposed to be experts and to represent their industry geographically, by size and plant and kind of business.

Senator BANKHEAD. How much power do they have?

Mr. BAKER. They have none except to advise us.

Senator TOBEY. Is it the exception or the rule that you accept their advice?

Mr. BAKER. I don't know what the mathematics may be. I think you could probably say we declined their advice more often than we accepted it. I don't know.

Senator TOBEY. If that is true, they are kind of a useless appendage, are they not?

Mr. BAKER. I am afraid I will have to ask you to repeat that.

Senator TOBEY. If you decline to accept the advice of these men whom you have appointed to advise you, or at least you turn them down more times than you accept their advice, then they are a useless appendage to OPA, are they not?

Mr. BAKER. I think not, sir. I may have given the wrong impression. For instance, a committee may say to us, "You should not put price control on this item because it is impractical, unworkable, and unenforceable." We then say, "We are going to put ceilings on these products. We have had tougher ones than this before.

Let's get down to business. How should we do it? Let's have your technical help."

Those committees, once they are convinced we are going to proceed with our legislative duty under the statute, they then proceed to help us to draw the best regulation we can draw, watching out for the pitfalls that they as industry experts can guard us against. We have disregarded their first recommendations and then we come along and pay attention to their subsequent advice. Sometimes we accept their recommendations all the way through. We have all kinds of advisory committees, some very good and some less helpful.

Senator TOBEY. How many boards have resigned during your time with OPA?

Mr. BAKER. I don't recall. There may have been one or two. I never happen to have heard of any unless you mean ones that come back on the job next day, like Mr. Whitlock's.

Senator BANKHEAD. Mr. Baker, referring to the power of the advisory committees, within the last few days I have had occasion to investigate the make-up of the business advisory committee on women's blouses. I know you have 15 members on that committee. Practically all of them come from New York or in that area. Not a single one from the South. Out of the whole South, not a single member. They are trying to develop some new industries in the production of cotton in the South. There is discrimination against new beginners who are trying to develop new industries.

Mr. BAKER. They should be represented geographically as well as in other ways.

Senator BANKHEAD. But they are not. I have got from your organization a list of the members of the committee on women's blouses. There are 15 members and not one from the South. There is much complaint about discrimination against the South in new cotton plants.

Senator TOBEY. That is not Senator Claghorn speaking. That is Senator Bankhead.

Senator BANKHEAD. What was that?

Senator TOBEY. That was a joke, Senator. I said it was not Senator Claghorn, it was my friend Senator Bankhead speaking about the South.

Senator BANKHEAD. I am always trying to get justice for them. That is a hard task very often, I will say to my New England Senator friend.

Mr. BAKER. May I look that one up and check it?

Senator BANKHEAD. Sure.

Mr. BAKER. We certainly should give geographical representation on all committees. That is one of the requirements of the order.

Senator BANKHEAD. I am complaining more about discrimination against new beginners than I am in the complexion of the committee. I don't know. They may be good men. I don't know. I don't know whether it is action in the OPA that is making that discrimination, but it is being made.

Senator BUCK. Mr. Whitlock, this amendment you suggest, would that correct the situation in the manufacturing of brick?

Mr. WHITLOCK. Yes, sir, Senator; for this reason: We then would be able to go in and make out adjustments and be able to get our price put in immediately so that we can pay the increased wage and get a profit on that base period.

Senator BUCK. As far as I can see, there are three angles to this thing. Either you get relief or we don't get any bricks, or we will have to abolish OPA. There isn't any other answer to it.

Mr. WHITLOCK. That is the way I view it, Senator.

The CHAIRMAN. What you want is to say we won't give any increase in wages unless we get an increase in prices?

Mr. WHITLOCK. Senator, we have to have an increase. We can't operate at a loss.

The CHAIRMAN. I know that.

Mr. WHITLOCK. If we don't get that increase in our price we cannot give it to labor. We cannot get any bricks if we don't have labor paid and the manufacturer paid.

The CHAIRMAN. Labor has a research bureau. Do you know what their position is on that, as to whether you have to have a higher price in order to pay higher wages?

Mr. WHITLOCK. Senator, their position is that they—I mean they have indicated right straight through that they recognized we needed an increased ceiling if we were going to pay increased wages.

The CHAIRMAN. Did they say so?

Mr. WHITLOCK. Yes, indeed, sir.

The CHAIRMAN. All right. Thank you very much.

Mr. Van Arnum.

(Thereupon Mr. Whitlock withdrew from the committee table.)

STATEMENT OF JOHN R. VAN ARNUM, SECRETARY, NATIONAL LEAGUE OF WHOLESALE FRESH FRUIT AND VEGETABLE DISTRIBUTORS, WASHINGTON, D. C.

Senator TOBEY. Mr. Van Arnum, before you proceed, it is customary when witnesses come before us to take up special subjects, especially if they are edible, to present exhibit A, which in your case would be fresh fruits. Have you any here? We would like to look them over.

Mr. VAN ARNUM. Well, sir, the only thing I have that would pass as an exhibit is a separate statement that I will put in, around page 10, of this written statement. I am not going to flood you with exhibits.

The CHAIRMAN. Will you proceed, then?

Mr. VAN ARNUM. Thank you, sir. My name is John R. Van Arnum. I am secretary of the National League of Wholesale Fresh Fruits and Vegetable Distributors.

Decision of National League of Wholesale Fresh Fruits and Vegetable Distributors to request Congress to remove specifically fresh fruits, vegetables, berries, and melons from jurisdiction of the Office of Price Administration if the Emergency Price Control Act is extended beyond June 30, 1946, has been widely publicized in a statement carried in the trade papers of the fresh fruit-and-vegetable industry. Copy of this statement was mailed last week to each Senator and Congressman.

The statement to which I refer was signed by the president of the National League Distributors, Mr. William J. McCormick of Philadelphia, by authority of the advisory board. It sets forth the basic reasons for the position taken at this time, and reads as follows:

REASONS FOR IMMEDIATE END OF PRICE CONTROL ON FRESH FRUITS AND VEGETABLES

In conformity with a resolution approved by the Advisory Board of the National League of Wholesale Fresh Fruit and Vegetable Distributors, March 24, 1946, the Congress of the United States is urgently petitioned to make, as a condition to the extension of the Emergency Price Control Act beyond June 30, 1946, the elimination of perishable agricultural commodities, namely, fresh fruits and vegetables, berries and melons, from price control.

As justification for this action, it is urged that continued price control creates uncertainty and limitations on production as a result of fluctuating and generally increased costs of labor and material which the grower is unable to recover legally under price ceilings.

The irresistible temptation to and opportunity for unscrupulous persons, from grower to retailer, to sell commodities in short supply at black-market prices, often coupled with tie-in commodities, not only deprives the consumer of fair prices and equal distribution but creates great disadvantages to and discrimination of established law-abiding growers and distributors.

The practical and admitted impossibility of policing and enforcing price-ceiling regulations in the fruit-and-vegetable industry stems from the ease with which any person not identified as an established dealer can engage in several large and important black market transactions in a matter of days or weeks without ever being known to the established trade or to price-enforcement authorities.

The occasional prosecution of known individuals, often on technical violations, as an example, is utterly ineffective, the results being either ignored or are observed by large-scale violators with the immunity of anonymity, with complete indifference.

The long-established fact, that supplies of fresh fruits and vegetables vary from season to season and area by area, depending on weather conditions, uncontrollable disaster, storms, etc., labor, financial credit conditions, result in occasional shortages of short duration, during war or peace, prosperity or depression, is well known.

To use as a yardstick, an assured supply in excess of demand, as a condition to removal of price control, is a practical impossibility, and would logically result in perpetual price control, unless agriculture organized production for regularly recurring surpluses, which of course would create another problem for Government control.

For these reasons we are urging Congress to end price control of fresh fruits and vegetables now, with the assurance that unhampered production will maintain a natural balance between supply and demand.

I will undertake now to state in more detail the reasons for each of the particulars in that statement.

PRODUCTION UNCERTAINTY AND LIMITATIONS CREATED

We have said that price control creates uncertainty and limitations on production as a result of fluctuating and generally increased costs of labor and material which the grower is unable to recover under price ceilings.

Obviously, this statement calls for an explanation as there is no pretense that growers as a group have lost money during the last 3 or 4 years, or that price ceilings have been intrinsically too low, for a normal crop of any particular commodity in any particular season.

Taking into account their own and the experience of others, the tendency of field-crop growers is to match their production with probable demand to obtain the ceiling price. No slide rule can measure a population's appetite nor Nature's variations in the field of weather. Nevertheless, the producer must pay for starting the crop on its way and in the course of his operations hiring labor that is often half as productive as in prewar years, at as much as three times the prewar rate per hour, production unit, or per day.

The result is that he makes an investment in a high-priced crop, which is not unusual in normal times, but with an added hazard. If he has a partial or individual crop failure, he suffers the loss without chance to recoup as his over-all legitimate return is fixed by the price ceiling, and few growers ever get top price (ceiling or market) for an entire crop. If he suffers a partial loss, in common with the rest of the marketing area in which he is located, as defined by OPA at present, he can usually get a so-called disaster adjustment in the ceiling price. However, I don't believe anyone will contend that disaster adjustments cover all losses.

The grower, therefore, as stated, is unable to recoup his losses legally. Certainly, under such conditions, he does not the following season increase his acreage to try to get the full benefit of present increased buying power. They collectively watch intended acreage planting and indicated production reports from the Government, and hold their plantings down to a level that they guess will assure ceiling, as they have no chance to gamble on higher prices in event of crop failure of competing producers or production areas, an historic characteristic in this industry. The acreage increases are, therefore, not as great as the potential price promises justify. The grower cannot afford to gamble with the certainty of high production costs for an entire crop when he has no chance to gamble on securing high prices—except at black market—if he has a partial individual or area crop failure.

Black-market prices and tie-in sales: The experience of established distributors all through the period of price control, has been that when growers are faced with crop shortage—either field or tree—the bulk of the commodity has been diverted around the regular channels of trade and sold at black-market prices or tied in with commodities in heavy supply.

The grower is not in violation of any price regulation in engaging in these transactions unless he sells f. o. b. shipping point. It is not illegal to sell or buy at any price on the farm or in the grove or orchard. The established dealer, whether shipper or buyer, cannot pay over the ceiling price because once the commodity reaches the prescribed positions in commerce, it is subject to a ceiling, f. o. b. shipping point, at destination, and at wholesale to the retailer or institutional buyer.

Under such circumstances, operators not regularly engaged in the wholesale business have during OPA regulations taken over a crop time after time, using cash for purchases from producers on the farm, trucking the commodity to a market to sell to whomever will pay the price. Instances are frequent where an established dealer has been able to secure a small quantity of a scarce item, at ceiling for resale at established mark-ups, but most often they find it impossible to buy from the grower at ceiling prices. This leaves the established wholesaler out of that deal altogether until supplies are plentiful.

This is not to say that many regular dealers have not engaged in black-market purchases and sales or having obtained scarce items, that they have only sold them in conjunction with plentiful items at ceiling prices for both, or above-market price for one or more. I am only emphasizing the predicament of and gross injustice and discrimination done the dealers who have refused to engage in this type of transaction. Actually they are many in number and large in proportion to the total of all dealers.

It is an unhappy situation for everyone—except the black-market operator—but it is not an inexplicable phenomenon. The American people are among the most undisciplined in the so-called civilized world—socially, economically, and politically—and heretofore have been proud of it.

This is not said or meant to be in disparagement or contemptuous of the American people. It is the direct result of a century and a half of personal liberty, when every person has been free to do his best or not, as he chose. It is then not hard to understand how people are all for price control when it seems to get them something for less than they might otherwise have to pay, but are emphatically opposed to it and willing to violate it when control prevents their getting something they want or selling for as high a price as they can get.

The same lady who votes at a consumers' club meeting to send a telegram to OPA endorsing the continued price control of food and clothing will see nothing inconsistent in bitterly condemning Government interference with her husband's doubling the rent on a house they own, because he could get it if it were not for the rent freeze. Nor will she think there is anything unnatural or inconsistent in her or her husband's selling a \$6,000 house for \$12,000 or \$15,000 if they own an extra house or if he is in the real-estate business.

This leads to consideration of whether it is possible or practicable to enforce price control, in the perishable-food field.

We have concluded that it is not, unless the Government is prepared to provide OPA with funds to police every step from the grower to the consumer, in every deal in the United States throughout the entire year.

The regulation and control of their private business and affairs is still unnatural to the American people. There are a large number and percentage of conscientious Americans (growers, distributors, retailers, and consumers) who will go to any length and sacrifice to obey an order that sounds like the law.

There are also a large number and percentage of Americans who will obey only what they are forced to observe, if it suits their convenience and purse to violate any regulation. Most or certainly many such people simply consider it none of the Government's business what they pay for food, either to eat or to sell.

There are hundreds and, in a period of easy money, thousands of marginal dealers in this industry, from grower to farmers' market operator in the cities, who are ready to take advantage of any opportunity to make an easy dollar. To police established dealers, even if some major or minor violations are detected, does not scratch the surface. It only removes some competition for those engaged exclusively in black-market operations.

This organization and its members have the advantage of over a half century of accumulated experience in the wholesale fruit and vegetable business. We have stated from the beginning of price control that it was unworkable, impracticable, and unenforceable on fresh fruits and vegetables. Nothing has occurred to change that opinion.

We have fully recognized the wartime need for price control. While production was maintained and increased in spite of labor and material shortages, the Government was taking a large clock of the total supply for the armed forces and for our allies, and at reasonable, often

ceiling, prices. It was obviously unfair to charge premium prices on an artificially Government-created short supply, after having obtained a fair price for the quantity taken by the Government. Despite this, it was impossible to prevent black-market operations in every branch of the food industry, from producer to retailer, as is well known.

It is doubly impossible now that the war has been over for nearly a year and few, if any, people are influenced by appeals to their patriotism. The promulgation of orders, directions, and regulations does not constitute control or regulation, unless they are supported by an overwhelming majority of the people, or unless they can be and are policed and vigorously enforced.

This is an industry of over 20,000 wholesale dealers licensed by the United States Department of Agriculture under the Perishable Agricultural Commodities Act, together with hundreds of thousands of growers, and an almost countless number of truck peddlers—both city and country—as well as roadside and so-called farmers' markets. With these vast numbers, it is utterly impossible to enforce price control at any State, considering the countless operations involved in a year, unless an army of enforcement and prosecution agents is available. The simple reason for this is that too many people consider it interference with their private affairs and business, and do not consider price control violation to be a moral lapse as, fortunately, all but a minute percentage of all people consider murder or larceny. To try to propagandize people by telling them it is, merely evades reality.

The occasional prosecution of well known and established dealers at some stage of the distribution process, because they keep records and bank accounts and file income-tax returns, and are, therefore, susceptible to legal rules of evidence, is utterly ineffective, although such prosecutions and convictions do provide a salutary lesson to other established distributors who might otherwise be tempted. It does persuade those who abide by the conventional rules of business to keep their records straight.

Such prosecutions are ignored or observed with complete indifference by those who keep no records or bank accounts and presumably are just as ignorant of income-tax laws.

Adequacy and fluctuations in crop production: The acreage of vegetables planted varies some from area to area and year by year, and with few exceptions, that of tree crops, change very slowly. However, yield and production by commodity crop fluctuates more sharply, particularly for short periods of time. Often a large number of citrus trees planted 6, 7, or 8 years before will begin bearing, and with a good crop, will increase tremendously the commercial supply during the harvest. Unusually good conditions will do the same for one or several field crops in a particular area for the harvesting period in that area. The next area scheduled for harvest may have poor growing conditions, with a consequent delay, partial loss, or poor quality crop with which to supply their customary markets.

If these constantly recurring fluctuations of the several commodities, which bring about a temporary shortage, for a few weeks or even longer, as in the recent case of apples and onions, is to be the yardstick measuring the time for removal of price control on fresh fruits and vegetables, then price control will be permanent.

The only way to escape this conclusion would be to increase all crops everywhere so that the worst series of natural disasters, as they have come to be called, although they are natural hazards to the

grower, would leave an abundance. Of course, the resulting glut in more favorable circumstances would provide constantly recurring emergencies for the disposal of surpluses.

A glance at the April 1, 1946, report of the United States Department of Agriculture on Acreage and Indicated Production of Commercial Truck Crops and Crop Production will illustrate the present situation, which may change drastically in a month or before harvest. I quote summaries from this report for three periods: First, 10-year average, 1935-44; second, as of April 1, 1945; and, third, as of April 1, 1946.

Just to show the trends in those three periods of time, for asparagus—in April 1946, there will be 3,547,000 crates; April 1945, 3,387,000 crates; for the 10-year period, 3,792,000 crates.

Lima beans, April 1946, 7,700 acres planted; 5,900 acres as of April 1945, and the 10-year average was 7,860 acres.

Snap beans, 2,072,000 bushels, April 1946. That was 6 percent above 1945 and 9 percent above the 1935-44 average.

Snap beans, bushels—the first one that I read was the early spring Florida and Texas crop, and this is the midspring California, Louisiana, Mississippi, Alabama, and South Carolina crops, 2,249,000, which was 2 percent above last year and 3 percent below the 10-year period. That is one of only two commodities that show less than the 10-year average.

Beets, 241,000 bushels; 3 percent above 1945.

Cabbage, 97,400 tons as against 188,300 tons last year; and the 1946 production was 26 percent above the 10-year period.

Cabbage, 12,240 acres in the late spring, from States of the Southeast; 10,130 acres last year; 10,850 for the 10-year average.

Cantaloupes from Florida and California, 23,000 acres this spring, which is 42 percent above 1945 and 30 percent above the 10-year average.

Carrots, 6 percent above last year and 70 percent above the 1935-44 period, in the California-Arizona area.

Celery, from Florida and California, 4,365,000 crates as of April this year, which was 24 percent above 1945 and 80 percent above the 10-year average.

The CHAIRMAN. Why do you not put that tabulation into the record?

Mr. VAN ARNUM. I am going to, but I am referring to it.

Cucumbers, 1,362,000 bushels in April 1946, which is 29 percent above 1945 and 68 percent above the 10-year average.

Senator, I am not going to read all of that, because there is only one commodity in the whole statement where the production is less than the 10-year average. I have not included potatoes, because they have been suspended; that is, the price control on white potatoes has been suspended since last September, and with the exception of a very few cases they have not reached the price ceiling since. They came close to it during a refrigerator car shortage a little earlier this spring or late in the winter.

Senator BUCK. There is no ceiling on potatoes now, is there?

Mr. VAN ARNUM. No, sir.

The CHAIRMAN. On onions, either?

Mr. VAN ARNUM. Oh, yes; onions have been selling exclusively in the black market since last fall.

Senator BANKHEAD. Is there any other crop on which there is no ceiling except potatoes.

Mr. VAN ARNUM. Yes, sir. OPA has recently suspended the price ceiling on strawberries. That is not a cost-of-living commodity; it is something of a luxury crop. They have canceled out the ceiling on a number of minor items, none of the important things. All of the important ones are still under price control.

I do want to mention one other figure here, because it is so important in the whole picture. That is oranges. There are 102,002,000 boxes estimated as of April this year against 109,000,000 last year and 73,700,000 for the 10-year average.

Grapefruit, 62,500,000 boxes in April of this year as against 52,100,000 last year, and 37,000,000 boxes for the 10-year period. They are still under price control.

The estimate for all winter crops is 311,420 acres as of April this year, against 290,650 acres last year and 249,020 acres for the 10-year average for 1934-44. That means that this year it is 7 percent above 1945 and 25 percent above the 1934-44 average.

As for the spring crops, there were 757,310 acres in April of this year as against 508,100 acres in 1945, and 459,640 acres for the 10-year period. April of this year was 13 percent above April of 1945 and 25 percent above the 1934-44 average.

Senator MILLIKIN. Are people eating more per capita of the type of products that you are talking about?

Mr. VAN ARNUM. I think so; yes, sir.

(The statement referred to and submitted by the witness is as follows:)

*Production and acreage of commercial truck crops and fruits for the fresh market—
Production and acreage for 1946 with comparison*

	April 1946	April 1945	10-year average, 1935-44
1. Asparagus (crates)	3,547,000	3,387,000	3,792,000.
2. Lima beans (acres)	7,700	5,900	7,860.
3. Snap beans (bushels)	2,072,000	6 percent above 1945	9 percent above 1935-44 average.
4. Snap beans	2,249,000	2 percent above 1945	3 percent below 1935-44 average.
5. Beets (bushels)	241,000	3 percent above 1945	
6. Cabbage (tons)	97,400	188,300	22 percent above 1935-44 average.
7. Cabbage (acres)	12,240	10,130	10,850.
8. Cantaloupes (acres)	23,000	42 percent above 1945	30 percent above 1935-44 average.
9. Carrots (acres)	6 percent above 1945		70 percent above 1935-44 average.
10. Celery (crates)	4,365,000	24 percent above 1945	80 percent above 1935-44 average.
11. Cucumbers (bushels)	1,362,000	29 percent above 1945	68 percent above 1935-44 average.
12. Egg plant (bushels)	720,000	528,000	254,000.
13. Escarole (hampers)	875,000	22 percent below 1945	80 percent above 1935-44 average.
14. Garlic (acres)	4,350	28 percent above 1945	Do.
15. Lettuce (crates)	9,735,000	14 percent above 1945	54 percent above 1935-44 average.
16. Onions (sacks)	4,956,000	30 percent above 1945	31 percent above 1935-44 average.
17. Onions (acres)	77 percent above 1945		3 percent below 1935-44 average.
18. Green peas (bushels)	2,210,000	1,979,000	2,655,000.
19. Green peppers (acres)	6,500	4,800	2,830.
20. Shallots (bushels)	162,000	231,000	268,000, 1937-44, 8-year average.
21. Spinach (bushels)	3,133,000	3,003,000	3,148,000.
22. Strawberries (crates)	3,010,000	52 percent above 1945	
23. Strawberries (acres)	38,380	15 percent above 1945	

*Production and acreage of commercial truck crops and fruits for the fresh market—
Production and acreage for 1946 with comparison—Continued*

	April 1946	April 1945	10-year average, 1935-44
24. Tomatoes (bushels).....	7,515,000.....	6,765,000.....	3,411,000.
25. Watermelons (acres).....	305,590.....	261,880.....	239,040.
26. Potatoes, early condition.	85 percent of normal.....	80 percent of normal.....	77 percent of normal.
27. Oranges (million boxes).....	102.2.....	109.0.....	73.7.
28. Grapefruit (million boxes).....	62.5.....	52.1.....	37.0.
29. Total estimates: All winter crops:			
Acres.....	311,420.....	290,650.....	249,020.
Percentage.....		7 percent above 1945.....	25 percent above 1934-44 average.
30. All spring crops:			
Acres.....	757,310.....	508,100.....	459,640.
Percentage.....		13 percent above 1945.....	25 percent above 1934-44 average.

Source: TC-46; 402 Commercial Truck Crops. Bureau of Agricultural Economics. USDA, Apr. 1, 1946
Crop Production. Crops Reporting Board. Bureau of Agricultural Economics, USDA, Apr. 1, 1946.

- (1) Asparagus: Early spring, California, Oregon, Washington, and South Carolina.
- (2) Lima beans: Spring crop, Florida, Georgia, and South Carolina.
- (3) Snap beans: Early spring, Florida, and Texas.
- (4) Snap beans: Midspring, California, Louisiana, Mississippi, Alabama, South Carolina.
- (5) Beets: All States in spring-producing areas.
- (6) Cabbage: Early spring, Louisiana, Mississippi, Alabama, South Georgia and South Carolina.
- (7) Cabbage: Late spring, North Carolina, Virginia, Maryland, Tennessee, Kentucky, Southeast Ohio, Missouri, and Washington.
- (8) Cantaloups: Spring harvest, California and Florida.
- (9) Carrots: Spring, California and Arizona.
- (10) Celery: Spring, Florida and California.
- (11) Cucumbers: Early spring, Florida and Texas.
- (12) Eggplant: Spring, Florida.
- (13) Escarole: Winter, Florida.
- (14) Garlic: Louisiana, Texas, and California.
- (15) Lettuce: Early spring, all States.
- (16) Onions: Early spring, South Texas.
- (17) Onions: Late spring, California, Arizona, Louisiana, Texas, and Georgia.
- (18) Green peas: Early spring, California, Mississippi, North and South Carolina.
- (19) Green peppers: Spring, Florida.
- (20) Shallots: Spring, Louisiana.
- (21) Spinach: Spring, Washington, Virginia, Maryland, New Jersey, Pennsylvania, Arkansas, Oklahoma, Missouri, and Illinois.
- (22) Strawberries: Early spring States, Louisiana, Alabama, Texas, and California; midspring, all States.
- (23) Strawberries: Late spring, all States.
- (24) Tomatoes: Early spring, Florida, Texas, and California.
- (25) Watermelons: Late spring, early and late summer States.
- (26) Potatoes: Early spring, all Southern States. Late potato figures are not shown, because since September the ceiling has been suspended on potatoes. Late potatoes have maintained a selling price below the ceiling, and for that reason production figures are not shown in this report.
- (27) Oranges: All States.
- (28) Grapefruit: All States.
- (29) All winter crops: Does not include fruits.
- (30) All spring crops: Does not include fruits.

Senator HICKENLOOPER. At this point I would like to ask Mr. Van Arnum this question: Is citrus fruit selling now generally around the ceiling price, or is it below ceiling price?

Mr. VAN ARNUM. Below.

Senator HICKENLOOPER. There is a ceiling price on citrus fruit, and it is selling generally below it?

Mr. VAN ARNUM. Yes.

Senator HICKENLOOPER. And it is the competition of supply and demand that is doing that?

Mr. VAN ARNUM. It is adequacy of supply.

Senator HICKENLOOPER. I mean, the law of supply and demand is operating?

Mr. VAN ARNUM. Yes, sir; that is right.

Senator HICKENLOOPER. As you see it, there is no reason at all to keep citrus fruits now on the price-control list?

Mr. VAN ARNUM. That is right.

Senator BUCK. Why does not the agency remove the ceiling?

Mr. VAN ARNUM. You will have to ask them; I don't know, Senator.

Senator BUCK. How long has it been since there has been such a supply?

Mr. VAN ARNUM. This is April 22; I would say, for 2 months there has been an adequate supply; 3 months, maybe.

Senator BANKHEAD. What commodity was it that they removed the ceiling from and then put it back on?

Mr. VAN ARNUM. Oranges, grapefruit, lemons, and tangerines. That was between November 19 and January 2.

Senator HICKENLOOPER. At the time they took the ceiling off citrus fruits it was during the period of the year when there was the shortest possible supply of citrus fruits, was it not? In other words, they took the ceiling off at the time when the supply of citrus fruits was the most scarce?

Mr. VAN ARNUM. I do not want to hold this up too long, but the answer to that is generally "yes." They took the ceiling off the citrus fruits on November 19 before the valencia crop had come on the market. It was 2 weeks late; that is, the Florida valencia crop. At the end of the California valencia crop, which consisted of 70 percent of the 330 size and smaller oranges, the size of walnuts, that they were trying to sell the consumer, when people were anxious to get a decent-size orange, particularly, the California navals had just barely begun to move, and Thanksgiving was coming on. If they had tried to invent a combination of circumstances to create a quick high market they could not have picked a better time, because nature did it for them in this case.

Senator TAYLOR. Is it not true that the industry itself urged that the ceiling be removed at that time?

Mr. VAN ARNUM. Part of the industry urged that the ceiling be removed. I think they had in mind that OAP knew that they were going to get higher prices and OPA was going to let them get higher prices through Thanksgiving and the Christmas holidays. The California interests, I believe, were very urgent in having the ceiling removed. On the other hand, there were quite a number of marketing factors, distributors away from producing points who looked with a little concern about having the ceiling suspended at the time. Our organization made no effort at all to encourage or to induce OPA to suspend the ceiling at that time. Experienced distributors in our industry believed that the ceiling should remain on until after New Year.

Senator TAYLOR. Are you intimating that the OPA conspired with the California boys to give them an exorbitant price?

Mr. VAN ARNUM. No, sir; I am not intimating anything, and I do not think that.

Senator TAYLOR. That is what you said—that they knew they were going to get a big price.

Mr. VAN ARNUM. No; I think the reporter will bear me out that what I said was that I believe the California interests did urge OPA to suspend the ceiling at the time they did, and I think that they believed at that time that OPA was reconciled or was willing to have them get something above the ceiling price during Thanksgiving and the Christmas holidays. In other words, I do not think that they believed

at the time that OPA suspended the ceiling and then made a hard and fast rule that they could not sell above the ceiling, because there would have been no sense in removing it or suspending it.

Senator TAYLOR. As I understood it, the growers through their organization assured OPA that there was sufficient supply, and asked them to have the ceiling removed, and that nature crossed them up.

Mr. VAN ARNUM. I believe that was true, Senator. There was another factor at that time. Not only was the Florida citrus crop 2 weeks late, but, rather unfortunately, a large number of packing houses closed down during the Christmas holidays, which reduced the supply, and at the same time there was a considerable refrigerator-car shortage on the Pacific coast. They were right at the height of trying to bring the troops from the Pacific war area through Pacific coast ports, and they had transportation tied up pretty badly. It was a shortage of transportation rather than of refrigerator cars; but that created an artificial factor in the California supply situation, and the prices went up.

From these brief figures it is apparent that there is normal production, measured by acreage; there will be increasing production of citrus fruit, as immature plantings begin bearing; there will be an adequate deciduous crop, as we do not count on disasters such as cut the entire eastern apple crop 60 to 75 percent last fall.

The Government is no longer taking a large block of supplies for the armed forces or our allies, although it is possible that there will be some, but not much, greater demand for starchy vegetables during the next few months if we succeed in diverting dry food to avoid famine in Europe and Asia until those areas have a harvest.

There is not, and it is not possible for there to be, a pent-up demand for perishable foods such as exists in the case of housing, household goods, and clothing. Industry after industry—steel, automobile, railroad—is reporting major wage increases to organized labor, a real inflationary trend which aggravates the already present inflationary trend factor in the reservoir of savings and Government bonds bought with surplus wages for production of nonproductive and nonusable war material.

We might or might not always understand or agree with the argument for control of wages, while labor is still in short supply, or with price control of commodities that have not been produced in adequate supply or produced at all for several years, thus creating a pent-up demand that would result in bidding up prices to inflationary proportions, as in the case of real estate, particularly old residential property at the present, which is not under control.

It is easy to understand that the creation of spendable credits as in the present housing speculation or in the stock-market speculation of the 1920's, without the contemporaneous production of any goods, durable or expendable, is inflation, in large or small degree, depending on the proportion of such unearned profits to all outstanding currency and credit.

Not only is there no inflation in the perishable-food field, there is not even a remote trace of inflationary trend, as is evident by production volume exceeding that of past years and in frequent oversupplies when prices drop naturally, as they have even during the war. There can be no inflation where there is adequate production and supply to meet current demand, regardless of sporadic shortages

resulting from Nature's variability. Why put a ceiling on the occasional short supply? The answer is not that the present Price Control Act permits a so-called emergency adjustment, which is circumscribed by the usual Government delay, red tape, and administrative limitations that often result in no adjustment available to those who suffered the loss.

If there is no inflationary factor present, why perpetuate a necessarily cumbersome, expensive, and, we submit, unworkable, as well as impotent, control measure? There is obviously no more reason for price control of perishables today than there was 10 or 20 years ago or will be 10 or 20 years hence, unless it is the policy of the Government to control and regulate for regulation's sake or to preserve intact the wage increases of organized labor, encouraged by the Government, and which would be at the expense of producers of goods so controlled.

We hope that the latter two reasons are untrue and unfounded suggestions and that Congress will specifically exempt these perishable agricultural commodities from any extension it may grant to the Emergency Price Control Act beyond June 30, 1946.

That is all, Mr. Chairman. Thank you.

The CHAIRMAN. Thank you very much.

Senator HICKENLOOPER. You feel, I take it, that because your citrus-fruit and vegetable supply is above the 10-year average, and especially in most cases above last year, price control contributes nothing to the maintenance of a price to the public?

Mr. VAN ARNUM. That is correct; yes, sir.

Senator HICKENLOOPER. I would like to ask you about one statement which you made. You said that onions are sold exclusively in the black market, or words to that effect. How do you explain that statement when the list shows that the supply of onions in sacks is 30 percent above the 1945 production and 31 percent above the 1935-44 average?

Mr. VAN ARNUM. That is the spring onion, represented by Texas and the great spring-onion-producing States. The onions that I mentioned as being in the black market are the late crop northern onions of last fall. Those onions have been such a rarity in our wholesale houses that they have been almost nonexistent. There have been some.

Senator HICKENLOOPER. Is it your opinion that as quickly as the southern onion crop gets on the market and gets to flowing in the market, onions will be back in regular channels and the price will be down somewhat?

Mr. VAN ARNUM. That is right. Within a month; the probability is that some time in May there will be even a glut of onions, and producers will be complaining about the price.

Senator MILLIKIN. I noticed several stories in yesterday's PM, all of them telling about the black market in New York. I believe that citrus fruits were mentioned among the items habitually dealt in in the black market.

Mr. VAN ARNUM. They may have been. The price is below ceiling.

Senator MILLIKIN. The burden of one of the stories, as I recall, was that to get citrus fruits you had to take a tie-in.

Mr. VAN ARNUM. It may be the other way around. To get onions, for one. Strawberries are not under control. But there has been

that kind of a situation in every market all through the period of price control, and that is why we want to get rid of the whole thing and forget it. It was a necessary evil. It was as much a part of the war as fighting. But now the war is over.

The figures that I have shown you are United States Department of Agriculture figures. Now that the war is over and production is above the 10-year average, which goes back to the depression years when we had a surplus and when we were concerned with disposing of the surplus, and we have no Government removal of large blocks to create an artificial shortage to boost prices, we want to get rid of the whole thing and get back to the law of supply and demand. We have always served the public under those conditions, and mostly at the expense of the producer.

The CHAIRMAN. I agree with you that where there is an adequate supply we ought not to have any control. But suppose there is not an adequate supply? Suppose there is not an adequate supply of a particular commodity; would you want to do away with the OPA then?

Mr. VAN ARNUM. Yes. I want to do away with price controls on fruits and vegetables, whether there is any supply or not.

The CHAIRMAN. I mean, if there is not an adequate supply, would you still do away with the OPA?

Mr. VAN ARNUM. Yes. All through the history of these crops we are constantly faced with droughts and storms in the southern area that destroy 25 to 50 percent. Under no conditions do we need price control of a commodity that is produced in an adequate quantity.

The CHAIRMAN. But supposing there was not an adequate supply?

Mr. VAN ARNUM. These are in adequate supply and have been all through the war.

The CHAIRMAN. But, some other commodity?

Mr. VAN ARNUM. I beg your pardon, sir.

The CHAIRMAN. I did not think you understood my question.

Mr. VAN ARNUM. No; I did not. I am sorry. I thought you were talking about these commodities. I have said, I believe, that in the case of those commodities that are necessary to the existence of a people such as we are, where we have had no production for 4 or 5 years, where the cumulative demand has piled up until we had 4 or 5 years demand bidding for a normal 1 year supply, then until production catches up with demand—I can see a perfectly sensible, logical reason for controlling that price for the time being. It is rather reasonable, under reasonable and sensible rules of procedure.

The CHAIRMAN. I agree with you on that.

We had a total liquid saving of individuals in 1945 of more than \$37,000,000,000. The total since 1940 is \$157,000,000,000, and the amount of savings in cash and bank deposits is three-fifths, or approximately \$22,200,000,000. That is in deposits. The amount invested in Government bonds is two-fifths, or approximately \$14,800,000,000. So there is a lot of cash around.

Mr. VAN ARNUM. Senator, I have been rather mystified as to why no attention has been paid to the situation that has developed in our residential property. It is not my business. I am not coming here to try to describe it. I have got enough worries with my own business. But I can see where, if a million people with an average of \$5,000 apiece, buy a million pieces of property that they desperately

need and have to pay \$10,000 or \$12,000 a unit and borrow \$5,000 in order to give the seller a mortgage, and he in turn takes that to the bank and converts it to expendable credit, you have created \$5,000,-000,000 worth of inflation, because there has not been one single thing produced to balance against that \$5,000,000,000. I cannot understand that.

The CHAIRMAN. We have on deposit \$22,000,000,000 and about \$14,000,000,000 of Government bonds. So there is a tremendous sum in the banks.

Mr. VAN ARNUM. But they are not going to spend that on fruits and vegetables. They are going to raise the price level.

The CHAIRMAN. I am not talking about that now.

Mr. VAN ARNUM. You will not have to pay so much for strawberries. My wife got a quart of them for 79 cents. That is 40 cents a pint.

The CHAIRMAN. I am glad to hear that.

Out of the telegrams which have come to me, which I regard as influential, there were 258 for a strong OPA and only 10 against it. That is a public-opinion poll.

Mr. VAN ARNUM. I am not going to do it, but I believe I could get you between 1,100 and 1,200 telegrams in a day or so, if I wanted to, just the other way. Of course I am not going to do it.

The CHAIRMAN. Not on a subject like this, which touches every housewife. They know what OPA is all about.

Mr. VAN ARNUM. I do not believe they are going to get these commodities—and I am not going to speak for other commodities—I do not think they are going to get fresh fruits and vegetables very much if any cheaper under price control, because if they are very short they are going to get them in the black market, and if they are in abundance they are going to sell below the ceiling. If you will give OPA enough money they might, with the returning soldiers, be able to build up a police force that could enforce its orders as to such commodities as ours.

The CHAIRMAN. We are interested in preventing inflation. We know what the experience has been in other countries; and that is what this committee is trying to avoid.

Mr. VAN ARNUM. As an inflation preventive, price controls on fresh fruits and vegetables are contributing nothing now and will not.

The CHAIRMAN. Thank you very much.

It is quarter of 5. If you would like to put your statement into the record, Mr. Todd, the Senators will read the record when it comes to the consideration of the whole bill.

Mr. TODD. If you cannot hear my statement this afternoon, how about tomorrow morning?

The CHAIRMAN. We have a tremendous list of witnesses for tomorrow. The Senators have assured me that they will read the record.

Mr. TODD. I hope the committee will do that.

The CHAIRMAN. I am sure they will. They are very much interested. So, if you put your statement into the record it will receive the same consideration as if you had read it here. I can assure you of that, because we are all interested in producing a bill that will be fair to industry and labor and everybody.

Senator MILLIKIN. I think it ought to be made clear to him that if he wants to be heard at some future time we will hear him.

Senator BANKHEAD. Can you condense your statement by a short oral statement?

Mr. TODD. I would not attempt to do that, Senator.

Senator HICKENLOOPER. From my own standpoint, we are highly interested out our way in the poultry and egg situation.

The CHAIRMAN. I can understand that.

Senator HICKENLOOPER. I would like to discuss some of these things with the witness. I would not want to hold him here right now if the Chairman would rather not.

The CHAIRMAN. I will stay if you gentlemen will stay.

Senator HICKENLOOPER. How long will your statement be?

Mr. TODD. About 10 or 12 minutes, sir.

The CHAIRMAN. Very well. We will hear you.

STATEMENT OF LEON TODD, SECRETARY, ASSOCIATED POULTRY AND EGG INDUSTRIES; ALSO SECRETARY OF THE NATIONAL POULTRY PRODUCERS FEDERATION, TRENTON, N. J.

Mr. TODD. My name is Leon Todd, of Trenton, N. J. I am secretary of the Associated Poultry and Egg Industries, and also secretary of the National Poultry Producers Federation. I have been asked to substitute for Mr. Clyde C. Edmonds, of Salt Lake City, Utah, who was ill and could not be here.

Associated Poultry and Egg Industries is an over-all poultry-and-egg-industry organization composed of the following nine member organizations:

National Poultry Producers Federation; International Baby Chick Association; National Turkey Federation; Northeastern Poultry Producers Council; Institute of American Poultry Industries; National Egg Products Association; National Poultry, Butter, and Egg Association; Pacific States Butter, Egg, Cheese, and Poultry Association; and Chicago Mercantile Exchange.

These nine organizations represent every phase of the poultry (including chickens, turkeys, ducks, and geese) and egg industry from farm to consumer, including producers, hatcherymen, processors, and distributors of shelled, liquid, powdered, and dried eggs. This over-all organization was formed in 1943 at the suggestion of the United States Department of Agriculture, in order that all branches of the poultry and egg business should be comprehensively represented in one organization.

The Associated Poultry and Egg Industries believes that when the Price Control Act is extended, poultry and eggs should be excluded from the operation of the act for the following reasons:

Supplies per capita are far above prewar levels and far above any concept of normal. They are so large, in fact, that Government is not taking any chances, and already has posted specific support bid prices for eggs, chickens, and turkeys, in accordance with the Steagall amendment, and already has purchased frozen whole eggs at support prices.

To argue that the present and prospective supply situation in poultry and eggs does not justify prompt removal of controls is to argue for indefinitely prolonged price control in these commodities.

The war is over. Heavy Army and lend-lease requirements are things of the past. There is no apparent reason for retaining ceilings except to perpetuate control for the sake of control.

This control is expensive, burdensome, time-consuming, and a constant harassment to producers, processors and distributors.

Even when market prices are under ceilings, industry is not out from under OPA control. To illustrate: last fall OPA imposed what is called floating ceilings—a wholly unwarranted, clumsy, and unworkable system of “ceilings under the ceilings.” A good example is the retail price on dressed fryers in Chicago in February 1946.

I refer you to the chart which shows that the maximum retail ceiling price on dressed fryers on February 28, 1946, in Chicago, was 48 cents per pound. The OPA so-called floating community ceilings were 45 cents, and the going price paid by consumers at three large chain store organizations was an average of 42.3 cents per pound. In other words, the floating ceiling did not keep pace with the price that was actually being paid by consumers.

It is obvious that when frying chickens are in plentiful supply, the going market price to consumers is well under both the original ceiling and the ceiling under the ceiling. OPA's attempts to pursue poultry markets below the original ceiling are revealed as futile and unnecessary. Supply and demand had already functioned to give consumers poultry at prices even less than OPA's ceiling under the ceiling.

Senator MILLIKIN. Would the same condition that existed at Chicago exist, roughly, over the rest of the country, or is it subject to rather wide regional fluctuations?

Mr. TODD. It is subject to regional fluctuations. I think the differentials in Washington, D. C., were greater at one time than are shown on the chart for Chicago.

Thus we have three layers of pricing at the same time in the same market. What could be a better example of piling confusion on confusion for everyone in the industry from producer up to the retailer?

The Office of Economic Stabilization already has ruled (Directive 68, amendment No. 2) that the Price Administrator may suspend price control on commodities when, in his judgment, such action will not result in an increase in prices above the general level of existing ceilings.

We consider this formula for decontrol to be inadequate, arbitrary, and capricious. In view of the fact that the war is over and poultry and egg supplies are abundant, the poultry industry believes there is no valid reason for further delay in exempting poultry and eggs from price control.

Further, OPA's attitude is conducive to indefinite perpetuation of price control. Moreover, it is wholly inconsistent with the statement of the Director of War Mobilization and Reconversion, John W. Snyder, in his fifth report to the President, that “I can promise that as soon as the pressure on prices in any field eases—as soon as supply can meet demand—controls in that field will be lifted.”

We therefore urge the following formula, to be prescribed by an act of Congress:

That when the Secretary of Agriculture finds and duly certifies to the OPA that the prospective production of poultry and eggs for the crop year or usual marketing season, based upon official estimates of the Department of Agriculture, is equal to or in excess of the average of the official estimates of production for

the 10 crop years or marketing seasons immediately preceding the year or season for which such certification is made, it shall be mandatory for the OPA Administrator to exempt these products from price control.

I should like to interject at this point, Senator, that since this brief was prepared the House has passed a bill including the proviso that when the production of any agricultural commodity for the past 12 months equals or exceeds the production of this commodity during the 12 months period from July 1, 1940, to June 30, 1941, the Price Administrator shall remove all price ceilings from such commodity.

That formula is not very different in its effect on poultry and eggs from the formula that I have just suggested, and such a formula would be quite satisfactory to the poultry and egg industry.

Under OPA's present formula for decontrol, the Administrator must be satisfied that there is no possibility that free market prices will at any time exceed existing ceilings. Perpetuation of price control perpetuates the agency administering that control. Therefore, it is absurd to make this same agency the sole judge of when it is safe to terminate that control.

Such a stand is particularly unreasonable in the case of poultry and eggs, because these are products of seasonal production. To tie them to controls because, during some one month of the year during the period of low production, prices might at some point momentarily exceed ceilings, would be to insure the perpetuation of controls on poultry and eggs.

The real issue is not a transitory rise in price of a particular item in some scattered markets, but the over-all average price to the consumer on all poultry and eggs during a complete marketing cycle.

The fallacy in the existing decontrol formula followed by OPA is exemplified by this quotation from a Dow-Jones dispatch of a recent OPA statement:

It was explained that ceilings will be suspended on a product only when the desired supply-demand balance is achieved and officials are convinced at the same time there will be no upward adjustment in prices when ceilings are abandoned.

During the greater part of the years 1943, 1944, and 1945, when the Government siphoned off for wartime needs an extraordinarily large percentage of the production of poultry and eggs, the Office of Price Administration was a helpless bystander while flagrant ceiling-price violations at all levels of marketing were commonplace—with the inevitable result that established and legitimate marketing agencies were in large part forced to stand by while operators in the black market took over a large part of established business.

Where substantial black markets operate, the average price to the consumer is above what it would be without control.

Now let us examine the supply situation in greater detail. Supplies per capita are far above prewar levels and far above any concept of normal. According to estimates by the United States Department of Agriculture, approved by the Outlook and Situation Board on February 7, 1946, the 1946 per capita supply of poultry and eggs compares with the 1935-39 average as follows:

At this point I refer you to the chart. The top line, the black portion, is the 1935-39 supply per capita for civilians, and the red represents an increase over the 1935-39 period, 22 percent more for eggs; and the same is true of the other two bars, 34 percent more for chickens and 77 percent more for turkeys in 1946.

Senator MILLIKIN. Is that not in considerable part due to the fact that people were driven to poultry and eggs because of the shortage of meat?

Mr. TODD. During the 1935-39 period years we had a production that was satisfactory to meet all civilian demands, and then during the war years we were requested by the Government to increase production. This we did; and the red portion of the bar shows that we have that additional amount of production per capita at present and probably for the remainder of this year.

Senator BANKHEAD. What is the present ceiling price on eggs?

Mr. TODD. If I may be permitted; we have our price analyst with us, and I would like to ask Mr. Tobin about that.

Mr. TOBIN. It is about 47 cents on grade A, large.

Senator BANKHEAD. Is that the ceiling price throughout the United States?

Mr. TOBIN. No; there are regional differences.

Senator BANKHEAD. Do they vary very much?

Mr. TOBIN. No. It is in accordance with the freight differential, largely.

Senator BANKHEAD. How much did you say it is?

Mr. TOBIN. About 47 cents a dozen on grade A, large.

Senator BANKHEAD. What is the ceiling price to the producer?

Mr. TOBIN. Under the ceiling the farmer would average in the Midwest, roughly, about 33 cents a dozen, or 34 cents for eggs that would grade out grade A.

Senator BANKHEAD. It is the most essential commodity for a family that I know of.

Mr. TOBIN. I would like to make an observation to clarify a point that was raised. The present ceiling prices of chickens and eggs are apparently conducive to large production. They are sufficiently attractive to producers to result in a level of supply 22 percent more per person than prewar, for eggs, and one-third more per person for chickens.

Senator TAYLOR. What does "per person" mean? Is the over-all supply or total supply 22 percent more than it was?

Mr. TOBIN. It is more than that, Senator. It is probably something like 32 percent more, because the population has increased about 10 percent.

Senator TAYLOR. I see. You are taking it on the basis of population?

Mr. TOBIN. Yes. We wanted to demonstrate that per person the supply was very large; in other words, giving full allowance to the increase in the population.

Senator MILLIKIN. Was not that due largely to the fact that people were driven from meat into poultry products?

Mr. TOBIN. Not directly, Senator. The prices under ceilings have been conducive to large production on the part of farmers. They have gone into the business of raising more chickens and producing more eggs under the stimulus of those prices.

Senator MILLIKIN. And the prices were intended to be encouraging prices, so that people could get poultry products when they could not get meat?

Mr. TOBIN. Well, there was not very much in the nature of a conscious determination of prices with that in mind. They were based on the first 5 days of October 1942.

Senator MILLIKIN. I was going to make the point that if it be true that we have now developed a poultry business that is based on the proposition of shortage of meat, when we get the meat situation untangled, then you will have an overexpanded poultry business and a collapse in prices and your ceiling regulation will become still more theoretical.

Mr. TOBIN. That is entirely possible. It may well occur in the next year or two.

The CHAIRMAN. There was a time when it was very difficult to get eggs. Why was that?

Mr. TODD. It was due to wartime demands of both the armed forces and lend-lease, when the production had not become adjusted to those demands. Production was adjusted and you were able to get eggs then.

The CHAIRMAN. There was an increase in production?

Mr. TODD. Definitely.

Mr. TOBIN. And that was at a time when the Army and the Federal Government were taking an enormously large percentage of the production for the Army and Navy and lend-lease.

Mr. TODD. We have increased the production of eggs possibly 30 percent.

The CHAIRMAN. Now we ought to send some across to the other side.

Mr. TODD. We are doing that, sir.

According to the United States Department of Agriculture, in March 1946 there were 30 percent more laying hens in United States farm flocks than the 1935-39 average for the same month.

Egg production in March 1946 was 53 percent more than the 1935-39 average for the same month, as you will see by the second set of bars.

March 1946 baby-chick production was 86 percent more than the 1935-39 average for March.

I would like to pause to explain that there are two factors entering into that extremely high figure, and that is that we have earlier hatched chicks than we had in 1935 to 1939, plus the fact that during the month of March, 1946, we have had a large hatch of chicks for broilers.

Storage holdings of frozen poultry on April 1, 1946, were more than double the largest holdings on that date in this country in any pre-war year.

Storage holdings of shell and frozen eggs on April 1 were about double the largest holdings on this date in any pre-war year.

Unlike other livestock, poultry numbers can be increased in such a short period of time that any run-up in prices will be quickly overcome by stimulated production. In only 17 weeks a fertile egg becomes a finished meat bird of about 3½ pounds. In only 27 weeks such an egg becomes a laying pullet.

The supply situation in the case of poultry and eggs is such that price control can be terminated without any possibility of skyrocketing prices to the consumer in the foreseeable future.

Now let us examine the inability of OPA to enforce ceilings on poultry and eggs. During the years 1943, 1944 and 1945, when the Government siphoned off for wartime needs, an extraordinarily large percentage of the production of poultry and eggs, the Office of Price Adminis-

tration was a helpless bystander while flagrant ceiling price violations at all levels of marketing were commonplace.

Innumerable instances of open violations can be cited. We offer the following typical example:

An excerpt from the May 29, 1945, issue of the New York City Daily Live Poultry Market Report illustrates the complete ineffectiveness of the OPA in controlling black markets in poultry. This daily report is issued cooperatively by the United States Department of Agriculture, the Department of Agriculture and Markets of the State of New York, and the Department of Markets of the City of New York:

Prices continue at extremely high levels far in excess of retail ceilings, and poultry intended for the New York trade is being diverted to more favorable markets; dressed outside the city limits and sold through dressed poultry channels; dressed in local slaughterhouses and disposed of in various ways through cut-up poultry stores, jobbers, private sales, etc.; or sold at retail at irregular hours because of existing conditions created by OPA and city department of markets to enforce price regulations. The following are wholesale selling prices as reported by the trade on this morning's truck and express market, Leghorn fowl and black pullet springs unquoted; cross springs 55 cents.

The maximum wholesale ceiling price in New York city on live springs on that day was under 35 cents.

The effect of these flagrant ceiling violations on the business of legitimate dealers was virtually confiscatory. By refusing to pay more than ceiling prices, the volume of receipts of legitimate dealers at times dried up to a mere trickle.

In the first 6 months of 1945, while Government requirements were at their wartime peak, the total volume of poultry sold from Midwest farms was 8 percent more than the volume sold in the same period of 1942.

But during the very same period the poultry volume of Midwest poultry processors reporting to the United States Department of Agriculture was 38 percent less than in 1942.

To put it another way, because legitimate processors did not compete with buyers who paid over the ceiling, their volume shrank to about 57 percent of their normal share of the market supply.

It should be pointed out that poultry was not subject to price control in the first half of 1942; price ceilings were imposed the following October.

In this country there are more than 5,000,000 farm families producing poultry and eggs, a large percentage of whom market their products in a small way, direct to the store or to the consumer. During wartime, regulations were a necessary burden. But now that the war is over and the supply of poultry and eggs is abundant for peacetime needs, these 5,000,000 farm families and their thousands of marketing agencies should not be subjected to unnecessary, burdensome regimentation which results in endless exasperation and confusion.

To summarize, since poultry and egg supplies are now, by any standard of measurement, fully ample, and promise to continue fully ample, for consumer needs, we urge the Congress that, in any extension of the Price Control Act, poultry and eggs be exempted from its provisions, either specifically or by the operation of the formula we have recommended.

The CHAIRMAN. You agree that if there is not a sufficient supply to take care of demand there ought to be some control?

Mr. TODD. Our formula would indicate that.

The CHAIRMAN. Thank you very much.

Senator HICKENLOOPER. In your opinion, the supply does, however, equal the demand?

Mr. TODD. I believe this chart amply demonstrates that.

Senator HICKENLOOPER. In poultry and eggs?

Mr. TODD. Yes.

Senator HICKENLOOPER. Let me ask you another thing. Do you know how many categories of price regulation fowl fell into in this period throughout the United States.

Mr. TODD. If I may, I would like to refer that question to Mr. Tobin.

Mr. TOBIN. There is a ceiling on young chickens of any weight, not only on fowl.

Mr. HICKENLOOPER. It runs in my mind that because of the regional differentials on all classes of fowl, it has been calculated that there were some 52 to 58 classifications of fowl prices in the United States because of the differentials and regions and so on.

Mr. TOBIN. That may well be true, with the numerous zones.

Senator HICKENLOOPER. That is what I mean. That is all.

The CHAIRMAN. Your production of chickens is higher now than it has been in the history of the United States?

Mr. TOBIN. Oh, yes. It is certainly an all-time peak; and the latest figures we have on the production this year set a very high level.

Mr. TODD. It should be pointed out, too, Senator, that there is more than double the amount of poultry in storage than we have ever had in the history of the Nation.

The CHAIRMAN. Is Mr. Benjamin here?

Mr. BENJAMIN. Yes.

The CHAIRMAN. We have got a large schedule ahead of us, and I wondered whether you would be willing to give to the reporter your statement, and it will receive the same consideration as if you had presented it here. I think the Senators will agree to that.

Mr. BENJAMIN. I appreciate that, Senator, but we would very much prefer to present it briefly the first thing in the morning, or at this time.

The CHAIRMAN. I am sorry. We will take a recess now until 10 o'clock tomorrow morning.

(The following letter was submitted to the record by Hon. Hugh B. Mitchell:)

NEW COUNCIL OF AMERICAN BUSINESS, INC.,
Washington 6, D. C., April 19, 1946.

HON. HUGH B. MITCHELL,
Senate Office Building, Washington, D. C.

DEAR SENATOR MITCHELL: Independent businessmen are alarmed at the sabotage action of the House yesterday.

One good indication of this is the enclosed letter to New York Times in answer to an NAM blast printed in that paper last Sunday.

In this letter we nail NAM misrepresentatives and give the real belief of the independent business community.

Elimination of price control at this time would throw all business into a maelstrom of inflationary bidding for goods and service.

We deem it exceedingly unfortunate and misleading that the lush treasury of the NAM is being used to convince the public that businessmen are against price control. The New Council of American Business completely supports Mr. Bowles' and Mr. Porter's far-sighted efforts to save the business structure of the Nation.

Sincerely yours,

H. L. McCARTHY,
Executive Director.

(Whereupon, at 5:10 p. m., a recess was taken until tomorrow, Tuesday, April 23, 1946, at 10 a. m.)

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

TUESDAY, APRIL 23, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to recess on yesterday, in room 301 Senate Office Building, Senator Robert F. Wagner, Chairman, presiding.

Present: Senators Wagner (chairman), Barkley, Bankhead, Downey, McFarland, Taylor, Mitchell, Carville, Tobey, Taft, Buck, Millikin, and Capehart.

The CHAIRMAN. The committee will come to order. Senator Millikin has a matter he wishes to take up first.

Senator MILLIKIN. Is Mr. Cheney in the room?

Mr. CHENEY. Yes, sir.

Senator CAPEHART. Mr. Chairman, will the Senator yield just a moment? I would like to offer the suggestion that we call the chairmen of the different industrial advisory groups in this country. As you know, the OPA has been operated in connection with industry-wide advisory groups consisting of businessmen from the respective industries and each of these industrial advisory boards have had a chairman. These chairmen have been working with OPA for 4 or 5 years.

The CHAIRMAN. Senator, I think there are about 500 of them. I don't know whether we would ever finish this hearing if we heard all of them.

Mr. BAKER. There are 561, Senator.

The CHAIRMAN. We cannot possibly hear them and finish this work we are trying to do, even keeping the Senators here all day.

Senator CAPEHART. Would it be possible to pick out a few of them? The reason I offer the suggestion, I know of no group in America that would be of more help to us in deciding what should or should not be done.

The CHAIRMAN. Of course, we want to do what we can. I will have to have an executive session very soon because this thing is getting limitless. I want to hear them all if I can.

Senator CAPEHART. Then, Mr. Chairman, I offer the suggestion that you, as chairman of the committee, wire or write to each of these 561 and ask them if they care to file a written statement, getting their ideas as to what should be done.

The CHAIRMAN. Written statements, of course. Very well. I will do that.

Senator CAPEHART. Ask them to file written statements so that they can be read by the members of the committee.

The CHAIRMAN. They have been very reluctant about that. I have asked representatives to file written statements, but they are very reluctant about it.

Senator CAPEHART. They know so much about this problem. I think their help would be very beneficial.

The CHAIRMAN. Will you furnish me the names, Mr. Baker?

Mr. BAKER. Mr. Chairman, I will be glad to furnish a list of all the names at once.

The CHAIRMAN. Very well.

Now, Mr. Lieberman, do you remember the question that was asked of you by Senator Millikin?

Mr. LIEBERMAN. Yes.

The CHAIRMAN. Are you prepared to answer it now?

Mr. LIEBERMAN. Yes.

Senator MILLIKIN. I believe there are a number of Senators who are here who were not here last Thursday. I wondered if Mr. Cheney would make a very brief statement of the complaints of the Oneida Knitting Co., so that we can bring Mr. Lieberman's testimony into focus with something.

STATEMENT OF ROY A. CHENEY, PRESIDENT, UNDERWEAR INSTITUTE

The CHAIRMAN. I will have to limit you as to time.

Mr. CHENEY. I will make it very brief.

The CHAIRMAN. Five minutes.

Mr. CHENEY. Thank you, Senator.

The CHAIRMAN. Or less.

Mr. CHENEY. The Oneida Knitting Mills represent mills selling to the wholesale trade, making a medium-priced and low-priced underwear in mass-production mills. The president of the Oneida Knitting Co., Mr. Devereaux, testified here he was in an over-all loss position on practically every item that he manufactured. He testified also that he had asked for relief from the OPA within a recent time.

Mr. Lieberman agreed at the request of this committee to bring back here—I believe yesterday morning—an answer to Mr. Devereaux's plea. The OPA was not ready yesterday morning so the committee permitted them to proceed today.

Senator MILLIKIN. Go ahead, Mr. Lieberman.

(Thereupon, Mr. Cheney withdrew from the committee table.)

STATEMENT OF JEROME LIEBERMAN, PRICE EXECUTIVE, OFFICE OF PRICE ADMINISTRATION, WASHINGTON, D. C.

Mr. LIEBERMAN. A study of the figures submitted by the Oneida Knitting Mills indicate that they are entitled to a 3.3-percent increase on their current ceilings on the basis of SO 149. We are prepared to grant them that increase immediately. However, they submitted only the 1945 figures—figures for the year 1945, on which this adjustment is based, with projections for the increases in labor costs and yarn costs which they show us.

We have called the Oneida Knitting Mills and asked them if they would prefer to submit a first-quarter 1946 statement in order that

they might be entitled to more because of the recent condition which they maintain has existed. We are now awaiting their next move as to whether they would like us to proceed this temporarily or to await their other figures so that there would be only one change in prices.

Senator MILLIKIN. That runs across the board, does it?

Mr. LIEBERMAN. A straight across-the-board increase.

Senator MILLIKIN. Is that true, Mr. Cheney, so far as you know the case?

Mr. LIEBERMAN. Excuse me just a second. I might say this is processed under SO 149. Because they spin a substantial portion of their yarn they are therefore entitled to the base period return which amounts to 3.6 percent on net worth.

Senator MILLIKIN. Is there any question about the net worth?

Mr. LIEBERMAN. No, sir.

Senator MILLIKIN. Do you challenge any of their figures?

Mr. LIEBERMAN. No, sir. Their figures are accepted.

Mr. CHENEY. I am raising a question. I don't know, Senator, I think Mr. Lieberman said an increase of 3.3 percent on their ceilings.

Mr. LIEBERMAN. On their current ceilings.

Mr. CHENEY. On their current ceilings. Now, it all depends on how great a loss position they are in whether or not that would give them relief.

For example, under this order SO 154, which is coming out, which Mr. Lieberman mentioned here last Thursday, it will not give relief. It will simply lessen the losses; for this reason, that the underwear industry mainly prices its goods on the basis of costs of October 1941. Order 154 gives them an increase in the yarn cost from March 1942. On carded yarn the increase from October 1941 to date is about 10 cents, so the mill only has a 5-cent increase per pound and must absorb the other.

Now, on labor the mill is permitted only to count in its costs its direct labor. Its indirect labor which includes all the new requirements and requisites by the union for vacations and so forth, is excluded, which amounts to 52 percent of the increase since March 1942.

Senator MILLIKIN. I would like to put a question in there. Why don't you allow those indirect labor costs, Mr. Lieberman?

Mr. LIEBERMAN. The increases in direct labor costs are the major part of the costs. Of course, some absorption has been required under our regulations and this amounts to the absorption which would be offset by the increased volume that has taken place, and it does not return the same return on net sales which they had at that period, which was about the highest period there was, but does return, certainly as far as I can see, an ample amount.

Senator MILLIKIN. Let me ask you about your approach. Did you approach this problem with the idea of enabling this mill to make a reasonable profit, an actual profit, rather than a fictitious or book-keeping profit on this operation?

Mr. LIEBERMAN. Yes, sir. There are two things under discussion here now. As far as Oneita is concerned these are the actual figures of that mill and it returns them an actual profit regardless of SO 154, or anything else.

Senator MILLIKIN. And if their first quarter's work for this year shows an increased cost, you have asked them to make a showing of it, and if it is coming to them you will grant further relief; is that correct?

Mr. LIEBERMAN. Yes, sir.

Senator TAFT. Mr. Lieberman, do I understand these prices will be higher than the general price allowed in the industry? Is this a special relief case, or what?

Mr. LIEBERMAN. That is correct. It is an individual adjustment order for any mill which spins its own yarn which is not receiving its base period return.

Senator MILLIKIN. I would like to say to you, Senator Taft, this is a special case, which came up last Thursday. I believe you were not here at the time. We wanted to put it on the table here to see just exactly how OPA would approach that kind of a problem. The gist of the testimony Thursday was that this mill was losing money on practically its entire line and that it could not get relief.

So I took the liberty of suggesting to the chairman and the committee, it would be a good thing to do, to take this case and make anatomical study of it right here, make a study of the approach of OPA on it.

Now, as far as I can see, it looks to me as though you have approached it in a fair spirit. I would like to hear the other side of it from Mr. Devereaux, but I congratulate you on your speed and apparently on the result you are producing for the mill. If you could just carry that sort of thing across the board further, I don't believe we would have so many complaints.

Senator TAFT. What I don't understand, Mr. Lieberman, is this a high-cost mill?

Mr. LIEBERMAN. This is applicable to any mill.

Senator TAFT. I mean, is this particular mill a high-cost mill?

Mr. LIEBERMAN. I don't know whether this mill is a high-cost mill, or not.

Senator TAFT. Well, then, why is this the proper way to do it? Why is it offered on adjustment on the basis of 3.6 percent on the net return?

Mr. LIEBERMAN. This case applies to those mills which show an over-all loss, any mill which spins its own yarn and shows an over-all loss may apply under the provisions of SO 149 for an increase over and above the increases which we provide for the industry as a whole.

Senator TAFT. Well, is that the case? Is this, then, a high-cost mill; is it a special high-cost mill? That is the question I asked you.

Mr. LIEBERMAN. In this case it would appear that is so, that its position is different from that of most of the mills.

Senator TAFT. Well, isn't that true that all the mills are in the same condition and in effect you are fixing the profits on each mill individually in entire industry?

Mr. LIEBERMAN. If that were so, Senator, then all the mills should have applied under this same provision and certainly a general action would have been necessary rather than process all the individual cases.

Now, that has not been our experience.

Senator TAFT. Then you think this is a specially high-cost mill? That is why you are dealing with it specially?

Mr. LIEBERMAN. Yes, sir.

Senator TAFT. Do you know what the general return is in that particular field on capital?

Mr. LIEBERMAN. The industry average of the base period 1936 to 1939 was either 6.2 or 6.3 percent, I forget the exact figure at the moment, on net worth.

Senator TAFT. You don't think any manufacturing industry is going to keep going earning 3 percent?

Mr. LIEBERMAN. This is a return of 3 percent on sales.

Senator TAFT. Oh, I thought you said on net worth. 3.6 percent on net worth, wasn't that what you said?

Mr. LIEBERMAN. There are two figures there almost alike; the base return period on net worth, average mill, was 3.6. That is on net worth. The adjustment permitted happens to turn out 3.3 percent on sales on the basis of 1945.

Senator TAFT. Is that after taxes?

Mr. LIEBERMAN. Before taxes.

Senator TAFT. So you are allowing these people 3.6 percent before taxes?

Mr. LIEBERMAN. 3.3 before taxes.

Senator TAFT. On net worth, or on sales?

Mr. LIEBERMAN. On sales.

Senator TAFT. I am talking about net worth.

Mr. LIEBERMAN. On net worth, this is 3.6 percent no net worth.

Senator TAFT. Before taxes?

Mr. LIEBERMAN. Before taxes.

Senator TAFT. Which will reduce it to about 2 percent return on net worth after taxes; is that right?

Mr. LIEBERMAN. I don't know their tax situation.

Senator TAFT. I notice—I have here a statement of net income of leading corporations published by the National City Bank, for 2,665 corporations. Their average earning in 1944 was 8.2 percent on net worth after taxes, yet you are holding this mill down to 2 percent net worth after taxes.

Mr. LIEBERMAN. I am sorry. I didn't hear the figure, of the firms to which you referred.

Senator TAFT. I say 2,665 leading corporations for the year 1944 have a return of 8.2 percent on net worth after taxes. You are holding this mill to 2 percent on net worth after taxes. Why?

Mr. LIEBERMAN. Because of their historical position. The apparel industries generally had a much lower return than the majority of American industries.

Senator TAFT. Well, they did in the base period particularly?

Mr. LIEBERMAN. Yes.

Senator TAFT. Well, then, is the base period fair to them?

Mr. LIEBERMAN. I think a comparison of the apparel industries with other American industries in any year would show their return was lower than the general average by far.

Senator TAFT. Well, the general average of 41 cotton industries was 7 percent; silk and rayon, 6.9 percent; woolen goods, 8.3 percent; other textile products, 8.9 percent; as far as 1943 and 1944 are concerned. I don't know historically what it was before the war. I couldn't say.

Mr. LIEBERMAN. This was mostly mills. I think it will show that the return of apparel manufacturers as distinguished from the mill is quite low.

Senator TAFT. Well, I can't see why a manufacturing corporation should be held today—unless it is a very high-cost company—to 2 percent of its net worth. It seems to me that is unreasonable. Even public utilities are allowed around 4 or 5 percent on net worth. Why

2 percent on a manufacturing corporation? I am reducing it from 3.6 percent before taxes, to 2 percent after taxes, under present tax rates—it would reduce them to about 2 percent of their net worth after taxes.

Mr. LIEBERMAN. I think you will find, if you would ask the various factories in this industry if they could receive that return year in and year out, they would be very happy.

Senator TAFT. I wholly disagree with you on that. No manufacturer can afford to do business for 2-percent return on net worth. Why not buy Government bonds and quit? That is what they will do and, of course, you don't get your production.

Senator BUCK. Let me say, Senator Taft, this company has an invested capital of \$2,000,000 and it has been losing money since September of last year.

Senator TAFT. Sure, rather than lose money they would like to have 2 percent. It is better than nothing, but why should Congress authorize you to hold manufacturers to that percentage—if it has any bearing on the subject at all, which I don't think it has, as a matter of fact.

I don't understand the basis of your reasoning. I don't understand the logic of the position which OPA takes or where it gets it under the Price Control Act.

Mr. BAKER. Since the question is a general one, it is possible you may prefer to have me answer it for the agency?

Senator TAFT. Yes.

Mr. BAKER. The position of the agency, as the Senator knows, is that we will set ceiling prices, increased ceiling prices sufficient to return to an industry the base period return on net worth. In this instance the general level of ceiling prices for that industry will return at least the base period return on net worth.

Senator TAFT. I don't think there is any such authority in the Price Control Act. I never did think there was such authority. I think you usurped the authority to do that. I don't think you had a right to consider the return on net worth in fixing your prices under the terms of the Price Control Act.

Mr. BAKER. That subject, as the Senator knows, has been raised at various hearings of this committee and in the House, on the occasion of the extension of the act at different times, and the act has been extended with the understanding that that was the policy of the Office of Price Administration in carrying out its duties under the act.

Senator TAFT. But never admitted that it was a correct policy.

Mr. BAKER. With respect to this particular case the point I wanted to bring out is that this is typical of the approach we make toward industries generally; that we issue what is intended to give a fair and equitable return generally to the industry and then supplement that industry-wide action with individual adjustment provisions, so that those in the companies producing necessary items such as this will—those in a loss or even a break-even position—will be insured at least their own base-period return.

Senator TAFT. Your conclusion, then, is that this is a high-cost, inefficient mill; is that right?

Mr. BAKER. I would say if we took the average and gave the average of industry earnings then every mill above that average would be in a position at some point above that of going into the red—there

would be some mills at the top which would be in a red position in the absence of an adjustment provision.

Senator MILLIKIN. Mr. Chairman, I would like to ask Mr. Cheney, do you know whether there are any mills in substantially the same position as the Oneida Knitting Mills?

Mr. CHENEY. Yes, sir.

Senator MILLIKIN. What are they?

Mr. CHENEY. The Utica Knitting Co., the largest mill in the industry, employing 2,200 people, is today in an over-all loss position. Their price ceilings show if they continue production they will be losing at the rate of about \$30,000 per week. I would like to file that statement. I have their letters to Mr. Lieberman and Mr. Porter. I would like to file all of these for the record rather than read them.

Senator MILLIKIN. Mr. Chairman, I move he be permitted to do so.

The CHAIRMAN. Very well.

Mr. CHENEY. I would like also to have permission for the Oneida Knitting Mills to file a statement with this committee in answer to OPA. Here is the situation, so that the committee may understand it: We have been promised a relief order since December 1945. We had a relief order for heavyweight underwear, mostly of this type indicating this heavyweight union suit, worn by the mechanics and farmers, which gave us a total cost plus 4 percent.

Now, that order expired on March 31, 1946, and has not been renewed. A garment of that type—I have checked with four or five of our mills in the last few days—even with the new order, 154, with the advance Mr. Lieberman spoke about last Thursday, will show to those mills an average loss of 50 cents per dozen for these garments.

The Utica Knitting Mills didn't apply for relief because they were hopeful they would get some renewal of this order 137 which gave them cost plus on this item, and hearing that some order would come out that probably would give them relief.

When you apply for this relief it may take your office force and accounting staff 2 weeks to get up the figures they want. That is the reason why the Office of Price Administration has not had more applications under S. 149. They will be flooded with them as soon as this 154 comes out, in my opinion.

Now, the Oneida Knitting Mills is not a high-cost mill. It is a medium-cost mill. The Oneida Knitting Mills is a medium-cost mill.

Senator MILLIKIN. It sells to wholesalers?

Mr. CHENEY. They sell to the wholesale trade.

Senator MILLIKIN. The high-cost mills are those who deal directly with the merchants?

Mr. CHENEY. The so-called high-cost mills are those who sell direct to the retail trade.

Senator MILLIKIN. They have to absorb what would normally be the middleman's costs?

Mr. CHENEY. Well, the Office of Price Administration has never recognized that distinction between them. So today you are not seeing those Cooper's jockey suits, so-called, Munsingwear, Carter's, and that type of underwear, to any extent, because they cannot afford to make them.

Senator MILLIKIN. What do you say to that, Mr. Lieberman?

Mr. LIEBERMAN. I would like to say something to a couple of things: The Oneida Knitting Mills might not be a high-cost mill. It is never-

theless true that its return on net worth is little more than half of that of the average for the industry. Now, on the question of SO 137, the heavyweight underwear order, that expired on March 31 after this very special type of relief had been in effect during the winter season, in order to get underwear during that time.

We are now placing it, as I mentioned before, under this 154 type of relief. And I might mention that since coming up here Thursday we have gone over 154 and instead of using cut-off prices we are removing the cut-off prices and making it applicable to all underwear regardless of price.

Mr. CHENEY. May I answer that? The formula of denial of total yarn costs plus denial of total labor costs puts the mill in a position where they lose less money, but they still lose money. That is the information I have in the last 2 days from our larger mills.

Senator MILLIKIN. Why don't you allow these so-called indirect costs?

Mr. LIEBERMAN. The only thing we don't allow are the increases in indirect costs which have taken place between March 1942 and now, which is generally a very small part of the labor cost.

Senator MILLIKIN. Why don't you allow them even though you say they are a small part?

Mr. LIEBERMAN. We don't allow them as a partial offset to the increased volume which has taken place. In other words, we do have this method of relief available if the mills do not get an adequate return. It has been one of the principles of price control that increasing costs must be absorbed as much as possible, but we do have to provide an adequate return.

Senator MILLIKIN. Then that is your method of putting a discount on volume, or the results of volume?

Mr. LIEBERMAN. To offset volume.

Senator MILLIKIN. Why should you put a discount on volume? Volume is what we need. As a man's volume increases, why is he not entitled to the profits from the results of his enterprise?

Mr. LIEBERMAN. It is a matter of controlling price. In other words, you have two factors operating in opposite directions at the same time. That has been the case in the past, that as volume has increased it has tended to lower the general overhead costs and at the same time any increases which have occurred in specific costs have been offset.

Senator MILLIKIN. Well, volume is not a sin in itself, is it? Volume has a tendency to reduce costs to the consumer rather than to raise them.

Mr. LIEBERMAN. We don't regard it as a sin. It is merely a matter of providing a means for holding prices.

Senator TAFT. You mean you are not going to increase prices though costs increase? The OPA takes the position you will not increase prices in spite of an increase in costs? Is that right? Is that the position of the OPA?

Mr. LIEBERMAN. Unless the industry earnings are below the minimum required by law.

Senator TAFT. What minimum? What minimum is required by law for industry earnings?

Mr. LIEBERMAN. The base-period-earnings bill.

Senator TAFT. Oh, you mean your own regulations. There is nothing in the law about that.

Mr. LIEBERMAN. Well, we discussed it before you.

Senator MILLIKIN. Mr. Cheney, I would like to ask you before you leave, what is the situation as to men's briefs?

Mr. CHENEY. Men's briefs—this is a garment here [indicating].

Senator MILLIKIN. That is a short short; is that right?

Mr. CHENEY. That is right; a short knitted short. It is very popular with the younger men. In fact, the boys in the Army kept the post exchanges bare of that garment, kept us working hard to supply the post exchanges.

Here is the situation: These figures were given to Mr. Lieberman, I think—not to Mr. Lieberman, but to somebody in the OPA, I believe Mr. Bonner, a matter of a few weeks ago. Mills selling to the wholesale trade—and I would say these mills, together with the mills selling to the retail trade directly, manufacture perhaps 40 percent of the volume of those shorts. My recollection is that those shorts grew in volume from 1936 when they were invented by the Coopers of Kenosha, Wis., grew to a volume of 2 to 3 million dozens annually. Here are the cost figures and the selling prices before the additions which Mr. Lieberman promised to us last Thursday morning.

What was that cut-off price—\$4.50 on men's briefs?

Mr. LIEBERMAN. There will be no cut-off now, as I mentioned earlier.

Mr. CHENEY. There will be no cut-off? Was that decided yesterday or this morning?

(There was no response.)

The CHAIRMAN. Well, go ahead.

Mr. CHENEY. Well, I don't know, but up until this recent action taken last Thursday morning, when Congress began its hearings on these matters, in mill A the cost was \$3.51 and the ceiling price was \$3.45. Mill B, \$2.90 cost; ceiling price \$2.94. They made 4 cents a dozen.

Mr. LIEBERMAN. I am sorry. I didn't hear that last figure.

Mr. CHENEY. \$2.94 is the ceiling price. Mill C, cost \$3.17; ceiling price \$3. Mill D, cost \$3.72; ceiling price \$3.50. Mill E, cost \$3.25; ceiling price \$3.12. Mill F, \$4.01; ceiling price \$4.19. That mill made 18 cents a dozen. All of these figures are per dozen and the figures I read are for mills selling to the wholesale trade.

Now, we come to mills selling direct to the retail trade like Munsing, Cooper, and Carter, mills of that type. Mill No. 1, cost \$5.59; ceiling price \$4.50. The difference in cost is represented mainly by a slightly better article plus the cost of functioning as a wholesaler as well as manufacturer. Mill No. 2, \$4.20; ceiling price \$4.28. Mill No. 3, \$4.365; ceiling price \$4.35. Mill No. 4, \$4.31 cost; \$4.40 ceiling price. Mill No. 5, cost \$5.10; ceiling price \$4.10. Mill No. 6, cost \$4.86; ceiling price \$4.40.

Senator MILLIKIN. Mr. Lieberman, what do you say to that? As I get the point, Mr. Cheney, there is an article that is highly popular, especially with younger men, ex-servicemen, yet no one can make them at a profit; is that right?

Mr. CHENEY. At this point 2 weeks ago no one could make them at a profit. Now Mr. Lieberman says that cut-offs have been eliminated. There was a cut-off of \$4.25 last Thursday. Now that has been

eliminated this morning. I don't know exactly what will happen to this thing with the cut-off eliminated.

Senator BANKHEAD. What is a cut-off?

Mr. CHENEY. Well, sir—

Senator TOBEY. It is the lower part of the drawers.

Mr. CHENEY. It is what is left after the OPA gets through with us. Seriously, Senator, a cut-off is this: You may figure your prices according to the OPA formula, but no matter what it shows you cannot go above the cut-off price. Now your cost figure, according to the OPA might be \$5 for this garment, but up to this minute you had to hold your price at \$4.25, no matter what your costs were.

Mr. LIEBERMAN. Could I say one thing, Mr. Chairman?

The CHAIRMAN. Surely.

Mr. LIEBERMAN. Where we have used the cut-off it is a means of stating relief will be provided only up to a certain figure, with a cut-back—providing for the lower priced goods which have been in shorter supply.

Senator MILLIKIN. I don't get that. Tell me that again.

Mr. LIEBERMAN. I say the cut-off is a price above which relief is not granted in this type of order, so that relief will be provided for the lower priced items which are in the shortest supply.

Senator MILLIKIN. You mean it is a method of handling the production in the lower priced items?

Mr. LIEBERMAN. Yes; it acts as an incentive to the lower priced items.

Senator TAFT. May I ask Mr. Cheney a question? Do I understand these are different types—I suppose there is no question about the ceiling prices of these some dozen different mills—are those variations in ceiling prices due to different kinds of shorts, or are they due to the profit condition of the particular mill?

Mr. CHENEY. They are due to the ceiling prices at which the mills were frozen. That was in March 1942, as I recall it. You see, the benefits of the Bankhead-Brown amendments were not extended to lightweight underwear.

Senator TAFT. So these ceilings are historical ceilings? They have been subject, perhaps, to some adjustments that may have been made in individual cases?

Mr. CHENEY. Correct, sir—if any. I want to finish this up. The elimination of the cut-off prices does not eliminate the formula wherein carded-yarn mills have to absorb 5 cents per pound out of 10 cents, and the mills have to absorb 38 percent of the indirect labor costs.

Mr. LIEBERMAN. I would like to say that I believe these figures show that our relief measure SO 154 will certainly provide an adequate means of bringing back, let us say, this production, although it has already existed.

In other words, out of the total number of items which Mr. Cheney mentioned, 4 out of 12 are now being produced at a profit, although small in most cases, and they will be entitled to add these cost increases between the base period and now; and the rest of them, with two or three very violent exceptions, are very close to cost, so the increase certainly should offer the mills an opportunity to bring these items back.

Senator CAPEHART. Why didn't you give them those increases months ago? Why did it take you 6 months or whatever the time has been to arrive at that?

Mr. LIEBERMAN. Senator, I think we went over that. We did issue in December a means of relief for the very lowest priced items. Subsequently we checked our figures and found that some items were under cost for the industry as a whole, and we did issue an order for those.

Senator MILLIKIN. Mr. Chairman—a while ago, Mr. Cheney, I asked you whether there were any other mills that were in roughly the same position as Mr. Devereaux's mill. I don't know whether we finished that subject or not?

Mr. CHENEY. The Utica Knitting Mills is in that same predicament. It is my opinion that other mills are in that same predicament, but I cannot prove it because I haven't asked them. That is my own answer as president of the organization.

Senator MILLIKIN. Will they get their material before the OPA?

Mr. CHENEY. I assume they will get their material before OPA. Here is one more thing which the committee should understand, that MAP oftentimes gets across these figures and here is an important thing, CPA, for some reason or other, issues an order that no manufacturer of men's or boys' knitted underwear should hold more than 30 days inventory.

Now, most of these mills start in the manufacturing of heavyweight underwear in September or October of the previous season and continue that manufacture through spring and start to deliver them in July. Now, here we are faced—these two mills specifically on which we have had a report, showing an over-all loss position—they cannot manufacture and stock them. They must stop their operations on April 30 because of that CPA limitation. They tell me there is an order coming out of the CPA which will declare the underwear industry a seasonal industry. That was promised to us 3 weeks ago. It has not yet come out. That was an added burden, but perhaps not the function of this committee to consider.

Now, I would like to explode this low-cost position which has been brought up here time and time again. Perhaps explode is too harsh a word, and I apologize, Mr. Chairman.

The CHAIRMAN. That is all right.

Mr. CHENEY. We have in our industry different mills making different classes of garments comparable to the automobile industry. Some make Cadillacs and Packards, some make Buicks and Dodges, others make Fords and Chevrolets.

Now, in the better mills their labor is trained to make better merchandise. You cannot make cheap merchandise in a good mill. Here is a significant thing which should have the attention of this committee. In view of this low-priced policy, the branded-line mills, like Carter, Munsingwear, and Cooper, who perform the function of wholesalers as well as manufacturers, service perhaps 35,000 small dealers throughout the country. Those dealers are in competition with the chain stores which these bigger mills, the lower-cost mills, supply.

Now, if you deny relief to these branded-lines mills you are going to cut off underwear supplies from the small local neighborhood haberdasher. Where is he going to get his merchandise? Do you see what I mean?

The CHAIRMAN. Do they deny relief to those mills?

Mr. CHENEY. Mr. Lieberman has just stated their policy has been to channel relief into the low-priced mills, so that they would bring out low-priced, low-cost production, but the effect of it has been and will be to stop production in the mills with the branded lines who supply these small retailers all over the country.

Senator MILLIKIN. And the effect of that is to cut down the total of your production?

Mr. CHENEY. Absolutely.

Senator MILLIKIN. What do you say to that, Mr. Lieberman?

Mr. LIEBERMAN. Senator, I have already said that the cut-offs had been eliminated in this order.

Senator MILLIKIN. Does that give the relief to which Mr. Cheney is referring—relief that seems to be desirable?

Mr. LIEBERMAN. Yes, sir. It is still true that the critical shortage has always existed at the low end. We have taken our steps at the low end first because the shortage was greatest there.

Senator MILLIKIN. Let me ask you this: You concern yourself primarily with price. Which agency concerns itself primarily with production?

Mr. LIEBERMAN. Civilian Production Administration.

Senator MILLIKIN. What is your liaison?

Mr. LIEBERMAN. We work very closely at all levels, I should say.

Senator MILLIKIN. I mean, does Civilian Production come over to you fellows and say, "We have got to get out more of these briefs?" Do they say to you, "Now, look into the situation and make the price adjustment necessary to get out more of these briefs?"

Mr. LIEBERMAN. That is precisely what happens, and here a very special type of relief was given to heavyweight underwear. They were very concerned about the shortage.

Senator MILLIKIN. Do you look into these situations, go into the mill yourself and look into the situation, or do you wait for CPA to get after you about it?

Mr. LIEBERMAN. Well, we discuss it with them, take their figures and arrive with them at actions which are necessary for both agencies to take.

Senator MILLIKIN. Do you personalize that to the extent of going to Mr. Devereaux's mill, for example, and saying, "Mr. Devereaux, we would like to have you produce X article in large quantities. If you will do that we will give you a price you can live on"?

Mr. LIEBERMAN. We do not personalize that. We consult with the industry, but the amount of production, of course, would come under CPA.

Senator MILLIKIN. In other words, you don't take aggressive steps to get production, but wait until the axle squeaks, until specific cases come before you; is that correct?

Mr. LIEBERMAN. I say getting production is a function of CPA.

Senator MILLIKIN. I understand, but it takes in both, does it not, prices and a knowledge of what is needed in the way of production?

Mr. LIEBERMAN. Sure.

Senator MILLIKIN. I am trying to determine how you make a coordinated drive to get needed production.

Mr. LIEBERMAN. Well, the usual method is for CPA to issue directions for OPA to issue an incentive, as on rayon linings today.

Senator BANKHEAD. Does the CPA ever direct you to increase the price of anything in order to get more production?

Mr. LIEBERMAN. It recognizes it sometimes. It doesn't direct us. Senator BANKHEAD. Recommendations along that line are very scarce, are they not—few and far between?

Mr. LIEBERMAN. As a rule they don't enter our sphere.

Senator BANKHEAD. Well, their sphere is production and they recognize the effect of price on production.

Mr. LIEBERMAN. When they feel that price is an impediment, they would not hesitate to recommend to us we change the price.

Senator BANKHEAD. I just asked you if that feeling on their part was very scarce and far between. They are very slow to realize that a price is too low, are they not?

Mr. LIEBERMAN. Well, I would say it was the exception rather than the rule that they feel that way.

Senator BARKLEY. I would like to ask you this question: Your field is prices, and the CPA field is production, allocations, and so forth. I am informed that recently the OPA issued an order channeling white dry goods, white cotton bleached goods, away from the wholesale houses into the chain-store houses so as to divert white bleached cotton goods from the channels where it used to be distributed through wholesalers, to the chain stores. I don't know whether that is a correct description of the order or not, but if it is not I would like to know what the order was and what authority the OPA has to channel goods through any particular field of distribution.

Mr. LIEBERMAN. I am unfamiliar with that order.

Mr. BAKER. We will have a look at that and let you know.

Senator BARKLEY. I was advised by a wholesale dry-goods house in my home town, Paducah, Ky., who told me that happened. I don't understand under the law what authority OPA has to decide whether cotton goods should go to a wholesale distributor or a chain store.

Mr. LIEBERMAN. I know of no channeling order of that nature, sir.

Senator BARKLEY. Well, I have a copy of it in my office. If I had known this was coming up I would have brought it down here.

Mr. BAKER. Are you sure it was OPA and not CPA?

Senator BARKLEY. This order was issued by OPA and not by CPA. My contention is that any such order about channeling anything in the way of production should come from CPA and that OPA has no authority—at least I don't know of any such authority.

Mr. BAKER. May we pick up that correspondence?

Senator BARKLEY. It is not correspondence. I will pick it up and mail it to you either today or tomorrow. I would like you to look into that because it looks to me as if OPA is going into the field of CPA to decide who is going to get goods. It is going beyond its jurisdiction.

Senator CAPEHART. Mr. Lieberman, do you feel we would get production increased if OPA and CPA were merged into one administration?

Mr. LIEBERMAN. I think that is a question well beyond me.

Senator CAPEHART. You have had a lot of experience now. You have been there for months. What is your honest opinion? Has it handicapped you in doing your job by virtue of the fact there has been a divided responsibility?

Mr. LIEBERMAN. I had not known there was a difficulty with production.

Senator CAPEHART. Do you mean that you are satisfied with production; that we are getting the ultimate in production in America?

Mr. LIEBERMAN. Not the ultimate, sir; but under present conditions with the things we have gone through, the production figures are very high. If you want my opinion on that subject for what it is worth, I should say at this stage of the game, in the closing period, it probably would cause more confusion than it is worth.

Senator CAPEHART. Now, one other question. What would be the effect of this item lying in the center of the table there—what would have been the result if months ago you had given each manufacturer a small profit on that item? What would have been the result in your opinion as far as the cost of living would have been concerned? In other words, tell em this: Why was it not possible for your Department to give each of the manufacturers of this item, if they were making it during the war and selling it, why wasn't it possible to give each of them a price that would have given them a little profit?

Mr. LIEBERMAN. I believe they had prices which showed them a little profit, on these figures of Mr. Cheney.

Senator CAPEHART. I thought Mr. Cheney read a few moments ago prices of some 12 or 15 manufacturers which showed a loss to all of them except 4. Four showed just a little profit.

Mr. LIEBERMAN. My point is that this still shows a profit on four, even though there have been some very substantial yarn increases, three of them, in fact, in the recent past.

Senator CAPEHART. All right. There are 12 of them here and 4 of them showed a profit. Now, let's talk about the other 8.

Why didn't you give the other eight a profit?

Mr. LIEBERMAN. We are giving it right now.

Senator CAPEHART. I know you are giving it as of today, but why not 6 months ago?

Mr. LIEBERMAN. These yarn increases occurred over the past month or 6 weeks. The wage increases occurred very recently.

Senator CAPEHART. Then the increase in wages has increased the cost to the manufacturer and merchant?

Mr. LIEBERMAN. Yes, sir; where there have been wage increases.

Senator CAPEHART. You don't subscribe to the philosophy that some do in the administration that you can increase wages without increased costs?

Mr. LIEBERMAN. Frequently wages increase costs.

Senator CAPEHART. Now, one other question, and then I am through. Supposing a manufacturer under your formula of setting a ceiling price that gives a certain return on the invested capital or net worth, as in the instance of this firm we have been discussing here, of 3.6 percent. Supposing you had a manufacturer that had a net worth of \$100,000, that was able through good management and efficiency to do a million dollar's worth of business. Would you use the net-worth formula in that instance?

Mr. LIEBERMAN. No, sir. As long as the company is in no difficulty, as long as it has not had some set of costs which have reduced its earnings to the point where it asks for relief.

Senator CAPEHART. Now, take a company that is capitalized at a very high figure, if it needs price relief would you use the net-worth formula on that company?

Mr. LIEBERMAN. We would use the net-worth formula with adjustments in net worth that had occurred since the base period.

Senator CAPEHART. Well, isn't it a fact that as a result of your net-worth formula you have been working against the best interests of the small manufacturer and those who have limited net worth and limited capital, and that you have been working to the advantage of those that have a tremendous investment, that you have made it almost impossible for a small manufacturer or men with a small amount of money who may be efficient and doing a good job to produce merchandise at a low cost—haven't you worked to his detriment?

Mr. LIEBERMAN. No.

Senator CAPEHART. Well, I wish you would explain why.

Mr. LIEBERMAN. In the first place, the efficient manufacturer—by far the bulk of our manufacturers do not come in for relief. However much they make is no concern of ours as long as the profits—I mean the prices are maintained.

Senator CAPEHART. Now, didn't you really mean to say profits?

Mr. LIEBERMAN. I really didn't mean to say profits.

Senator CAPEHART. Don't you really want to control profits rather than prices?

Mr. LIEBERMAN. I really don't.

Senator CAPEHART. I think you let the cat out of the bag there.

Mr. LIEBERMAN. I really didn't mean to say profits, sir. We are not concerned with profits. That is the point I was making, and where the concern does not come in for relief—

Senator CAPEHART. You say you are not concerned with profits, yet you talk consistently here about return or profit on a firm's net worth. Yet you say you are not interested in profits. I wish you would explain to us how you arrive at the net worth formula and what relationship net worth has to selling merchandise at a low cost.

Mr. LIEBERMAN. Well, as I say, we have no concern with profits when the firms are pursuing their normal course of business and do not come in for relief. Our only concern with profits is to measure the relief that firm should get and how much should we give any firm that says they have need for relief.

Senator BANKHEAD. The Senator asked you a question and I wanted to hear the answer—

Senator CAPEHART. Excuse me. The firm comes in and says they want relief. What right have you—or what relationship is there between net worth and the ability of a factory to produce at a low cost and what relationship is there between ceiling prices and net worth?

Mr. LIEBERMAN. Well, let's take the example—I was trying to start an answer to that.

Senator CAPEHART. All right. Go ahead and answer it.

Mr. LIEBERMAN. Let's say the firm had a price of \$2 on something.

Senator CAPEHART. Yes.

Mr. LIEBERMAN. In the base period. That was a satisfactory price that had continued for years and everybody was happy.

Senator CAPEHART. In other words, it had sold at \$2 and made money?

Mr. LIEBERMAN. Right.

Senator CAPEHART. O. K. Fine. Go ahead.

Mr. LIEBERMAN. Now, costs have risen to \$2.05. Let's say the firm makes only this one item, to simplify it.

Senator CAPEHART. Yes.

Mr. LIEBERMAN. It comes into us and says, "We need relief."

Senator CAPEHART. Yes.

Mr. LIEBERMAN. We say, "We agree you do need relief," but when our standards and principles were worked out some method had to be devised to give anyone who was in that condition the same treatment to anybody else. We had to have some measure of the relief. This article was never priced above \$2. Should we give them \$2.50; should we give them \$5; or should we give them \$6?

For a measure of relief that we could apply even-handedly for anyone who was in that position we went back to their own base-period experience, and we set up a method which we could apply mathematically from the accounting figures and say "This is a means which will allow us to give each one of you the proper amount of relief.

Senator CAPEHART. In other words, it was based on the net worth of the company. Did you give any consideration to efficiency in operation or conditions that may have been working against a company such as wage increases or other things?

Mr. LIEBERMAN. I say, all of those factors—these would be actual operating figures that this company experienced at the time. All of these factors would be taken into consideration, so that we say as of a given time, when we come in, or when this company X comes in and asks for relief, this is the amount we give you.

Now, there is no bar to that company's going on and increasing its volume or increasing its efficiency.

Senator CAPEHART. All right. Suppose you take this item of \$2 that they have been selling in the base period. Now they come in and they say, "We want a price of \$2.25 because our costs have increased proportionately." What relationship would there be to net worth in your establishing that ceiling?

Mr. LIEBERMAN. Do you mean they say, "We want" or their figures show they need \$2.25 under our formula?

Senator CAPEHART. They need \$2.25 in order to make a fair profit.

Mr. LIEBERMAN. Well, as I say, the use of net worth is merely a means of establishing the amount of relief which they will get. I have here in this case, if you would like, a procedure which we go through.

Senator CAPEHART. May I ask you this question? Then suppose the company comes in with this \$2 item, that had a net worth of \$10,000,000, and one comes in with a net worth of \$100,000. Would one get a better price than the other?

Mr. LIEBERMAN. Not necessarily, sir, because if they both had the same return on their net worth in the base period they would both get the same increase.

Senator CAPEHART. All right. Let's place the one that had \$10,000,000 net worth against the one that had \$1,000,000 net worth. If the million-dollar fellow turns out per dollar of net worth twice as much as the \$10,000,000 fellow, would he get any benefit or any profit on his increased volume, or would he be given the same percentage?

Mr. LIEBERMAN. Do you mean the same percentage on sales?

Senator CAPEHART. No; on net worth.

Mr. LIEBERMAN. He would be given the same percentage on net worth.

Senator CAPEHART. He would be given the same percentage on net worth?

Mr. LIEBERMAN. Yes.

Senator CAPEHART. That is just my point. A man with a million dollars invested would be making less money, less percentage on his dollar volume, than the fellow with \$10,000,000.

Mr. LIEBERMAN. May I correct my statement to this effect: I was assuming they had the same return on net worth during the base period.

Senator BARKLEY. I would like to get a clear idea of what is net worth in a manufacturing concern. I know if I wanted to get my own net worth I would take the value of my property and subtract what I owed, but what is the meaning of net worth in a manufacturing plant?

Mr. LIEBERMAN. I think to answer that in complete detail we should have accountants here, but I would say roughly it is capital and surplus.

Senator BARKLEY. Do you subtract anything for debts if there are any, and if you do subtract anything for outstanding obligations, doesn't that create a difference in the standard by which prices could be determined, or even relief determined? If one company owes a lot of money and the other doesn't, does that figure in any way in what you call net worth?

Mr. LIEBERMAN. It would be figured under the standard accounting practices. I don't think I am qualified to state those.

Senator BARKLEY. Well, I don't know all that goes into standard practices.

Mr. LIEBERMAN. I don't either.

Senator BARKLEY. If you put \$500,000 in a company you have borrowed from somebody, that is capital all right, but it doesn't mean surplus. It means that you owe that much, in order to get that much in. I wondered where that figured in this net-worth formula.

Mr. BAKER. I could perhaps answer that, Senator. Long-term indebtedness is included as part of net worth.

Senator BARKLEY. Do you mean included in net worth, or excluded from net worth?

Mr. BAKER. No, sir; if a company purchases—if a company has money which is in the business in terms of cash, that is obviously net worth. If it goes out and issues a bond issue or secures capital for the purpose of conducting its business, that capital, although borrowed, is also considered part of net worth.

Senator BARKLEY. Well, do you consider the value of real estate as part of that?

Mr. BAKER. Yes.

Senator BARKLEY. You say capital and surplus.

Mr. BAKER. Yes, sir; it is the net value of the corporation in terms of the equity of its stockholders.

Senator MILLIKIN. I suggest it comes from the same thing Senator Barkley started out with. Accountants make an analysis of the company. They decide which are assets and which are liabilities. They put one on one side and the others on the other side. They come down to the simple formula of Senator Barkley. The accountant's problem is to make a direct analysis of what are your assets, liabilities, equities, and so forth, but it all comes down to Senator Barkley's simple system of computing his deficit. [Laughter.]

Senator BARKLEY. Well, now, if you are coming to that, my deficit is not so simple as you might imagine.

Senator BANKHEAD. Now, as I understand that statement you figure all of your capitalization based on net worth.

Mr. BAKER. Most of them, where net worth figures are available in the base period. In some instances, they are not.

Senator BANKHEAD. Then what do you use—sales?

Mr. BAKER. Particularly in the case of depletion industries, such as mining, it has not been possible to use the net worth formula, because of the depletion factor.

Senator BANKHEAD. Then you use a net sales formula?

Mr. BAKER. We use their unit profit per unit sales. For instance, for a ton of coal.

Senator BANKHEAD. Do industries and business people all use this method, this net worth formula, in ascertaining their profits?

Mr. BAKER. Well, their business is ordinarily computed on the dollar amount of their profits. They have a balance sheet, which as Senator Millikin has pointed out, discloses their net worth on that balance sheet.

Senator BANKHEAD. Don't they figure that on the basis of the cost of operating and the returns from their operation?

Mr. BAKER. They may work out a percentage which is a relationship of the dollars of profit to the dollars of sales.

Senator BANKHEAD. Well, that would be on a sales basis?

Mr. BAKER. Yes, sir. They also work out a percentage which is a relationship of the dollars of profits to the dollars of net worth.

Senator BANKHEAD. Well, now, which does the Internal Revenue Department use in ascertaining how much taxes you owe?

Mr. BAKER. The Internal Revenue Department uses dollars of profit. They don't use any percentage at all.

Senator BANKHEAD. That is right. They don't use any percentage of net worth.

Mr. BAKER. They don't use the percentage of either net worth or sales.

Senator BANKHEAD. They just use the outgo and the income for the year's operation.

Mr. BAKER. Yes, sir.

Senator BANKHEAD. Why don't you do that? That is a fair basis, and that is the Government's basis.

Mr. BAKER. Our obligation here, sir, is to have some basic standard against which to measure the need for price increases. The Internal Revenue Department says that out of every dollar that you get, right this minute, this year, in profits, we will take X percentage in taxes. Our problem is a different one. It is a problem of setting fair and equitable prices, reflecting in those prices those cost increases which cannot be absorbed. In order to find out what that measurement of increases is we have, as Mr. Lieberman says, established a base, which is the base-period return on net worth.

Senator BANKHEAD. That is original with OPA, is it not?

Mr. BAKER. Yes, price control is original with us, sir.

Senator BANKHEAD. The whole thing is original, and your basis of ascertaining the percentage of profits is a new basis in calculating price?

Mr. BAKER. Yes, sir; just as price control is a new proposition for all of us.

Senator BANKHEAD. So that you got up a new formula for conducting price control of ascertaining the percentage of profit—you frequently referred to it—percentage of profit.

Mr. BAKER. Yes, sir; that is correct.

Senator BANKHEAD. All right. Now that percentage of profit is wiped out on a basis that OPA developed?

Mr. BAKER. That is correct.

Senator BANKHEAD. And the net worth formula gives a higher percentage of profit as a rule than it does under a sales basis?

Mr. BAKER. Are you speaking in dollars, sir?

Senator BANKHEAD. Yes.

Mr. BAKER. No, sir; not necessarily.

Senator BANKHEAD. Well, has that not been your experience?

Mr. BAKER. No, sir.

Senator BANKHEAD. Well, I have some figures from Mr. Bowles wherein it showed that very clearly. It showed a higher percentage of profit and a higher rate of profit than did the net sales basis.

Mr. BAKER. If you take the profit on net worth on any base period or currently the amount of that profit in dollars depends on how much the net worth is.

Now, if you take the same percentage and apply it to sales, you will get a very different figure for the dollars of profit. The mere fact that the percentage figure taken as a percent of net worth is different from the percentage figure taken as a percentage of sales is meaningless. What we are concerned with is whether it represents a difference in dollars.

Now, the view of the agency is that a generally fair and equitable regulation is one which will return to an industry on an average, at least, the same percentage return on net worth as it secured in a representative peacetime period. Those standards have been named and discussed with this committee for several years. They have been acquiesced in, as Senator Taft has said, by the committee, and the committee's failure to amend the regulation.

Senator BANKHEAD. I don't think the committee ever understood it before.

Mr. BAKER. I cannot comment on that.

Senator BARKLEY. I am not sure it does now.

Senator BANKHEAD. No; I am not either. I have never heard it discussed in all these OPA bills.

Mr. BAKER. We will be very glad to file for the record the material which has been submitted and which fully discusses the net-worth formula.

Senator McFARLAND. In spite of Senator Barkley's simple formula for net worth, I am still a little bit confused as to the way you arrive at it. Let us suppose that a company had capital in money, goods, and real estate, in the sum of \$100,000, and they owed money amounting to \$90,000. Their net worth, then, under Senator Barkley's formula, as I understand it, would be \$10,000. That is correct, is it not?

Mr. BAKER. Yes, sir.

Senator McFARLAND. And here is another company which has the same amount of capital; that is, \$100,000. It has buildings, ground,

and so forth, worth \$100,000, and they are a little bit more fortunate than Senator Barkley and I would be if we were in this business. They do not owe any money at all. Perhaps I should say, more fortunate than I would be if I were in this business.

Senator BARKLEY. I hope you will exclude me.

Senator McFARLAND. Yes; I will exclude you. They do not owe any money at all. They are worth \$100,000. That is their net worth, is it not?

Mr. BAKER. Yes, sir.

Senator McFARLAND. In determining the profit of the two companies you base your percentage on the \$100,000 and the \$10,000; is that correct?

Mr. BAKER. If the net worth of one company is \$10,000, and if the net worth of the other company is \$100,000, and both of them come in for relief under the order which Mr. Lieberman has been describing they would each get their base period return on net worth; that is, a percentage of their current net worth.

Senator McFARLAND. They each have \$100,000 of capital, that is, of assets, and one of them is unfortunate and owes \$90,000, so that his profits are figured on \$10,000; is that correct?

Mr. BAKER. I am sorry, Senator. I answered you incorrectly. Long-term indebtedness is included as an item of net worth, as I said to Senator Barkley earlier, so that if one of those concerns happens to have bonded indebtedness and the other happens to have issued stock to its stockholders, they both, as you say, have the same amount of capital and are entitled to the same return.

Senator McFARLAND. Then Senator Millikin's analysis was not just exactly correct?

Mr. BAKER. With respect to long-term bonded indebtedness, the answer is what I have just given to you. With respect to current liabilities and deductions, say, for contingent reserves, and so forth, his statement would be correct.

Senator BARKLEY. Let me see if I can simplify it.

Senator McFARLAND. I would be glad if you would.

Senator BARKLEY. Supposing a group of men get together and form a company or firm, and they put in \$100,000 in cash. They do not borrow anything at all. They are manufacturing a certain commodity. Suppose another group goes into business and borrows all of their capital instead of putting in cash. Let us suppose they borrow \$100,000 and put it in. With that \$100,000 they erect the same sort of plant which was erected by those who put in cash. They make the same kind of goods and make just as much as the ones that had cash to put in. You do not subtract the \$100,000 that they owe from the \$100,000 that they put in, which would leave their net worth nothing?

Mr. BAKER. No, sir.

Senator BARKLEY. So you consider that the \$100,000 that they borrowed is capital, and you price those two companies on the same basis?

Mr. BAKER. That is correct.

Senator BARKLEY. Otherwise, one of them would not be entitled to any profits at all, and the other would be entitled to whatever you gave them?

Mr. BAKER. That is right.

Senator BARKLEY. If those two companies both put in cash, \$100,000 apiece, and in 5 years one of them had to borrow fifteen or twenty thousand dollars temporarily for current expenses, you would not consider that at all; you do not take that from the \$100,000 that was put in. That is just a current transaction that may be paid up in 6 months, and therefore it is not considered in pricing or in profit?

Mr. BAKER. That is correct.

Senator BANKHEAD. If you figured all of the businesses within your jurisdiction separately, one net worth and the other net sales, which would have the largest amount of profit and what would be the effect in your ceiling prices?

Mr. BAKER. That depends on two things, Senator. It depends upon how much, if at all, net worth has risen since the base period. Secondly, it depends upon how much volume has changed since the base period. If volume was the same as the base period and if net worth was the same as the base period, then it would make no difference whether you took the percent on sales or the percent on net worth as the measure of your adjustment. If, however, net worth had risen faster than volume, you would be giving more to the company that had a percent on net worth. Conversely, if volume had risen faster than net worth, and you were giving a percent on net worth, you would be giving them less than you would if you gave them a percent on sales. So, in effect, you can see that the only time when the return in dollars that you give an industry is the same, whether it is on sales or net worth, is when either they both pay the same or net worth and volume have risen equally since the base period.

Senator BANKHEAD. The lower you figure the profit under one system or the other, the lower would be the ceiling price?

Mr. BAKER. Yes, sir.

Senator BANKHEAD. What effect would it have if you adopted the method employed by the Bureau of Internal Revenue in tax matters?

Mr. BAKER. I do not quite know how to answer that, sir, because the Bureau of Internal Revenue does not relate its income tax to a base period, with the exception of the excess profits tax, which is not now in effect.

Senator BANKHEAD. What difference does that make? You try to prevent excessive prices and at the same time permit reasonable profit to bring about production.

Mr. BAKER. Your question is, Why do we not use the same method as that used by the Bureau of Internal Revenue? My answer is that the Bureau of Internal Revenue is engaged in taking away a certain percent of profits. Our operation has nothing to do with that.

Senator BANKHEAD. Your operation has something to do with the matter of fixing ceilings and preventing profits?

Mr. BAKER. Our operation is intended to return to an industry at least as much as it earned in a representative peacetime period. We have two different things that we are trying to do—that is, the two agencies.

Senator BANKHEAD. Your base period ought to be the current period. There are so many changes of every sort that you cannot apply the same rule to every business.

Mr. BAKER. How would we measure the amount of the price increase? I do not mean to ask you a question, but I am puzzled.

We have to find a way of deciding, as Mr. Lieberman has said, how much to raise the price. We must have a standard which tells us. What would that standard be if it did not refer to a peacetime period?

Senator BANKHEAD. The profits on the operation of the business. Then you would have a base that would be workable from the standpoint of production as well as holding down prices.

Mr. BAKER. If an industry came in for an increase because it was suffering a loss, and we only took the current period, that would simply preserve the loss position. We are saying, "Yes, you are in a loss position, but that should not be, because in a representative peacetime period you made a profit, and we will restore that now."

Senator BANKHEAD. Of course you cannot have a profit on price control; I recognize that, because in a great many cases they do not have any profit by reason of your restrictions.

Mr. BAKER. The great mass of industry, sir, generally is making very good profits. Industry now and through the war, through price control, has been receiving extremely substantial profits.

Senator BANKHEAD. I know of cases where they sold their goods to the Government and you did not fix the prices.

Mr. BAKER. We fixed the price on nearly every item sold to the Government.

Senator BANKHEAD. We have had before this committee statements of the textile industry having large profits, but no reference has been made to the fact that a very, very large volume of the business was not under price ceilings fixed by the OPA, but under prices where the Government agencies agreed and paid for the goods.

Senator BUCK. Has the Senator finished?

Senator BANKHEAD. Yes. He did not answer the question, but you can go ahead.

Mr. BAKER. I will be glad to answer it by saying that there were ceiling prices on most items sold to the Government. One of the most important contributions made by price control was the reduction in the cost of the war by the extremely large amount of money due to price ceilings not only on finished items but in many cases where finished items were not under price control, but there were controls on basic metals and basic fabrics used in those finished products.

Senator BANKHEAD. I was talking to a textile man the other day, and he told me that he sold his entire output to the Navy, and he said that the same was true in a great many cases.

Mr. BAKER. The Army and Navy in some instances set prices which were lower than the ceilings.

Senator CAPEHART. I think I can answer the question as far as the war was concerned. Individual agencies of the Government purchased merchandise at an agreed price, and then that price was used by OPA in setting ceiling prices.

Senator BANKHEAD. In other words, the agency set the price and the OPA ratified it.

Mr. BAKER. I must take exception to the Senator's statement, Mr. Wagner. In general, OPA established ceiling prices in order to aid in the prosecution of the war. Those ceilings, in the case of war goods, were set in consultation with the services, as of course they should have been. An agreement was reached with them in most cases as to appropriate prices for apparel and other items needed in the war.

Senator CAPEHART. I wish I could agree with that. It certainly was not true of the Army.

Senator BUCK. Mr. Cheney referred to the cost of manufactured articles and the ceiling prices. Assuming that in one case or the other it was 60 cents or \$1.20 a dozen increase, that would return a profit, would not that reflect only a 5- or 10-cent increase in the cost of the garment to the public?

Mr. CHENEY. I have checked over that in the last 2 weeks. The Department of Commerce says average purchases by individual consumers are 2½ suits of underwear per year. If we were given a price ceiling on our underwear so that all of our mills could operate—and they are operating now to about 65 percent of capacity—the increased cost to the consumer would be around, probably, 40 cents per year.

I want to make a correction in my testimony, if the chairman please—

Senator BUCK. Can you answer that question more specifically? If you had a 60 percent increase on any one of these items, and that were passed on to the consumer, would it not increase the price to him only 5 cents?

Mr. CHENEY. It would increase the price of the garment to him about 10 cents.

Senator BUCK. Who gets the other 5 cents?

Mr. CHENEY. The distributor, the wholesaler, and the retailer.

I would like to correct my testimony, sir.

With reference to the heavy white union-suit-type garment, with no cut off prices, due to the 5 percent increase in yarn which was given by the OPA yesterday to the yarn spinners, it will cost our mills on the average 60 cents per dozen loss. That is men's and boys' heavy white underwear.

The removal of cut-off prices on men's briefs—and I have only had time to figure this for the mills selling direct to the retail trade—and including the increase in the cost of yarns amounting to about 2 cents a pound, mill No. 1 will have a ceiling price of \$4.54.

The next mill, of \$4.26.

The next mill, of \$4.41.

The next mill, of \$4.46.

In other words, there is a little over 2 pounds of cotton per dozen going into this garment [indicating]. The increase in the cost of the yarn since the freeze period on these mills has been about 10 cents. They are allowed to recover 5 cents of the 10 cents. The increase granted yesterday of 5 percent will amount to about 2 cents per pound for the yarn; so there will be an increase there of 4 cents per dozen. The result, in my opinion, is that the mills will be in a position not much better than they were in day before yesterday. The elimination of the cut-off prices will not bring production by these mills.

Mr. LIEBERMAN. May I say that we are also taking into consideration the increase in yarn prices which was granted yesterday.

Senator MILLIKIN. I would like to ask one question, and then I will have finished.

The CHAIRMAN. This will have to end some time or other.

Senator MILLIKIN. First of all, I would like to say that I believe in a limited extension of price ceilings on goods in short supply. The

thing that appalls me throughout this whole business is the repressive effect on production through delay and uncertainty. I keep thinking that there must be some way whereby OPA, possibly in combination with CPA, instead of being a passive agency, which necessarily leads to all of these delays, could make some change in its structure whereby it will become an aggressive agency not only with reference to putting ceilings on, but to get production. I would like to have your opinion on how that could be done.

The thought that occurs to me, for example, is that CPA tells you we need a million dozen combination underwear suits, such as the one we have been talking about here. You fellows draw up a regulation which you think will produce the goods, and you work it out on averages. The individual cannot run his business on averages. The men in the industry will look over your order, and half of them may be above it and they may give you some production; the other half is below it, and they either will not produce, or will take this long process of having individual meetings. Could you not call in these technical people and sit around a table and see what price each one has to have, assuming it is a fair price? Is it not possible to turn this agency into a dynamic agency for production as well as for price control? If so, give me your opinion on how to do it.

Mr. BAKER. I think your points are well taken, Senator. In some cases where supply is needed that situation is followed. For example, in the case which Mr. Lieberman mentioned, of rayon linings, it was found that linings were more of a bottleneck in the production of men's suits than the woolen itself. On that basis a voluntary agreement was made with rayon manufacturers who could produce the necessary taffetas, and so forth, for linings. We then worked out an incentive program which all of those mills which joined in this voluntary agreement agreed was satisfactory, permitting them to shift over to the production of those linings; and the whole thing was handled on that basis. I think that can be done, sir, and I think we should be careful to continue to do as much of it as we can.

Senator MILLIKIN. With reference to the textile situation, as I get the picture, a great part of the total is produced by a relatively limited number of mills. Would it not have been possible to have gotten those mills around the table, through their representatives, and have reached the same decision 6 months ago as to an item which you have reached today?

Mr. BAKER. In respect to the number of mills, there are, unfortunately, a very large number, some 45,000 or so. Our method has been to use the industry advisory committee. But I would like to point out that all yarn on which there is labor to produce has been spun and used in a fabric somewhere. Our observance of what has happened to that yarn, and our basic construction, is that it has not been used in the places where we want to see it used; in other words, in the kinds of things that Mr. Cheney has been showing you here. Our efforts—and I think we began it too late—have been for the purpose of bringing out so-called low-end items, in association with CPA.

As Mr. Bowles said some time ago, that program started 2 years too late, but it would have been much further along now if we had started at the beginning. We are now engaged, we think, in coming out with a program which will contribute in the best possible way to the

highest quality standards of yarn that manpower permits to be available.

In connection with those items which Mr. Cheney has mentioned, like Munsingwear and other well-known brands, it is true that those base-period items are at this time selling at prices below cost, in many cases. But new items have been produced by all those mills or by other mills, so that all the yarn is used. But I think it would be other than frank to say that it is good quality. As to those base-period items we are anxious to see that good quality comes back into production; and 154 is designed to do that. That is the reason we made the decision not to put cut-offs on that, so we will be sure to get back those good qualities, even though they are higher-priced items than the so-called low end items.

Senator MILLIKIN. What reform can you gentlemen promise us that will make your agency a dynamic agency to get production as well as to hold reasonable ceilings?

Mr. BAKER. I think that our activities during the last few months have been the best indication that we can give on that.

In the field of building materials, we have taken the initiative time and again and put through price increases in order to secure production. I think we should continue to do that, and do more of it.

Senator CAPEHART. Don't you feel that every manufacturer should be given an opportunity—I said, an opportunity, not a guaranty—to make a profit?

Mr. BAKER. I think, sir, it depends upon the manufacturer. In this case we are discussing essential items, needed items in the economy. In such cases our individual adjustment provisions are designed to do exactly what you say.

Senator CAPEHART. Why do you not just answer my question? The question is, Do you feel that every manufacturer is entitled to an opportunity to make a profit?

Mr. BAKER. We feel that generally every manufacturer is entitled not to lose money over all.

Senator CAPEHART. Do you feel that every manufacturer is entitled to an opportunity, not a guarantee, to make a profit on each item that he makes?

Mr. BAKER. No, sir.

Senator CAPEHART. Have you ever been in the manufacturing business?

Mr. BAKER. Yes, sir.

Senator CAPEHART. Did you ever make items and sell them at a loss?

Mr. BAKER. Yes.

Senator CAPEHART. What items?

Mr. BAKER. Food items.

Senator CAPEHART. You deliberately sold them at a loss?

Mr. BAKER. Yes.

Senator CAPEHART. For what purpose?

Mr. BAKER. For the purpose of selling a complete line of products; others in the line being sold at a profit, which balanced them.

Senator CAPEHART. What kind of products?

Mr. BAKER. Canned foods. I was with General Foods Corp.

Senator CAPEHART. You did not do it possibly to run some competitor out of business?

Mr. BAKER. No, sir; under no circumstances.

Senator CAPEHART. You did not do it just because you wanted to lose money?

Mr. BAKER. We did it because the best way to make a profit on the entire line was to sell some items at different profits.

Senator CAPEHART. In other words, you sold items that you were making a long profit on, and then you sold other items in order to keep some little manufacturer some place, or a particular wholesaler or retailer, from selling those particular items on which he could make a profit. Is not that the truth of it?

Mr. BAKER. That is not the truth, under any circumstances.

Senator CAPEHART. Why did you sell those items at a loss?

Mr. BAKER. We sold them in order to sell a complete line.

Senator CAPEHART. Why did you not let somebody else sell those items?

Mr. BAKER. Because we wanted to have in the distribution warehouse a mass display of the merchandise, including all the things that the customer needs to buy. You might sell item A at a profit, and sell item B at no profit, or perhaps at a loss. Some other manufacturer might decide that item B was the thing he wanted to make his profit on. When you got all through, various manufacturers had different merchandising techniques which they used with more or less success.

Senator MITCHELL. I would like to ask a question on the labor cost in textiles, either of Mr. Lieberman or Mr. Baker. I would like to know what percentage of production cost can be charged to labor.

Mr. BAKER. Direct labor?

Senator MITCHELL. Yes.

Mr. BAKER. I would have to get the textile figure, unless Mr. Lieberman happens to know it.

Mr. LIEBERMAN. I would say that customarily the labor cost runs from slightly less than 30 percent to somewhere close to 50 percent, depending upon the item. You are talking about manufacturing garments?

Senator MITCHELL. Yes.

Mr. BAKER. If you want the figure on textiles I would have to get the information for you.

Senator MITCHELL. I have an NAM book which has a chart in it showing that woolen worsted prices in 1945 were up 41.2 percent; that production was up 30.3, and that employment was down 5.3. In other words, they were producing 30.3 percent more goods with 5.3 percent less labor. Therefore the labor they had was more efficient. It was producing a greater volume of goods in 1945 than it was in 1939.

I am wondering what consideration was given to that by the OPA in determining prices.

Mr. BAKER. Are those figures in dollars, sir?

Senator MITCHELL. They are in percentage.

Mr. BAKER. I mean, if they represent an increase in the dollar of sales as compared with the base period, and we do not know what the increase in units was, it was presumably somewhat less to the extent that dollar unit value rose during that period. I would have to check that, sir.

Senator MITCHELL. It says in the explanation of the chart:

In this industry the actual take-home wages increased 88 percent between 1939 and 1945. With a price increase of 41 percent, is it any wonder that production and, hence, employment, is down?

There is no basis for that statement at all, is there?

Mr. LIEBERMAN. No, sir.

Senator MITCHELL. You can make no broad comparison as easily as that?

Mr. LIEBERMAN. No, sir.

The CHAIRMAN. We will take a recess until 2:30, with the admonition that all Senators be present.

(Whereupon, at 11:45 a. m., a recess was taken until 2:30 p. m. of the same day.)

AFTERNOON SESSION

The hearing was resumed at 2:30 p. m., upon the expiration of the recess, Senator Robert F. Wagner, chairman, presiding.

The CHAIRMAN. The committee will come to order. We will hear Mr. Earl W. Benjamin, president, National Poultry, Butter, and Egg Association.

STATEMENT OF EARL W. BENJAMIN, PRESIDENT, NATIONAL POULTRY, BUTTER, AND EGG ASSOCIATION, AND EXECUTIVE REPRESENTATIVE OF THE WASHINGTON COOPERATIVE FARMERS' ASSOCIATION OF THE STATE OF WASHINGTON, 11 PARK PLACE, NEW YORK, N. Y.

Senator TOBEY. With reference to poultry, is your organization the leading poultry organization of the country?

Mr. BENJAMIN. That is right—of the shippers. I will cover that in my statement.

Senator TOBEY. Does it cover breeders, raisers, and producers?

Mr. BENJAMIN. Not producers.

Senator TOBEY. Just the shippers and handlers?

Mr. BENJAMIN. Yes, sir.

Senator TOBEY. Is there anybody to speak, Mr. Chairman, for the producers of poultry?

Mr. BENJAMIN. That was covered yesterday. The association which reported yesterday included groups of producers.

Mr. Chairman, I have announced that my brief statement and the statement which I will ask permission to have presented by Dr. Carpenter will not cover over 12 minutes.

The CHAIRMAN. All right.

Mr. BENJAMIN. I am a resident of the city of New York. I am executive representative of the Washington Cooperative Farmers' Association of the State of Washington. My place of business is 11 Park Place, city of New York, and I am president, as has been stated, of the National Poultry, Butter, and Egg Association.

The National Poultry, Butter, and Egg Association is a nonprofit trade association organized under the laws of the State of New York in 1906. Its executive office is at 110 North Franklin Street, Chicago.

Included in the association's membership are the principal independent and farmer cooperative wholesale handlers, concentrators, processors, shippers, receivers, and distributors of poultry and eggs in the United States. They are located in 39 States, and it is estimated that they handle from 80 to 85 percent of the commercial movement of these commodities and their products. On their behalf, I support the Associated Poultry and Egg Industries' request to remove poultry

and eggs from price control, which request was presented to your committee by Leon Todd, secretary of the Associated Poultry and Egg Industries.

I respectfully request and urge that in any extension of price control, poultry and eggs be exempted.

I might just state briefly that essentially the reason, as was presented yesterday afternoon, is that at the present time there is generally sufficient production of poultry and egg products; prices generally are below the ceiling, and the production is far above any previous historical comparisons which have been considered.

The CHAIRMAN. I think one of the witnesses stated that it was the peak of all time.

Mr. BENJAMIN. That is right.

Our industry—and I think most of you will understand that—is one which quickly adjusts itself to conditions. Farmers are selling their hens all the time during the year, somewhere in the country. If egg prices become a little more attractive they feed their chickens better and they immediately increase their production.

Senator TOBEY. They are decreasing them now because of the shortage of grain?

Mr. BENJAMIN. They adjust up and down, almost immediately.

Senator TOBEY. But they are getting it in the neck right now. mean the farmers, not the poultry.

Mr. BENJAMIN. Yes. This is irrelevant.

Senator TOBEY. But they are sacrificing 40 percent of their flocks because of the shortage of grain.

Mr. BENJAMIN. In some sections—you are right. On the two coasts particularly there is a maldistribution of feed; but, under a free economy that would be quickly adjusted by the industry. That has been the history of the industry; and if farmers cannot get the feed, or if the market does not justify production, they immediately drop production and the adjustment comes normally. That is what the industry has been brought up under; that is what they are used to, and that is what we would expect as we get away from these price controls.

I just wanted to say in that connection that since our industry can adjust itself quickly, and we now have ample production, if we are going to get away from price controls for poultry and eggs—and I am only speaking for poultry and eggs—there is no better time, it seems to us, than right now, and the sooner we do it the better, so far as our industry is concerned.

Senator CAPEHART. If we eliminate price ceilings on poultry, do you think that prices will go up or down?

Mr. BENJAMIN. Some types of poultry might go down, and some would go up. The fluctuation would be very little in our industry. Our experience has been that whenever we have run up against a ceiling the black market is right there waiting. It has been a very hard industry to police. I am not blaming anybody for not policing it; it seems to me almost a humanly impossible operation.

Senator CAPEHART. What is the ceiling on eggs at the moment?

Mr. BENJAMIN. The ceiling on eggs, I believe, is 43 cents to the retailer. We have a man coming here who has that figure.

Dr. Carpenter, is that correct?

Dr. CARPENTER. Tobin is the answer man for that.

Mr. BENJAMIN. Mr. Tobin, will you answer that question?

Mr. TOBIN. It is about 32½ cents right now to the farmer.

Senator CAPEHART. That is a very low price for this time of the year, is it not?

Mr. BENJAMIN. This is the lowest time of the year. You mean, it is a low price for this time of year?

Senator CAPEHART. Yes.

Mr. BENJAMIN. Prices on eggs go in regular cycles. This is the low-price season, and then it gradually works up during the late summer or fall and reaches a peak in the fall, holds it until early winter, and then drops. That is a regular thing.

Senator CAPEHART. The price that farmers are getting for eggs in Indiana at the moment is 27 cents a dozen.

Mr. BENJAMIN. That is just about the support price under the Steagall amendment.

Senator BANKHEAD. What effect is the shortage of grain going to have on the quantity of eggs and chickens produced?

Mr. BENJAMIN. As to the quantity of eggs, Senator, they are storing eggs very, very rapidly right now and storing at a rate to build up storage holdings for this fall far in excess of the normal movement of storage eggs. If there is a shortage of grain or feed in certain areas there will be liquidation in certain areas; but there are many means of substitution which are usually worked out, and if some hens are sold they are the nonlayers which are sold first. We do not anticipate that the shortage is going to be such that there will be widespread liquidation.

Now, Mr. Chairman, to move right along and save your time—I am under a little promise here—the rest of my statement I would like to have, with the permission of the committee, presented by Dr. Cliff D. Carpenter, president of the Institute of American Poultry Industries. I consider his statement as part of my testimony, and I will call on him right now.

The CHAIRMAN. The committee will be glad to hear from Dr. Carpenter.

STATEMENT OF CLIFF D. CARPENTER, PRESIDENT, INSTITUTE OF AMERICAN POULTRY INDUSTRIES

Mr. CARPENTER. The Institute of American Poultry Industries is a national organization composed primarily of poultry and egg processors. Our membership, with nearly 600 processing plants, produces approximately 90 percent of the box-packed poultry in the United States.

Representing a large portion of the poultry and egg-processing industry, and as a member organization of Associated Poultry and Egg Industries, we strongly endorse the brief presented by Clyde C. Edmonds, president of this over-all poultry-industry organization.

As brought out by him, OPA's formula for decontrol on poultry and eggs (shell, liquid, frozen, and dried) is a fanatical insistence that all controls must be kept on these commodities until there is no shadow of doubt that each and every item in all markets of the country will remain under existing ceilings for each day of the year.

We submit that the only sensible standard for decontrol is the overall weighted average price to the consumer of all kinds and types of

poultry and eggs, for a complete season will not be substantially above the over-all average of existing ceilings. With the tremendous supply of poultry and eggs on hand and in sight, there can surely be no doubt that the formula for decontrol which the poultry industry advances, dictates immediate removal of price controls on these products.

We wish to direct your attention to a significant excerpt from the ninth report of the House Special Committee on Postwar Economic Policy and Planning, prepared pursuant to House Resolution 60, committed to the Committee of the Whole House on March 4, 1946. This excerpt appears on page 97, and I quote:

The main issue [of decontrol policy] centers upon OPA's first standard for decontrol—rough equivalence of supply and demand at present prices—which in practice is the only one applied to commodities entering significantly into cost of living. The economic analysis in appendix II attached suggests that, in all probability, such a balance will not be reached for the economy as a whole or for more essential products until well beyond the close of fiscal 1947. To attempt to maintain ceilings until this balance is struck would be not only to pursue the wrong course, but to place such a burden on controls as to create expectation of their early collapse, with the result that output—and thus the rate of satisfaction of urgent demands—itself would be slow to rise. To avoid these consequences, the committee suggests that OPA use as its major criterion of decontrol, satisfaction of the more acute needs.

Today in the poultry industry we have, and will continue to have, rough equivalence of over-all supply and over-all demand at substantially present ceiling prices.

Thus we find that this committee (the Colmer committee) recommends decontrol when the more acute needs for a given commodity have been satisfied. In the poultry-and-egg industry today, not only are the more acute needs being satisfied, but normal needs are being fully satisfied, and in addition there are available surpluses over the normal supply, of 22 percent in the case of eggs—that is on a per capita supply basis for civilian use—34 percent in the case of chickens and 77 percent in the case of turkeys.

At this point I would like to interject that while we have described the 1946 supply of poultry and eggs as fully ample, yet it should be pointed out that today live broilers are selling in the black market on the Eastern Shore, in Arkansas, in Georgia, and on the Pacific coast. There are some instances of black market in live fowl in New York City. Associated with that is the recent Passover demand for poultry. Historically the Passover has always pushed live-poultry prices up.

In connection with commercially raised broilers, we happen to be in the middle of a temporarily restricted market. This is a reflection of a cut-back in egg settings for broilers, in the last several weeks, which occurred last December and January. This case history of the past several months is the best proof in the world that the poultry industry, as Mr. Benjamin has testified, is quickly self-adjusting and needs no Government agency, as it is fully capable of supplying the demand. Such price behavior is the normal pattern of the poultry industry, and I emphasize again that the year's average of poultry supplies will show no need for price control.

Senator MILLIKIN. If you had not had ceilings would your prices have taken the black-market prices?

Mr. CARPENTER. I think a fair answer to that, Senator, is that presumably they would have followed about the same price pattern, because, when you have such a black market as we had about a year

ago, prices rise usually in the pattern of the demand, paying but little attention to the price ceiling.

As further evidence of the ample supply of poultry and eggs, we quote from a bulletin issued by the United States Department of Agriculture, April 4, 1946, entitled "Consumption Campaigns on Poultry Meat and Eggs," and sent to regional representatives, national, regional, and State trade associations, State colleges and Department of Agriculture officials. In their opening paragraph they state:

Attached are copies of material prepared by USDA agencies on campaigns to stimulate consumption of poultry meat and eggs in accordance with relative abundance of these commodities during the spring of 1946.

In a later paragraph they say:

In view of early storage accumulations of shell eggs, pressures to reduce hatchings, some soft price spots during heavy storage and hatching season before the production peak and uncertainties with respect to demand, consumption campaigns on eggs are recommended * * *

Later they add:

In addition it is our desire to encourage consumption of poultry and eggs sufficiently to stabilize prices so that they will not fall below support-price levels.

That is in relation to the Steagall amendment provision.

In the Department's fact sheet on poultry culling issued in March 1946 they state:

With production still geared potentially to the wartime rate, temporary surpluses are likely unless culling is done immediately within goal requirements which call for 15 percent fewer eggs than in 1945.

The important point is in the next statement:

Production of eggs at the reduced level is expected to provide for all requirements this year, domestic, foreign, and military.

Thus, both poultry meat and eggs clearly are above normal supply in the opinion of the Department of Agriculture.

With regard to OPA's utter inability to control or prevent black marketing of poultry in a period of acute scarcity:

In 1945 the institute made a survey of established processing plants in Iowa and Nebraska, the very heart of the surplus poultry production area. During the first quarter of 1945 when military requirements for red meats were still very great and poultry was in sharp demand for civilian use, these processors were able to buy only from 15 percent to 35 percent of the volume of poultry they purchased during the same period in 1944, because supplies went to the black market.

Going retail prices in the black market during these same months were commonly reported at \$1 per pound for dressed poultry and \$1.25 per pound for dressed turkey—about, or more than, double the legal ceilings.

Established wholesale buyers in the regular markets in Chicago during this same time were virtually out of business because truckers were stopping at the city limits, and were asking and getting 20 to 25 cents per pound, live, over the ceiling. A typical example is the following:

One house ordinarily handling 50,000 pounds of live poultry per day was receiving only 300 to 500 pounds per week.

In Arkansas truckers were reported to have made as much as \$1,000 per load over the ceiling, and these deals occurred daily. Several

were fined, but the fines were so insignificant—\$25 to \$100—that little if anything was accomplished in curbing this illegal practice.

One of the most deplorable effects of these scandalous black-market prices was the complete undermining of the normal channeling of poultry. While many restaurants, hotels, and night clubs were well supplied with poultry—housewives shopping with legitimate dealers could obtain only a negligible amount, while others paid black-market prices to retailers patronizing the black market.

Price controls on poultry and eggs has imposed a double penalty on legitimate processors and distributors. A severe penalty was paid in mass diversion of their normal market supply to the black market. In a sense no less severe was the constant harassment and burden of numerous complicated controls and regulations which have needlessly persisted and even multiplied in the face of wholly adequate poultry and egg supplies.

We therefore strongly urge the immediate adoption of the formula for decontrol of poultry and eggs—shell, liquid, frozen, and dried—advanced in the statement presented to this committee by Mr. Leon Todd, speaking for the entire organized poultry and egg industry.

Senator TAFT. May I ask whether under the Gossett amendment the poultry industry is decontrolled or not?

Mr. CARPENTER. In the discussion yesterday afternoon, Senator Taft, the statement was brought in in somewhat this language. Mr. Todd is not here now, and I believe his statement was on an additional page, but it was brought in to this effect, that since the Associated's statement was prepared the Gossett amendment, to which you refer, had favorable consideration in the House; and essentially the formula we have proposed would be within that pattern, and the industry would be decontrolled.

Senator TAFT. If the House bill is passed?

Mr. CARPENTER. Yes, sir.

Senator CAPEHART. Do you believe all controls should be taken off poultry?

Mr. CARPENTER. Yes, sir.

Senator BUCK. Is not the market price of chickens today well below ceiling?

Mr. CARPENTER. In many places; yes, sir. As we pointed out in this additional interjection that we offered here today, Senator, there are places where the price is above ceiling because of the temporary vacuum in making deliveries.

Senator BUCK. In my State, where they grew last year 54,000,000 chickens, it has been only a few weeks ago when they had a State campaign to persuade people to eat chickens.

Mr. CARPENTER. The present vacuum applies to your State as much as if not more than any other place in the country. In the week ending January 5, in the Delmarva broiler area only 820,000 eggs were set that week, because prices had gone down to around 20 cents a pound; and that is below the cost of production.

Senator BUCK. It got to 17 cents.

Mr. CARPENTER. As the actual low; yes, sir. It immediately turned, and the next week there was a quarter of a million eggs more than that. The next week, double that, and the next week 205,000, and then 2,295,000, and except for a little slip-off in February they have advanced to over 2,000,000 eggs being set a week.

Senator BUCK. What is the purpose of keeping a ceiling on chickens and eggs under those circumstances?

Mr. PHELPS. My name is Phelps. I am Director of the Food Price Division, OPA.

On March 15, last month, we proposed to take poultry out from under price control. We prepared the necessary amendment which would take them out from control and we submitted the amendment to the Department of Agriculture and to OES, to Mr. Bowles, Stabilization Director. During the course of time which elapsed between the date at which we gave these other agencies this amendment, and the time of final action, apparently the poultry market generally firmed up substantially.

On March 19, I believe, the Department of Agriculture called me and recommended that we give thought to putting a release on this decontrol amendment. The Department was receiving reports to the effect that poultry prices were firming, and they were getting a good deal of pressure, partially because of the fact that word had leaked out that we proposed to decontrol, and, therefore, some amount of poultry was apparently being withheld, and partially because the immediate situation was becoming somewhat more difficult.

In any event, rather than withhold the decontrol action, since we had definitely decided to take it, I asked our people to immediately undertake a survey of all of our regional offices. That was done, and we received from all of these regional offices a report to the effect that poultry prices generally were firming, and firming rapidly, and that in many cases prices had gotten back up to ceiling, although they had been well below ceiling.

On that basis—on the basis of the Department of Agriculture's recommendation and concurrence, and on the basis of checking with the Office of Economic Stabilization, we decided on March 20 or thereabouts not to go ahead with the decontrol action.

Since that time we have received a number of comments from the trade to the effect that that was proper action; and we have read in the trade press a number of statements to the effect that decontrol would not have worked out as of that time.

As of today, or up until very recently, all of the reports that we had received indicated that, generally speaking, the poultry market is a fairly firm market. Some items are pressing ceiling hard. There is some black market. In other cases some items are below ceiling. The general average level seems to be pressing ceiling.

Under those circumstances we did not have the power to decontrol. I thought that should be brought out.

Senator BUCK. Who has the power, if you do not have it?

Mr. PHELPS. That brings up the next point—

Senator BUCK. You had the power to put the ceilings on.

Mr. PHELPS. I note in the third paragraph of the statement an interpretation of OPA's decontrol policy. I have to disagree with that statement entirely. I am afraid it is based on misinformation.

Senator CAPEHART. Who does have the power?

Mr. PHELPS. I would like to explain the story.

After the war the President issued an Executive order or statement of policy for all wartime agencies. In effect that statement said to get out of business as quickly as you can consistently with the stabi-

lization policy or with whatever policy may be in effect. That gave us our working orders. We were to wind up our activities.

Second, the Office of Economic Stabilization gave us a directive which is known as the decontrol directive. That directive says, in effect, that in carrying out the President's orders you are to decontrol in connection with important cost-of-living items when you can reach a finding that the average level of prices in effect after decontrol will not exceed the average level of ceiling prices now in effect.

It then goes on to say that in connection with miscellaneous, insignificant non-cost-of-living items you can decontrol anywhere at any time whether prices go up or not.

Therefore, in deciding to decontrol any of these important components of the cost of living we must find that the average level of prices after decontrol will not exceed the average level of ceiling prices. We do not care if the prices of certain varieties or certain grades exceed the ceiling, so long as the average level remains the same. Potatoes are a good example. We suspended potatoes 6 months ago, knowing that some varieties would go well above the ceiling. Nevertheless, we felt we could make the finding that the average level would remain stable.

The same is true of citrus fruits. We took a calculated risk in the case of citrus fruits and misjudged entirely. Therefore we had to go back into control.

But that, generally speaking, is the way in which our decontrol policy is operating. And this statement [indicating] is simply not the fact.

Senator TAFT. When you say you have no power, you mean that the OPA, as distinguished from the OES, has no power?

Mr. PHELPS. I think that is a fair statement.

Senator TAFT. You do not mean, so far as Congress is concerned?

Mr. PHELPS. Congress is free to write it any way it chooses.

Senator CAPEHART. Under the plan you have just explained, decontrol is left up to the judgment of your Department, is it not?

Mr. PHELPS. No. I think our record is reasonably good. We have taken out potatoes.

Senator CAPEHART. It has been stated that there is a surplus of poultry and eggs, and the witness read a statement from the Agricultural Department in which it was said they were encouraging a campaign to consume more eggs.

Mr. PHELPS. But, as a matter of fact, they recommended that we decide not to suspend poultry from price control.

Senator CAPEHART. How are we to believe any Department that within a period of 3 weeks says, "Let us do something to get more consumption of poultry and eggs," and then 3 weeks later they say, "The pressure on eggs and poultry is up"?

Mr. PHELPS. The Department of Agriculture is bound by the same limitations that we are when dealing with things that affect the stabilization policy. Therefore the Department of Agriculture feared the consequences of decontrol.

Senator CAPEHART. What happened in 3 weeks to affect it?

Mr. PHELPS. Nothing substantial.

Senator CAPEHART. Then why should they issue the bulletin?

Mr. PHELPS. I just do not know. That is out of my jurisdiction.

Mr. CARPENTER. May I comment on that?

The CHAIRMAN. Yes.

Mr. CARPENTER. On March 15, over Mr. Paul Porter's signature directed to Secretary Anderson, the statement is made:

We received a copy of a letter from you addressed to Mr. Bowles stating that you were in full accord with the contemplated action of this office.

That is when they were contemplating decontrol.

No one can speak, of course, for Secretary Anderson, from the standpoint of the industry, but it is presumed that the firming part of it is this Delmarva picture about which Senator Buck is so concerned because of the extreme low prices that growers were receiving. Settings went down 65 percent; but of course they cannot stay down, because there is a normal demand. When the normal demand was not satisfied the settings went from less than a million eggs to nearly 3,000,000 eggs a week for broilers alone in that one area. It was during the period of time when there was a marketing vacuum to which reference has been made. We felt the impact of that at the time this letter was written to Mr. Anderson.

I do not know that I am shedding any direct light on Mr. Anderson's reason for concurring; but the point I would like to leave with this committee is that this is such a temporary thing that it does not require being regulated, when our industry is totally capable of regulating itself on a supply-and-demand basis.

Mr. PHELPS. With your permission I would like to make one point. I think, as far as that is concerned, we have no serious difference of opinion. We too are as anxious to get out from under price control as you are, and as quickly as possible.

Your suggestions are not necessarily directed at OPA so much as they are directed at the fact that the Government, through the President, through the Office of Economic Stabilization, has decided that we would attempt to continue stabilization of prices during this transition period. That being the case, OPA is directed to carry out the stabilization policy during that period. If that is improper, if it is wrong, if it brings about a wrong result, then at that point I should think the question is one of serious interest to this committee, and this committee will want to examine whether or not we should attempt to stabilize during the transition period. In the meantime, your criticism is not well taken, directed to OPA, because we are merely carrying out our orders.

Senator TAFT. With all due respect, OPA means nothing to us. We are considering these bills, and one agency cannot "pass the buck" to another agency, as far as we are concerned. As I understand it, the decontrol policy is that there is no decontrol if you think it means any price increase at all.

Mr. PHELPS. In connection with an important item on the average; not each item or grade.

Senator TAFT. Do you not agree, then, with the House Colmer committee, that it means that this balance will not be reached until well toward the close of fiscal 1947?

Mr. PHELPS. No; I do not agree; particularly in the case of the food business.

Senator TAFT. It is the Colmer committee that I am referring to, which has a very much more conservative approach to the problem.

It seems to me obvious that if you cannot take a chance on an increase in price I do not think you will ever get decontrol.

Mr. PHELPS. We are willing, but the point is entirely one of timing. Is this the correct time, in view of the tight meat situation, and so on?

Senator TAFT. The question, I think, is whether we shall write a decontrol formula into this bill and exempt particular things. The House has done so. I do not particularly like their formula. We do have the problem of whether we are going to write one or not.

Mr. PHELPS. If the House formula is approved we can go home this week. That is what it amounts to in the case of food items.

Senator MILLIKIN. Will you tell me, please, what percentage of poultry is commercially grown as distinguished from the run-of-farmyard poultry?

Mr. CARPENTER. The Department of Agriculture states that about three-fourths of the poultry flocks of the country are in farm flocks, and that would mean the flocks around 200 birds or under. There are five and a half million farm flocks. It is an industry that is in every nook, cranny, and corner of every county.

Senator MILLIKIN. What about eggs?

Mr. CARPENTER. We have the largest holdings of eggs in storage. Our current storage is more than double the largest prewar year, at this time of the year.

Senator BUCK. That would not be true of the broiler business.

Mr. CARPENTER. No; I was speaking of egg production. Broiler production in the main is concentrated in commercial broiler production areas of Georgia, Arkansas, your area, the Delmarva Peninsula, with some on the Pacific coast and some in New England.

Mr. BENJAMIN. The matter of quick adjustment which was mentioned yesterday called attention to the fact that 12 to 15 weeks after you put an egg in the incubator you have a broiler ready for the market. That is an example of how quickly this industry does adjust itself. For laying hens the time is a little longer. But action comes quickly when there is a good market, because farmers begin to handle their birds better and feed them better.

Senator MILLIKIN. Of the total poultry produced, how much goes into storage?

Mr. CARPENTER. Our present holdings in storage Mr. Tobin can answer more accurately than I can.

Mr. TOBIN. Roughly, 10 percent, sir.

Senator MILLIKIN. And of the total egg production, how much is in storage?

Mr. TOBIN. Roughly, about 10 or 11 percent.

STATEMENT OF GEORGE R. LeSAUVAGE, CHAIRMAN, GOVERNMENT RELATIONS COMMITTEE OF THE NATIONAL RESTAURANT ASSOCIATION

Mr. LeSAUVAGE. My name is George R. LeSavage. I am the immediate past president of the National Restaurant Association, the present chairman of the Government relations committee and chairman of the national restaurant industry advisory committee. At this hearing I do not appear for the latter committee.

At the outset, I wish to express my appreciation and the appreciation of the public feeding industry for the privilege of appearing be-

fore you and expressing our opinions to you concerning restaurant price control.

This statement is being presented to you on behalf of the 525,000 public feeding establishments who serve daily 68,000,000 meals and who do an annual volume of business of ten billions of dollars. From the figures just submitted to this committee, it can be appreciated that because of the tremendous volume of business, the public feeding industry ranks among the first five industries of the entire country. The public feeding industry includes restaurants, limited variety stores, railroad dining cars, hotels, department stores, in-plant feeding, drug stores, and thousands of independent related food-service organizations. It is interesting to note, in contrast to the large dollar volume of annual business, that the average food check per meal is only 26 cents per person. I make that statement so that the committee might be apprised of the fact that this brief is not presented on behalf of the luxury type of food service but is truly a brief presented for the public feeding industry. It may interest the gentlemen of this committee to note that the figures just submitted to you are not those of private industry but represent statistics compiled not only by a Government agency but by that very agency which has direct control of restaurant prices, to wit, the Office of Price Administration.

Our position is being submitted to you today by me and Mr. J. E. Frawley, president of the American Hotel Association. I shall endeavor to discuss with you some of the problems arising out of the technical aspects of restaurant MPR 2.

I ask permission to divide my time. I am hurrying through my part of it so that Mr. Frawley may have the balance of the time.

Mr. Frawley will present to you for your consideration some of the questions concerning maladministration in the Administrative and Enforcement Department of the Office of Price Administration insofar as it affects restaurant MPR 2.

Our industry does not appear here in order to oppose the extension of the Emergency Price Control Act. Nor do we come here today seeking an industry-wide percentage increase in restaurant prices. We merely seek to have some of the inequities removed which are adversely affecting the public-feeding industry at this time, especially the small restaurant.

Since retailing is the immediate channel of distribution with which the consumer deals, for obvious reasons the burdens of price control have fallen most heavily upon retailers. In general, the Office of Price Administration has ignored the position of retailers—whether or not price adjustments at this level are warranted. The number and complexity of regulations, orders, and amendments issued by the Office of Price Administration have already been pointed out to you.

The public-feeding industry, embracing small and large public-feeding establishments in the cities, towns, villages, and crossroads, as well as on the public highways of the country, has what I believe to be three comprehensive and justifiable criticisms of the Office of Price Administration:

Absorption by the public-feeding establishments of price increases granted to producers and distributors because of certain increased costs—even though the same justification for price adjustments exists at the retail level.

Failure to provide adequate relief for those public-feeding establishments who, because of those increased costs stated above, are suffering from financial hardship.

The method of application and enforcement of regulations and orders issued by the Office of Price Administration in its field offices.

The policy of cost absorption has descended with particular viciousness upon the restaurant and public-feeding industry. The operators comprising these groups are frozen at prices charged during the week of April 4-10, 1943. It is a matter of common knowledge that, since that date, the number of price increases permitted producers and the distributors of food commodities aggregates millions of dollars, all of which have been absorbed in the public-feeding industry and not passed on to the consumer. Although the rent control law has been in most cases successfully applied in the matter of residential rent, in the field of commercial rents there have been no restrictions whatever. Consequently, the cost of public-feeding establishments' leaseholds has increased in alarming proportions.

Your committee, of course, is familiar with the increased cost of labor. Unless the Office of Price Administration recognizes these factors and grants relief, the operation of the public-feeding industry will be seriously impaired. This threat to our national economy lies not in the distant future, but is a present stark reality. Because of the current world food crisis, increased production of raw food commodities alone will not solve the problems of the restaurant industry.

An example is cited of an order issued in the city of Chicago which allowed the bakers to increase the cost of their pies to the restaurants, and the restaurants absorbed the difference of 7 cents per pie.

Restaurant prices are governed by restaurant MPR 2. Section 17 of this regulation entitled "Adjustments," provides that ceiling prices for any eating or drinking establishment may be increased under certain circumstances, briefly, that they are (1) operating under such financial hardship as to threaten the discontinuance of operations; (2) such discontinuance would result in inconvenience to customers, and (3) that, if the restaurant were discontinued, customers would be forced to pay as much or more than proposed adjusted prices elsewhere.

The language of section 17 of the restaurant regulation has caused confusion in the industry at large. Very few applications for relief under this section have been acted upon favorably by the district offices of the OPA. We are quoting from a letter received from one of the district offices of OPA denying relief under section 17 of restaurant MPR 2:

In conjunction with processing your application, an audit was made of your establishment's operations during the base period year of 1942, and during 1944 and during the first 3 months of 1945. A comparison of your establishment's profit and loss after deduction of a \$2,500-per-year proprietor's salary shows that in 1942 the establishment earned \$1,822.87 (6.83 percent of sales) while in 1944 it earned \$1,964.30 (3.91 percent of sales). Its earnings during the first 3 months of 1945 were \$42.62 (0.37 percent of sales), and while not considered as a conclusive indication of its profit position for the year 1945, do show that the establishment continues to operate profitably.

Senator BUCK. I understand that is a letter written by the OPA?

Mr. LESAUVAGE. Yes. I have a photostatic copy of it in my pocket. In other words, about \$13 a month profit.

Senator MILLIKIN. If he had deducted the proprietor's salary, assuming he is a working proprietor——

Mr. LESAUVAGE. Yes; he is.

Senator MILLIKIN. There would not be any profit at all.

Senator CAPEHART. Where is that place of business?

Mr. LESAUVAGE. In Oklahoma.

Senator BUCK. That is the profit before taxes?

Mr. LESAUVAGE. Yes. It is a very small operation, and that is what we are mostly concerned about.

Another illustration of the bureaucratic red-tape methods of operation of the Office of Price Administration is the case of a restaurant operator in West Haven, Conn., who was "processed" out of business despite the fact that the dollar volume of this man's business was greater than in any other similar period in its 45 years of operation. He was losing money because the cost of his sea food had tripled. The cost of other food commodities had also soared. His labor overhead likewise increased disproportionately. In August of 1945 this operator filed an application for relief with the OPA. Weeks and weeks went by. In response to the operator's frantic inquiry as to when action would be taken he was constantly informed that the OPA was "processing the case." As recently as April 9, this year, a letter was received from the OPA asking for further information. In the meantime the operator has been compelled to close down his business. Because this case is typical of the very numerous instances of maladministration in the Office of Price Administration, I should like to submit for the record a copy of a letter dated April 8, 1946, sent by Richard A. Dargan, president of the New Haven Restaurant Association, to the Honorable James P. Geelan, a Member of the House of Representatives, concerning this case.

The National Restaurant Industry Advisory Committee on many occasions has asked the Office of Price Administration to revise this particular section of the restaurant regulation. As late as October 1945 the committee met with the Restaurant Price Branch of the national office of the Office of Price Administration to discuss this problem. The committee was advised that an amendment covering this section of the regulation had been signed and "would soon become effective." To date this action has not been forthcoming from the national office of the Office of Price Administration. For the benefit of the committee I quote from restaurant MPR 2, section 17:

SEC. 17 Adjustments. (a) OPA may adjust the ceiling prices for any eating or drinking establishment under the following circumstances:

(1) The establishment is operating under such financial hardship as to cause a substantial threat to the continuance of its operations; and

(2) Such discontinuance will result in serious inconvenience to consumers in that they will either be deprived of all eating or drinking services or will have to turn to other establishments that present substantial difficulties as to distance, hours of service, selection of meals, food items or beverages offered, capacity, or transportation; and

(3) By reason of such discontinuance, the same meals, food items, or beverages will cost the customers of the eating or drinking establishment as much as or more than the proposed adjusted prices

(b) If you are the proprietor of an eating or drinking establishment which satisfies the above requirements, you may apply for an adjustment of your maximum prices by submitting in duplicate to your OPA district office a statement setting forth:

- (1) Your name and address and the name and address of your establishment.
- (2) A description of your eating establishment including: Type of service rendered (such as cafeteria, table service, etc.), classes of meals offered (such as breakfast, lunch, and dinner), number of persons served per day during the most recent 30-day period, and any other information which is necessary to describe your establishment and the nature and extent of your operation.
- (3) The reasons why your customers will be seriously inconvenienced if you discontinue operations.
- (4) The names and addresses of the three nearest eating places of the same type as yours.
- (5) A list showing your present maximum prices and your requested adjusted prices.
- (6) Detailed profit-and-loss statements for the establishment for (i) a 3-month period which ended not earlier than 90 days prior to the date of your application, (ii) a 12-month period which ended not earlier than 90 days prior to the date of your application, and (iii) the calendar or fiscal year approximating the year 1942.

You will note that he is asked to submit his income from other sources before they will process his case.

The above section of the regulations, in my opinion, might have been necessary during the war emergency. We have no objection to the requirement that, before relief be given, necessary information shall be made available to the Office of Price Administration. However, the necessity of proving that patrons of public eating establishments would not be seriously inconvenienced if an operator closed his business is, in our opinion, unwarranted and unnecessarily burdensome to the system of free enterprise. This type of regulation, geared to the strain of wartime economy, has no application during this post-war era. Further, the essentiality clause gives to an official or employee of the Office of Price Administration the right to determine whether or not any enterprising American citizen has the right to remain in the public-feeding business. We do not believe that the Congress of the United States in the enactment of the Emergency Price Control Act intended that the power of life or death over any American business should be vested in any OPA official.

Senator CAPEHART. You mean, you must get permission from OPA to quit the restaurant business?

Mr. LESAUVAGE. No. You might go in and show that you were operating at a loss, and then you would be confronted with the second section of this regulation, which says, "Is it necessary that you should be in business?" And some official could say, "We don't think your restaurant is needed in that vicinity." And then you are through.

Senator MITCHELL. Do you mean that other restaurants are operating in that vicinity under the same ceiling under which this man cannot operate?

Mr. LESAUVAGE. You have got to go back to the kind of business it is. Each restaurant is an individual kind of business.

Senator MITCHELL. Their prices are based on prices they charged in a certain period, 1943?

Mr. LESAUVAGE. Yes. The conditions would vary in the different businesses.

Senator MITCHELL. How would they vary between two restaurants, we will say, side by side in the same district?

Mr. LESAUVAGE. To give you a very clear example of it, one restaurant might be unionized and be paying very much higher costs than the restaurant that was not unionized.

Senator MITCHELL. The relative position would be the same in 1943, or not?

Mr. LESAUVAGE. No. It might not have been organized in 1943. Senator MITCHELL. You say he is paying very much higher costs. Is that true in this case?

Mr. LESAUVAGE. It might be.

Senator MITCHELL. What is the case here?

Mr. LESAUVAGE. Which case?

Senator MITCHELL. The one you have been talking about; the one in which you said the man was going out of business because OPA would not adjust his rates.

Mr. LESAUVAGE. You mean the New Haven case? That is the one I was talking about.

Senator MITCHELL. That involved an increase in the cost of food?

Mr. LESAUVAGE. Yes. Also the fact that he was in the sea-food business, and much of the sea food is not under any regulation, and consequently that type of restaurant has a very large increase in costs.

We would further like to call your attention to the provisions of section 1 (b) (2) concerning the highest price-line limitation. This section of the regulations provides that, if you offer a new food item or beverage which you did not offer between March 7 and April 10, 1943, you cannot offer this new food item or beverage at a higher price than you offered the same food or beverage in the same class during April 4 to 10, 1943. For example, assume that during the base period a public feeding establishment, because of the restrictions on obtaining meat, did not offer sirloin steak but did offer roast beef at \$1.50. If the establishment can now obtain and offer sirloin steak, it cannot offer that sirloin steak at a higher price than it offered the roast beef.

That is the old price-line limitation that we thought, under the mandate of Congress, had been eliminated; but I saw today for the first time a six-page letter from an attorney in OPA, which I am not smart enough to understand, but which apparently says that that mandate does not affect the restaurant business. It might affect other businesses, but not the restaurant business.

Because of the classification in appendix A of restaurant MPR 2, the industry find themselves in difficulty when they are called before their local price panels on problems relating to their menu prices. For example, because class 20 of the appendix covers all shellfish, the price panel contends that a broiled live lobster, because it is a shellfish, shall not sell for more on the menu than a lobster baked in shell, even though there is no ceiling price on live lobster and a lobster in shell consists of lobster ends and claw meat, with a cream sauce and other ingredients as compared to a broiled live lobster with which you gentlemen are familiar. In short, the OPA completely disregards the well-recognized fact that items in the same class may vary considerably in cost.

We recommend that the undemocratic policy of cost absorption and indirect profit control should be eliminated from the administrative programs of the Office of Price Administration by—

(a) an adequate declaration of congressional intent in the Emergency Price Control Act; and

(b) by the direction of your committee to the Price Administrator to amend the applicable section of restaurant MPR 2 so as to abolish the cost-absorption restriction in order to permit a public feeding establishment to introduce new food commodities, items, and beverages in its establishment for the benefit of its patrons by permitting

the establishment to use the same percentage of mark-up over raw food cost that it has customarily used when it introduces its new food item or beverage on its menus.

We recommend that the highest price line limitation as defined by restaurant MPR 2 and brought into effect by the application of appendix A be revised in accordance with the suggestions in this statement. I feel sure that, if requested, the national restaurant industry advisory committee will offer its services to the Office of Price Administration in redrafting the regulations in accordance with these suggestions.

We respectfully recommend that section 17 (a) of restaurant MPR 2 be amended by striking out subdivisions (2) and (3), and that section 17 (b) be amended by striking out subsections (3) and (4).

Senator MILLIKIN. What is the gist of subsection (3)?

Mr. LESAUVAGE. It provides that—

By reason of such discontinuance, the same meals, food items, or beverages will cost the customers of the eating or drinking establishment as much as or more than the proposed adjusted prices.

That is assuming that section 17 is repriced so that you will not have to prove that your customers did not have to pay more.

I conclude my statement, gentlemen, with the recommendation that your committee direct the Office of Price Administration, in the formulation of its price policies and programs, to take into consideration the realities and increased costs of doing business by the public feeding industry. The justification for the continuance of price control is rapidly being over-shadowed by the unwise administrative policies as they are presently applied to American business.

STATEMENT OF DOUGLAS BOYLE, CONSULTANT TO THE AMERICAN HOTEL ASSOCIATION, REPRESENTING J. E. FRAWLEY, PRESIDENT OF THE AMERICAN HOTEL ASSOCIATION

Mr. BOYLE. Mr. Chairman and gentlemen of the committee, my name is Douglas Boyle. I am consultant to the American Hotel Association and representing Mr. J. E. Frawley, president of the American Hotel Association, who, because of a previous commitment, could not remain over here today. We were scheduled to appear before you yesterday, but because of a previous commitment of Mr. Frawley I am asking your permission to substitute for Mr. Frawley and to read his statement. I will attempt to delete it somewhat.

I am now reading for Mr. J. E. Frawley, president of the American Hotel Association.

I am J. E. Frawley, president of the American Hotel Association and owner of two small hotels and two small restaurants all located in the State of Michigan. I join with Mr. George R. LeSavage in thanking you for the courtesy extended to me in appearing before this committee. The American Hotel Association as part of the public feeding industry is in thorough agreement with the statement expressed to your committee by Mr. LeSavage concerning the application of the regulations and the need for relief from some of its burdensome and inequitable provisions. I shall limit my statement to an exposition of some of the features of maladministration in the Administrative and Enforcement Departments of the Office of Price Administration. Examples of horror cases:

In 1943, in one large city in Ohio, operators of the public feeding industry were advised by the district food price head that the Office of Price Administration was not interested in the filing of liquor prices. In 1944 meetings were held with the district food price head who then advised the operators of the public

feeding establishments in the city to file their liquor prices together with their 40 basic food items. These filings were made pursuant to specific instructions of local OPA officials at open meetings with the members of the public feeding establishments. These filings were stamped approved by the local board and returned to the operators. Thereafter the president and two past presidents of the local public feeding industry associations worked with members of the local OPA board for 2 weeks assisting them in the processing of these filings.

In November 1945, the Office of Price Administration made demands upon the operators of these public feeding establishments to pay penalties for alleged violations on the theory that the approved prices were not their ceiling prices. The original members of the local board recognizing the injustice of this demand of the OPA refused to assess any penalties against the operators of these establishments. Because of their refusal they were relieved of their responsibilities and a new price panel was selected. Upon investigation of all the facts by the new price panel, they likewise refused to take any punitive action in this matter. Whereupon they, too, were relieved of their responsibilities as members of the local war price and rationing board. Finally a group was found whose consciences and sensibilities were a little more calloused than that of their predecessors and penalties were inflicted upon these local operators varying from \$50, in some cases, to \$1,300 in others.

At the time of his resignation, the chairman of the local board made a statement to the public press criticizing the operations of the local price panels which were compelled to follow the instructions of the national office of OPA. With your permission I should like to quote from a newspaper report of the chairman's criticism of the operation of the local board.

I will not read that section. I will leave it for your consideration, the statement of the chairman of that local board, who had served for 4 years.

Senator MITCHELL. I wonder there why Mr. Frawley, who lives in Michigan, goes to Ohio to get his representative cases. Do you go to the place where the case happens to be?

Mr. BOYLE. That is right.

Senator MITCHELL. Or is that representative?

Mr. BOYLE. It is representative not only of Ohio but throughout the country. We just happened to use that example.

Senator MITCHELL. I wonder why he happened to use that one. Do you know?

Mr. BOYLE. For no reason at all. I think you will find later on that we make the statement or Mr. Frawley makes the statement on that page, 16:

This same pattern of maladministration is not confined to Ohio but occurs frequently in other areas throughout the country.

Senator MITCHELL. And your statement is that that is representative?

Mr. BOYLE. Yes, sir.

I would therefore like to quote from the statement of the local board chairman who handled these cases, in this particular:

"He agreed that persistent or deliberate violators are deserving of prosecution and fines. But at the same time he suggested that the OPA's spirit of fairness toward unintentional offenders as exemplified by volunteer members of panels is being exploited by OPA officials charged with enforcement who pride themselves only on the amount of fines they can collect to turn over to the United States Treasury."

That statement is here in the local paper. I would like to continue now on page 16:

In the light of field administration and the enforcement of OPA, the emphasis which this agency has placed upon the detection of petty violations (in many cases, inadvertent clerical errors resulting in single overcharges of 5 cents and in some cases as little as a single penny), is rapidly breaking down the faith that the

public feeding establishments have in their Government. It is common knowledge and is reported in the public press that the black market in food commodities is impossible to control and yet the Office of Price Administration will send enforcement and investigator agents to public feeding establishments to investigate violations which in one instance totaled \$27.30 out of \$1,200,000 worth of retail sales for a 6-month period of operation. Recent statements in the public press made by the Administrator of the Office of Price Administration admitted that the OPA was unable to cope with the black market in food commodities because of inadequate enforcement personnel and yet they will dissipate their manpower to uncover a petty, trifling, insignificant amount of \$27.30 out of \$1,200,000 worth of sales in a 6-month period. In this instance, the chairman of the local price panel who heard this case referred to him by the Investigation Department apologized to the persons representing this establishment for the stupidity of the OPA in bringing such a case before the local price panel and pointed out clearly that he was ashamed of taking such action.

I do not wish to minimize the splendid work done by the voluntary members of the price panels for I have had the privilege and the pleasure of knowing many of these ladies and gentlemen on a national basis, but in my discussions with the members of these panels, they have constantly referred to the operating instructions which have been issued by the National Office of Price Administration.

I would like to quote for the committee's consideration the following statement taken from the Handbook of Price Control for Members of Price Control Boards:

"Each price violation is a check on the value of your dollar, whether the overcharge is large or small, by neighbor or stranger, intentional or not, it disturbs the economic stability of your community. Therefore, every violation must be met with a countercheck. The weapon for this counterattack is in your hands. You are obligated to use it" (p. 6).

I continue to quote from this handbook of instructions:

"* * * Where your boards discover there have been overcharges it will arrange for the settlement of the Government's rights to recover for these overcharges and may arrange recovery to known buyers. In the settlement of the Government's right to recover from overchargers you must keep in mind the fact that Congress has directed in the event the right to recover overcharges comes into court the case may not be decided for less than \$25 or the amount of the overcharge, whichever is greater. In the enforcement of this right, local boards play a key part when they call violators before them to discuss settlements of cases" (p. 8).

I continue to quote:

"* * * All overchargers are asked by your board to sign a written agreement to comply in the future. Most of them will make this pledge to you and your community. These are important to the board's record" (p. 9).

I will pass the next reference to a form used in connection with them, and leave it for your own perusal. I would like to quote from paragraph 10,712 (.02c) from the same handbook:

* * * The language of the instruction is so couched as to lend emphasis to the thought that the common, honorable citizen who is being brought before them is a replica of the gangster era. For example, the content of this subsection is "Probation for first violators." The word "probation" is stressed in these instructions. It is undesirable that a Government agency in dealing with intricate, multifarious, and complicated regulations of this type should adopt such an abusive attitude to the American businessman.

I would like to quote from paragraph 10709-A in the same book:

"A case may not be closed by sending a warning letter. Warning letters are not consistent with the policies and standards prescribed for the handling of violation cases by panels and have been discontinued. * * *"

I will turn over now to page 20 and our recommendations:

Section 205 (e) of the Emergency Price Control Act of 1942, as amended, should be modified in the following respects:

1. That any person who is summoned for a hearing before any official of the OPA concerning alleged violations on his part should, at least 10 days before the date set for the hearing, be furnished with a statement in writing specifying the

charges being made against him. Local price panels, district offices, and other departments of the OPA, in the course and conduct of such hearings, should be limited solely to fact-finding. If in the course of such fact-finding by any of these local price panels, district offices, or other offices of the OPA it is determined that violations have occurred, no penalties may be assessed by any OPA officials. The only tribunal that will have authority to impose penalties shall be a duly constituted court of competent jurisdiction.

Continuing the recommendations:

2. Persons who violate a regulation, price schedule, or order of the OPA shall be liable for not more than the amount of the actual overcharges except in cases where violations are willful. In the latter event, the burden of proof should be, where it properly belongs, upon the Administrator, to prove that the violations were willful. In such cases, the penalty above single damages should be discretionary with the court.

3. Penalties should not be assessed against anyone who has acted in reliance upon action of the OPA. Accordingly, we respectfully submit that section 205 (e) of the Price Control Act be amended in accordance with that portion of H. R. 4177 which reads as follows:

"* * * The Administrator may not institute such action [treble damages] in behalf of the United States, or, if such action has been instituted, the Administrator shall withdraw same * * * (ii) if violation arose because the person selling the commodity acted upon and in accordance with advice and instructions by the Administrator or by his agents; (iii) if the violation arose by virtue of an interpretation of the regulation, order, or price schedule with which the seller was not provided until after the violation; (iv) if the violation is one which the Administrator or his agents could have discovered with the application of reasonable diligence. * * *

4. I further recommend that the Price Control Act be amended so as to enable any person against whom the OPA threatens to bring enforcement action to go into the courts of the United States in the district in which he resides or has his principal place of business, and ask for a decision in the form of a declaratory statement as to the controversy between him and the OPA.

5. I further recommend that cumulative penalties be abolished. In other words, where a public-feeding establishment, for example, has inadvertently overcharged for food items or beverages served to their patrons, the Office of Price Administration should be prohibited from suing for \$50 for each violation. Accordingly, we suggest that section 205 (e) be amended to limit the penalty in such cases to the total actual overcharges, or in the event that the Price Administrator proves that it is willful, the penalty should be assessed by a regularly constituted court of competent jurisdiction and not by the local price panel or any other office of OPA.

6. I further recommend that your committee direct the Price Administrator to strike out from section 1 (e) (4) of restaurant MPR 2, the reference to banquets and private parties. Since VJ-day, many of the hotels and large restaurants have had inquiries about banquets. As you know, banquets were generally discontinued right after Pearl Harbor. That was made necessary because of the restrictions on travel, shortages of help and materials, and more particularly because of the fact that the war effort left little time or opportunity for festivities. Now that industries are on the march again they want to negotiate with banquet operators.

Banquets were a negligible business during the base period and because they were not a part of the cost of living, we request exemption of banquets from price control. We are not proposing, however, that the Price Administrator exempt service clubs—

That is, Rotary, Lions, Kiwanis, and so forth—

association luncheons, or dinners which are served on regular weekly or monthly schedules—that class of service we regard as being a part of the cost of living.

I join with Admiral LeSavage in urging this committee to adopt the recommendations that have been made here today so that the public feeding industry will more readily lend itself to the broadening economic stability of this country during the reconversion era.

Respectfully submitted.

J. E. FRAWLEY,
President, American Hotel Association,

Mr. LESAUVAGE. Mr. Chairman. I beg your pardon, Senator Millikin.

Senator MILLIKIN. Do you favor lowering the price ceiling on these hundred-dollar-a-plate banquets we have been reading about?

Mr. BOYLE. Well, Senator, I, too, have been reading about those, and I do not think that those hundred-dollar banquets have anything to do with the cost of the food or the beverage or the service that enters into their getting together.

Mr. LESAUVAGE. Mr. Chairman, I would like to call your attention, if I may, please, to the type of subpoena that is sent out by these price panels. It has the usual legal term at the top, "Subpoena duces tecum," and at the bottom it has, "Fail not at your peril." And that is the type of subpoena that is sent to these little restaurant men, who are scared to death when they get it, and they are willing to settle for almost anything rather than be confronted with the very important-looking document of this kind. I do not think there is anything in the law that permits them to take that type of action against these small operators.

Senator MILLIKIN. I should like to say, Mr. Chairman, that they circulated something like that in Colorado to grocery men, and I brought it to the attention of OPA, and OPA, I am glad to say, very promptly declared that there was no authority for it.

Mr. LESAUVAGE. Is that all, sir?

The CHAIRMAN. Mr. Wason.

I want to say to Mr. Holman and Mr. La Roe that the committee knows that they live here in Washington, and I want to accommodate as much as I can those who have another place to go.

Mr. WASON. We have some charts, if you please, Senator Wagner.

The CHAIRMAN. All right.

Will the committee please come to order. I don't want to call in an official to preserve order.

Very well. We have a very important witness here. Go right ahead, Mr. Wason.

Mr. WASON. Thank you.

STATEMENT OF ROBERT R. WASON, PRESIDENT, NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. WASON. Mr. Chairman and members of the committee, my name is Robert Wason. I am president of Manning, Maxwell & Moore, and of the National Association of Manufacturers. I appreciate your courtesy in permitting me to express the views of the National Association of Manufacturers.

The NAM is composed of 15,000 producers, 71 percent of whom have less than 500 employees. They give employment to four out of every five workers in manufacturing industry.

Our comments are directed solely to the continuation of price controls on manufactured goods. This is the field in which we think we have earned the right to speak with knowledge and conviction. We leave the question of controls in other fields to those who have earned an equal right to speak with authority on their problems.

NAM is convinced that all price controls on manufactured goods should be removed by June 30, 1946.

In taking this position our organization has certain specific objectives. These are maximum production, full employment at good wages, fair prices, fair profits, a rising standard of living for all the American people, and the maintenance of sustained prosperity without booms and busts.

Senator MITCHELL. Are you going to tell us how they can be gained through your program?

Mr. WASON. Yes, sir.

Senator MURDOCK. When you say, "This is the field in which we think we have earned the right to speak with knowledge and conviction," I assume that you speak only for your members and not for the consuming public, or the things that you do manufacture.

Mr. WASON. We are the servants of our consuming public, and we cannot exist except we serve them.

Senator MURDOCK. Well, you assume to speak for them now?

Mr. WASON. We are speaking for the membership of NAM.

Senator MURDOCK. Not for the consumers of the NAM products?

Mr. WASON. We think we are integral with the consuming public in America and that our interests are indivisible, and that we must sink and be out of existence when we cease to serve them.

Senator MURDOCK. Well, then, do you assume to speak for them today?

Mr. WASON. Yes, sir.

Senator MITCHELL. How do you speak for your own members in this? Have you had a poll of your members on the OPA Acts?

Mr. WASON. We conducted a poll of our membership. The poll was a very high ballot: One out of every ten, and we asked them—

Senator MITCHELL. What do you mean? You sent a ballot to 1 out of every 10 of your members?

Mr. WASON. Yes, sir.

Senator MITCHELL. What return did you get on that?

A VOICE. Sixteen hundred. Eight hundred replies.

Mr. WASON. We had about 800 replies, which again is a very high percentage.

Senator MITCHELL. If 800 was a high percentage of 1 out of 10, why couldn't you send the ballot to every one of your members?

Mr. WASON. We could have done that. We saw no reason for it. The poll is a much higher sample than has previously been developed in any poll of the United States or any subdivision of it.

Senator BANKHEAD. Did you send to as high a percentage as Gallup uses?

Mr. WASON. Much higher, Senator Bankhead.

Senator MILLIKIN. Was it a selected poll?

Mr. WASON. No, sir.

Senator MILLIKIN. Or was it taken straight across?

Mr. WASON. It was every tenth name, Senator Millikin, on an Addressograph list.

Senator MITCHELL. That is every tenth out of 15,000; is that the number?

Mr. WASON. Yes, sir.

Senator MILLIKIN. You sent 1,500, and you got 800 back?

Mr. WASON. Yes, sir.

Senator MITCHELL. So you don't know how your members stand, actually? I mean it is just a poll technique you have used; you don't

know what an actual vote of your membership would be if they had a chance to make a vote?

Mr. WASON. Well, we did not make a personal call on everyone, nor did we telephone them, but we did pursue a technique to an extreme degree that has been demonstrated in America by different opinion research organizations.

Senator MITCHELL. What you say here is the thought of 800 people in America?

Mr. WASON. Eight hundred people—

Senator MITCHELL. You think it is the thought of 800 people?

Mr. WASON. Eight hundred people is the sample of 15,000.

Senator MITCHELL. But it is the only check you have made in the country on the position which you have adopted or will adopt before the committee?

Mr. WASON. No, sir. There have been many checks made with individual members in different parts of the country. It has been checked before our board of directors, who are 141 members in number, representing all parts of the United States, and our membership is in every State in the Union.

Senator MITCHELL. Then, if there are no duplications, there would be 941 individuals. I am just trying to get the number of people who have actually gone over the policy and recommendations of NAM.

Mr. WASON. That would be supported by hundreds and hundreds of letters in support of our position. The numbers in hundreds, I don't know.

Senator MITCHELL. But you have made no tabulation of that and removed any duplications you might have in letters over your poll?

Mr. WASON. No, sir.

Senator CAPEHART. Mr. Chairman, do I understand the Senator to mean that this is the first witness that has come before us who has failed to take a hundred-percent poll of the membership of his organization?

The CHAIRMAN. I cannot answer that question.

Senator CAPEHART. Would the Senator care to answer that question? Do I understand that up until this time every organization that has appeared before us has taken a hundred-percent poll of their membership?

Senator MITCHELL. I merely wanted to find out what technique the NAM have used in developing their program.

Senator MILLIKIN. Your technique, Mr. Wason, was to send a ballot to every tenth name on your list?

Mr. WASON. Yes, sir.

Senator MILLIKIN. Without any discrimination or distinction?

Mr. WASON. Yes, sir.

Senator MILLIKIN. Which means 1,500 interrogatories, and you got 800 replies?

Mr. WASON. Yes, sir.

The CHAIRMAN. Fifteen thousand.

Mr. WASON. Fifteen hundred.

The CHAIRMAN. Oh, fifteen hundred?

Mr. WASON. One in ten, Senator Wagner, as a sample.

The CHAIRMAN. Oh, I see.

Mr. WASON. I would like to say, also, to Senator Mitchell, that our stand was approved by a congress of industry which met last December and which was attended by 4,000 manufacturers, and they passed judgment on the correctness of our position and supported it.

Senator MILLIKIN. Mr. Wason, let me suggest you need not feel uncomfortable about the question, because before we are through there will be men coming in here speaking for millions, and they won't have any authority at all, except from some executive committee.

Mr. WASON. It is very kind of you to say that, and I am not uncomfortable, and I am fully aware that the support which we have in our position percentagewise goes vastly beyond that achieved by any Member represented in the House or the Senate from his electorate.

Senator MILLIKIN. Yes.

Mr. WASON. After stating the objectives:

None of these objectives can be attained unless the present inflationary trend in this country is halted.

Government witnesses appearing before your committee have told you that the OPA has been successful in "holding the line."

That statement is not true. The "line" is not being held. Price control is not preventing inflation.

Here is what is actually happening:

OPA drives goods off the shelves into the black markets.

OPA discourages the efficient production of established manufacturers. It rewards inefficient new producers by allowing them to sell at higher prices.

OPA has snarled production lines and crippled orderly distribution to the consumer.

OPA discourages investment by attacking profit, which is the motive power of the economy.

OPA by creating black markets is causing America to become a nation of law violators.

When OPA says that it is "holding the line" and preventing inflation, it is engaging in a gigantic bluff. OPA is trying to fool you and fool the American people in the hope that it can frighten you into extending its power for another year.

It is time to call this bluff. It is time to face facts. Here is what is happening to prices—prices that affect every household in the Nation.

On April 8, in a Nation-wide radio broadcast over the Columbia Broadcasting System, Mr. Bowles said to Mr. Porter:

I have found out that when you tell some women that food prices have been held since 1943 they often look as though they didn't quite believe you.

Mr. Porter replied:

Well, I've had the same experience, and I guess it's perfectly natural. I think that the main reason for it is that most families have had more money to spend during the last few years, and they have been buying more and better food. Of course, their total food bills are higher. They very easily get the impression that prices are higher. Now, here's a very good way for a housewife to check the statistics in her own way. Go down to the local newspaper office and ask them to show you a local food store advertisement for May of 1943; that's the month after the hold-the-line order was issued, and compare the prices that you find in that ad to the prices being advertised today. Almost invariably you will find that the average market basket of groceries can be bought today for the same amount, or perhaps a little less, than it cost 3 years ago.

Senator MITCHELL. Is that an untrue statement? Is that your inference?

Mr. WASON. Yes, sir.

That is the kind of propaganda being fed to the public today by spokesmen for OPA. To prove how false it is, the NAM sent George Hagedorn—he is here today—a member of our research department, to York, Pa., to have him make the check recommended by Mr. Porter. This city was selected because it is generally considered as a typical community for making market and opinion surveys.

On Thursdays the principal food store in York publishes an advertisement such as Mr. Porter referred to. Mr. Hagedorn took all four of the advertisements which appeared during May 1943. On this chart before you are photostats of these four advertisements.

Then to make certain that this test would be fair, Mr. Hagedorn eliminated all fresh vegetables and fresh meats, because there is a fluctuation in their prices from week to week. That left just the staples—the canned fruits, the soups, flours, fruit juices, and so forth—which go into every home.

He then checked the prices of these various articles, item for item, making allowances for differences in unit quantities to get comparable prices.

Here is the result [reading]:

THE FAMILY FOOD BILL—No. 1

<i>May 1943</i>	<i>April 1946</i>
Libby's sauerkraut juice, 12-ounce can, 8 cents.	Libby's sauerkraut juice, 12-ounce can, up 25 percent.
Pure onion juice, No. 2 can.	No onion juice available.
Ocean Spray cranberry juice cocktail, pint bottle.	No cranberry juice available.
Libby's loganberry juice, 12-ounce can.	No loganberry juice available.
Fyne Taste grapefruit juice, No. 2 can, 11 cents.	Fyne Taste grapefruit juice, No. 2 can, up 14 percent.
Fancy prune juice, quart flask, 20 cents.	Sun Ripe fancy prune juice, quart, up 15 percent.
Fremar Hawaiian pineapple juice, No. 2 can, 14 cents.	Fremar or Dole Hawaiian pineapple juice, No. 2 can, same.
Fremar tomato juice, 46-ounce can, 19 cents.	Fremar tomato juice, 46-ounce can, up 11 percent.
Fyne Taste grapefruit juice, 46-ounce can, 29 cents.	Fyne Taste grapefruit juice, 46-ounce can, same.
Apricot nectar, 46-ounce can.	No apricot nectar available.
Fremar grape juice, quart bottle, 25 cents.	Welch's grape juice, quart bottle, up 96 percent.
Whitehouse brand apple juice, 1-quart bottle, 13 cents.	Apple juice (brand unspecified) 1-quart bottle, up 46 percent.
Fyne Taste Bartlett pears, No. 2½ can.	No Bartlett pears available.
Libby's or Del Monte deluxe plums, No. 2½ can.	No deluxe plums available.
Fyne Taste peaches, California halves or slices, No. 2½ can, 19 cents.	Val-Vita, Stokeley's, Libby's or Del Monte peaches, No. 2½ can, up 37 percent.
Sliced pie apples (brand unspecified) 21-ounce glass, 17 cents.	Musselman's sliced pie applies, quart jar, up 70 percent.
Fyne Taste fruit cocktail, No. 1 can, 17 cents.	Fyne Taste fruit cocktail, No. 2½ can, up 6 percent.
Fremar prune plums, No. 2½ can.	No prune plums available.
Fremar diced or shoestring carrots, No. 2 can, 9 cents.	Fremar diced carrots No. 2 can, up 11 percent.

THE FAMILY FOOD BILL—No. 2

May 1943

April 1946

Niblets asparagus, No. 2 can, 33 cents.	Niblets asparagus, No. 2 can, up 15 percent.
Phillip's crushed white corn, No. 2 can, 10 cents.	Fyne Taste corn, No. 2 can, up 20 percent.
Del Monte corn, No. 2 can, 14 cents.	Del Monte corn, No. 2 can, same.
Large Wisconsin sweet peas, No. 2 can, 13 cents.	Fyne Taste peas, No. 2 can, down 8 percent.
Niblets corn off the cob, 12-ounce can, 12 cents.	Niblets corn off the cob, 12-ounce can, up 12 percent.
Fyne Taste red beets, No. 2½ can, 12 cents.	Fremar fancy cut red beets, No. 2½ can, up 4 percent.
Red ripe tomatoes, No. 2 can, 10 cents.	Red ripe tomatoes, No. 2 can, up 20 percent.
Veg-All Larsens mixed vegetables, 16-ounce glass, 12 cents.	Veg-All Larsens mixed vegetables, No. 2 can, same.
Stokeley's Tasty King peas, No. 303 can, 15 cents.	Stokeley's Tasty King peas, No. 2 can, same.
Stokeley's French Style string beans, No. 2 can, 14 cents.	Fyne Taste string beans, No. 2 can, same.
Fyne Taste evaporated milk, tall cans, 55 cents.	Fyne Taste evaporated milk, tall cans, down 5 percent.
Heinz cucumber pickles, 24-ounce jar, 22 cents.	Heinz cucumber pickles, 24-ounce jar, up 23 percent.
Crisco or Spry vegetable shortening, 3-pound can, 68 cents.	Spry vegetable shortening, 3-pound can, same.
Royal baking powder, 12-ounce can, 43 cents.	Royal baking powder, 12-ounce can, up 14 percent.
Campbell's tomato soup, regular can, 22 cents.	Campbell's tomato soup, regular can, up 23 percent.
Aqua sliced herring, 16-ounce jar, 21 cents.	Aqua sliced herring, 8-ounce jar, up 72 percent.
Fyne Taste pink salmon, tall can, 22 cents.	Fyne Taste pink salmon, tall can, same.
Fremar fancy salmon, No. ½ can.	No fancy salmon available.
Swift's Premium, 12-ounce can, 32 cents.	Swift's Premium, 12-ounce can, same.

THE FAMILY FOOD BILL—No. 3

May 1943

April 1946

Armour's Treet, 12-ounce can, 34 cents.	Armour's Treet, 12-ounce can, same.
Cudahy's potted meat, No. ½ can, 25 cents.	Libby's potted meat, No. ½ can, up 20 percent.
Armour's pig feet, 28-ounce jar, 49 cents.	Armour's pig feet, 9-ounce jar, up 33 percent.
Betty Crocker soup mix, 3 packages, 25 cents.	Betty Crocker soup mix, 3 packages, same.
Fyne Taste coffee 1-pound bag (cheapest grade advertised) 21 cents.	Lyons breakfast coffee, 1-pound bag (cheapest grade advertised), up 33 percent.
Gorton's codfish, 4-ounce package, 10 cents.	Gorton's codfish, 5-ounce package, up 28 percent.
Crackin' Good graham crackers, 1-pound package, 17 cents.	Crackin' Good graham crackers, 1-pound package, same.
Softasilk cake flour, regular package 25 cents.	Softasilk cake flour, regular package, same.
Kurtz noodles, 1-pound bag.	Kurtz noodles not available.
Sun Maid or Del Monte seedless raisins, 15-ounce package, 13 cents.	Raisins (brand unspecified) 15-ounce package, same.
Fancy Blue Rose rice, 2-pound bag, 23 cents.	Fyne Taste fancy rice, 1-pound bag, up 5 percent.

THE FAMILY FOOD BILL—No. 3—Continued

<i>May 1943</i>	<i>April 1946</i>
Gold Medal flour, 12-pound bag, 59 cents.	Gold Medal flour, 10-pound bag, up 20 percent.
Pillsbury's Best flour, 12-pound bag, 59 cents.	Pillsbury's Best flour, 10-pound bag, up 20 percent.
Fyne Taste choice soup beans, 2-pound bag.	Soup beans not available.
Sunshine Krispy crackers, 1-pound package, 18 cents.	Sunshine Krispy crackers, 1-pound package, up 6 percent.
Pillsbury's pancake flour, 20-ounce package, 17 cents.	Pillsbury's pancake flour, 20-ounce package, up 29 percent.
Aunt Jemima pancake flour, 20-ounce package, 11 cents.	Aunt Jemima pancake flour, 20-ounce package, up 9 percent.
Aunt Jemima buckwheat flour, 20-ounce package, 25 cents.	Aunt Jemima buckwheat flour, 20-ounce package, up 28 percent.
Virginia Sweet pancake flour, 20-ounce package.	Virginia Sweet pancake flour not available.

THE FAMILY FOOD BILL—No. 4

<i>May 1943</i>	<i>April 1946</i>
Staley's cream corn starch, 1-pound package, 8 cents.	Staley's cream corn starch, 1-pound package, up 12 percent.
Wheaties, 8-ounce package, 10 cents.	Wheaties, 8-ounce package, up 10 percent.
Quaker Rice Sparkies, regular package, 11 cents.	Quaker Rice Sparkies, regular package, up 9 percent.
Heinz vinegar, 1-quart bottle, 18 cents.	Heinz vinegar, 1-quart bottle, up 6 percent.
Golden Blossom honey, 1-pound jar.	No honey available.
Farmer's Gold Pure honey, 2-pound jar.	No honey available.
Quaker Maid golden sirup, 24-ounce jar.	Quaker Maid sirup not available.
Large ripe olives, 9-ounce can.	No olives available.
Del Monte tomato sauce, 8-ounce can, 6 cents.	Del Monte tomato sauce, 8-ounce can, same.
Pillsbury buckwheat flour, 20-ounce package, 11 cents.	Pillsbury buckwheat flour, 20-ounce package, up 27 percent.
Shredded Ralston, package, 11 cents.	Shredded Ralston, package, same.
Fyne Taste peanut butter, 1-pound jar, 30 cents.	Fyne Taste peanut butter, 1-pound jar, down 3 percent.
Pride of Farm catsup, 12-ounce bottle, 27 cents.	Pride of Farm catsup, 14-ounce bottle, up 8 percent.
Kraft's Miracle Whip salad dressing, pint jar, 24 cents.	Kraft's Miracle Whip salad dressing, 8-ounce jar, up 25 percent.
Fyne Taste apple butter, 28-ounce jar, 16 cents.	Fyne Taste apple butter, 28-ounce jar, up 50 percent.
Chef Boy-ar-dee spaghetti dinner, regular package, 32 cents.	Chef Boy-ar-dee spaghetti dinner, regular package, down 3 percent.
McCormick's vanilla extract, 1-ounce bottle, 21 cents.	McCormick's vanilla extract, 2-ounce bottle, down 17 percent.
Stokeley's cranberry sauce, whole berries, 16-ounce jar.	Cranberry sauce not available.
Granulated sugar, 1-pound box, 6 cents.	Granulated sugar, 5-pound box, up 7 percent.

Mr. WASON. Without taking up the detail of these prices—and they are recorded in the text in front of you—it shows that several of these items, seven on this page, are not available for purchase at any price. And on the second page there is only one unavailable. But the price increases go up as high as 96 percent on grape juice, but the ups are 25 percent, 14, 15, 11, 96, 46, 37, 70, 6, 11.

The references that Mr. Porter made to lower prices do not appear on that particular chart.

On this one there is one down. Evaporated milk is down 5 percent. Teas of the cheapest grade are down 8 percent. The others are up or not available.

Senator MITCHELL. How many are the same on that chart?

Mr. WASON. Six, sir.

Senator MITCHELL. That is six the same or down, and how many downs?

Mr. WASON. Two downs.

Senator MITCHELL. That is eight out of how many on that chart?

Mr. WASON. I will give you a complete summary of it, Senator Mitchell.

Senator MITCHELL. All right.

Mr. WASON. On this one there are a number of sames. Up 20, up 33, up 33, up 28, up 5, up 20, up 20, up 6, up 29, up 9, up 28; and I do not see any downs on this one.

On this next one the ups are 12, 10, 9, 6. The unavailables are five. The sames are two. The downs are three, with one going as high up as 50 percent.

Senator CAPEHART. What are those downs, Mr. Wason?

Mr. WASON. Sir?

Senator CAPEHART. Those downs.

Mr. WASON. Those that went down were McCormick's vanilla extract and Chef Spaghetti Dinner.

The unavailables include honey of two kinds, golden sirup, and large ripe olives.

Senator MITCHELL. By "unavailable" you mean unavailable in that store?

Mr. WASON. Yes, sir; in that—

Senator MITCHELL. This is all in one store, is it not?

Mr. WASON. Yes, sir.

Senator BANKHEAD. A chain store?

Mr. WASON. Yes, sir; sort of supermarket. Food Fair is the name of it.

This is the test that Mr. Porter recommended to the American housewife. Instead of showing what he claimed it would, this test proves the exact opposite. Of the 76 items listed in these tables, only 5 show a decline, 16 are today selling for the same price as in 1943, 16 are not available today, and 39 have increased in price—the average of the increases being 23 percent.

Senator MILLIKIN. Is that by item or by weighted average?

Mr. WASON. It is by items.

Senator MILLIKIN. Items.

Mr. WASON. The average of the increases.

Senator MILLIKIN. Have you got a weighted average for us on those items?

Mr. WASON. No, sir. We can have it if you wish it.

Senator Millikin, it is a case of adding apples and pineapples, and we doubt that it could be done.

Senator MILLIKIN. Well, you can add the prices of apples and pineapples even though you might not make a good dish out of it. [Laughter.]

Mr. WASON. Yes, that is right.

If I may continue with my statement:

In a word, 7 out of every 10 items either are not available or have increased in price.

That is what you find when you call the bluff of OPA.

If the newspapers of this country——

Senator MURDOCK. Before you leave that.

Mr. WASON. Surely.

Senator MURDOCK. Is it your position that the test that you have made is a complete answer to the position taken by OPA?

Mr. WASON. In that colloquy between Mr. Bowles and Mr. Porter, that the 1946 breadbasket costs no more than the 1943, or costs less.

Senator MURDOCK. Then, it is your position, is it not, sir, that the one sample—that is, taking the prices in the one store—is a complete answer to the position taken by Mr. Bowles in his colloquy—over the radio, I assume?

Mr. WASON. Yes, sir.

Senator MURDOCK. With Mr. Porter. Is that Paul Porter; do you know?

Mr. WASON. Yes, sir; it is.

Senator MURDOCK. And you take the position that the one sample that you have made is a complete answer to the position taken by Bowles at that time?

Mr. WASON. We ask at the present time——

Senator MURDOCK. Well, that is a simple question; I think it can be answered either "No" or "Yes." You either take that position or you don't.

Mr. WASON. Let me state another one that is here.

Senator MURDOCK. Well, don't you care to make an answer to the question that I have asked you? I want to be fair, and I want you to be fair.

Mr. WASON. May I offer another and come back to that—another instance?

Senator MURDOCK. Well, have you taken more samples than those that you have indicated?

Mr. WASON. I would like to refer to another sample.

The CHAIRMAN. What page are you on now?

Mr. WASON. On page 9, the middle.

Senator MILLIKIN. Mr. Wason, I would like to ask you a question: Is York, Pa., considered by food statisticians to be a representative city?

Mr. WASON. By advertising agencies and such, that represent the advertising of food accounts.

Senator MURDOCK. May I ask you this question?

Mr. WASON. Surely.

Senator MURDOCK. You do not seem to care to answer my former question at this time.

Mr. WASON. May I answer your former question by saying that we took samples in Washington also. Washington, D. C.

Senator MURDOCK. Similar samples to the one that you——

Mr. WASON. No. In the same way, but for a number of reasons we have not offered them with the same completeness.

Senator MURDOCK. Well, then, coming back, may I ask this question again: Do you take the position now that the sample that you

took in York, Pa., and which you have now exhibited to this committee is, in your opinion, a complete answer to the position taken by Mr. Bowles in the radio colloquy to which you have referred?

Mr. WASON. I would like to say, Senator Murdock, that I believe it to be a vastly more authentic answer than their statement.

Senator MURDOCK. Now may I ask this question——

Mr. WASON. We believe it to have been, and to be, a fair sample of the American market basket.

Senator MURDOCK. Now, would the same evidence that you have given us here today indicate, in your opinion, that the grocers have not been badly dealt with under price control? What is your answer to that?

Mr. WASON. My answer is that the entire American economy has been badly dealt with by OPA, including grocers.

Senator MURDOCK. That is not my question.

Mr. WASON. Would you please state it again?

Senator MURDOCK. My question is: From the very evidence that you have presented here today in support of the position of NAM, doesn't that evidence, if it is true, indicate that the grocerymen of this country has not been badly dealt with by the OPA?

Mr. WASON. My evidence is supported to refute the statements made by Mr. Bowles and Mr. Porter.

Senator MURDOCK. I understand that.

Mr. WASON. And it refutes them.

Senator MURDOCK. I understand that, my dear sir, and I do not want to ask you any question that is unfair or inappropriate; but I think if you take the position that you have today, that the OPA has not held the line on the price of foods, as indicated by your exhibit, then certainly that same evidence indicates, to me at least, that the OPA has not been unfair to the grocerymen of this country in allowing them to up prices.

Mr. WASON. Mr. Bowles and Mr. Porter said that prices were no higher, or maybe a little less.

Senator MURDOCK. And you——

Mr. WASON. This demonstrates that they are 23 percent higher than they were in 1943, of May.

Senator MURDOCK. Now, that is what you intended to show, isn't it?

Mr. WASON. Yes, sir.

Senator MURDOCK. That there has been, as you state it now, a 23-percent increase on groceries, in a representative grocery store in a representative town in the United States.

Now I ask you: If your evidence is correct, if it is the truth, does it not also emphatically indicate that the grocerymen of this country have not been unfairly dealt with by the OPA?

Mr. WASON. I don't accept that, and I don't see it.

Senator MURDOCK. All right.

Mr. WASON. Because their prices have——

Senator MURDOCK. All right. I don't——

Mr. WASON. I judge, Senator, you are talking not about the veracity or the high forecasts of Mr. Bowles and Mr. Porter, but of the revelation in these figures; is that correct?

Senator MURDOCK. I am talking about the evidence that you have submitted here, and to me, if it proves one fact, then of necessity it proves the other that I have mentioned.

Mr. WASON. What is the other one that is proved, please?

Senator MURDOCK. You offer it here to show that they haven't held the line.

Mr. WASON. Yes, sir.

Senator MURDOCK. We have complaints, and have had them ever since OPA came into existence, from the groceryman that he has not been allowed to make sufficient profit.

Mr. WASON. There is no evidence offered in regard to his profit, and he may be operating at a loss or a large profit; I don't know which.

Senator MURDOCK. Yes, I understand that. But I also understand that if he has been allowed to advance his prices 23 percent, as you indicate, on the average, that he has not been unfairly dealt with.

Senator CAPEHART. Mr. Chairman, may I?

Senator MURDOCK. I would like to have the witness answer if he cares to. It seems to me that he can do it by saying "Yes" or "No".

Mr. WASON. We did exactly what Mr. Bowles suggested. We found the exact opposite of his statement to be the truth.

Senator MURDOCK. I do not question that at all.

Mr. WASON. I am glad to know that.

Senator MURDOCK. I do not question what you have said at all. You followed his instructions and you bring us here an exhibit, and you used it for the purpose, as I understand it, of refuting the statement made by Mr. Bowles. Now, I accept it for the sake of the argument as being the truth, and I ask you: If the evidence you submit is true, if there is an increase of 23 percent in the grocery store on the foods indicated, doesn't that indicate to you that the groceryman has not been badly dealt with by the OPA?

Mr. WASON. I see no evidence whatsoever as to his balance sheet or his operating statement in any figures that I have submitted.

Senator MURDOCK. All right.

Senator CAPEHART. Mr. Chairman.

Mr. WASON. Surely.

Senator CAPEHART. May I ask a question?

The CHAIRMAN. Yes.

Senator CAPEHART. Mr. Wason, there is no relationship, is there, to what the able Senator from Utah has just stated, between the increase in the selling price there, because, take that item of apple butter that is up 50 percent; you do not know what the retailer paid for that, do you?

Mr. WASON. No, sir.

Senator CAPEHART. In other words, he may have bought that and sold it at a 50-percent increase and still made no profit on it because the manufacturer who sold it to him—his price under OPA may have been raised 50 percent, so there is no relationship, is there, between what Senator Murdock is trying to bring out and the increase in prices?

Mr. WASON. None that I can put together.

Senator CAPEHART. Because unless we know what those items cost that particular retailer, we do not know whether he is making a profit on each of them or losing money, do we?

Mr. WASON. That is correct.

Senator MURDOCK. But if you exclude profits now, and we concern ourselves, as you gentlemen seem to want to, with price control, then we do find that OPA has allowed, according to your evidence, an increase of 23 percent on the price of food in the grocery stores. Isn't that true?

Mr. WASON. That is a wide area, but all these may never have been under OPA ceiling. I am not going—

Senator MURDOCK. You have submitted them.

Mr. WASON. I have not run into that.

Senator MURDOCK. You are the one that has submitted them now to prove something, and I accept them, as I tell you, to prove the point that you make, and I exclude the profit theory that Senator Capehart has injected into the thing, and I ask you now if the proof that you have submitted to us is not proof of the fact that the grocery stores have been allowed under price control to increase prices 23 percent?

Mr. WASON. I don't think that that follows.

Senator CAPEHART. Mr. Wason, it evidently follows, but the weakness of the Senator's argument is that you do not know and he does not know and I do not know what those particular items cost that retailer.

Mr. WASON. Nor whether they were on—

Senator CAPEHART. They may have cost him an amount—while they are up 23 percent over what they were in 1943, he could still lose money on them, because until we know what they cost the retailer then what we are talking about is absolutely obvious, and you get no place.

Senator MURDOCK. Senator, can't you and I—I think that we both have the ability to exclude profits entirely from the discussion. We forget that. We look at only the prices that the witness has submitted to us.

Senator CAPEHART. That is right.

Senator MURDOCK. He proves, if his proofs are correct—

Senator CAPEHART. May I say—

Senator MURDOCK. And for the sake of the argument I am willing to accept them—that the OPA has not held the line, but it has allowed the retailer, the grocery stores, to increase prices by 23 percent; is that right?

Mr. WASON. Well—

Senator CAPEHART. But, Senator, maybe a better way for you and I to agree is—

Senator MURDOCK. Well, is that right, that the evidence here today that you are submitting shows that the retailer of groceries in the store you selected, has been allowed to increase prices 23 percent?

Mr. WASON. I agree with you, Senator Murdock, that—

Senator MURDOCK. I don't want you to agree.

Mr. WASON. That the prices—

Senator MURDOCK. I just want you to answer the question, if it is an appropriate question.

Mr. WASON. Well, I agree with you that the prices are up 23 percent despite Mr. Porter's statement that they were the same or lower.

Senator MURDOCK. And will you agree with me on this: That regardless of the profits and regardless of Chester Bowles and Mr. Porter, the wage earner and the salary earner in this country are dig-

ging down into their pockets and paying the groceryman 23 percent more than what the prices were at the time you began this sample?

Mr. WASON. Yes, sir; I agree.

Senator CAPEHART. Mr. Wason, will you agree with me that if those figures are correct—and we will take them as being correct at the moment—that it is unfortunate for the American people to have a couple of governmental officials get on the air and try to make these people believe that prices have not gone up, and make mistatements?

Mr. WASON. The air is fouled with irresponsible statements that should be checked and this is one attempt to check them.

Senator MURDOCK. Would you say that this is a responsible effort to check the statements made by Bowles, this sample of one store?

Mr. WASON. Yes, sir.

Senator MITCHELL. Mr. Wason, you said prices had gone up 23 percent on the items which had gone up.

Mr. WASON. Yes, sir.

Senator MITCHELL. Did that include the items which had gone down?

Mr. WASON. No, sir.

Senator MITCHELL. What would be the percentage if you had used those in the compilation?

Senator MILLIKIN. Mr. Wason, I think we should clear up this point: We are talking in terms of percentage applying to items, not to costs.

Mr. WASON. That is right. I did agree with Senator Murdock that prices had gone up 23 percent, but that is only on those that went up.

Senator MITCHELL. I wondered what the percentage would be if you had taken into consideration all the items you had in your list.

Mr. WASON. It would be 14 percent.

Senator MITCHELL. Then the picture you were giving of a 23-percent increase was not quite correct?

Mr. WASON. The statement I read was for the average of the increases since 1939, the average of the increases being 23 percent.

Senator MITCHELL. But the public as a whole is interested in the average costs.

Mr. WASON. I don't know that.

Senator MITCHELL. Increased costs.

Mr. WASON. I don't know that, but that is your sample.

Senator MITCHELL. You were saying the cost had been increased by 23 percent. Now you say it is 14 percent. That is correct, isn't it?

Mr. WASON. No, sir; the statement I made is——

Senator MITCHELL. No; I mean the correct statement in regard to prices you brought in here in those charts is that all those prices have gone up only 14 percent.

Mr. WASON. The statement I made is that the average of the increases——

Senator MITCHELL. Yes; but I am trying to get the average of all the prices on the chart.

Mr. WASON. They are all listed there. They are included later in a summary.

Senator MITCHELL. It is a true statement of the increase in cost there that the increase of cost on the articles you do have is only 14 percent? Isn't that what you just told me?

Mr. WASON. The average of the items that increased in price was 23 percent. The average of the increases.

Senator MITCHELL. And the average of all the items you brought in there is 14 percent?

Senator CAPEHART. There cannot be an average on those that there is no increase on. That doesn't enter into the average you get there.

Senator BANKHEAD. What was the average on the articles that had been decreasing? What was the average decrease?

Mr. WASON. On all the percentage was 14 percent, ups and downs.

Senator BANKHEAD. That is the average on the ones up and down?

Mr. WASON. Yes, sir.

Senator BANKHEAD. Including the ones that had decreased?

Mr. WASON. Yes, sir.

Senator BANKHEAD. Well, did you figure the average of those that had decreased by themselves, as you figured the ones that increased, and if so, what was that percentage?

Mr. WASON. The number of those that declined will be five, Senator Bankhead, and that was not worked out.

Senator BANKHEAD. All right.

Senator MITCHELL. If you had brought in the complete story for the committee you would have to go through all the items listed on the Bureau of Labor Statistics cost of living list, would you not?

Mr. WASON. Why so?

Senator MITCHELL. Well, this would not give us the complete story on the price picture——

Mr. WASON. The story we want to bring to you is there.

Senator MITCHELL. As amplified by Bowles' and Porter's statements.

Mr. WASON. We are not concerned in this particular discussion with the price of foods of any particular store. We are concerned with the veracity and the irresponsibility of public officials broadcasting night after night to propagandize the public at your expense.

Senator MITCHELL. I think the whole Congress is interested in that question, not only public officials, but private organizations.

Mr. WASON. We would be glad to submit our figures also if they would be of interest.

Senator MILLIKIN. Mr. Chairman, the subject becomes somewhat confused and the point to which Mr. Wason was driving has become somewhat confused. So that we might have it in its clarity again, let me suggest that you go back to that conversation where Bowles and Porter were talking with each other and asking each other questions and giving each other favorable answers, and then bring out your point again, so that we will know exactly what you are talking about.

Mr. WASON. I would be glad to, Senator. On April 8 in a Nationwide broadcast over the Columbia Broadcasting System, Mr. Bowles said to Mr. Porter:

I have found out that when you tell some women that food prices have been held since 1943 they often look as though they didn't quite believe you.

Senator MILLIKIN. You are not making that seductive enough. You have to get a better tone in your voice.

Mr. WASON. I didn't know I had that power.

Senator MILLIKIN. Go ahead.

The CHAIRMAN. I think we ought to go on.

Mr. WASON. Mr. Porter replied:

Well, I have had the same experience. I guess it is perfectly natural. I think the main reason for it is that most families have had more money to spend during the last few years and they have been buying more and better food. Now, of course, their total food bills are higher. They very easily get the impression that prices are high. Now, here is a very good way for a housewife to check statistics in her own way. Go down to the local newspaper office and ask them to show you a local food store advertisement for May of 1943. That is the month after the hold-the-line order was issued, and compare prices that you find in that ad to the prices being advertised today. Almost invariably you will find that the average market basket of groceries can be bought today for the same amount or perhaps a little less than it cost 3 years ago.

Senator MILLIKIN. All that you are attempting to do at this point is to refute that statement; is that correct?

Mr. WASON. Yes, sir.

Senator MITCHELL. With the items from one store in one city.

Senator MILLIKIN. A representative city, so it is said.

Senator CAPEHART. Senator Mitchell, it would at least apply to those ladies that purchase from that particular store, would it not?

Senator HICKENLOOPER. It seems to me that is directly what you were invited to do in this statement by Mr. Porter. He said, as I heard it,

Go down to the local newspaper office and ask them to show you a local food store advertisement for May 1943.

Is that what you did?

Mr. WASON. Exactly.

Senator HICKENLOOPER. Then you compared in that same store the prices obtaining today, or whenever you took this sample?

Mr. WASON. As he suggested.

Senator HICKENLOOPER. Yes.

The CHAIRMAN. I think we are over on page 9 now are we not?

Mr. WASON. Even here in Washington, right under the nose of OPA, and probably in the very stores from which the families of its officers buy their food, the same proof is to be found. A similar check here of prices today with 3 years ago shows that of 101 items, only 7 have gone down, 13 are the same, 41 are not available, and 40 show an increase. This is 8 out of every 10 items which either are not available or have increased in price.

I would like, if I may, to supplement this.

Since this testimony was prepared we have obtained the results of a coast-to-coast survey made by affiliates of the National Industrial Council. It covers 722 companies of various sizes. It shows that OPA rulings have forced 60 percent of these companies to abandon production of certain goods for which there is a strong public demand.

Practically all companies had undergone increases in unit costs since the period on which their price ceilings are based. Only half of them had applied for price relief. The reason for the reluctance of the other half is plain when we examine the experience of those who did apply. Less than half obtained any relief whatever, and only 1 in 8 got sufficient increases to match the increase in unit costs.

Fifty-three percent of all the reporting companies declared that in recent months OPA has caused fewer jobs than would have been available without OPA; 58 percent said that OPA regulations were interfering with job-creating programs that had been planned for the postwar period.

Senator MITCHELL. Mr. Chairman, I wonder if those questionnaires could be submitted to the committee?

Mr. WASON. Certainly.

Senator MITCHELL. And the committee could check them.

Mr. WASON. Certainly.

The CHAIRMAN. All right.

Senator MITCHELL. Thank you.

The CHAIRMAN. Will you go on, please?

Mr. WASON. It is time to stop being bluffed by the phony figures and the misleading claims put out by OPA. We are in the midst of a serious inflation in this country. This inflation can and must be brought to an end.

Inflation is caused by an increase in the amount of money spent in relation to the supply of goods available. Inflation is not caused by the amount of savings the people have—the 145 or 300 billion dollar figure that OPA keeps talking about.

It is only when money is spent that you get inflation. That is why Government deficits which are financed by borrowing from the banks are so dangerous. Such deficits represent the creation and spending of money without an equivalent increase in the production of goods. The effect of such spending is wholly inflationary. This is the reason why it is imperative to bring the Federal Budget into balance.

But even if the Budget is balanced inflation will never be stopped so long as the present policies of OPA are continued. OPA is, in and of itself, one of the most powerful and dangerous inflationary forces in this country today. On the one side, through its scare campaign it is frightening the American public into spending its savings. On the other side, it is holding down production and preventing that flood of goods onto the market which would meet the peoples' pent-up demands.

Imagine what the effect upon an uninformed person must be when Chester Bowles or Paul Porter tells him week after week that except for OPA prices would skyrocket; that we are in danger of the most disastrous inflation in our history.

Senator MITCHELL. Well, Mr. Wason, do you not think the Government has the responsibility of pointing out increases in prices during this period, as compared to another inflationary period?

Mr. WASON. I think when it does it should also point out parallel production capacity figures so that the public can be completely, instead of partially, informed.

Senator MITCHELL. Well, I note in that chart that you put out, price increases between 1939 and 1945 without any reference to any other figures at all.

Mr. WASON. Which chart is that, please, Senator?

Senator MITCHELL. It is the chart on page 3 of your publication, An Answer to OPA by NAM, which you sent me with a covering letter on April 15.

Mr. WASON. I don't see the chart. Is this it? [Indicating.]

Senator MITCHELL. It looks like it, page 3.

Mr. WASON. Page 3 begins:

The first contention of NAM is that inflation——

Senator MITCHELL. Oh, I beg your pardon. I meant the list of NAM figures of price increases 1935 to 1939, showing metal products

have gone up 12 percent; fuel and lighting materials, 10 percent; housefurnishing goods, 21 percent; hide and leather products, 24 percent; chemical and allied products, 25 percent; miscellaneous products, 26 percent; building materials, 32 percent; textile products, 45 percent; fats, 54 percent; farm products, 101 percent; livestock and poultry, 103 percent; fruits and vegetables, 104 percent.

Apparently—I don't have the OPA chart here—apparently OPA published a chart showing the rise during World War I for these same articles. I think it is important the public have that same information. Your original chart did not give that to them.

Mr. WASON. That was analyzed in our original statement in complete detail and presented to the House with charts, and reprints of those charts are available in the statement that you certainly can have, and should have had.

Senator MITCHELL. I think it is here. I have had it. I did not find any complete analysis of that point.

Mr. WASON. It is an analysis in quite some detail. The rise in prices following World War I amounted to 22 percent.

Senator MITCHELL. Twenty-two percent?

Mr. WASON. Yes, sir.

Senator MITCHELL. Well, then, the OPA figure—

Mr. WASON. That is following World War I.

Senator MITCHELL. In this statement the comparable figures are 12 percent for metal and metal products; and the rise during World War I was 77 percent, and the peak of inflation in World War I was 99 percent. Fuel and lighting, your figures are 16 percent and the comparable period for World War I is 194 percent, with the peak of inflation at 277 percent. That runs straight through with comparable rises.

Mr. WASON. We are talking in our presentation of the current American situation.

Senator MITCHELL. The past has nothing to do with the current situation?

Mr. WASON. In World War I three-quarters of the rise took place before the armistice and the rise thereafter was 22 percent.

Senator MITCHELL. You mean we would be in better shape now if we had had a greater rise during the war?

Mr. WASON. The OPA story is that we had a boom and a bust following World War I because they were not in existence at that time.

Senator MITCHELL. Your story is that it would be better if we had had that boom already?

Mr. WASON. Our story is that the production capacity that America engendered to win this vastly longer and more costly war is kept idle by OPA preventing production of goods.

Senator MITCHELL. How do you mean kept idle? I don't follow that in view of your own charts here showing that the productive capacity is considerably higher now than it was in July 1940.

Mr. WASON. I have an analysis of it further on if you will permit me to proceed.

Senator MITCHELL. All right. Fine.

Senator CAPEHART. Mr. Wason, do you agree with me that whether they use figures after World War I or World War II that scare people that the net result is the same?

Mr. WASON. The scare should be stopped.

Senator CAPEHART. They frighten people into believing we are going to have inflation; we had it after World War I and it is inevitable. That has a tendency to frighten people. They go out and buy more than they should and prices go up.

Mr. WASON. Yes, sir; and the scare propaganda incites them.

Senator MILLIKIN. I would like to ask you a leading question, Mr. Wason, which I hope will produce a one-word answer.

What was it that ended the rise in prices after World War I?

Mr. WASON. Production of goods.

Senator MILLIKIN. Exactly.

Mr. WASON. During the war the American people were able to save billions of dollars. It is to the interest of all that these savings be preserved as a protection against the future. But they will not be preserved if OPA's irresponsible scare campaign is continued. If this campaign succeeds in frightening people into dissipating their savings, it not only will destroy the nest eggs of millions of American families, but will add untold billions to the inflationary pressures on prices.

OPA claims that it is not hindering production. It boasts that production is now as high as it was in 1941.

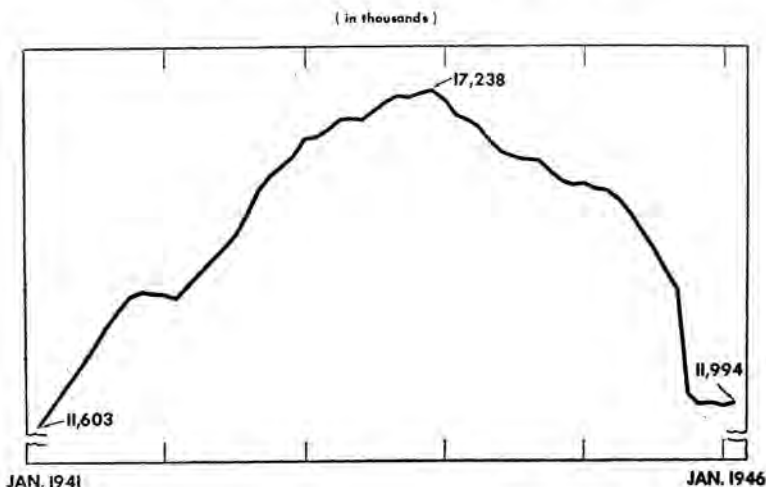
Anyone who knows America should be ashamed to make that boast. During the war we increased our productive capacity, as measured by actual output, by well over 100 percent. Yet here we are, 8 months after the war is over, still struggling along at immediate prewar levels.

This is a pathetic record for a country with our possibilities. Production today should be 25, 50—and in many lines, 100—percent above what it is. Just the normal rate of increase in manufacturing since 1941 would give us an over-all figure of better than 25 percent above our present level.

OPA boasts that today we have the highest peacetime employment in our history. Of course we have. But look at the record of employment in manufacturing as shown by this chart:

(The chart referred to is as follows:)

EMPLOYMENT IN MANUFACTURING



Source: Bureau of Labor Statistics

Mr. WASON. In 1941 at the beginning there were 11,603,000 people employed. At the peak in 1943-44 there were 17,238,000. In January 1946 there are 11,994,000.

Senator CAPEHART. That is in the manufacturing business?

Mr. WASON. That is in the manufacturing business.

Senator MITCHELL. Is it your contention that there should be no reconversion unemployment? That is shown in those figures, is it not?

Mr. WASON. Reconversion in America, for all practical purposes, is completed and has been for some months.

Senator BANKHEAD. Mr. Wason, it has been stated here, as I understand it, that production is higher in civilian goods than it has ever been. You say it is not. How can we get the real facts about that?

Mr. WASON. We analyze those facts for you a little further on, Senator Bankhead, if you please.

Senator BANKHEAD. All right. I am anxious to know who is right.

Senator RADCLIFFE. Possibly you have touched upon it or will a little later, but in response to a question from Senator Milikin as to the one factor which was necessary in your mind, you said production. Would you care to amplify in a way that statement from the standpoint of time? Do you believe now that production has gone so far that the OPA could be dispensed with entirely?

Mr. WASON. On manufactured goods.

Senator RADCLIFFE. Let me put the question another way. Do you believe if there had been no OPA following the ending of the war that production would have solved the problem without any dangerous inflationary movements?

Mr. WASON. At the end of the war, did you say?

Senator RADCLIFFE. Well, at some period back, say some period back. Say, 6 months back, or sometime prior to it. I mean at what time, if production could take care of the situation at any time at all, or has that always been the situation—if we had abandoned OPA at the end of the war and relied purely upon production, would we, in your opinion have avoided an inflationary movement?

Mr. WASON. Yes, sir.

Senator RADCLIFFE. Entirely?

Mr. WASON. Except for the deficit created by the Government.

Senator RADCLIFFE. I mean during the period——

Mr. WASON. Oh, we believe it would have been avoided.

Senator RADCLIFFE. Whether there had been an OPA or not, for a considerable period of time production of civilian goods would have been inadequate. I think we all realize that. It would have been utterly impossible for us to step into a situation when the production of civilian goods would have been sufficient for the purposes desired.

Now, the question I had in mind was, If that is the case, and I assume it is the case, that civilian goods could not have been produced at some period in the past in adequate amounts, did the OPA have any value in your opinion in heading off at that time on inflationary movement?

Mr. WASON. It did not.

Senator RADCLIFFE. Well, now, let me put it this way: Suppose the production of civilian goods was only one-fourth of what was needed at some period in the past, say 6 months past; if we had only been

producing one-fourth of the civilian goods which were necessary at some period of time in the past, do you still think without OPA there would have been no inflation?

Mr. WASON. There would have been faster reconversion than we had and it was remarkably rapid.

Senator RADCLIFFE. But I am trying to cover the period of time when it is admitted that production was clearly inadequate. Say it was one-third or one-fourth, or one-fifth—in fact, in some commodities it may not have been more than one-tenth of what was needed for ordinary purposes. If we had no restraints at all and no OPA at that time, in your opinion would there have been inflation of a dangerous nature?

Mr. WASON. There would not.

Senator RADCLIFFE. Well, now, what would have been the situation when there was need for 10 times the amount of goods which were available?

Mr. WASON. They are not available yet in many categories.

Senator RADCLIFFE. I am not talking about today. But at some period in the past it is admitted production of civilian goods was only a small part of what was needed. Let us take, for the sake of argument, some particular period in regard to some special commodity, the need for goods was 10 times what you had on hand.

Mr. WASON. Like automobiles now?

Senator RADCLIFFE. Yes, something like that. For every article there were 10 or 20 purchasers. Don't you think there would have been some inflation then, or in your opinion, how would it have worked out?

Mr. WASON. May I offer a rather complete answer to that?

The National Association of Manufacturers recommended that price controls be terminated 6 months after the war. We still think that is when they should have been terminated.

Senator RADCLIFFE. Well, of course, 6 months was an arbitrary period.

Mr. WASON. I am sorry, Senator Radcliffe, but it was not. Our position arose out of an analysis of the munitions index—the munitions-production index. We took the figure at which the civilian economy was undisturbed, when we began the manufacture of munitions and set up the index. We followed that to its peak and predicted the time that the civilian economy would again be normal after the ending of munitions purchases, and that date happened to be February 14, 1946. We selected that date because at that point the civilian economy would have returned to normal. It was prevented from returning to normal by OPA restrictions and constrictions on the economy.

Senator RADCLIFFE. Well, now, Mr. Wason, I assume when you made your estimate of 6 months you were reckoning upon certain factors which you regarded more or less as constant and some which must have necessarily been variable. It is pretty hard to forecast. A lot of people in this country have forecasted and have been wrong in those forecasts, particularly in the Government itself.

It was very difficult to determine what were constants and what were variables. I think the number of variable factors which have entered into it have been larger than expected. There have been lots of reasons suggested why that is true, so that I should not think

you could predict any period of time unless you had a pretty definite idea in your mind as to what those constants and variables were going to be.

But I would appreciate it if you would give me an answer to that other question. Supposing at some period in the past there was a need for 10 times the amount of goods available—10 purchasers for every 1 article you had. What would happen? I am not arguing the matter. I am just trying to get information from you.

Mr. WASON. There would have been a rush to produce goods that could be purchased, at a profit.

Senator RADCLIFFE. Yes, but that cannot be done immediately. Of course, you are a manufacturer and you know much more about that than I do, but whether there is an OPA, or whether there isn't, you do not get reconversion immediately, all at one time. It requires a considerable period of time. I don't know how long it has been, whether it has been every bit of a year, or not, but at best it would be a considerable period of time before that 100-percent production could be reached, and I am just asking about that period of time, whether it was long or a short period how, in your opinion, you felt it ought to be covered?

Mr. WASON. Well, our estimate indicated that the productive capacity to take care of the civilian need would be adequate as of the 15th of February. Beyond that it was supplemented by the tremendous increase in the industrial production capacity of the Nation and what worries us is that somewhere ahead of us, Senator, the American public is going to turn to the manufacturers and say, "Whatever became of the production organization that did so much to assist in winning the war?" Our answer is that it is prevented from getting into full use by OPA.

Senator RADCLIFFE. Well, I can readily understand that the restrictions of OPA would have some limiting power upon production. It may be great or may be little, but certainly I can readily see it would have some.

But I was particularly interested in knowing how this interval would be covered, just what your theory would be as to how it would be covered. You suggested 6 months, but, of course, that was an estimate of time which, as I say, is based upon the interplay of many factors; and it is pretty hard for us to tell how those factors are going to work together.

Whether OPA helped or not, I don't know, probably not as well as they should have. Maybe OPA in some respects impeded it and maybe in some respects they did not, but certainly at some period of time there was a period of time when there was not sufficient production and we would have to reckon on what would happen with the tremendous market for goods and the supply totally inadequate.

Mr. WASON. May I analyze your question by an example?

Senator RADCLIFFE. Yes.

Mr. WASON. There is a shortage of automobiles that is very great. It is not going to be cared for in the next 3 or 4 or 5 years, by whatever application to the problem. But the manufacturer of an automobile is in a position where his assets are not in his buildings and equipment, his tools, or his cash. His asset is in the good will of the American public. Without that he cannot survive and therefore he will use the utmost good sense in pricing his product to assure himself that when

that automobile is exhausted the same company will be asked to replace it. That is true——

Senator RADCLIFFE. That is in more or less normal times, but in a time where production is so grossly inadequate that is a matter that has bothered me a great deal in the last year or so, just exactly how are you going to tide over a period when there is such a wide divergence between production and the needs and demands of the people?

Mr. WASON. May I say this: The War Production Board liquidated itself and few indeed have been the criticisms that have ever come to the members of this committee about that liquidation.

Senator RADCLIFFE. Yes; I realize that, too, but the manufacturers in this country had a gigantic problem, I suppose the greatest we have ever had in our history, because it is probably harder to go from all-war to all-peace than it is from all-peace to all-war. I imagine it is probably harder. Therefore they had to work out the problem of finding some way to get back to civilian production and get there 100 percent.

I don't think any form of industry has been called upon, probably, for a more severe test than the manufacturers had in meeting that new requirement.

Mr. WASON. They have reconverted, Senator, but are hindered from utilizing their facilities.

Senator RADCLIFFE. Let me ask you this, and I won't trouble you for any more questions.

Mr. WASON. It is no trouble, I assure you.

Senator RADCLIFFE. I think you are probably of the opinion that there was some period of time when something was necessary to take care of the situation while our production was inadequate. Now, do you feel that if there was any such need at that time, if that need you considered to exist, that production has gone so far in this country today that nothing whatever is needed in the way of governmental action?

Mr. WASON. Senator, it is our contention that OPA controls should have been taken off when the war ended, or shortly thereafter. It is our experience that with OPA controls the flooding of the market with consumer goods is prevented. It is our prediction that when 1947 comes around the task of taking off OPA June 30 will be just as difficult as it is today, because it creates its own obstacles.

Senator RADCLIFFE. And you would take them off today assuming that the demand is still, we will say, three or four times the amount of production at this particular time—you would take them off today?

Mr. WASON. Yes, sir; today, or June 30.

Senator RADCLIFFE. Irrespective of whether production has come up 100 percent or 80 percent or 60 percent or 20 percent or 10 percent, or whatever it is?

Mr. WASON. The people in OPA don't understand the functioning of the economy.

Senator RADCLIFFE. That may be true, but whether production is 10 percent or 20 percent or 50 percent or 70 percent or 80 percent, you would still take them off today?

Mr. WASON. Yes, sir; and permit production, because competition will smother inflation.

Senator RADCLIFFE. If there is only 10 percent production at this particular time isn't there some danger of inflation until production

moves up in this particular commodity? As long as you have production only of 10 percent, do you not think there is some inflationary danger?

Mr. WASON. The danger from inflation comes from OPA and from deficit financing.

Senator RADCLIFFE. Well, we have had inflation when there wasn't any OPA. Inflation occurred throughout history, in this country and every other country. You know more about that than I do. Inflation has been the curse of industry and of mankind. There has been plenty of inflation when there has been no OPA. So I want to find out whether you are of the definite opinion that in regard to any commodity where production is only 10 percent today you would still take it off. You may be right in any conclusions you reach, but I was interested in having your opinion, in some particular commodity where production today is only 10 percent.

Mr. WASON. I don't know where you get the 10 percent figure, Senator Radcliffe.

Senator RADCLIFFE. Is the production of automobiles more than 10 percent today? I don't know.

Mr. WASON. I have those figures and will supply them.

Senator RADCLIFFE. Well, let's take 20 percent. I was taking 10 percent arbitrarily, but there must be some commodities where production has hardly begun. Let's take some other figure, say, 20 percent, but certainly in regard to some commodities production is very, very low today.

I was interested in knowing what was your idea of what was the best thing to do in regard to that commodity. Would you take away all restrictions and let the market conditions adjust themselves as best they could, or would you preserve the OPA restrictions or something else for a while longer in the hopes that you have, and all of us have, that soon we can get rid of the whole thing?

Mr. WASON. OPA says there are 8,000,000 items to be priced; that there are 3,000,000 distributors. We believe that the minds of the 3,000,000 distributors working with 8,000,000 prices are vastly more intelligent than anybody sitting in OPA, or all of them put together.

Senator BUCK. Mr. Chairman, it is now after 5 o'clock.

The CHAIRMAN. I thought we might try to finish with Mr. Wason by 5:30.

Mr. WASON. I can go right along.

Senator MITCHELL. Mr. Chairman, I would like to ask a question on Mr. Wason's production figures.

The CHAIRMAN. Very well.

Senator MITCHELL. Have you seen the report today of the Federal Reserve System?

Mr. WASON. No, sir; I haven't.

Senator MITCHELL. In that statement which was issued to the press today, and I will quote from it, it says:

Production at factories and mines, according to the Board's seasonally adjusted index, rose from a level of 153 percent of the 1935-39 average in February, to 169 in March.

That seems to indicate to me an increase in production far over what you have indicated to the committee.

Mr. WASON. Could I analyze a recent statement by John W. Snyder?

Senator MITCHELL. Well, first, I would like to state this: It seems to me 169 percent on 1935-39 average production means that we have increased production considerably. It doesn't seem to gibe at all with your figures. I would like to have you analyze your own figures in the light of this.

Mr. WASON. I haven't seen that report, but I would be glad to study it.

Senator MITCHELL. The only point is that the Federal Reserve figures have been quite accurate.

Mr. WASON. Yes; I am using some today a little further on.

Senator MITCHELL. One hundred and sixty-nine percent of 1935-39 production indicates quite an increase of the productive output of the American economy.

Senator CAPEHART. I thought you said that covered mining.

Senator MITCHELL. No; it says production at factories and mines.

Senator CAPEHART. Factory production?

Senator MITCHELL. Factory and mine production.

Senator CAPEHART. One hundred and sixty-three percent?

Senator MITCHELL. One hundred and sixty-nine percent.

Senator CAPEHART. Of the 1935-39 index?

Senator MITCHELL. Yes.

Mr. WASON. In 1935-39 we were in a depression. We had come up to the end of the depression, supposedly, but in January 1940 there were 10,000,000 unemployed. In the base period 1936-39 6 out of 10 corporations in America operated without a profit. If we couldn't show an improvement above that base there certainly is something wrong with America.

Senator MITCHELL. In other words, your statement is that even with the OPA we have shown a tremendous improvement over prewar production?

Mr. WASON. Well, we had a war that took us out of the depression. The OPA has nothing to do with that, except to prevent production. It doesn't increase it.

Senator MITCHELL. Our return to production since the war peak, when we were making only war materials, has been quite good.

Mr. WASON. Where is that, please?

Senator MITCHELL. The 169 percent.

Mr. WASON. I haven't read that. I am sorry that I am not able to comment on it without having read it. I hope you will forgive me.

Senator MITCHELL. If you have any chance to study it, I wish we could have a statement for the record.

Mr. WASON. We would be glad to supply that.

Senator MITCHELL. Mr. Chairman, I would like to request permission to place this statement in the record.

The CHAIRMAN. That may be done.

(The statement is as follows:)

Board of Governors of the Federal Reserve System.

For release in afternoon papers, Tuesday, April 23, 1946.

The following summary of general business and financial conditions in the United States, based upon statistics for March and the first half of April, will appear in the May issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve banks.

National Summary of Business Conditions: Industrial production advanced considerably in March and appears to have declined only moderately in the early part of April notwithstanding a complete shut-down in the bituminous coal industry and some reduction in output at steel mills. The value of retail trade has continued to set new records during this period and wholesale commodity prices have risen further.

Industrial Production: Production at factories and mines, according to the Board's seasonally adjusted index, rose from a level of 153 percent of the 1935-39 average in February, to 169 in March. This is slightly above the level reached last November before production was reduced by strikes in the automobile, electrical equipment, and steel industries. In April the index will probably show a decline of three or four points, as decreases in coal and steel are only partly offset by continued increases in other industries.

The large increase shown by the total index in March was due for the most part to a sharp recovery in steel ingot production following settlement of the labor dispute. There were production gains also in industries manufacturing automobiles; machinery; stone, clay, and glass products; furniture; textiles; paper and rubber products. These gains in steel and other industries were offset only in small part by declines in the nonferrous metal industries, some food industries, and crude petroleum.

Steel ingot production for the month of March averaged 84 percent of capacity as compared with 20 percent in February and at the end of March was close to 90 percent. Subsequently, the tie-up reduced coal supplies, steel output declined, and by the fourth week of April was down to a rate of 74 percent of capacity. In the automobile and machinery industries production increased substantially during the latter part of March and the early part of April, reflecting improvement in steel supplies and settlement of important wage disputes.

Output of stone, clay, and glass products continued to advance in March and production in the first quarter of this year exceeded the previous peak levels reached at the beginning of 1943.

Output of nondurable goods rose further in March to a level of 168 percent of the 1935-39 average, the highest level since last June. Production of nondurable goods for civilian use is now in larger volume than at any previous time. Activity at woolen mills has shown an exceptionally large advance since the end of last year and, with marked increases in cotton consumption and rayon shipments, the Board's index of textile production in March was at a level of 162 percent of the 1935-39 average. This equals the previous peak rate at the beginning of 1943.

Mineral production declined in March as a further advance in coal production was more than offset by a decline in crude petroleum output and by work stoppages at important metal mines. Activity at bituminous coal mines was suspended beginning April 1 owing to a labor-management dispute over a new wage contract.

Employment: Employment in nonagricultural establishments rose by about 600,000 in March after allowance for seasonal changes. This rise reflected increased employment in manufacturing—largely in the iron and steel group—and continued gains in trade and construction. There were further substantial releases from the armed forces. The total number of persons unemployed remained at a level of about 2,700,000 in March.

Distribution: Department store sales rose sharply in March and continued at a high level in the first half of April. Total sales during the Easter season are estimated to have been about one-fourth higher than last year.

Freight carloadings during March were close to the record rate for that month reached last year. In the first 3 weeks of April loadings declined, reflecting the stoppage of bituminous coal production. Shipments of most other classes of revenue freight continued to increase.

Commodity prices: Wholesale prices of agriculture and industrial commodities continued to advance from the middle of March to the third week of April. The general level of wholesale prices is now higher than last September by something over 4 percent. In recent weeks ceiling prices for a number of products have been raised considerably and where ceilings have been removed prices have generally risen. A bonus of 30 cents a bushel has been granted on wheat delivered by May 25 under the certificate plan to help meet the critical food situation abroad, and a like payment has been offered for 50,000,000 bushels of corn. Subsidy payments for some commodities have been increased to prevent further price advances.

Bank credit: Member bank reserve positions tightened in the last half of March as Treasury deposits at the Reserve banks were increased by large income-tax collections. Banks sold short-term Government securities largely to the

Reserve banks, and drew down their reserve balances to meet this loss of funds. Reserve positions were eased on April 1 in connection with the cash redemption of \$20,000,000,000 of Treasury certificates on that date, and in the following weeks banks bought Government securities and reduced borrowings at Reserve banks.

Commercial and industrial loans at member banks in leading cities increased further. Loans to brokers and dealers rose at the end of March in connection with Treasury security retirement operations and declined sharply in the week ending April 3. Deposits, other than those of the Treasury, fluctuated considerably, reflecting large income-tax payments and the April 1 tax assessment date in Illinois.

Yields on long-term Treasury bonds have remained relatively steady following a sharp decline in January and the first half of February.

Senator CAPEHART. Mr. Chairman, let me make this suggestion: If the figures that Senator Mitchell has entered into the record are correct, and I think they are—

Senator MITCHELL. They are not mine. They are the Federal Reserve Board's.

Senator CAPEHART. Well, if they show an increased production of 169 percent above 1939, let me ask this question: What percentage does this Congress wish industry to increase its production to before they eliminate OPA? If the figures of the Federal Reserve are correct, that they are up 169 percent above 1939, then at what percentage increase are we justified in eliminating OPA? Is it 200 percent? Is it 250 percent? Is it 300 percent? It would seem to me as though if we eliminate OPA any time that the production of civilian merchandise—that is what he is talking about—is at least 150 percent above what it was prior to the war—

Senator RADCLIFFE. Senator Capehart, don't you have to break that down?

Senator CAPEHART. Possibly so.

Senator RADCLIFFE. I mean, there are some commodities where that is certainly not true. You can't just take the average. It is not quite as simple as that.

Senator CAPEHART. Would you be willing to have us recommend a law that stated when the production of automobiles equaled the 1939 production we would eliminate OPA on automobiles?

Senator RADCLIFFE. Well, in the first place, I don't know whether your standard is altogether right when you say 1939.

Senator CAPEHART. My opinion is that it is not, but they are using it as though it was.

Senator RADCLIFFE. I didn't know that.

Senator CAPEHART. That was my point. It was being introduced here as being the ideal here to compare with what was going on today. I merely used it because it was introduced into the record as being the ideal year. I don't think it is because we were in the depression then.

Senator TAYLOR. Mr. Chairman, may I ask a question of Mr. Wason?

The CHAIRMAN. Yes.

Senator TAYLOR. A while ago, Mr. Wason, you stated that OPA knew nothing about the workings of the economic system. Do you mean they are impractical people down there?

Mr. WASON. Yes, sir.

Senator TAYLOR. Do you understand that both of their top-flight men, like Mr. Baker, who was here before us today, the head of their

Food Division, or some division down there, who is on loan from General Foods, would you say that he knows nothing about it?

Mr. WASON. Well, that is one in how many thousands?

Senator TAYLOR. Of course, bookkeepers don't have to know anything about it. They take orders.

Mr. WASON. And they don't, either.

Senator TAYLOR. Well, wouldn't it depend a little bit on what Mr. Baker—on what position Mr. Baker held in General Foods?

Mr. WASON. Mr. Baker was a responsible man in a high position in General Foods and of fine repute.

Senator TAYLOR. It has been my observation that most of the top-flight men in charge of most of these departments are big men in their industry. We have taken pains to find out about that when they came before us. If they know nothing about it and an industry has just palmed off their dunderheads upon us, I would like to know it.

Mr. WASON. I would like not to answer that question.

Senator TAYLOR. I would like to say, Mr. Chairman, I analyzed these figures relative to the price increases in food that were on the chart there. I marked off four or five items that I certainly don't consider enter into the cost of living, such as Welch's grape juice, and Sunripe prune juice and so on. Grape juice is up 96 percent, and here is apple juice, 40 percent. Musselman's sliced pie apples. I never bought a sliced pie apple in my life or ate a pie that was made out of canned pie apples. That is up 70 percent. I marked off about four of those very high increases that are nonessential items. Then I averaged up the decreases and the increases and those that are the same, and it makes an average increase of 13.14 percent. That is bad enough but it is not nearly as bad as the chart.

Senator CAPEHART. Does the Senator from Washington agree to that, that apples are not essential?

Senator MITCHELL. Well, they don't have to can them any more. I would like to ask one question. Had you finished?

Senator TAYLOR. Yes.

Senator MITCHELL. When you replied to Senator Radcliffe you said you would recommend that OPA on manufactured articles be discontinued.

Mr. WASON. Yes, sir.

Senator MITCHELL. Should we infer that you would not recommend the removal of OPA over farm products and food?

Mr. WASON. We believe, Senator Mitchell, we would largely disqualify ourselves by seeming to speak for all segments of economy and have confined our recommendations to that segment with which we are familiar and on which we are informed.

Senator MITCHELL. Our only inference, then, is that as far as you can determine the OPA should stay on food articles.

Mr. WASON. Well, whatever your inference is.

The CHAIRMAN. All right. Will you proceed?

Mr. WASON. Reference was made by Senator Mitchell to the figures of the Federal Reserve Board. Your committee might also be interested in an analysis we have just completed of a statement by Mr. Snyder that in the first quarter of 1946, civilian production was at an annual rate of \$154,000,000,000, an increase of 44 percent over 1941.

Seemingly, this is an amazing record. But do the figures justify this conclusion? An analysis of these figures discloses that this in-

crease has developed in expenditures for amusements, such as race tracks, night clubs, and other such forms of entertainment, in increased pleasure travel by train, private car, bus and air, in trade, in Government, and in many other ways. The increase is not represented in production of goods, which is the one thing the Nation needs today. Let's analyze the figures and see just what is happening.

Senator MITCHELL. Well, just a minute, Mr. Wason. You realize that the Federal Reserve picture was not on any of those subjects. It was on production of factories and mines.

Mr. WASON. I am not referring to that, now.

Senator MITCHELL. Well, you did refer to it and I just wanted to make it clear that is the situation.

Mr. WASON. Senator Mitchell, I haven't read the document which you have offered here as yet. I have not had time.

Senator MITCHELL. I just wanted to make it clear it was understood.

Mr. WASON. I will.

Senator MITCHELL. I just wanted to make sure that report was not on pleasure but on production.

Mr. WASON. I am referring to John W. Snyder's statement in which he said that production was at the rate of \$154,000,000,000 and I would like to analyze it. The figure which Mr. Snyder used is based on gross national product, less purchase of war goods. Gross national product is an over-all figure of total expenditures of all kinds rather than a measure of physical output and of employment. The \$154,000,000,000 figure, when adjusted to 1941 prices, is \$125,000,000,000, compared with \$107,000,000,000 in 1941. Therefore, the increase in the value of total transactions is only 17 percent, not 44 percent.

Furthermore, official indexes of physical output were available to Mr. Snyder. These show a different picture. The Federal Reserve Board Index of Industrial Production fell from an average of 162 for 1941 to 154 in February 1946. The Federal Reserve Board Index of Manufacturing Production fell from an average of 168 in 1941 to 156 in February 1946. Industrial employment in manufacturing, mining, and construction fell from an average of 16,157,000 in 1941 to 13,899,000 in January 1946, a decline of 14 percent.

Senator MITCHELL. And has increased since then up to 169.

Mr. WASON. I judge that is what the figure is, Senator Mitchell. When a true and valid analysis is made, this is how Mr. Snyder's 44 percent increase becomes, in fact, a decrease. I judge what you have offered here was later figures on this same index. I am sorry to offer that comment without having read it.

With production capacity doubled and with people crying for goods, there should be at least 2,000,000 more workers in manufacturing.

This is one part of the story of OPA's effect on production and employment. Further evidence is provided by the preliminary production estimates for March which we have obtained from the Civilian Production Administration. May I say in passing that, in our opinion, the monthly reports on production of CPA are the best that are available. At least they state facts. May I say these are the figures Senator Radcliffe mentioned.

These preliminary estimates show:

Automobiles, 25 percent of prewar monthly average.

Trucks, 45 percent of prewar monthly average.

Laundry equipment, 75 percent of prewar.

Mechanical refrigerators, 30 percent of prewar.

Radios, about the prewar rate, but largely in small table models.

Electric ranges, no estimate available for March; February, about 40 percent of prewar monthly average.

Electric irons, also no estimate available for March; February about 80 percent of prewar.

Sewing machines, 35 percent of prewar monthly average.

Furniture, 65 percent of prewar.

In the case of some items production is up, of course. Automobile tires, enamelware, flatware, photographic equipment, are examples. On clothing and textiles no one seems to know what is going on. CPA is unable to make an estimate because the Bureau of the Budget will not approve expenditures for the collection of end-product statistics in this field. But we do not have to have statistics to know how serious the production lag is on these items. White shirts, underwear, low- and medium-priced dresses, low- and medium-priced men's shirts, low-priced men's socks, women's hosiery—almost all the everyday clothing that should be flooding the market is still being turned out in a relative trickle.

Senator MITCHELL. Did you happen to read or to hear Mr. Besse's testimony here yesterday in which he said there was plenty of suiting for men's suits but the trouble was on account of labor in the dress-making industry and the suit-making industry?

Mr. WASON. No, sir; I was here for a short time and heard part of his testimony. I didn't hear that.

Senator MITCHELL. You don't know the correctness of his statement, do you, whether it is labor and not production of materials, which is the bottleneck?

Mr. WASON. I don't question his testimony, of course.

Senator MITCHELL. Well, I wondered how much that would affect all of your statements through here, if you went industry by industry, whether other factors, such as labor, materials available, transportation, shortage of steel—

Mr. WASON. There are shortages in some industries. There are bottlenecks in some. There are excesses in some. There is no end of cotton available on the market, but transforming it into white shirts is prevented.

Senator MITCHELL. Well, how is the committee to know what weight to give to the labor shortage and the shortage of material and all the other factors which go into the production? If we believe your statement that reconversion is complete, then there is nothing but OPA, but apparently that is not the whole story.

Mr. WASON. Well, you know the strike situation just as well as we do and probably better.

Senator MITCHELL. Well, what weight are we giving to OPA as the factor which is curtailing production in this whole picture?

Mr. WASON. In our situation unemployment is increasing while manufacturing capacity is available in an endless amount.

Senator MITCHELL. Of course, that is no answer at all to the question.

Mr. WASON. Well, answering your question directly—and I know you want a direct answer—our belief is that OPA is restricting the freedom of the people, and our anxiety is the recovery of that freedom.

Senator MITCHELL. Of course, that is still no answer. I still have no answer to my question as to what part OPA is playing. Your statement indicates all the way through that OPA is 100 percent to blame, but now you say it is not 100 percent, it is some other percent.

Mr. WASON. When did I say 100 percent to blame?

Senator MITCHELL. Well, you have inferred that all the way through.

Mr. WASON. I haven't said it.

Senator MITCHELL. Well, can you tell us what the percentage is, then?

Mr. WASON. I should say a very large percent.

Senator MITCHELL. Fifty-fifty?

Mr. WASON. No, I would say it is the principal reason.

Senator RADCLIFFE. Mr. Wason, on page 13 you say these shortages are the result of OPA's effort to run our economy. That standing alone would seem to be the only cause, but I assume you had other causes in mind.

Senator BUCK. How long are you going to extend the meeting, Mr. Chairman?

The CHAIRMAN. I am going to quit now.

Senator BUCK. I thought maybe we could stay a few minutes and that the witness could complete his testimony if we didn't interrupt him.

The CHAIRMAN. I have been pleading with the Senators to stay with me.

Senator CAPEHART. Suppose we let Mr. Wason read his statement before we ask any questions.

Mr. WASON. I would appreciate it very much if I could finish for reasons which I think you understand.

The CHAIRMAN. Very well.

Mr. WASON. OPA tries to brush this evidence aside as a passing phase of reconversion. But 8 months after the war is over, such shortages cannot be blamed on reconversion. They are the result of OPA's effort to run our economy. They are the result of a group of inexperienced men telling American producers what they can produce, how much they can charge, what their profits should be, and how they should run their affairs.

The OPA says that the majority of businessmen favor continuation of these controls. Who are these businessmen? The House Banking and Currency Committee held hearings for over a month. Nineteen witnesses appeared for the extension of OPA as is. Twelve were representatives of Government agencies, mostly OPA. Only two, Henry Kaiser and Bernard M. Baruch, could possibly be classified as representing business.

On the other hand scores of producers appeared before the committee to prove that OPA is hindering production. Among these were representatives of one industry after another—textiles, tobacco, meat, oil, lumber, dairy, canning, clothing, fresh fruit, and vegetable and manufacturers generally.

Serious consideration must be accorded to these large producing groups if, as everyone agrees, the answer to inflation is production.

If you want to find ardent support for continuation of OPA without amendment, poll the left-wing organizations of this country. To them OPA is a symbol of regimentation—it is a device by which they

hope to bring about the great productive organization of this country to its knees.

This does not mean that left-wingers alone support OPA. Many sincere believers in our system of political and economic freedom favor continuing price controls. They favor this because they have been deceived into thinking that OPA is protecting them against inflation. But as they learn the truth they will turn against OPA with a vengeance.

And today they are learning the truth. Look at this advertisement which recently appeared in the Detroit Free Press [reading]:

March 15, 1946. Butter. Butter. Butter. One thousand pounds of butter for barter, not for sale. Due to Government and union labor strikes and slow-down in production, money will not buy the equipment the farmer needs to produce more food. Therefore, we offer 1,000 pounds of butter which represents 1,500 hours of farm labor on winter feedings in exchange for one new 8-cylinder automobile or one new 2-ton truck.

The present shortage of butter, which production is less than 50 percent of prewar production, is caused by price ceilings, subsidies, and OPA bungling.

Farmers have gone on strike; they have quit producing cream for butter.

The farmer will not trade 3 hours of his labor for 1 hour of industrial labor. Coldwater Dairy Co., 164 South Monroe Street, Coldwater, Mich.

Senator TAYLOR. Mr. Chairman, may I ask, Is that a cooperative creamery owned by the farmers or a privately owned creamery?

Mr. WASON. I don't know that.

The CHAIRMAN. Does anybody know?

(There was no response.)

Senator MITCHELL. Do you attest to the correctness of the statement in that advertisement?

Mr. WASON. I submit that advertisement from the Free Press.

Senator MITCHELL. You don't attest the correctness of the statement?

Mr. WASON. No, sir.

Senator MILLIKIN. Mr. Chairman, I may say on several occasions what purported to be tear sheets from newspapers have been sent me listing a large number of proposed barter transactions.

The CHAIRMAN. Go ahead.

Mr. WASON. Black markets that cost the American people billions of dollars in illegal tribute.

Shortages that keep them from getting the goods they need.

A scare campaign that endangers their savings.

A reign of tyranny over business.

A never-ending struggle to keep itself in full power, no matter what the cost.

This is the record being made by the Office of Price Administration.

As stated earlier, we can and must stop the inflation that is now rampant in this country.

Congress can extend the legal life of OPA. Congress can vote it an appropriation with which to operate. Congress cannot stop inflation by that process. Extension of OPA can only aggravate and perpetuate our present difficulties. Prices will continue to rise under OPA. The American people will suffer more and more. It is not possible for Congress today to give OPA the economic justification that it possessed in wartime and lost with the coming of peace. The concern of the American people is what will happen to prices if OPA dies on June 30. Will prices skyrocket, as OPA is shouting from the housetops?

There is no reason to fear a skyrocketing of prices if controls are taken off manufactured goods on June 30. Some prices will go up. They have to go up in order to cover the higher wages and higher costs of materials that have been forced upon our economy. This represents inflation that is already here and cannot be escaped. These increases will take place even though OPA is continued, as the record of recent weeks proves.

When subsidies are taken off of food, prices will rise 8 percent, according to Mr. Bowles. Actually, these prices are being paid now but the costs appear in taxes and borrowing instead of on the price tags of the goods bought. Beyond the costs of higher wages, higher costs of materials and costs hidden by subsidies and black markets—all of which are currently in existence—prices should rise very little. Some prices will go down. Responsible businessmen don't sacrifice markets built up over the years in order to make a quick profit of a few dollars. The real producers—those who have made our standard of living what it is—know that it is only by keeping their prices down that they can stay in business. They have achieved success, not by gouging the public, but by finding ways to give the American people better bargains. In their own self-interest they must follow this same policy when price controls are removed.

How much the over-all adjustments of prices will be in order to take care of increased wages and other costs of production cannot be determined now. Some prices will unquestionably drop. Others will advance. The average adjustment will be relatively insignificant.

More important, if OPA is not continued, you may be sure that prices will be lower on June 30, 1947, than they can be if price controls are continued for another year.

For these reasons, gentlemen, the National Association of Manufacturers urges you not to extend price controls on manufactured goods beyond June 30. We urge you to give the manufacturers of America a chance to turn out the goods with which to smother inflation. We urge you to give us an opportunity to price the black marketeers out of business—to put an end to the consumer gouging that today is being practiced by chisellers under the protection of the OPA. We urge you to permit us to flood the markets with goods that the public wants at prices which are fair.

This is not a plea for business profits. The NAM makes this plea in the interest of attaining the objectives stated earlier—maximum production, full employment at good wages, fair prices, fair profits, a rising standard of living for all the American people, and sustained prosperity without booms and busts.

Those objectives can be attained only if this Nation is successful in stopping the present inflation. To stop this inflation, NAM recommends that OPA controls on manufactured goods be terminated on June 30 of this year.

The CHAIRMAN. Mr. Wason, I have got a number of telegrams. I know you are going to say they are propaganda, but I think when people send telegrams to Senators they know what they are doing. There are 1,700 telegrams there for continuation of OPA and 26 against it. I know what your answer will be but I regard it as an expression of public opinion.

Mr. WASON. Senator Wagner, there can be no question but if the NAM or the other organizations that have come before you had the

propaganda machinery that the Government supplies and the millions of dollars with which to create opinion in its favor, that figure of 1,700 would be engulfed.

Senator MITCHELL. Mr. Chairman, Mr. Wason said earlier he would give the committee figures on the propaganda campaign of the manufacturer's association. I wonder if you could do that?

Mr. WASON. Surely. Surely.

Senator RADCLIFFE. Mr. Wason, don't you think it is fair to assume there are many people who favor OPA, its continuance, and many who are opposed to its continuance, who are not acting because of propaganda but who are acting from honest belief?

Mr. WASON. Yes, indeed.

Senator RADCLIFFE. That is the element in my mind. I am not concerned with propaganda because it appears in everything.

Mr. WASON. Yes.

Senator RADCLIFFE. But this is a highly controversial matter at best.

Mr. WASON. Yes, but Senator Radcliffe, on Monday Mr. Bowles appeared before this group. We learned from Germany over a long period of years beginning with Bismarck that propaganda is the statement of the same subject in many different places and sources at the same time. On the day that Mr. Bowles appeared here there were demonstrations across the United States. I was in Cincinnati on that particular day and here were these women demonstrating that OPA must be continued. Where does that arise? What is the central force behind this propaganda? Who pays for it?

Senator MITCHELL. Perhaps if NAM could come in here and give us some definite figures on prices that would ensue if OPA were abolished—

Mr. WASON. If we were astrologists we could do that.

Senator MITCHELL. That is the trouble. You are asking us to gamble. Now, what is the gamble? You haven't told us. You say how much the over-all adjustment of prices will be in order to take care of increased costs but the other costs of production cannot be determined now.

Mr. WASON. We give you a historic example, from 1790 to 1930, where in every decade American industry paid higher wages each decade and gave lower prices to the consumer, and made a fair return to the investor, over that 150 years.

Senator MITCHELL. But you cannot tell us what it would mean in prices to the consumer.

Mr. WASON. I do tell you that the same historic example will be reproduced in a free economy. We don't have a free economy now. We have an economy half slave and half free.

Senator MITCHELL. You still say you cannot tell us how much the over-all adjustment of prices would be?

Mr. WASON. I would say it would be relatively insignificant if you include the costs that you now are paying that don't appear on the price tag, black markets, subsidies, deterioration of quality, and increases of wages not absorbed. Now add these up and beyond that there will not be price increases.

Senator MITCHELL. But we haven't these added up in your statement anywhere, have we?

Mr. WASON. You can add them just as well as we can, if you wish.

Senator MITCHELL. No. I have no source for any information on what the black market is costing the Government, though apparently you have. I think you should give those figures to us.

Mr. WASON. Well, the OPA is the source of the black market.

Senator CAPEHART. Mr. Chairman, may I make the statement that there isn't anything in short demand today that is not being sold in the black market.

Senator MILLIKIN. That is another way of saying they are not holding the line, is it not? In other words, they hold the line where there is an abundance of supply and they don't hold the line where there are shortages. Isn't that correct, Senator?

Senator CAPEHART. That is correct.

Senator TAYLOR. Mr. Chairman, on page 13 of his testimony, Mr. Wason again referred to the experienced men in OPA. I would like to repeat again that the ones I have come in contact with, the top-flight men, are all borrowed from industry and know what they are doing, and I have noticed that every once in a while some top-flight economist will resign from the Government, and while they have been cursing him to high heaven as long as the Government employed him, immediately he resigns from the Government he takes a job in private industry for figures three or four or five times what he was getting patriotically serving his country.

And Mr. Wason wanted to know who these businessmen were who favored continuation of OPA. Well, I don't know what the Gallup poll considers to be businessmen, but I saw a poll the other day, and I think it said that 53 percent of the businessmen favored continuation of OPA.

Senator CAPEHART. Mr. Chairman, don't you think—didn't they likewise add: "If OPA became realistic"?

Senator MITCHELL. I think probably we all ought to become a little more realistic. I am told, Mr. Wason, that you made a speech in Michigan in January in which you said that the Bridgeport Chamber of Commerce had made a survey and, if OPA controls were not removed or relaxed, that 8,700 workers would have to be laid off in Bridgeport by the 15th of February. Is that true?

Mr. WASON. I don't have that before me, and that was not made by the chamber of commerce. They employed a firm of industrial engineers in Boston to make that survey for them. They called on 50 different manufacturers, and Manning, Maxwell & Moore operates a plant in Bridgeport, Conn., and we were one of the plants called on.

Senator MITCHELL. Did you find out what happened on February 15 in regard to employment in Bridgeport?

Mr. WASON. I have not.

Senator MITCHELL. You have not checked back to find out whether 8,700 people were off the rolls?

Mr. WASON. I know that our employment in our plant is not good.

Senator MITCHELL. You did not check to find out that actually 5,700 more workers were employed in Bridgeport plants, according to the employment surveys, than were employed on January 19?

Mr. WASON. Did you say USES?

Senator MITCHELL. That is right.

Mr. WASON. I would like to supply—

Senator MITCHELL. But you didn't check back on February 15 to find out what happened.?

Mr. WASON. I said that I did not.

Senator MITCHELL. Yes.

Senator TAYLOR. I would like to make reference here, Mr. Chairman, to a statement on page 14 of the testimony. It says:

If you want to find ardent support for continuation of OPA without amendment, poll the left-wing organizations of this country. To them OPA is a symbol of regimentation. It is a device by which they hope to bring the great productive organization of this country to its knees.

How is the recent act of the automobile workers in—at least the papers said that they elected a man to be president of that organization who was violently opposed by the Communists. How does that square with this statement that the CIO and these unions are in control and wanting to destroy our economic system? They are undoubtedly in favor of OPA, but at the same time they have taken steps to clean out communistic elements in their unions.

Mr. WASON. Does Mr. Reuther favor OPA?

Senator TAYLOR. I am quite certain he does.

Mr. WASON. Yes.

The CHAIRMAN. Do you think that he——

Mr. WASON. Sir?

The CHAIRMAN. You say he does not?

Senator TAYLOR. But you have someone in the newspaper that is talking about the Communist element.

Mr. WASON. He does.

Senator TAYLOR. He does.

The CHAIRMAN. Of course.

Senator TAYLOR. But he is no Communist.

Mr. WASON. Well, where is the quarrel with my statement?

Senator TAYLOR. Well, I thought it was the Communists that wanted to——

Mr. WASON. I didn't mention Communists, did I?

Senator TAYLOR. And here is another statement: "A never-ending struggle to keep itself in power," referring to OPA. I know that is not the truth, because I have seen good men leave the OPA, when they were begged to stay there, to go back to their private businesses. They want to get out of there, most of the good people, the top people, just as fast as they can; and naturally when they go, why, the whole thing is going to fold up. So we can discount the little people in OPA who are hanging onto their jobs.

Mr. WASON. You don't blame them for going, do you, Senator?

Senator TAYLOR. No, because they can certainly make a lot more in private industry than they are paid by the Government to serve the people. That is the same case I brought to your attention a while ago, of the economists who resigned from the Government to take jobs with private industry at greatly inflated salary rates.

Mr. WASON. I would like to answer the question, Senator Mitchell, the NAM expenditures for elimination of price control. A newspaper advertisement advertising—two complete advertisements and part of another, \$352,300; supplementary mats and reprinted literature, publicity, radio; bringing it all, including the \$352,000 up to the total of \$395,850.

I would like to say that OPA expenditures for extension of price control were summarized by Representative Charles W. Vursell, of Illinois, in the House on April 16. He said:

Mr. Bowles has been using a propaganda machine of 487 employees in his information bureau, plus an administration group of junior executives of 2,900, plus 650 top-flight executives—more propagandists writing script and bellowing from a thousand platforms over the air and through the press than there are Members of Congress, at a cost annually of over \$13,000,000 of the people's money.

Senator MITCHELL. Mr. Chairman, I wonder if Mr. Potter is in the room, to give us an objective statement on that.

The CHAIRMAN. Yes. Mr. Potter.

Mr. POTTER. What is the question, Senator? Zenas Potter.

Senator MITCHELL. The question is that the OPA is spending \$13,000,000—wasn't that the figure—in propagandizing OPA?

Mr. WASON. That is not my statement. I am quoting Representative Charles W. Vursell, of Illinois, in the House, who said, and I will read it so that you will be fresh on it:

Mr. Bowles has been using a propaganda machine of 487 employees in his information bureau, plus an administration group of junior executives of 2,900, plus 650 top-flight executives—more propagandists writing script and bellowing from a thousand platforms over the air and through the press than there are Members of Congress, at a cost annually of over \$13,000,000 of the people's money.

Mr. POTTER. I would say, in the first place, that the number of employees in the information department probably is correct. The information that there are 2,000 junior executives also engaged in that work, and a lot of top executives—I have forgotten how many—is an incorrect statement. I would also say that in that \$13,000,000—which includes all the costs of the ration books, which is the greatest printing job ever done in the history of this Nation—a book for every individual in America, and not one, but repeatedly printed—in that book are all the price charts for all the retail stores of America (1,800,000 retail stores we have) and I would say that the statement is a very gross incorrect statement of the expenditures of OPA for propaganda purposes. We do not spend money for propaganda purposes. We spend money to inform people about price regulations. If we did not inform them about price regulations, we could hardly expect them to be obeyed.

Senator CAPEHART. Well, Mr. Potter, would you say that the radio speech of Mr. Bowles the other night, while the House of Representatives was voting on the act—would you call that propaganda or information?

Mr. POTTER. Senator, my impression is that every top executive of every Government organization occasionally goes on the air to make a public talk. I would say also that that time was contributed by the broadcasting company and cost the United States Government nothing.

Senator CAPEHART. How much money would you say that OPA uses in publicity? Let us call it publicity or propaganda; it is one and the same. What would you say was strictly propaganda or publicity that was not included in the printing of needed supplies? Tell us the pay roll of the information.

Mr. POTTER. Do you call the printing of all of our regulations and their distribution propaganda?

Senator CAPEHART. No. A Member of Congress has made that statement. Now, it is quite a statement. I don't know whether it is true or not. I have no way of knowing. Now, you come along and deny it. You must admit that you spend some money in prop-

aganda. What would you say it would amount to in dollars and cents?

Mr. POTTER. No, I don't admit that we spend money on propaganda.

Senator CAPEHART. Any money whatever?

Mr. POTTER. I won't say that occasionally somebody somewhere in the press department or in the information department doesn't go overboard and make a slip that is against the regulations of the information department, but we don't spend money on propaganda. I will be glad to give a very careful analysis of this. I haven't seen this statement.

Senator CAPEHART. You understand I did not make the statement.

Mr. POTTER. No; I understand.

Senator CAPEHART. Neither did the witness.

Mr. POTTER. I understand.

Senator CAPEHART. It was made by a Member of Congress.

Mr. POTTER. I will be very glad to submit a complete analysis of that, information expenditures.

Senator MITCHELL. I think we should have that in the record, Mr. Chairman.

The CHAIRMAN. Yes; I think we should.

Senator MILLIKIN. Mr. Chairman, I think this is clear: That you fellows had better let the moths out of your pocketbooks.

Mr. WASON. Yes, sir.

The CHAIRMAN. Well, on tomorrow I hope to have a full session here, too. We are going to have Mr. Conover, of the American Mining Congress, and Mr. Bilharz, president of the Tri-State Zinc and Lead Ore Producers Association; Ernest V. Gent, secretary of the American Zinc Institute; Felix Wormser, secretary of the Lead Industries Association; James A. Reed, president of Donnelly Garment Co.; Mr. Walter S. Hallanan, and the American Petroleum Institute.

Mr. RUSSELL BROWN. Mr. Chairman, may I ask a question?

The CHAIRMAN. The committee will take a recess until tomorrow morning at 10 o'clock.

Mr. WASON. Mr. Chairman, may I express our thanks for your kindnesses and your courtesies. It has been a great pleasure to be here.

The CHAIRMAN. Thank you very much.

Mr. BROWN. Mr. Chairman, may I ask a question? I was on today's list.

The CHAIRMAN. What is that?

Mr. BROWN. I was on today's list as a witness. Do I understand—

The CHAIRMAN. Well, something happened to the list. I don't know. We are trying to do the best we can. Be around in the morning; we will see what we can do for you.

Mr. BROWN. Well, that is fine. I will be here tomorrow.

(The following was later received for the record:)

STATEMENT BY R. L. WHITE, PRESIDENT NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION FOR PRESENTATION BEFORE SENATE COMMITTEE ON BANKING AND CURRENCY IN RE S. 2028

WHO IS APPEARING

My name is R. L. White. I am president of Landers Frary & Clark, a medium-sized appliance manufacturing company, located at New Britain, Conn. I am appearing as president of the National Electrical Manufacturers Association.

WHAT IS THE NATIONAL ELECTRICAL MANUFACTURERS ASSOCIATION

The National Electrical Manufacturers Association has a membership of 486 manufacturers of nearly all types of electrical products, products which range from large hydraulic turbines and steam turbines and many other types of generation, transmission, and distribution apparatus to electric industrial apparatus, electrical insulating materials, electrical building materials and electric utilization equipment, such as electric refrigerators, ranges, water heaters, toasters, irons and many others, but not including lamps, vacuum cleaners, washing machines and radio receiving sets.

The products range in price from items which sell for several hundred thousand dollars to items which sell for 5 cents apiece.

The members of the association range from very large companies, which manufacture nearly all types of electrical products, large and small, down to companies which manufacture only one item and do as little as \$25,000 of electrical product business per year.

The great majority manufacture only a few product lines, such as certain types of insulating materials or a few types of electrical appliances, or only electric motors, switchgear, or hydraulic turbines.

The association members produce approximately 90 percent of the merchandise in our field.

Electrical manufacturing to the layman means the manufacture of refrigerators, ranges, water heaters, electric irons, percolators, fans and similar consumer goods. This is a misconception. The electrical manufacturing industry is principally capital goods, generating equipment, distributing equipment, electric motors, hydraulic turbines, electric industrial control, electric welding, knife and enclosed switches, panelboards, power cable, switchgear, etc., etc. These nonconsumer goods products of our industry in 1940 accounted for more than 79 percent of our production. A very substantial part of our capital goods production is specially engineered for each individual job.

THE ELECTRICAL MANUFACTURING INDUSTRY IS BASIC

A slogan of our industry is "The industry that serves all industry." Its products are found in every factory, in every chemical plant, in every mine, in every office building, warehouse, and store. Without electric motors and electric industrial controls and all complementary electrical products which go with them, the manpower required to produce the gross national product would easily be double the present requirement.

Reconversion of every industry and expansion of production of peacetime products is thus in very large measure dependent upon the electrical manufacturing industry's production of equipment such as electric motors, switchgear, wiring devices, wire and cable, industrial controls, and industrial lighting equipment.

WHO GOVERNS THE ASSOCIATION

The board of governors of the association consists of 39 executives of member companies, chosen from among those nominated by the approximately 80 product subdivisions and elected by the membership. The selection is made in such a fashion that the board of 39 is broadly representative of member companies, large, medium, and small, likewise representative of different geographical areas, and also representative of manufacturers of different major categories of electrical products.

The board of governors of the association has requested me, as president of the association, to present briefly the experience of the industry with price control, and to set forth the effects which the members of the industry have experienced, and to make recommendations with respect to price control which will follow in my talk.

NATURE OF PRESENTATION

We are not making a graphic presentation with charts and exhibits. Such a presentation calls for a touch of showmanship which I do not possess.

I am not a lawyer, economist, nor advertising expert, but just a toaster manufacturer. Therefore, this will be a short and simple presentation.

OPA DID A FINE JOB DURING THE WAR

We all know about OPA's record during the war. It was a good record. Price control was needed, but with it were other essential elements of control—

wage control and quantity control—including both priorities and rationing, without which price control could not have been effective.

Supply was artificially reduced by production limitations in order that men and materials could be devoted to war, and materials were controlled through the War Production Board.

OPA's operations in the field of price control at the outset and until reconversion were practicable because its chief job was to maintain the status quo on billions of items whose prices had been set by free competition. OPA was required to review and to set specific prices only on relatively few of such items. Even that was a tremendous job.

OPA'S PROBLEMS ARE DIFFERENT TODAY

Since the war, wage controls have been lifted, or perhaps we should say "bulged", rationing has been removed, and production limitations have been removed. Thus, OPA is attempting a major job of price control with only one of the three necessary tools. During the war, OPA's problem was difficult enough, but with two of the three controls practically eliminated, with hundreds of thousands of items reinstated in production, OPA cannot handle the task. For example, today the electrical manufacturing industry alone has more than a million catalog items, which have to be separately reviewed and priced. It is not surprising that inequities and difficulties have arisen.

WHAT DIFFICULTIES DO ELECTRICAL MANUFACTURERS EXPERIENCE WITH PRESENT OPA POLICIES?

Of course, just at the moment, I find it difficult to say what OPA's present policies are because in the past month or 6 weeks we have seen a great many changes, most of which are improvements.

The Price Control Act itself is a war emergency act, with arbitrary powers granted to the Administrator. There is nothing in the act that specifies the policies that have been in effect; they are created by edict of the Administrator. The time has come for Congress to determine the basic policies to govern the Administrator.

Price control is fundamentally objectionable to the American people. We accept controls willingly during emergencies, but when they are over we naturally want freedom from regulation just as soon as possible, having the public interest in mind.

Here are just two or three samples of price policies and rulings that, if continued, will make it impossible for manufacturers to produce what the country needs. Under present OPA formulas, we are not allowed to include in costs, in asking for price relief, payment for overtime allowance. (We don't work overtime except to get out production—why is it not a proper cost?) We have been urged by Government departments to liberalize vacations, holiday payments, group insurance, etc.—but the OPA says such increases in compensation are not fully allowable costs. We can put in our costs wage increases to factory clerks, but not wage increases to sales-department clerks or to certain other classes of labor.

Another criticism has been that OPA's policies have been too arbitrary. For example, the regulations that require that for relief on individual items a manufacturer must fill out Form SO-119. This form calls for accounting data in great detail. Even after the OPA accounting section have approved the calculations, the price section may take arbitrary action.

For example, page 2 says: "The Administrator may revise the amount of the adjustment to which you are entitled, either upward or downward, whenever he finds that the profit-and-loss statement you used is not a suitable one for the purpose of computing the amount of the adjustment under the supplementary order, because of its misrepresentative character in relation to the product on which adjustment is sought or to your over-all operation." To my untutored and unlegal mind, this really says: "The Administrator may find as he pleases."

Another example of arbitrary OPA policy is the ruling that for a group to qualify as an industry or segment of industry for price relief purposes, it is necessary that 30 percent of the product of that segment be produced and sold by so-called single line companies. These are defined as companies where at least 75 percent of their total sales are represented by the product involved.

Distribution transformers, a product of the electrical manufacturing industry, come under this group, according to RMPR-136, Order 597, of April 10, 1946, by

the Office of Price Administration. I quote: "Since only a small percentage of the total volume of the industry is produced by single line producers, maximum prices for these products which cover manufacturing costs will be generally fair and equitable." In other words, there is no allowance for any profit. Incidentally, further on in the same order is the statement: "These distribution transformers do not in any way enter into the cost of living and are sold purely for industrial purposes."

It seems to me to be absolutely arbitrary and unrealistic to allow no profit for the manufacture of an item that, admittedly, does not enter into the cost of living.

Another difficulty experienced is that price relief action is very slow. Price increases in small domestic appliances, such as my company makes, have been very small. At a meeting March 7, 1946, with chairmen of reconversion industry advisory committees, Mr. Porter and other OPA executives stressed the desire of OPA to promptly process price relief by industries under the reconversion pricing formula. In the interest of speed, OPA agreed to collect from its material branches information on cost advances on materials and survey industry members on wage increases, so as to be able to announce industry price increase factors rapidly.

On April 17, at another meeting, the domestic appliance industry was informed that the material advance had not been computed nor the wage information compiled. We know that a substantial number of companies had promptly filed such wage figures. At that time, OPA estimates that relief might come by about May 1. In one case, wage increases went in effect January 1. Price relief must be made more prompt.

Gentlemen, some of these difficulties are recognized in the House amendments. Reasonable cost formulas don't destroy price control, but they do encourage production, which, in the final analysis, is the manufacturer's contribution to the battle against inflation.

NEMA RECOMMENDATIONS

It is impossible to follow the comments on price control in Congress and in the press without realizing that a great many people, including many businessmen and Members of Congress, are deeply concerned over the symptoms of inflation and over the dangers inherent in premature removal of price control on cost of living items. In this group are consumer goods manufactured by NEMA members, such as irons, toasters, electric ranges, and refrigerators.

Recommendations in re consumer goods

For this group of products we do not ask immediate freedom from price controls. We do urge as to these products a modification of OPA policy to allow for actual increases in costs, such as are recognized by the Treasury Department for income tax purposes, and a reasonable profit thereon, and we do ask that provision be made for prompt action on such price relief. We also ask that items in this group be released from price control when reasonable quantities are available to the public. We recommend as a yardstick that such items be released from price control when production for a 3-month period has equaled one quarter of 1940 production.

Such a provision in the Price Control Act would stimulate production, which is our best safeguard against inflation, and yet would continue price control until the time when the influence of competition on prices will be strongly felt.

Competition in such products is already near. Today in the portable space heater business there are 79 manufacturers, many of them new, production is high and competition is already keen, and buyers are choosy. There's your real price control—and it's coming in appliance lines fastern than many believe.

In the refrigerator, range, and water heater industry, there are also new competitors—as well as competitors from other industries—gas range and water heaters, and bottled gas cooking equipment. We know that excessive price increases mean consumer resistance, loss of dealer good will—and an opportunity for our competitors.

Recommendations in re nonconsumer goods

We believe that price controls on other than consumer goods may be safely terminated at once or not later than the expiration of the present act. Capital goods are not cost-of-living items as they may only be included in current operating costs over a long period of years through the depreciation provisions of the corporation tax laws.

Another type of product for which exemption is asked are electrical materials and component parts sold to other manufacturers, for example, fractional horsepower motors, wiring devices, etc., some of which are used on consumer goods. Increased prices on such component parts and materials would, of course, have to be reflected immediately and realistically in cost adjustments on consumer goods, but these items are not purchased by the housewife but by purchasing agents, and competitive influences, consideration of long-time future business relations, etc., will put a brake on unreasonable price increases. Such relief will furthermore stimulate production on these products, lack of which at the present time is one of the major obstacles in the resumption of full-scale manufacture of needed consumer goods.

TO SUM UP

NEMA recognizes that not all price controls should be removed immediately, but that such should be the goal at the earliest possible date.

Price controls on capital goods should be removed immediately. Their effect on cost of living is indirect and spread out over a period of years.

We also recommend removing controls on component parts and materials, some of which are used by manufacturers of consumer goods. Increased prices in such items are more subject to competitive influences than on end-use products.

Pricing policies on consumer goods, such as household electrical appliances, should be such as to recognize all the cost factors allowable under the corporation income-tax laws. With only these items to control, OPA should set up its organization to grant prompt price relief on the foregoing basis.

Consumer goods reaching 1940 production levels for a 3 months' period should be freed from price control. Competition will prevent excessive price increases when such production levels are reached.

The suggestions NEMA has made here represent our considered opinion of changes necessary to stimulate production of manufactured goods—at the highest possible level within the earliest possible period—to bring quickly the time when normal competition will provide what is after all the only effective kind of price control.

STATEMENT OF PACIFIC STATES BUTTER, EGG, CHEESE, AND POULTRY ASSOCIATION IN RE REMOVAL OF POULTRY AND EGGS FROM PRICE CONTROL, PRESENTED BY JOSEPH B. DANZANSKY, WASHINGTON COUNSEL, BEFORE THE SENATE BANKING AND CURRENCY COMMITTEE, APRIL 23, 1946

My name is Joseph B. Danzansky, of the law firm of Buckley & Danzansky, of Washington, D. C. Our firm is Washington counsel for the Pacific States Butter, Egg, Cheese, and Poultry Association of which Paul J. Messer, is executive secretary. The headquarters of that organization is in the Wholesale Terminal Building, Los Angeles, Calif.

The above-named association is a nonprofit trade organization. Its membership is comprised principally of leading growers, wholesaler handlers, concentrators, processors, shippers, receivers, and distributors of poultry and eggs in the Western States of Arizona, California, Idaho, Montana, Nevada, Oregon, Utah, and Washington, as well as other members with similar interests throughout the entire United States.

On April 22, 1946, Mr. Leon Todd, secretary of the Associated Poultry and Egg Industries, personally appeared before your committee to urge that poultry and eggs be removed forthwith from price control. On the following day Mr. Earl W. Benjamin, president, National Poultry, Butter, and Egg Association, and Dr. Cliff Carpenter, president of the Institute of American Poultry Industries, also appeared and presented compelling reasons, as did Mr. Todd, why the desired action should be taken.

It was recommended by Mr. Todd, on behalf of the Associated Poultry and Egg Industries, that the following quoted formula should be adopted and prescribed by an act of Congress to accomplish the desired purpose:

"When the Secretary of Agriculture finds and duly certifies to the OPA that the prospective production of poultry and eggs for the crop year or usual marketing season, based upon official estimates of the Department of Agriculture, is equal to or in excess of the average of the official estimates of production for the 10 crop years or marketing seasons immediately preceding the year or season for which such certification is made—it shall be mandatory for the OPA Administrator to exempt these products from price control."

The Pacific States Butter, Egg, Cheese, and Poultry Association desires to go on record before this committee as unqualifiedly endorsing the representations already presented by the National Poultry, Butter and Egg Association, the Associated Poultry and Egg Industries, and Institute of American Poultry Industries for the exemption of poultry and eggs from any extension of the Price Control Act that may be decided upon.

APRIL 29, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Washington 25, D. C.:

Average business regards OPA as the cornerstone of reconversion. Curtailment of anti-inflation laws would negate Wage Stabilization Board's steadying effect over the salary pattern and Civilian Production Administration's effort to keep goods moving through priorities and set-asides. Proposed House amendments would hobble price control to extent making entire program ineffectual. In recent months OPA has proven its capacity to make adjustments justified by changing economic needs. It has relinquished controls over many items when justified by sufficient production. In some instances it has necessarily resumed control where prices threatened to run out of hand. The American Business Congress asks your help in continuing OPA and urges that OPA be empowered to regulate commercial and industrial rentals which have soared to fantastic heights in recent years.

AMERICAN BUSINESS CONGRESS,
 HEYMAN ROTHBART, *Managing Director.*

EFFECTIVE PRICE CONTROL MUST BE CONTINUED

The House of Representatives recently passed a bill extending OPA until March 31, 1947, but with a number of amendments to the present Emergency Price Control Act which many believe are so drastic that effective price control after June 30, 1946, will be impossible. The problems implicit in the extension of OPA have developed conflicting opinions among leaders in all industries and many are warning that the removal of price control or its continuance with the nullifying amendments contained in the bill passed by the House of Representatives will seriously affect our entire industrial economy.

The Textile Fabrics Association, which represents upward of 150 firms in the cotton converting industry and whose members do an aggregate annual volume of business in excess of \$500,000,000, has, through the board of directors, given serious consideration to this important and complex problem. It believes that all industries should be freed from the shackles of unnecessary control and regulation at the earliest possible date. It feels that the administration of OPA has permitted unnecessary and unjustifiable delays and has been unduly restrictive in many respects. It is firmly of the opinion that OPA would have more nearly achieved its objective if it permitted a closer relationship to exist between industry and Government and if each operating unit of OPA not only maintained sufficient representatives of industry on its staff but heeded their advice and recommendations.

However, the prevailing opinion appears to be that despite these shortcomings, OPA in its broad aspects has done much to stabilize the economy of America. Run-away inflation must be avoided at all costs and industry must not risk the economic chaos which will inevitably result from prematurely removing effective price control.

Accordingly, the board of directors of the Textile Fabrics Association in meeting assembled unanimously

Resolved: That the statutory authority of OPA be continued for 9 months from June 30, 1946; that the bill extending the life of OPA recently passed by the House of Representatives which contains so many restrictive amendments that effective price control would be impossible, be defeated; that OPA should affirmatively and realistically proceed as quickly as possible with the removal of controls from those commodities not essential to basic standards of living or critical in reconversion, or which show an approximate balance between demand and supply; that OPA be

directed to secure the services of competent and reliable industry representatives to augment their present staff so that the inequities existing in the textile industry as well as in numerous other industries be eliminated as quickly as possible.

TEXTILE FABRICS ASSOCIATION,
W. P. FICKETT, *President*,
EDWIN E. BERLINER,

Chairman of the Board.

Dated April 30, 1946.

(Whereupon, at 6 p. m., an adjournment was taken until tomorrow, Wednesday, April 24, 1946, at 10 a. m.)

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

WEDNESDAY, APRIL 24, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to recess on yesterday, in room 301, Senate Office Building, Senator Robert F. Wagner (chairman) presiding.

Present: Senators Wagner (chairman), Barkley, Bankhead, Downey, McFarland, Taylor, Fulbright, Mitchell, Carville, Tobey, Taft, Buck, Millikin, and Hickenlooper.

The CHAIRMAN. The committee will come to order. When these hearings began a carefully prepared schedule of witnesses was made on the assumption that we might be able to conclude the hearings by April 30. However, it has proved impossible to adhere to the schedule because extensive questioning of early witnesses has consumed far more time than was anticipated. Consequently the schedule has been disrupted, with the unfortunate result that a number of witnesses who were scheduled to appear yesterday cannot be heard. It is now clear that it will be impossible for the committee to hear all of these witnesses today.

The only course left open is to excuse these witnesses for the time being, with the understanding that they will have the opportunity to appear before the committee at a later date.

Accordingly, the following witnesses are excused: William C. Holmes, National Independent Meat Packers Association.

Col. Jay L. Taylor, Joint Livestock Committee.

Richard A. Colgan, Jr., executive vice president, National Lumber Manufacturers Association.

B. A. Hardy, president, Independent Petroleum Association of America.

W. L. Mallon, president, National Automobile Dealers Association.

I know I made this promise to him, but it is just impossible to keep it.

Robert Seidel, member of the executive board, Retail Dry Goods Association.

Hugh Morrow, president, Sloss-Sheffield Co.

H. R. Northrup, secretary-manager, National Retail Dealers Association.

I want to say to these gentlemen that they will be heard. There is no question about it, but we just haven't the time now to hear them.

Senator TAFT. Mr. Chairman, I think we are faced with the problem of choosing between witnesses. It is obvious we cannot hear everybody, but I am glad to hear your statement that they will be heard because

I think nearly every one of those men, or the people who will take their place in the testimony, are representing industries where the price control question has a vital effect. I think the members of the committee will want to hear how it affects the particular industry. All of them are major American industries.

The CHAIRMAN. I recognize that.

Senator TAFT. So that I think it simply means we will have to extend the hearings a couple of days next week.

The CHAIRMAN. Well, or maybe the week after.

Senator TAFT. I hope we get through next week, Mr. Chairman.

The CHAIRMAN. So do I, but I don't see how it is possible. There are some of these gentlemen that I promised would be heard today, and I am sorry about it now. Mr. Mallon, I told him yesterday he would surely be on, but I just cannot do it under the circumstances. These gentlemen may go wherever they want to now, and we will notify them by telegram or mail.

Here is a telegram I received from the mayor of New York, which I will read:

On the occasion of the public hearings now being held before the Senate Committee on Banking and Currency on legislation to maintain OPA controls, I desire to convey to you the overwhelming sentiment of the people of the city of New York in support of continuance of price and rent controls. Continued price and rent controls are necessary if we are to achieve our hope of a prosperous postwar economy. The many crippling amendments passed by the House would sweep away price controls on practically all foods and on many other essentials. With the accumulated demand, prices are bound to rise sharply long before production can catch up with the demand. We must avoid a postwar boom which will inevitably bring economic collapse. On behalf of the people of the city of New York I urge you to carry on the fight to save the OPA. I am confident that they can rely on your vigorous support of price-control program.

WILLIAM O'DWYER, *Mayor*.

Senator TAFT. Mr. Chairman, I notice on the list today Mr. Walter S. Hallanan, chairman, American Petroleum Institute. Mr. Hallanan told me yesterday that he thought Mr. Russell Brown's position for the Independent Petroleum Association was perhaps more important than his and when it comes to him I think he may request that Mr. Brown be substituted for him.

The CHAIRMAN. There will be no difficulty about that at all. Mr. Conover, will you proceed?

STATEMENT OF JULIAN D. CONOVER, SECRETARY, AMERICAN MINING CONGRESS, WASHINGTON, D. C.

Mr. CONOVER. Mr. Chairman and members of the committee, my name is Julian D. Conover; I am a mining engineer and am secretary of the American Mining Congress.

In the limited time available today I shall concentrate on the acute problem of the basic nonferrous metals—lead, copper, and zinc—resulting from the OPA's unique and discriminatory controls over this industry. This problem calls for corrective action by the Congress. The amendment introduced by Senator McFarland and nine of his colleagues is the answer.

A year ago this committee was asked to continue price controls for another year, to June 30, 1946. Notwithstanding that the end of the war came—as President Truman reported in his annual message—

much sooner than any of us anticipated, the officials charged with application of price controls have done little to remove them, and are now asking for further continuation of their powers for still another year. The reasons advanced are virtually the same as those advanced last year except that the war argument no longer applies.

The immediate problem is to make sure that a year from now the Office of Price Administration is not back here again asking for a continuation of its powers beyond June 30, 1947. The unique treatment of the nonferrous metals makes it particularly important that the Congress take action now to insure that the coming year is in fact a period of transition away from discretionary controls.

Unless the Congress now requires a change such as the McFarland amendment provides, the OPA will certainly be here a year from now,

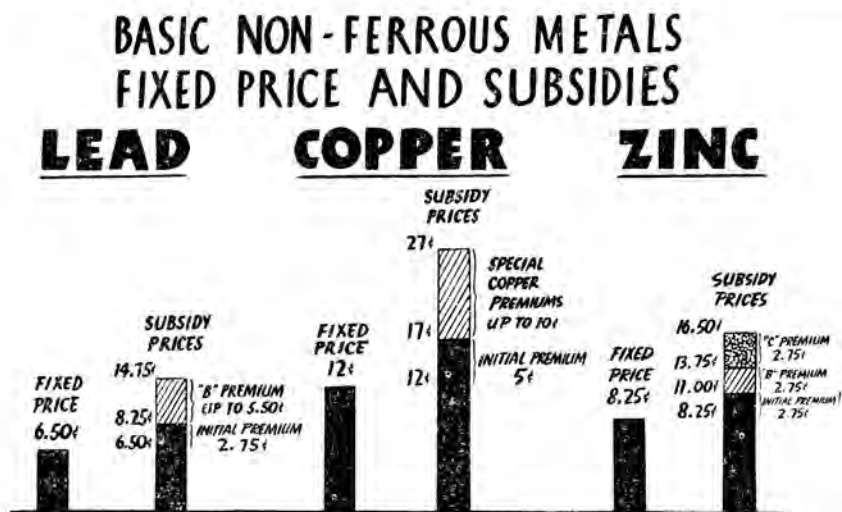


CHART 1

citing the inadequate production to which its own policies are contributing to justify still further extension of its unique control over the nonferrous metal industry.

The metals subsidies.—For the basic nonferrous metals, lead, copper, and zinc, the OPA has since the beginning of 1942 rigidly frozen the ceiling prices at levels that have become more and more artificial, and has sought to maintain or increase production by awarding subsidies in its discretion on a mine-to-mine and month-to-month basis.

The cost to the Government has increased materially and for the coming year, if the present artificially low prices are maintained, will be approximately \$115,000,000. Needed adjustments to correct inequities in the plan, which I will later discuss, will add a further substantial sum.

While production of these three metals rose until 1942, it has since declined and now, in spite of the increasing subsidies, is less than when subsidies were begun.

The operation of this subsidy plan is shown in chart 1. In the case of lead the ceiling price was fixed at 6½ cents a pound in January

1942, and has remained frozen at that level ever since. The initial subsidy, or A premium, is $2\frac{3}{4}$ cents a pound. This premium is paid to each mine only on that part of its production which exceeds the quota set for that particular mine. The quota may be revised from month to month. In many cases it has been reduced to zero, so that the entire production of the mine receives the initial subsidy.

Senator TAFT. May I ask what proportion of the total production received that subsidy?

Mr. CONOVER. In the case of lead the proportion in 1945 was 61.5 percent.

Senator TAFT. That is with a 2.75-cent subsidy?

Mr. CONOVER. That is correct.

About a year after the plan started, an additional subsidy, or B premium, was made available. At the present time, this may range from 0.1 cent to 5.50 cents a pound. Of course, the effective price received by each mine depends upon whether it is receiving any subsidies at all; whether it is receiving A premiums only or both A and B premiums, and upon the quota given it—because the production required to meet the quota does not receive the subsidy. The effective price may vary all the way from the fixed ceiling of 6.50 cents—which is all that some important producers receive—to as high as 14.75 cents. The price basis for each producer is determined separately by a quota committee, and it may be changed from month to month, at the discretion of that committee.

A similar situation applies to the other metals. In the case of copper, the ceiling price since August 1941 has been frozen at 12 cents a pound. An initial subsidy of 5 cents is paid for overquota output and there are special copper premiums, which range up to 10 cents additional. The effective price thus varies from 12 cents for some of the important producers, up to 17 cents for those receiving only the initial premium, and up to 27 cents for those receiving the special copper premiums.

In the case of zinc the fixed price has been 8.25 cents since October 1941. The initial premium is 2.75 cents, and two additional classes of premiums, B and C, have been set up, each in the amount of 2.75 cents. The effective price for an individual producer may thus vary from 8.25 to 16.50 cents a pound.

The nonferrous-metal industry is discriminated against by artificially low prices, discretionary subsidies and profit control.—This subsidy plan is unique. It is in a class by itself. Other subsidies are paid either on a national or regional basis without relation to the particular costs of individual producers. The metal subsidies are a striking exception to this general rule. They are fixed on a mine-to-mine basis and are changed from time to time to limit the profits of each mine. Though the purpose of the plan was to stimulate production, it soon developed into a means of profit control, with strong resemblance to a cost-plus system, and fraught with inequities and uncertainties for mine operators.

Even at its inception there were many in the mining industry and many War Production Board officials, charged with obtaining maximum production of metals, who strenuously opposed a subsidy plan of this type. These officials, possessed of a thorough knowledge of the mining industry, pointed out its defects and emphasized that maxi-

mum mine output could better be attained by fixing a price high enough to cover at least the normally economic operations from which the great bulk of production comes. They held to the view, since substantiated, that only a firm price at a reasonably higher level would permit the necessary forward production planning; if there were any undue profit earned by low-cost operations it would be recaptured through taxes. However, top officials of the OPA overruled the views of these WPB officials, and the subsidy plan was adopted.

Senator CARVILLE. May I ask you what owners or operators get that higher bracket subsidy?

Mr. CONOVER. That is the higher cost operators.

Senator CARVILLE. Would that be new people who come into the production?

Mr. CONOVER. The rules have varied from time to time. A new producer coming into production has recently been allowed automatically the A subsidy and then, based on an analysis of his forecasts of costs, grades, et cetera, additional subsidies have been set.

Senator TAFT. Mr. Chairman, may we have order in the room? I cannot hear what is going on.

The CHAIRMAN. I can't either. Let us have order in this room.

Mr. CONOVER. The policy of maintaining metal prices at artificially low levels and of supplementing these with discretionary subsidies is basically unsound. The mining industry favors an immediate modification of the program so as not to retard further the day when we can return to a free competitive market.

During the transitional period toward a free competitive market the metal subsidy should be adapted to cushioning any shock to producers, processors, and consumers. Thereafter, the subsidy program should be limited to meet the special situations of certain mineralized areas from which production may be required for national defense or in the interest of the national economy. The special situation of a mineralized area of this type will be ably presented to this committee in a separate statement by the Tri-State Zinc and Lead Ore Producers Association.

The immediate problem is to correct the discrimination against the nonferrous-metals industry imposed by the present subsidy plan. If this discrimination is ever to end and the unhealthy economic situation in this industry is to be cured, Congress must act now to require a reduction in the subsidies and a corresponding increase in metal prices. This must be by legislation because the OPA has shown every interest in maintaining its artificially low ceiling prices and its discretionary hold on these metals.

Legislation along the lines of the McFarland amendment is the only hope the industry has of returning to a free competitive economy, and the only hope the taxpayers have of reducing the expense of supporting these subsidies.

Senator McFARLAND. As a matter of fact, Mr. Conover, it is this dispute that has the whole copper situation tied up today, is it not?

Mr. CONOVER. That is my understanding; yes, sir.

Senator McFARLAND. If the Price Administration would raise the price of copper to a sufficient level, why, all of these contracts would be settled right now.

Mr. CONOVER. I presume that is true, Senator. A measure of this sort is required to bring out the copper production which we so badly need.

Senator McFARLAND. They talk about a half cent or something and hold up production and keep people idle just on account of some little margin there, in a dispute between the mining companies and the OPA as to what it would cost to pay the increased price of labor and the other increased costs of production.

Mr. CONOVER. I think I will show in my statement, Senator, that the procedure in your amendment, which shifts part of this subsidy over into the price, is a very reasonable proposal and will encourage increased production.

Senator McFARLAND. I would like to say this: This is becoming serious in the West. If we cannot get some kind of an adjustment we might as well throw OPA out of the window. That is going to be the attitude of our western people, if we are going to have our people idle out there because of some little misunderstandings and disputes as to every small margin or every little question that arises. We are going to be forced to do something. We cannot keep people idle day after day as they are in the West now.

Senator TAFT. Mr. Conover, I might add for the information of the committee, I was told by the members of the House Banking and Currency Committee that while they did nothing about this it was because they simply felt they didn't have enough time to take it up and they felt they would just pass this over and leave it to the Senate Banking and Currency Committee to solve the problem. They said while they took no action on these subsidies although they did on others, that was not an indication of their unwillingness to do so, but simply because of the fact they had no time to consider the question.

Mr. CONOVER. I am glad to hear that statement, Senator Taft. The McFarland amendment—a copy of which follows my statement—requires that in continuing the subsidy program, adjustments shall be made to correct inequities in its present administration; that the subsidies as continued shall be on a noncancelable basis; and that the subsidies shall be reduced by shifting 60 percent of the initial premium into the prices of the respective metals.

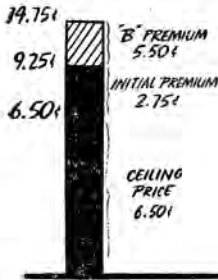
I will discuss first this last feature, which is contained in item (c) (4), beginning at line 14, page 2, of the McFarland amendment.

Chart 2 shows what this means in the case of lead. As stated before, the ceiling price of lead has been held down to 6.50 cents, and the initial premium is 2.75 cents a pound. The McFarland amendment shifts 60 percent of this initial premium, or 1.65 cents, from the subsidy into the ceiling price. The initial premium is thus reduced to 1.10 cents and the ceiling price increased to 8.15 cents. The sum of the ceiling price and the initial premium remains at 9.25 cents, and the B premium, which ranges up to 5.50 cents, is unchanged.

Chart 3 shows a similar result with respect to copper. The ceiling price of copper has been frozen at 12 cents and the initial premium is 5 cents a pound. The McFarland amendment shifts 60 percent, or 3 cents, of the basic subsidy into the ceiling price. The ceiling price thus becomes 15 cents and the initial premium 2 cents—a total of 17 cents as heretofore. The special copper premiums are not changed.

LEAD

OPA SUBSIDIES



Mc FARLAND AMENDMENT



THE Mc FARLAND AMENDMENT SHIFTS 60% OR 1.65¢ OF THE BASIC SUBSIDY INTO THE CEILING PRICE.

CHART 2

COPPER

OPA SUBSIDIES



Mc FARLAND AMENDMENT



THE Mc FARLAND AMENDMENT SHIFTS 60% OR 3¢ OF THE BASIC SUBSIDY INTO THE CEILING PRICE.

CHART 3

Chart 4 shows what happens in the case of zinc. Here the ceiling price has been held at 8.25 cents and the initial premium is 2.75 cents a pound. The McFarland amendment shifts 60 percent, or 1.65 cents, of the basic subsidy into the ceiling price. The ceiling price thus becomes 9.90 cents and the initial premium 1.10 cents—a total of 11 cents as heretofore. The B and C premiums are not changed.

Senator TAFT. May I ask whether the amendment does that at once?

Mr. CONOVER. It would be on the date at which this act becomes operative as to the subsidies; that is July 1, 1946.

Senator TAFT. There is no attempt to graduate it off? It is done right away?

Mr. CONOVER. This would be the first step, Senator Taft, in shifting the subsidies over to the purchasers and getting back to a free—

ZINC

OPA SUBSIDIES



Mc FARLAND AMENDMENT



THE Mc FARLAND AMENDMENT SHIFTS 60% OR 1.65¢ OF THE BASIC SUBSIDY INTO THE CEILING PRICE.

CHART 4

Senator TAFT. I understand that, but I meant there is no doubt of the speculative question raised by the gradual elimination of the subsidy? What you are going to do in this amendment, you do at once, as soon as the act becomes effective, or on the 30th of June?

Mr. CONOVER. That is right.

Senator TAFT. Right now?

Mr. CONOVER. As soon as this section of the act goes into operation, July 1, 1946.

Saving to the taxpayer.—The net effect is to reduce the cost to the taxpayer by shifting a portion of the cost of the subsidies to the purchasers of lead, copper, and zinc. In dollars, the portion shifted, according to informal advice from OPA, is from a total of 115,000,000 to 52,000,000, or a net shift of 63,000,000. Each of these figures is without provision for such additional amount as may be needed to correct inequities. This shift gives partial recognition to the changed situation since these wartime subsidies were instituted.

During the war and while the Government was the principal purchaser of lead, copper, and zinc, it mattered little to the Government

whether it paid for these metals through the price or through subsidies. Today, however, the situation is far different. The Government has ceased to be the principal purchaser and most of the production now enters into manufactured articles for commercial sale. Yet the Government, through the subsidy program, is still paying a substantial part of the cost of producing these metals.

Not only this, but according to a recent announcement of the Office of Economic Stabilization, the subsidy plan is to be the principal mechanism to compensate for wage increases under the latest wage-price policy. This is a dangerous departure from a free economy; is definitely inflationary, and adds further to the cost levied against taxpayers for the benefit of those who purchase nonferrous metals.

The time has come for the Congress to call a halt to this trend.

Senator TAFT. Has there yet been an actual increase in the subsidies arising out of wage increases?

Mr. CONOVER. That, Senator Taft, is in process at the present time. Certain wage negotiations are going on, resulting in wage increases, which are being taken up through increased subsidies. As a matter of fact, throughout the war period, increased wages have been taken up through increased subsidies. This perhaps was not so dangerous during the war when wages were under fairly effective control, but it is a highly dangerous and inflationary practice under today's conditions.

Senator BUCK. Do I understand, Senator McFarland, that many of these mines are closed up now?

Senator McFARLAND. That is right. I know of four of the biggest ones that are closed now—the Kennecott, the Utah, the Phelps-Dodge, and the Arizona.

Senator BUCK. Because of differences between management and OPA?

Senator McFARLAND. Well, the large mines don't want to work on a premium basis. Neither do I want to see them work on a premium basis. I think the Senator will readily understand the effect on the people of Congress subsidizing mines.

Now, we want to see the marginal mine work on the premium basis in order to increase our production and keep them going. We feel that with the big mines the price should be increased to take up the increased cost of production. They have raised their wages three times during the war without any increase in price.

Now they are going to have to raise them again and the thing that is causing the strike now is—probably they would settle on the basis of this amendment, probably on a little less—they cannot get together on the increase in price. Therefore, pretty soon all of the production for the making of automobiles and everything else that requires copper is going to be held up, just like other things. It is being held up by not having sufficient cash to work on in the mining industry.

Senator BUCK. I am in agreement with your purpose and I will be glad to vote for your amendment you introduced.

Senator McFARLAND. I thank you, Senator.

Senator BARKLEY. I would like to ask what effect that would have, or what sort of a relationship would that create between the price which would be received by the big mines, to which Senator McFarland

refers, and the small mines which would still continue under the subsidy. Would the public pay more for the copper produced by the unsubsidized mines than the subsidized mines, or would they not?

Mr. CONOVER. No, sir. The amendment results in an increase in ceiling price which applies uniformly.

Senator BARKLEY. What effect would that have on the ceiling—copper which brought a higher price than that which brought the lower price—you could not have a uniform price, could you?

Senator McFARLAND. Yes, it would a uniform price because at whatever figure the price is fixed, the balance on the marginal mine would be taken up by the premium system. As far as the public is concerned it would be uniform.

Mr. CONOVER. That is correct. The ceiling price, Senator Barkley, would be raised; in the case of zinc, as shown on this chart, it could be raised across the board, to 9.90—in the case of all zinc produced.

Senator BARKLEY. Is that because the smaller mines cannot operate as efficiently as the big mines and need that subsidy?

Senator McFARLAND. No.

Mr. CONOVER. The remaining subsidies would be unchanged.

Senator McFARLAND. It is not a question of efficiency. It is a question of having a low-grade or a high-grade mine. What makes the low-cost or the high-cost mine is the ore that is in the ground, not the way it is operated, particularly.

Senator BARKLEY. The thing that bothers me about it, if some mines are to be subsidized because they are small, whether that is a situation that would call for a permanent subsidy and not just one temporarily as this one is supposed to be.

Mr. CONOVER. The immediate effect would be to raise the ceiling price for all mines, continuing the portion of the subsidies which apply to the higher-cost mines, above the new ceiling price.

Senator BARKLEY. How long would that endure?

Mr. CONOVER. This would be a transition for the life of the pending legislation. Thereafter, the position of the mining industry is that subsidies should be limited to the special cases of certain mineralized areas to which I referred before.

The McFarland amendment is primarily a means of transition during the coming year to a free competitive market.

Senator BARKLEY. I personally want to get rid of subsidies as fast as possible. When we get rid of them I want to get rid of all of them. I don't want a few hanging over here and there if it is possible to do it. There is so much complaint about subsidies it seems to me when you do get rid of them we ought to get rid of all of them if it is possible to do it.

I was just wondering whether this little subsidy you are talking about, 1.10, I believe you say—

Mr. CONOVER. That is correct.

Senator BARKLEY. Would have to continue in order to permit these small mines to operate at a profit.

Mr. CONOVER. The amendment would set it up on the basis shown by the charts for the remaining life of the OPA—

Senator McFARLAND. In answer to the Senator's question, if the price controls were taken off immediately, the chances are that the prices for all metals—the price of copper might jump around as it

did after the last war, and go around 27 cents, and lead and zinc prices would soar too. These marginal mines could continue to operate, but it wouldn't have a very good effect on the various industries that are needing these materials. This is a half-way proposition.

Mr. CONOVER. That is right; it is a means of transition.

Senator McFARLAND. It takes care of the big mines, but it allows the marginal mines to continue to operate.

Now, it will become a question in the future, a year from now, as to whether the Federal Government wants to encourage the small mines to go ahead and develop, or whether we want to let them go out of business. They cannot operate on a 12-cent price, or even a 15-cent price.

Senator TOBEY. Before the war, in normal times, the little fellows had to look after themselves and take their chances in a free economy.

Senator McFARLAND. I would say that lots of times before the war prices were up high; they would get out and could look after themselves, but when the Government pegged the price down at 12 cents, which is a low figure for copper, it put them out of business unless the Government came in and helped them.

Now this is not altogether just a proposition of helping the little fellow. It is a proposition of helping the industries in the United States which need this metal. That is the reason the Federal Government went out and paid a premium during the war, because they needed copper. They were trying to encourage the production of copper.

Now, any man who has a mine—I don't want to take up too much time because our time is very limited—but any man who has a mine, if he can operate it even without any profit will frequently do so because he is always hoping to hit higher grade ore and reduce his cost. The mining industry is partly a gamble. You have to leave some of the gamble in it if you are going to have a mining industry, because that is the pioneer spirit of the West.

Senator TAFT. Mr. Conover, why don't you take up the whole of the initial premium? Do you feel that the 9.90 price may be in time an economic price and you don't want to go above it? Do you feel that perhaps by continuing this at 9.90, with the importation you will get, there will be enough to meet the demand?

Mr. CONOVER. This is the first step, Senator Taft. The amendment provides that the ceiling price shall be set at not less than 9.90 cents in the case of zinc; 15 cents in the case of copper, and 8.15 in the case of lead.

Senator TAFT. I wondered why don't you go to 11—I don't say you should—I am only asking you why you don't get rid of the initial premium entirely?

Mr. CONOVER. Well, this was set up on a basis which approximately equalizes these metals with the wholesale price index of other commodities.

Senator TAFT. I see. In other words, you feel that the price of copper, zinc, and lead should be increased over the prewar prices approximately in line with the general level of prices which has resulted from the war?

Mr. CONOVER. We believe that is fair and that this amendment would accomplish that result.

Senator TAFT. And as long as that is not done you have an artificial and abnormal condition?

Mr. CONOVER. That is correct.

Senator TAFT. And that no matter what you do you won't get sufficient production; is that correct?

Mr. CONOVER. That is correct, and I should add there is a special situation in the case of lead, which will be brought out by another witness, which might very well be the basis for an increase above that involved here.

Senator BARKLEY. You are advocating that we put in the law here a ceiling price on copper, zinc, and lead?

Mr. CONOVER. That the ceiling price shall be not less than these figures.

Senator BARKLEY. That is a fixed minimum price. How can we justify that in regard to copper and not do it in regard to wheat and corn, coal and tobacco, and everything else? How can we do that in regard to a single product and say to everybody else, "You will have to take your chances with OPA, but we are going to fix it here on this particular commodity"?

Mr. CONOVER. I understand your question, and I discuss it a little later in my statement. Basically these subsidies are a special type of discrimination against a certain industry. We don't think it is discriminatory to correct an existing discrimination.

Senator TAFT. May I suggest that the House subsidies on other commodities require that the existing price be increased by the amount of the subsidy, per unit, and it does that by law, not by leaving it to the discretion of the Administrator.

Senator BARKLEY. With all due respect to the House, that doesn't make it right.

Senator TAFT. No; but the problem is this: The OPA says—if we say you must take off subsidies, we won't give you the money, the OPA says we won't increase the producer's price; we will take it out of the producer, instead of the consumer. The theory is that these are consumer subsidies and the consumer ought to pay the difference, not the producer.

Senator BARKLEY. If all subsidies, whether it is copper or anything else, are removed, then the difference in price between what the price is now and what it would be then would be a consumer's increase. Whoever buys it pays that increased price.

Senator TAFT. That is what we would think, but we are not so sure Mr. Bowles will think so. He may pass it back to the producer, if we don't make him pass it on to the consumer. That is, I suppose, the justification for this fixed price.

Mr. CONOVER. I will discuss that question for you more fully later in my statement, Senator Barkley, and will point out that although the stabilization authorities have had the discretionary power to correct this situation, they have thus far failed to do so.

Government loss on foreign metals.—Under the policy of maintaining artificially low ceiling prices, further heavy losses are being incurred by our Government on its purchases of metal from abroad. Lead and copper are selling, in world markets, at prices substantially in excess of the OPA's ceiling prices, with indications that they will go still higher.

To meet shortages in current metal supplies which have arisen under present price policies, the Government is purchasing foreign metals at these higher prices; is foregoing the import duty, and is reselling them at the OPA ceiling prices. The Government is thus taking a direct loss on the sale of the metal—which in the case of lead already amounts to \$25 per ton and in the case of copper to \$10 per ton—besides the loss of the duty which it would normally collect.

We see no justification for this further burden upon the taxpayer, and we point out the manifest unfairness against those domestic producers who are required to sell their product at prices below those which the Government itself is paying abroad.

Likewise, foreign purchasers of domestic manufactured products containing lead, copper, and zinc enjoy the benefit of the artificially low prices maintained through the payment of subsidies. The foreign purchasers of such products are thus indirectly subsidized at the expense of the American taxpayer.

Senator TAFT. Will this amendment, this increase, eliminate that loss entirely?

Mr. CONOVER. In the case of lead, as I mentioned before, there might still be a differential. It might not go far enough. As to the others, it would cut out the direct loss.

Senator TAFT. Who takes up that loss?

Mr. CONOVER. The taxpayers.

Senator TAFT. The RFC?

Mr. CONOVER. The RFC is handling it.

McFarland amendment will encourage production.—Production is the key to reconversion and to a healthy transition to our postwar economy. To obtain the required production of lead, copper, and zinc, a portion of the subsidy must be transferred to the price, as provided under the McFarland amendment.

It is an unhappy fact that, although the subsidy was instituted early in 1942 for the purpose of increasing production, the output of each of these metals in 1945 was actually below the output in 1941, before the program was inaugurated.

In 1945 the domestic mine output of lead was 368,969 tons, a decrease of 72,457 tons, or 15.7 percent from the 1941 production.

For copper the domestic mine output in 1945 was only 794,000 tons, being 172,072 tons or 17.6 percent less than the 1941 output.

In the case of zinc, the domestic mine output was in 1945 611,998 tons, being 137,127 tons or 18.3 percent less than the 1941 output.

The trend of production has been downward since 1942.

It is true that a major factor in the falling off of production has been the shortage of manpower, but it is equally true that the present price and subsidy system fails to provide the normal and necessary incentive for production in time of peace. The McFarland amendment will encourage production by restoring a measure of the normal and necessary peacetime incentive.

Nonsubsidized production.—It must not be overlooked in spite of the increasing proportion of metal production receiving subsidies, that there remains a large portion of the production which receives no subsidy and is dependent entirely upon the artificially low OPA ceiling prices. These low prices make no allowance for the steadily rising costs at these mines, which have been reducing the unit margin of

earnings below any reasonable peacetime basis. The wartime incentive to push production to the highest possible level, regardless of earning margins and heavy depletion of assets, no longer exists. The normal and peacetime purpose of a mining company is to make profits, and the officers of these companies are under a legal responsibility to their shareholders to try to make profits; they are liable to severe criticism if they deplete the stockholders' ore reserves for less than a fair price.

It must be remembered that a mine is a very different type of enterprise from a manufacturing establishment. Ore reserves are irreplaceable assets and the mining operation itself depletes those very assets.

A manufacturer's function is a turnover function—he purchases materials, fabricates them and sells them. For various reasons, it may at times be good business to continue fabricating even when his prices are restricted to the point where his profits are nominal. He may not make any profits, but at least he is not eating up his capital. In contrast, every ton of ore that a miner extracts from his mine reduces his capital.

For the large and important class of mines receiving no subsidies, it is obvious that the increase in the ceiling provided by the McFarland amendment will serve as a much needed incentive and stimulant to production.

Subsidized mines—Inequities and uncertainties discourage production.—For the many mines now receiving subsidies the inequities and uncertainties of the subsidy plan as administered tend to deter production. Uncertainty always discourages production. Producers dependent on subsidies are virtually on a hand-to-mouth basis, with their quotas subject to revisions from month to month.

The methods of fixing quotas and subsidies are complicated, inadequately understood, and in many respects, arbitrary and unsound. A full description has only been made public in the last few months, in a report of the Senate Small Business Subcommittee on Mining and Minerals Industry (Senate Subcommittee Print No. 8, February 1, 1946). The complexity of the "operating analysis" that may be required for a single mine is shown by one example, occupying 12 pages of fine type, which appears at pages 112 to 124 of this report.

In general, the amount of the subsidy for each producer is fixed separately by the Quota Committee, based on the producer's forecast of future costs, grade of ore and rate of production. Data submitted by the producer are analyzed by engineers on the committee's staff, but only in rare instances does the engineer actually see the property involved. The element of personal judgment inevitably enters into the selection and appraisal of the data used in computing the subsidy.

Leon Henderson foresaw the danger of thus fixing the subsidies on a mine-to-mine basis upon individual cost estimates of possible production. In a memorandum to Donald Nelson, December 11, 1941 (quoted at p. 43, Senate Subcommittee Print No. 8, referred to above) he warned that:

Calculations of cost of such increments of potential production are difficult, disputable and very time consuming.

He hit the nail on the head, but despite his warning the subsidy program has fallen into the very errors and uncertainties which he cautioned against—with resultant discouragement to production.

The administration of the subsidies further discourages production by throwing all the risks on the mine operator. If his forecasts of future costs, grade of ore, rate of production, and other items prove to have been overoptimistic, so that the subsidy assigned is inadequate, he must ordinarily sustain the consequent monetary loss, without compensatory adjustment.

If, on the other hand, he achieves lower costs than he forecast, mines a better grade of ore, or steps up the quantity of ore mined, or in short, in any other way returns more than the margin allowed by the committee's formula, the amount of his subsidy is promptly reduced. Under this procedure the incentive toward increased efficiency of operations tends to disappear. It is a case of: Heads, the quota committee wins; tails, the miner loses.

Senator McFARLAND. Well, Mr. Conover, isn't it a fact that some of the mining companies work their low-grade ores rather than high-grade ores, because the Government takes up the slack anyway; they will never be able to get any more of their high-grade ores, so that they keep their high-grade ores and hope that the price will increase sometime and we will get rid of controls?

Mr. CONOVER. I would say this: During the war, the operators, as a matter of course, tried to get out every pound of metal they could, regardless of the hardships or difficulties they were up against, because it was their patriotic duty.

Senator McFARLAND. Perhaps I should have said, "Won't there be a tendency"——

Mr. CONOVER. The tendency today is naturally not to deplete the high-grade ore reserves for a nominal return. I might point out some of the inequities which we think should be corrected. A particular example can be shown, specifically, where a mine has silver content varying in different stopes or parts of the mine. This example showed that in mining ore which contains 48 ounces of silver as compared to ore which contains only 8 ounces of silver, the difference in return would be only about 4 cents an ounce for the additional silver content. Naturally the operator is not likely to deplete his higher grade reserves today on any such basis as that.

Senator McFARLAND. Thank you.

Mr. CONOVER. There are further defects and inequities in the premium price plan as now administered. The formula for calculating earnings margins is unsound; gives no adequate incentive for efficiency or recognition for low costs, and fails to allow properly for depreciation and depletion, especially for the precious metal values in the ore.

The McFarland amendment, by transferring part of the subsidy to the price, will greatly reduce these harmful effects. It will provide assurance for the future that will permit advance planning and strongly encourage production.

Failure to encourage exploration and development.—One effect of the subsidy plan on production should be brought out—its failure to encourage long-range prospecting and development work. Only through continued exploration for new ore reserves can the production of a mining property be maintained and its life extended.

However, except in special cases during the war, subsidies have been calculated without allowing for any long-range exploration and de-

velopment costs; and in some instances even current development costs have been arbitrarily limited. The meager margins allowed under the low ceiling prices and under the margin scale of the subsidy program leave no room for adequate development expense. Both for the low-cost, nonsubsidized producers and for those receiving subsidies, an increase in ceiling prices and the confidence in the future which it will bring are needed if the search for additional reserves is to be renewed.

This matter is vital not only to the mining industry, but to the future security of our country. A healthy mining industry is dependent upon continued exploration and development of ore reserves to replace those mined out. We are not a "have not" Nation in respect to metals, but we can become one if long-range exploration and development, as well as active mining, are not carried forward vigorously.

Increased production from scrap.—A further important source of metal production is from scrap metals and alloys. Dealers in scrap material have been subject to rigid price control. Their profit margin has been so narrowed by rising costs of operation as to reduce greatly the incentive for further scrap collection.

Likewise, processors purchasing scrap have been caught in the squeeze between increased treatment costs and the artificially low ceiling prices under which they are obliged to sell the finished metal. Neither the dealers nor the processors have had any subsidy plan to relieve the situation. An increase in ceiling price under the McFarland amendment will relieve these hardships, and provide the incentive for increased production from scrap to help meet current needs.

Unfairness to smelters and refiners.—The maintenance of artificially low prices under the subsidy program has been particularly unfair to smelters and refiners, who constitute an important link in the chain of metal production. Much of the output of nonferrous metals is handled by custom smelters and refiners who do not mine the ores which they treat. Since prices were frozen the smelters have had large increases in costs for labor and supplies and are now faced with further heavy increases which they are in no position to absorb. The premium price plan, however, provides for payments only to the mine operator and affords no relief to the smelter.

Further, many smelting contracts provide that the smelter's compensation be paid partly in dollars and partly in metals recovered. The metal that the smelter receives and sells as part of its compensation carries no subsidy, and the other features of the smelter contracts do not, as OPA has asserted, compensate adequately for increased costs.

The smelter and refiner has been seriously and unfairly penalized and the regular flow of metal from mines to consumers has been hampered by the present unduly low-price structure. Since smelting margins automatically increase with a rise in the metal price, the McFarland amendment will help to relieve this difficulty.

Custom mills, which treat large tonnages of purchased ore in various mining districts, have been squeezed in the same manner as the custom smelters, and need the relief afforded by the McFarland amendment.

Moderate nature of price rise under McFarland amendment.— Present artificially low prices for lead, copper, and zinc have been in effect since the early days of the war. Ceiling prices were first set in 1940 and early 1941 by voluntary action of the producers, and following certain small increases for lead and zinc, prices have remained frozen at the present level ever since the subsidy plan was instituted.

From January 1941 to February 1946 (latest month for which figures are available), the wholesale price index of the Bureau of Labor Statistics rose from 80.8 to 107.7, an increase of 33.3 percent. The average price rise for lead, copper, and zinc (all of it attributable to the increases in lead and zinc in the first year of this period) has been only 7.9 percent. (Lead 18.2 percent; copper, -0.4 percent; zinc, 13.8 percent.) This 7.9 percent rise is an arithmetical average for the three metals.

Since the copper price has not gone up at all since January 1941, but actually decreased by 0.4 percent in that year, and since the tonnage of copper exceeds that of either lead or zinc, a weighted average figure would show a price rise of only about 5 percent for these metals as a group. The rigid prices to which they have been held since January 1942 have become definitely out of line with the general commodity price index with its rise of over 33 percent.

In shifting a portion of the subsidy into the price, the McFarland amendment would raise the price of lead only 25.4 percent, that of copper 25 percent, and that of zinc 20 percent.

Senator McFARLAND. What are we paying for foreign copper now?

Mr. CONOVER. On the basis of 12½ cents delivered to the Connecticut Valley, and waiving the duty.

Senator McFARLAND. In other words, we are paying our friends in South America more than we are giving our own people?

Mr. CONOVER. That is correct.

Senator TOBEY. Those South American mines are our own mines in some cases. Anaconda owns most of them. They own Chile copper and Andes copper and many more. So, large American interests own the South American interests, and the benefit accrues to the American producer.

Senator McFARLAND. It does not accrue to American labor.

Senator TOBEY. It accrues to American corporations.

Senator McFARLAND. Personally, I am more interested in American labor.

Senator CARVILLE. Why should they compete against themselves in this country?

Senator TOBEY. The Chase National Bank owns Cuban sugar. The Anaconda Copper Co. owns South American copper. The great majority is controlled by American capital.

Senator McFARLAND. If the Senator wants to give the South American laborers an advantage over our own people, that is all right; but I do not believe in that theory, myself; I believe in giving it to our own people.

Senator TOBEY. The Senator spoke about South American companies, and I say they are one and the same.

Senator CARVILLE. Do you have any figures showing how much foreign copper comes into our country?

Mr. CONOVER. The only thing published on that would be figures from time to time as to the amount that is being imported over a period. I do not have figures of the aggregate for any lengthy period. The RFC would be the source for such information.

Senator CARVILLE. It comes from European countries as well; does it not?

Mr. CONOVER. A large part of it is shipped to European countries; that is true.

Senator TAFT. What is the tariff?

Mr. CONOVER. 4 cents.

Senator TAFT. So that if the Government restored the foreign copper situation to normal, 15 cents, and restored the tariff, which I think they never had any right to take off, then these companies, including American companies, would get 11 cents instead of 12 cents. If the tariff is restored the foreign companies will get less money than they are getting under the present subsidy plan?

Mr. CONOVER. The differential would figure out that way, Senator Taft.

Senator McFARLAND. Unless they pay 16½ cents?

Mr. CONOVER. It would work out one way or the other if they were on a parity.

Senator TOBEY. What is your guess that copper would go to if price control were abrogated?

Mr. CONOVER. I am afraid I am not much of a forecaster.

Senator TOBEY. You are a copper man?

Mr. CONOVER. No, sir; hardly.

Senator TOBEY. You are a mining man, then?

Mr. CONOVER. Yes. I would hesitate to say. You can get as many opinions from copper people as there are copper people, and I would not like to stick my neck out on it. I do not think the price would go excessively high.

Senator TOBEY. Not as high as after the last war?

Mr. CONOVER. No, sir; I do not think so.

The McFarland amendment and inflation.—The assertion is made by some within the OPA that the McFarland amendment, in permitting a moderate increase in price for lead, copper, and zinc, would be inflationary. We do not agree. We submit that the over-all effect of the McFarland amendment is less inflationary than a continuance of the metal subsidy program in its present form.

Inflation is a consequence of overdemand and undersupply. The metal subsidy program as administered uses borrowed funds to subsidize wage increases, to conceal higher costs of production, and to keep prices of these metals artificially low. It thus creates increased purchasing power on the part of the metal users and contributes to the overdemand.

On the other hand, as we have seen, it fails to encourage the production that would correct the undersupply. Without the correctives provided under the McFarland amendment, the coming year will see these maladjustments accentuated.

The McFarland amendment will maintain and tend to increase the supply of lead, copper, and zinc. Shifting part of the subsidy into the price will hold down the amount of new purchasing power created, and will bring effective supply and demand more nearly into balance.

Still further, this shift provides a hope for the future. It prepares the way for a return to a free competitive economy; it thus gives confidence, and tends to deter speculative withholding and the conversion of dollars into hedges against price rises.

In some quarters these fundamental factors are disregarded and attention is focused on the assertion that an increase in ceiling prices of lead, copper, and zinc will affect significantly the cost of the consumers' goods into which these metals are fabricated. Such assertions exaggerate the extent to which a 25½ percent rise in the cost of lead, for example, would increase the cost of end products.

One of the major uses of lead is in the making of storage batteries, in which lead is the principal constituent. The increase in the price of lead under the McFarland amendment represents an increase in the cost of the ordinary storage battery of not more than 4 percent. Even this is not the net increase because the purchaser of a new storage battery will be entitled to a higher refund for his old battery based upon the increased value of its lead content. The increased cost of all the lead used in an automobile, including the storage battery, is only 66 cents—or 0.0005 or one-twentieth of 1 percent—of the cost of a low-priced automobile. This example is valid for other uses of lead, and of copper and zinc as well.

That stabilization officials likewise do not attach much importance to this aspect of the McFarland amendment would appear from the testimony of Deputy Director James F. Brownlee of the OES, before the House Committee on Banking and Currency on March 7 of this year (pp. 331-332 of hearings on H. R. 5270). Speaking of the metal subsidies, Mr. Brownlee said:

They are not directly cost-of-living subsidies * * * They are purely supply subsidies on commodities which are going to be badly needed in the construction program. From the viewpoint of stabilization, except as they refer to production, they are, of course, not as important in the straight stabilization program as the other subsidies.

The implication is plain that a moderate rise in the prices of lead, copper, and zinc would not cause an appreciable increase in the cost to consumers of the end products.

The real danger of inflation in connection with nonferrous metals would be in a continuation of the present policy which fails to increase the supply, arbitrarily increases the demand, and provides no corrective for the future.

Necessity of legislative provisions.—I want to bring this out particularly because of the questions that have been asked.

It may be asked why it is necessary to have legislation to shift a portion of the subsidy into the price for the nonferrous metals and to correct inequities in the plan. The price-control authorities have the discretionary power to do this, and why should the matter not be left to administrative discretion?

In an earlier part of this statement we have, we believe, answered this question. Notwithstanding the fact that the stabilization authorities have had the power to shift part of the subsidy into the price, they have not done it. In fact, they have opposed such action. They have likewise failed to correct inequities in the administration of the plan. Only by including in the pending legislation provisions requiring a definite step toward a free economy can there be any assurance

that the industry will not be subjected to year-by-year requests for authority to continue OPA's unique and discriminatory controls over this entire industry.

Provisions calling for the lifting of controls as supply equals demand do not meet the peculiar situation of the nonferrous metal industry. If the McFarland amendment is not adopted the time when supply can equal demand may be indefinitely postponed.

Lead, copper, and zinc have been subjected to a special type of subsidy treatment, and legislative provisions addressed to the special problems of lead, copper, and zinc are urgently needed. Without legislation such as the McFarland amendment there is little prospect that the nonferrous metals can recover a position of equality of treatment with commodities generally. The McFarland amendment is the very opposite of class or discriminatory action. It does not make an exception for any particular commodities. It requires that the OPA stop making an exception against certain commodities.

It will be apparent to this committee that legislation designed to curtail administrative discrimination is not subject to the criticism that it is itself discriminatory.

Noncancelable feature of the McFarland amendment.—We wish to turn now to another feature of the McFarland amendment to which the mining industry attaches great importance. Item (c) (3), beginning at line 12, page 2, of the amendment, provides that in extending the subsidy plan in modified form, all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines.

This is identical with the provision which your committee incorporated in S. 502 a year ago, and hence does not call for extended explanation. In recommending this provision last year the committee made the following comment in its report:

It was felt that, without a specific authorization on a noncancelable basis, producers and employees alike would be unable to plan ahead and this would react unfavorably on production. * * * As mining is dependent upon development work, and development work will only be done if there is a specific guaranty of reasonable prices for a definite time, permitting the rules of the premium-price plan in this respect to be changeable or subject to cancellation at the will of the executive agencies would make it impossible for the mining industry, and particularly the small mines, to plan ahead on a definite basis.

The reasoning thus put forward by this committee last year applies with full effect to the portion of the subsidy plan that will be continued under the McFarland amendment. It is evident that there must be some subsidies so long as there are any ceiling prices; and these subsidies must be on a basis that permits mine producers to plan ahead for a reasonable period. This period must not be shorter than the period during which ceiling prices continue to be authorized. Without a noncancelable feature the public economy will not enjoy the full benefits in the maintenance of production by marginal mines that the subsidy program is designed to provide.

Adjustments for inequities.—Two further provisions of the McFarland amendment are of great importance in the continuance of a modified subsidy program. Items (c) (1) and (c) (2), beginning at lines 8 and 11, page 2, require (1) that adjustments shall be made to correct inequities against the producer and to encourage exploration and development work, and (2) that costs shall include adequate allowance for depreciation and depletion.

This committee's report last year, in commenting on the extension of the premium plan "on the same terms as heretofore," stated that this—

assures the continuance of the subsidy on basic standards which have been employed in the administration of the plan. It does not, of course, preclude changes designed to improve administrative procedure.

Notwithstanding this expression of intent, the administrators of the plan have recently taken the narrow view that this language barred them from making constructive changes in their work-sheets, methods of arriving at quotas and premiums, scale of operating margins, and so forth. As we have pointed out, these methods are unsound in various respects. They result in notable inequities against the producers, fail to give adequate reward to reduced costs and greater efficiency, and do not allow adequately for all-important exploration and development work. Depletion and depreciation are not allowed as costs, and the scale of margins does not make adequate allowance for them, especially in ores containing precious metal values.

I might refer to another example, showing how these formulas apply.

If an operator, by sweating and struggling, is able to keep his costs down \$5,000 as compared with another operator having the same conditions—working the thing out under the OPA's own formula—he will realize only \$260, or 5.2 percent of the saving, and the rest will be taken by the Government through allowing a lower subsidy than is given the operator who lets his costs run wild. The incentive for efficient operation largely disappears.

The inconsistencies and inequities in the present formulas have been explained to OPA officials, who contend that they are powerless to correct them under the existing law, which prescribes "the same terms as heretofore." It is essential that Congress now clarify this phrase, to permit and to require that the necessary corrections in administration of the plan be made.

In conclusion, for the portion of industry represented by nonferrous metals, we wish to emphasize the pressing need for action by Congress to insure that the coming year shall be a period of transition back to the sort of economy under which our country has prospered.

Production of lead, copper, and zinc is urgently required in the reconversion and construction programs. The McFarland amendment will help remove the shackles on production—the artificially low ceiling prices and the inequities of the subsidy plan—and will shift a substantial part of the cost of production from the taxpayer to the purchasers of articles containing these metals. Now that the Government is no longer the principal purchaser, fairness requires that this shift be made.

Lead, copper, and zinc, having been singled out for unique and special treatment, require legislation of the character of the McFarland amendment. If the entire nonferrous metal industry is not to be subjected to indefinite administrative control, it is essential that this amendment be made a part of the present bill.

Senator TAFT. Mr. Chairman, I move that the four charts on the case be incorporated in the record. I think they illustrate the point.

The CHAIRMAN. There is no objection to that, I am sure.

Mr. CONOVER. I will be glad to leave them with the committee.

Senator BUCK. Do you know why we do not have more silver in this country at the present time?

Mr. CONOVER. Silver is primarily, Senator Buck, a byproduct of our copper, lead, and zinc mines. The reduced production of those mines is a major factor in the decreased production of silver.

Senator BUCK. Can you explain to me why the OPA will not permit a manufacturer in this country to go outside and purchase any more than he can bring in unless he pays not more than the ceiling price?

Mr. CONOVER. I would like to know the answer to some of those questions myself. I cannot speak for the OPA.

Senator BUCK. It does not sound reasonable, does it?

Mr. CONOVER. No, sir; it does not.

The CHAIRMAN. Thank you very much.

(Copy of the McFarland amendment, referred to in Mr. Conover's testimony, follows:)

[S. 2028, 79th Cong., 2d Sess.]

AMENDMENTS Intended to be proposed by Mr. McFARLAND (for himself, Mr. MURRAY, Mr. HAYDEN, Mr. JOHNSON of Colorado, Mr. THOMAS of Utah, Mr. MURDOCK, Mr. TAYLOR, Mr. HATCH, Mr. CHAVEZ, and Mr. WHEELER) to the bill (S. 2028) to amend the Emergency Price Control Act of 1942, as amended, and the Stabilization Act of 1942, as amended, and for other purposes, viz:

On page 3, line 16, strike out "\$100,000,000" and insert in lieu thereof "\$50,000,000".

On page 3, line 25, strike out the period at the end of the line and insert the following: " : *Provided further*, That (a) payments of premiums, or purchases of copper, lead, and zinc or ores of copper, lead, and zinc, may be made after June 30, 1946, in such amounts as may be necessary to fulfill obligations incurred prior to July 1, 1946 with respect to 1946 and prior fiscal-year activities; and that (b) premiums shall be paid on ores mined or removed from mine dumps or tailing piles before July 1, 1947, though shipped and/or processed and marketed subsequently thereto; and that (c) the premium price plan for copper, lead, and zinc shall be extended until June 30, 1947, on the same terms as heretofore except that (1) adjustments shall be made to correct inequities against the producer and to encourage exploration and development work, (2) costs shall include adequate allowance for depreciation and depletion, (3) all classes of premiums shall be noncancelable unless necessary in order to make individual adjustments of income to specific mines, and (4) in order to adjust such plan to take into account the increasing proportion of civilian purchases and to reduce the cost to the Government, and to encourage increased production, the maximum price for each such metal, so long as a maximum price is imposed, shall be increased, effective upon the enactment of this Act, by an amount not less than 60 per centum of the initial premium of 5 cents per pound for copper, 2.75 cents per pounds for lead, and 2.75 cents per pound for zinc originally established for such metals. Nothing herein shall prohibit the addition of new classes of premiums if deemed necessary to meet the cost of operations."

Mr. ECKERT. Mr. Chairman, my name is Ralph R. Eckert, and I want to insert a statement with the committee from the United States Copper Association.

The CHAIRMAN. Very well. It may be inserted.

(The statement referred to follows:)

UNITED STATES COPPER ASSOCIATION,
New York 4, N. Y.

Re S. 2028 and McFarland amendment.

CHAIRMAN AND MEMBERS, BANKING AND CURRENCY COMMITTEE,
United States Senate, Washington, D. C.

STTS: This statement is submitted by the United States Copper Association in lieu of a formal appearance by a representative before your committee. This submission is made in order to save your time because it is understood that requests for hearings have far outrun the time available.

Mr. Julian Conover, secretary of the American Mining Congress, has appeared before you in behalf of the mining industry in general and so has spoken for us

on the general subject under consideration. We have had an opportunity to examine his formal statement on the question of price controls. We fully and heartily endorse it insofar as it relates to the so-called McFarland amendment to Senate bill S. 2028 bearing the title "To amend the Emergency Price Control Act of 1942, as amended, and the Stabilization Act of 1942, as amended, and for other purposes" in its application to the copper industry and that industry's problems under the price control and subsidy policy.

In order to be as brief as possible and to avoid undue repetition of other material presented to you on this subject, our comments will be restricted to matters which have to do primarily with the copper industry. We intend to set forth our reasons for urging the passage of the McFarland amendment to S. 2028 as the first step toward returning the copper industry to a free economy, to increase production, and to remove in part the discriminatory effects of the present ceiling price-subsidy system.

THE QUESTION

Shall the price-control and subsidy program for copper be amended and extended or shall the law under which it exists be allowed to expire by time limitation on June 30, 1946?

In seeking the answers to this question we must have in mind the benefits to be derived by the country at large and our industry as an integral part thereof. Everyone will agree that what is now most necessary throughout this country is a restoration of normal peacetime conditions as promptly as possible.

There is a great shortage of copper production throughout the world. In this country consumption is almost twice the present productive ability. As time goes on the pinch will become greater unless in some way hindrance to increased copper production is removed. If the existing price-subsidy program of OPA is not suitable and handicaps production, it is clear that the program must be changed or eliminated.

Let us see what this program is, how it grew, and what should be done in regard thereto.

HISTORY OF PRICE-SUBSIDY PROGRAM

The price of copper, as the committee knows, was stabilized by the Price Administrator pegging it in August of 1941 at 12 cents per pound. In 1942 it was fixed by law with that same price as a ceiling. Since that time there has been no relaxation of this 12-cent price level, even though costs of labor, supplies, and the like have risen substantially.

In order to stimulate copper production many War Production Board officials felt in 1941 that increased production should be brought about by increases in ceiling price to a level to bring profit to the bulk of production. Unfortunately this plan was not adopted, but in its place a subsidy plan was embarked upon early in 1942. Under it every producer sold his copper at the ceiling, but for every mine which was in (or later came into) production a quota was fixed by the Quota Committee (made up of representatives of OPA-WPB). For any production in excess of the quota the mine operator received from the Metals Reserve Company (an RFC subsidiary) a premium of five or more cents per pound of copper.

PERVERSION OF PROGRAM

It was not long before this subsidy program departed from its original purpose of stimulating production and became instead an instrument for profit control. The chief advantage of the subsidy plan, that is, to stimulate production, thus disappeared when profit control became its dominating function. Others have pointed out at length the evil effects resulting from the granting of subsidies on a mine-to-mine basis where cost of production and profit control have been the ruling factors. As a supplement to such comments we wish to voice strenuous objection to the fact that the OPA has assumed the unauthorized function of profit control of mine operators through the medium of the subsidy plan. No such authority was embodied in the plan as originally conceived and put into effect. The copper mining industry, along with those of lead and zinc, have thus been discriminated against on an individual company basis, since no other industry in this entire country receiving Government subsidies have been subjected to this arbitrary regulation of income based on cost of production. We urge that for those companies continuing under the subsidy plan, a change in the manner of administration should be made in order to correct this situation.

During the war period the shortcomings of the price-subsidy program were for patriotic reasons overlooked by all producers, whether they suffered from the inherent injustices of the program itself or from the hardships of maladministration thereof. Everyone was striving to help win the war, and the usual economic considerations were regarded as secondary.

Now, however, that the war is over the return to peacetime standards requires an examination of this program and appropriate action to eliminate its defects.

DEFECTS OF SUBSIDY PROGRAM AS APPLIED TO THE COPPER INDUSTRY

As the subsidy program is now being administered, it is disadvantageous not only to—

- (a) the copper industry, but also to
- (b) the consumers of copper, and to
- (c) the economy of the country as a whole.

It is essential that a change in the program be made or the reconversion in the United States affected thereby will be seriously impeded.

A. Detriment to copper industry

Without going into the matter at length, we point out that—

(a) Those copper producers who receive subsidies are in an uncertain position because of the manner in which the program is administered. The quota of each producer is fixed on the basis of allowing his costs plus a limited margin for profit. But if a producer on a subsidy strikes richer ore than he had estimated or is more efficient in his operations, or more economic in his administration, or in any other way brings greater success to his venture so that his monetary return is greater than estimated by him and conceded by the Government administrators, his subsidy is promptly reduced. But if he has overestimated his return and suffers a loss, this is not made up to him—even though it might be cured as to future operations on an appropriate application therefor. The operator receiving a subsidy is thus in an economically disadvantageous and uncertain position. Why, save during the war period, should anyone mine his richer ores, make better metal recoveries, or strive for greater success if he is inadequately compensated therefor? Discouragement is the result, and a consequent lack of real productive effort.

In this connection it may be interesting to note that recently the American Mining Congress adopted a resolution urging the abandonment of price controls on copper, lead, and zinc and a return to a market wherein the well-trying law of supply and demand shall rule. Moreover, the mining industry—even those companies within it who are receiving large subsidies—express a willingness (subject to an intervening period to become adjusted) to forego receiving such subsidies and “take their chances” so far as price is concerned on a market governed by the law of supply and demand. They feel that the dangers and effects of maintaining the present artificial ceiling with the necessary subsidies are so great that the future health and well-being of the mining industry require a return to a free economy.

(b) Between 60 and 70 percent of the virgin copper production of the United States is paid no subsidy of any kind. It is restricted as to price so that it can receive only the ceiling of 12 cents per pound, while its competitors who receive subsidies may receive up to 27 cents per pound for the identical product. This means that the major portion of the copper production in this country receives less for its product than do those receiving subsidies for their product (electrolytic copper) of which one pound is identical with the other. Thus, because of the price-subsidy program, the major portion of the copper production of this country is given discriminatory treatment as to price. The portion of the industry subjected to such a procedure cannot be expected to make even ordinary productive efforts, let alone the extraordinary ones now called for.

During the war these copper producers who are discriminated against pushed their production to the very maximum, for then there was an incentive, i. e., to help win the war. In so doing—since this is an industry which consumes its capital or principal asset (ore in the ground) through its operations—it depleted its capital at twice its normal rate, to its own eventual detriment and financial disadvantage. This was gladly done then for patriotic reasons. Now that the war is over, sound business principles must prevail. Sales at discriminatory prices are not sound business and the maintenance of a Government program which fosters discriminatory dealings is unfair, improper, and economically unjusti-

fiable. And in this connection we want to reiterate that the nonferrous industry is the only one in the United States which has had forced on it a program in which competitors are forced to take different prices for the same product.

No producer in peacetime will make a real productive effort if his only hope is to receive less for his product than his competitor, and so the copper price-subsidy program is causing substantial hindrance to copper production and consequently is a road block to reconversion.

In considering the limitation of 60 to 70 percent of the copper production to 12 cents per pound under the price-subsidy program, the question naturally arises in anyone's mind as to what the over-all price picture has been recently. The average price of copper, including subsidies, prevailing during the first 6 months of 1945 (the latest period for which complete figures are available), amounted to 13.72 cents. This figure has now, no doubt, risen to a level approaching 14 cents. It should be pointed out that the price of 13.72 cents included a large portion of production (60-70 percent thereof) which received no premiums whatsoever—this portion having been sold at the ceiling price of 12 cents per pound. Therefore, the average price received for the balance of subsidized copper must have been around 18 cents to bring the average price to 13.72 cents per pound.

We submit that the rise of the ceiling price to 15 cents as proposed in the McFarland amendment is not high in the light of the additional fact that the average domestic price for copper, Connecticut Valley base, for the 25 years from 1899 to 1930, excluding the World War I period of high prices (1914-20), was 14.6 cents. These years have been chosen for comparison because they are regarded as relatively normal in our industry and economically in the country. This latter figure does not take into account the fact that during this period, for which the average is taken, the value of the dollar became progressively debased. For the period 1899 to 1913 the Connecticut Valley base price was 15.188 cents, and for the period 1899 to 1920 it was 17.064 cents.

One other point should be mentioned in connection with the producers of 60 to 70 percent of the copper in this country, viz, the copper industry differs from the lead and zinc industries in that the latter are all underground miners, whereas in the copper industry some 60 percent of the production comes from open-pit operations of very low-grade ores and the remainder from the more costly underground operations of higher-grade deposits. It is this former group of operators of open-pit mines who, after years of planning, development and the expenditures of millions of dollars of capital, find themselves relegated to receive only the ceiling price of 12 cents per pound for their product, even though they are, from a tonnage production basis, the mainstay of the copper industry.

(c) During the war, development work and work preparatory to mining had to be neglected in order to turn out copper. This was true in regard to producers who were receiving subsidies and those who were merely receiving the 12-cent ceiling price. All mines, whether open-cut or underground, are behind in such work and mining is really hindered as a result.

Under the subsidy arrangements none but the most necessary development work and that preparatory to mining has been allowed for by the administrators. But that is not sufficient to permit a full mining program to be carried on. The result is that production is now restricted, as is also exploration for and development of additional ore reserves and new properties. Those who are now operating under a subsidy cannot afford to conduct development or exploratory work to make up past deficiencies in this work, for they do not receive appropriate allowance for it and those who receive only the ceiling price feel themselves similarly restricted. Thus it must be clear to any layman that the mining industry is not in a healthy condition as a result of the operations of the price-subsidy program and some relief must come to our industry if it is to maintain the place of this country in the copper mining field in a world economy.

(d) Since the price of copper was fixed at 12 cents in 1941, there have been large increases in wages, costs of supplies, equipment, and transportation. No allowance for these have been made in the ceiling price. The nonsubsidized producers have thus been squeezed up against the ceiling by these substantially higher costs which it is estimated run from 1¾ to 5 cents per pound of copper depending on conditions at each property, location, and the like.

Generally speaking, these elements of cost increase have affected more seriously underground operations on a per-pound-of-metal basis than the large scale open-pit properties. Hence, the underground operations were the ones first to

require subsidies on the close-to-cost-plus basis to which the subsidy plan degenerated soon after its inception.

Recently labor has demanded further sizable increases in wages and the producers have felt that without increases in ceiling prices there was economically no justification on their part to grant any increases. Strikes have resulted to the end that most of the large copper mines, treatment plants, and refineries in the United States are closed down tight. It is truly believed that had the restrictive ceiling price been appropriately loosened or thrown off it would have been possible to avoid such widespread strikes in our industry. For this reason again the Government price-subsidy program is considered to be a serious detriment and a real deterrent to production and reconversion.

(e) The price-subsidy program is particularly unfair to the smelting and refining branch of the copper industry. This branch is a vital cog in that by its treatment of the materials it converts them into marketable form. The subsidy program provides subsidy payments solely to mine operators and, therefore, the smelting branch of the copper industry receives no subsidies—but it is limited in making sales by the price ceiling of 12 cents per pound. Since the ceiling-price program went into effect this branch of the industry has had very substantial cost increases. It is now additionally faced with not only higher wage costs but also substantial increases in costs of fuel, refractories, and other supplies which make up the major cost of smelting. While many custom smelter contracts have escalator clauses which pass on certain direct wage costs to the miner, this is by no means true of all contracts.

Moreover, under many smelting contracts the smelter retains, as part of its compensation, the amount of metal recovered in excess of a flat percentage set forth in the contract. That portion of the metal which represents in part the compensation for treatment services carries no subsidy.

The smelting branch of the copper industry in selling the copper it acquires in the course of its business is thus squeezed between the ceiling price of 12 cents and the heavily advancing costs. Its only means of much needed relief is an increase in the ceiling price as proposed by the McFarland amendment.

(f) Those mining properties which produce 60 to 70 percent of the virgin copper of this country and receive only the 12-cent ceiling price—and no subsidy payments—are owned by domestic corporations. During the war there was no serious risk of responsibility, liability, or criticism if a company produced at full capacity and sold its product at less than its neighbor and competitor—due to the position into which it was forced by the price-subsidy program. The war is now over. Are such companies justified in selling their product at a price far below that of their competitor when the two products are identical? Also, is any mining company justified in consuming its capital, consisting of the ore in the ground, and selling it for what is regarded as an inadequate price? Quite aside from any criticism, such a course must be regarded as bad business. The Government price-subsidy program brings this about and so can be and is only a hindrance, not a stimulant to production.

The conclusion from the facts set out in (a) to (f) above is that the Government price-subsidy program is retarding and hindering production of virgin copper by both those receiving subsidies and those receiving only the ceiling price, especially the latter.

If, as is generally agreed, large production is the bridge upon which the economy of this country can successfully travel through the reconversion period toward a restoration of our peacetime economy, it follows that restriction of copper production must be injurious to the country as a whole. We must point out again that latest figures available show that 60 to 70 percent of our domestic production has been derived in the past and will be obtained in the future from that class of copper producer which has received a ceiling price of 12 cents and only nominal subsidy payments for a short period of time. The mines producing this 60 to 70 percent can be relied upon to play a major role toward bringing supply and demand into balance, but this cannot be accomplished without the stimulus afforded by a ceiling price increase. Subsidy payments to them present no incentive whatsoever toward attaining full-out production since the margin of profit allowable under the discretionary subsidy rules is inadequate in comparison to prewar per pound return.

If an appropriate stimulus for production is now to be brought about in the copper mining industry, the price subsidy program must be changed by governmental action.

B. Detriment to consumer

Copper is now in short supply, largely because the stimulus to production is lacking under the restrictive programs of various governmental agencies. Moreover, unless prompt relief is forthcoming through the amendment of the price subsidy program, the situation will move from bad to worse. At the present time copper and brass mills, as well as wire mills, are almost entirely without copper for use in their manufacturing processes. Superficially this is due to strikes in mines, smelters, and refineries, but basically the situation is serious and if domestic production of copper is not soon stimulated, the operation of these plants will be substantially reduced and in some instances brought to a standstill. In turn, all plants using the products of brass and wire mills will be slowed down. In ever widening circles this will include our major industries involving electrical manufacturers, motor-car manufacturers, airplane companies, light and power companies, building and construction operations, and the like.

Secondary production.—In connection with the supply of copper no mention has yet been made of the fact that secondary or scrap metal in normal times represents a sizable factor in the supply of red metal available to the copper-consuming industries.

A consideration of cuprous scrap metal is appropriate in connection with the consumer since the scrap industry is not a part of the virgin metal industry. Copper is indestructible and it is, in consequence, estimated that certain quantities of this metal, which were mined a hundred years ago, are still in the circuit from scrap to remelting and recasting, to use and back again to scrap. Such secondary metal moves promptly from scrap and junk dealers into commerce when the price is a fair one. But when the price is low, it is stored or accumulated against the time when the price again becomes satisfactory.

At the present time, with the adverse conditions of a low copper ceiling price brought about by the Government price-subsidy program, secondary or scrap copper is not being released for industrial use. Since this represents, in normal times, about 8 to 10 percent of the copper used in industry, it is apparent that the lack of scrap, when joined to the lack of virgin red metal, is having its effect on the consumers—all of which in turn has its detrimental foundation in the Government's adverse price-subsidy program.

C. Detriment to the country

The ill effect of the program under consideration on our country as a whole is now discernible in a number of directions, viz:

(1) Under the copper-subsidy plan the Government pays the subsidy and then passes this on to the taxpayer, who thus bears the burden which the purchaser and the consumer must, under a normal economy, assume. But under existing conditions the taxpayer cannot bear it, so deficits are created through this and other causes and our economy becomes unbalanced. Deficits mean higher prices, higher prices mean higher wages, which again affect industrial product prices—and we have the whole vicious circle of inflation.

In addition, by throwing the burden of the subsidy on the American taxpayer instead of on the American consumer, the subsidy program causes another injustice in that the American taxpayer has had shifted to him the subsidy burden which the consumer abroad, who buys our manufactured products containing copper, should bear.

(2) While it is generally recognized that subsidy is an undemocratic principle, it does under certain conditions serve a purpose. However, in OES-34 of March 28, 1946, the Government provides additional subsidies for the sole purpose of providing increased pay for labor. This gives no aid to the principal copper producers in this country, but it does have this basically repelling effect, i.e., the Government from its Treasury thus subsidizes labor, which is an advance condition of state socialism not excusable under any circumstances in a democracy.

(3) The reduction in the quantity of virgin copper mined in this country, caused by the strangling effect of the price-subsidy program on copper-mining activities, spreads in ever widening ripples through all industry, which consumes copper or its alloys, thus depriving labor and industry of employment for returning veterans and displaced war workers.

COPPER PRICE

Copper, as are lead and zinc, is a global commodity, produced and marketed throughout the world. The price, therefore, is normally set not by the supply

and demand or artificial mandate of some particular place, but by the conditions of all markets.

With that condition as a backdrop, it is interesting to note that in all other metals-producing countries the wartime price controls on the nonferrous metals are being eased. The British price for copper is now about 1 cent per pound above the ceiling fixed by OPA; and the United States Government itself has increased the price it is paying for foreign-produced copper by at least $\frac{1}{2}$ cent per pound over the ceiling prices in this country. With the short supply of the red metal now available or potentially available throughout the world, it is believed the world price of copper before the end of 1946 will be 15 cents per pound.

Under such conditions it is fair to inquire: what basis has OPA to retain the unjustified ceiling of 12 cents per pound? The answer is, there is none.

The behavior of OPA, however, is such that the only real possibility for relief to our industry is legislation since OPA, though fully clothed with power to bring the ceiling price into line as dictated by economic conditions, has first refused and now fails to take the appropriate action.

CONCLUSION

The facts set out in the foregoing statement indicate that those who produce from 60 to 70 percent of the virgin copper in the United States require an increase in the price of copper in order not only to offset the increased costs which have come about through wage increases, advancing expenses for supplies and transportation charges, but also to permit them to realize a fair price for their product on a proper competitive basis. This group of operators would prefer such an increased price to come about in connection with a return to a free economy and the elimination of the price-subsidy program now being administered primarily by OPA, with the cooperation in technical matters by CPA. However, since it may be thought by certain of the copper producers now receiving subsidy payments (and perhaps by certain lead and zinc producers) that such a transition from tight control to complete freedom will be too great a jolt for them to bear successfully, the producers of the 60 to 70 percent of the virgin copper are prepared to have the increase in price come about by the simultaneous enactment of (i) the extension of the emergency price law, as amended, for a period of 9 months, and (ii) the proposed McFarland amendment to that law which provides for an increase in the ceiling price of copper to 15 cents per pound and corresponding percentage increases for lead and zinc. It is felt such a transitional step which looks to complete elimination of all price controls in the spring of 1947 should amply protect those now receiving subsidies.

It seems appropriate to point out, lest someone should urge that copper, lead, and zinc are requesting very special legislation and thus setting themselves apart from other commodities, that quite the reverse is the fact. Copper, lead, and zinc have by legislative and administrative governmental action been placed in a special class and singled out for unjustified discrimination. In our present effort we are seeking relief against and release from such special discriminatory procedure which has not been visited on anyone else in this country. In addition to such relief as is provided for by the McFarland amendment, those producers who will continue to receive subsidy payments should have the benefit of amendments in the administration of the subsidy program so as to relieve them not only from the defects herein mentioned but also from those others of which space did not permit mention to be made.

Note must also be taken that high production is required to place our economy on a sound basis and attention is drawn to the fact that historically large production has always paralleled a period of good prices. A tabulation is attached which evidences this condition.

We strongly urge upon you that if the emergency price law, as amended, is extended, the proposed McFarland amendment thereto be made a part of such extension.

Respectfully submitted.

UNITED STATES COPPER ASSOCIATION,
By R. R. ECKERT, *Secretary*.

APRIL 24, 1946.

Primary copper production and corresponding prices, 1920 to 1939 inclusive (nonwar years)

Year	Production (U. S.)	Price (average E. and M. J. Refinery)	Year	Production (U. S.)	Price (average E. and M. J. Refinery)
	<i>Tons</i>	<i>Cents</i>		<i>Tons</i>	<i>Cents</i>
1920-----	612, 275	17. 456	1930-----	705, 074	12. 982
1921-----	233, 095	12. 502	1931-----	528, 875	8. 116
1922-----	482, 292	13. 382	1932-----	238, 111	5. 555
1923-----	738, 870	14. 421	1933-----	190, 643	7. 025
1924-----	803, 083	13. 924	1934-----	237, 402	8. 428
1925-----	839, 059	14. 042	1935-----	350, 490	8. 649
1926-----	862, 638	13. 795	1936-----	614, 515	9. 474
1927-----	824, 979	12. 920	1937-----	841, 998	13. 167
1928-----	904, 898	14. 570	1938-----	557, 763	10. 000
1929-----	997, 555	18. 107	1939-----	728, 320	10. 965

The CHAIRMAN. We will next hear Mr. O. W. Bilharz.

STATEMENT OF O. W. BILHARZ, PRESIDENT, TRI-STATE ZINC AND LEAD ORE PRODUCERS ASSOCIATION, PICHER, OKLA., AND PRESIDENT OF THE BILWIL MINING CO., BAXTER SPRINGS, KANS.

Mr. BILHARZ. Mr. Chairman and gentlemen of the committee, my name is O. W. Bilharz. I am president of the Tri-State Zinc and Lead Ore Producers Association, Picher, Okla., and also president of the Bilwil Mining Co., Baxter Springs, Kans.

I have a few sheets that I would like to read, and also, with your permission, I would like to have inserted in the record at this point a summary of a booklet prepared by the Tri-State Zinc and Lead Ore Producers Association entitled "The Conservation of Tri-State Ore Reserves."

(The following is the summary submitted:)

SUMMARY OF BOOKLET PREPARED BY THE TRI-STATE ZINC AND LEAD ORE PRODUCERS ASSOCIATION ENTITLED "THE CONSERVATION OF TRI-STATE ORE RESERVES"

This paper is the result of examination of the records of the members of the Tri-State Zinc and Lead Ore Producers Association and investigation of the remaining nonmember operations within the Tri-State mining district. They reveal that there is an almost unanimous conviction that the large reserves of strategic and critical minerals, at present extant and now being mined there, will be lost to the Nation with the expiration of the premium price plan of the Office of Price Administration on June 30, 1946. They show that all but very few mines will be closed down when subsidies are removed. So widespread will be the loss when this happens that we believe the matter vital to the Nation's industrial welfare and future, as well as military security. In the interest of a complete understanding of the problem, we, therefore, wish to set out herewith our reasons for the necessity for the conservation of these reserves through the continuation of the premium price plan, or an equally effective substitute.

THE CONSERVATION OF TRI-STATE ORE RESERVES

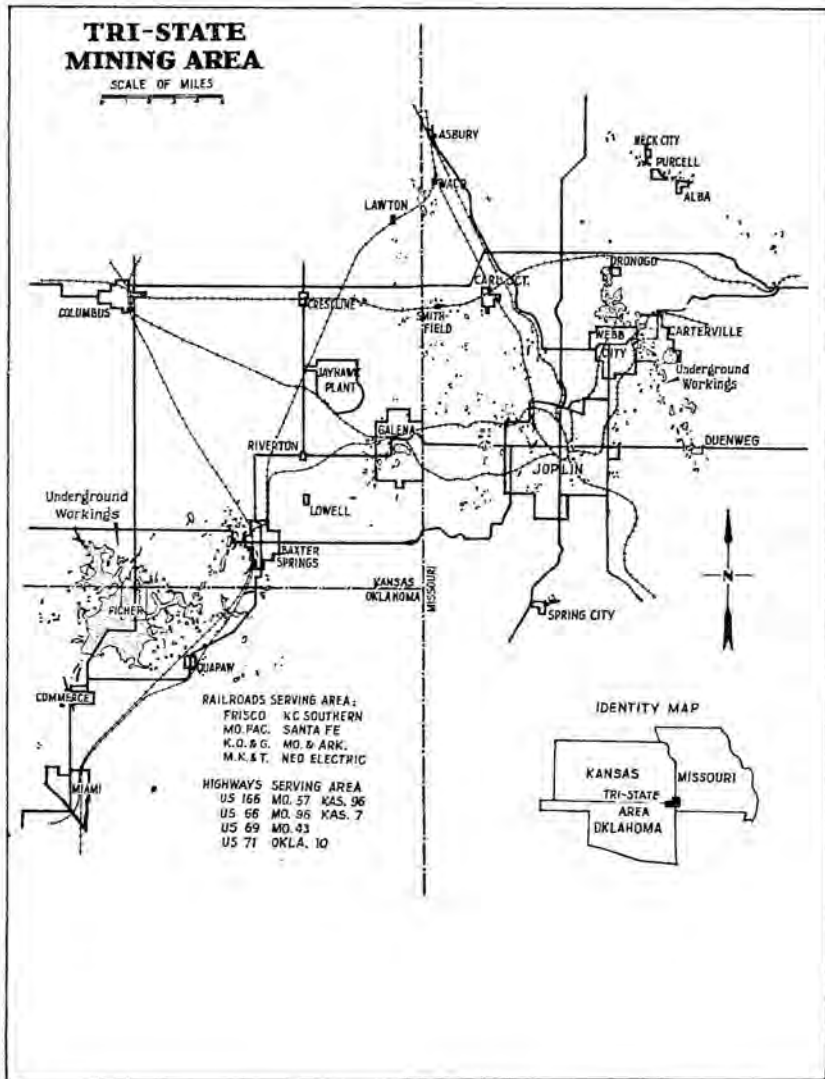
DESCRIPTION OF THE TRI-STATE DISTRICT

GEOGRAPHICAL LOCATION

The Tri-State lead and zinc ore deposits are located at a point where the northeast corner of Oklahoma and the southeast corner of Kansas form juncture with the southwest part of Missouri. The mining district lies in parts of three counties: Ottawa County, Okla.; Cherokee County, Kans.; and Jasper County, Mo.

TRANSPORTATION FACILITIES

Excellent transportation facilities exist throughout the entire area. Seven major railroads operate in the district: The Frisco, Missouri Pacific, Kansas City Southern, Santa Fe, Katy, K. O. & G., and the Missouri & Arkansas. The North-east Oklahoma Railroad operates in the Picher Field as a gathering line and connects with most of these major lines. In addition, a complete network of hard-surfaced roads provides a good haulage system both for ore and supply shipment and for operating personnel.



HISTORY OF THE MINING AREA

Mining began in the Missouri section of the area in 1842, spread to Kansas in 1876, and to Oklahoma in 1891. It has been carried on continuously ever since. The so-called Picher Field, which is at present contributing the bulk of the production, was discovered in 1914.

According to the United States Bureau of Mines, the first production statistics were compiled in 1907. From this date, and continuing through 1944, their records show that the Tri-State area has produced 16,120,827 tons of zinc concentrates and 2,471,056 tons of lead concentrates, which refined to 8,427,288 tons of zinc metal and 1,919,412 tons of lead metal, and gave a total value of \$919,575,091 and \$1,400,874,646, respectively.

During World War I this area was a major source of zinc and an important source of lead. With the beginning of World War II there was again a tremendous demand for strategic metals, and once more the area was a major source of zinc, contributing approximately 30 percent of our national requirements. Since the cessation of hostilities the area has been furnishing, and is today furnishing, large quantities of zinc and lead and important quantities of cadmium and germanium.

Today we have in the district an active and going industry. The following concentrating mills were in operation on the 30th of March:

American Zinc Hunter and No. 7	St. Lewis Smelting & Refining No. 8 and No. 9
Beck No. 3	St. Louis Mining & Milling
C G & C Northside and Capital	Swartz
Cameron and Henderson Romo	United Zinc Royal and Park Walton
Dines	Wade Rea
Dividend	Weidman Woodchuck
Eagle-Picher Central and (MRC)	Wentworth
Paxson	Youngman
Evans Waco and Sucker Flat	Atlas
F. and M.	Barr Cleanup
Federal Duenweg and Granby	Big Chief
Scott	Britt and Britt
Kansas Explorations Jasper, Ritz and Snapp	Cardin No. 2, No. 3, Captain and Western
M. and W.	Evans-Wallower No. 4
Marcia K	Missouri Chitwood
Mission	Semple Martin
Playter	Tri-State Ottawa and Sooner
Rialto No. 3	

Concentrating ores from 173 mines, these mills are producing today at the rate of some 5,300 tons zinc concentrates and some 700 tons lead concentrates weekly.

With the attendant railroad transportation, power facilities, and truck and ore trailer equipment, an investment of large proportions is represented. A recent report by Baird, Kurtz & Dobson, a firm of certified public accountants of long experience in the district, clearly shows this large investment.

Table of investment

Classification	Oklahoma	Kansas	Missouri	Total
Mining equipment.....	\$2,767,400	\$2,426,600	\$982,500	\$6,176,500
Concentrating mills.....	3,640,000	680,000	740,000	5,060,000
Railroad transportation.....	2,114,000	835,000	50,000	2,999,000
Power distribution.....	2,250,000	1,350,000	750,000	4,350,000
Trucks and trailers.....	400,000	250,000	100,000	750,000
Total.....	11,171,400	5,541,600	2,622,500	19,335,500

This active industry is now supporting a labor and managerial force of some 6,000 men. These men are trained and skilled and are experienced in the local know-how of the district. They have "been here always," own their homes and support their families in numerous small communities and towns throughout the area. To support this industry the mines must continue in present operation. It is impossible to "reconvert" a mining operation.

REMAINING RESERVES

In January 1946 the United States Bureau of Mines brought their survey of the ore reserves of the Tri-State district up to date. This survey shows that that are remaining 50,735,500 tons of crude ore which the Bureau's engineers

estimate will average 1.75 percent metallic zinc and 0.23 percent metallic lead and will yield 1,481,396 tons of zinc concentrates and 156,640 tons of lead concentrates. When refined, these concentrates will produce 785,140 and 125,312 tons, respectively, of zinc and lead metal.

NEED FOR CONSERVATION

We recognize how important it is to insure to the Nation an adequate supply of zinc and lead. We feel that abandonment of our reserves is threatened when the premium-price plan expires on June 30, and that such abandonment would condemn beyond hope of any future recovery 90 percent of the ore reserves remaining at that time.

The Tri-State situation is aptly described in the following editorial by Mr. Evan Just, editor of Engineering and Mining Journal and formerly secretary of our Tri-State Producers Association.

"Save our marginal minerals"

"The time has come when the country must decide what to do about mineral deposits whose contribution to the economy will cease as peacetime conditions are restored, if special assistance is not given.

"In the field of mining, most of the strategic and critical mineral producers have already absorbed a hard right to the chin since Metals Reserve stopped paying high prices for their production and Reconstruction Finance Corporation has tightened its policies toward mine loans. Now, with the end of the premium-quota plan for copper, lead, and zinc looming up on June 30 next, a much more extensive group of operations is facing a let-down. To the lower-cost producers of these metals this is not a serious outlook. Barring more tariff cuts, copper and lead prices are expected to rise when ceilings are removed. Zinc prices are not expected to drop very far and may hold or rise also. The low-cost producers have been getting the short end on premiums, and their position may actually improve when ceilings and premiums are both removed.

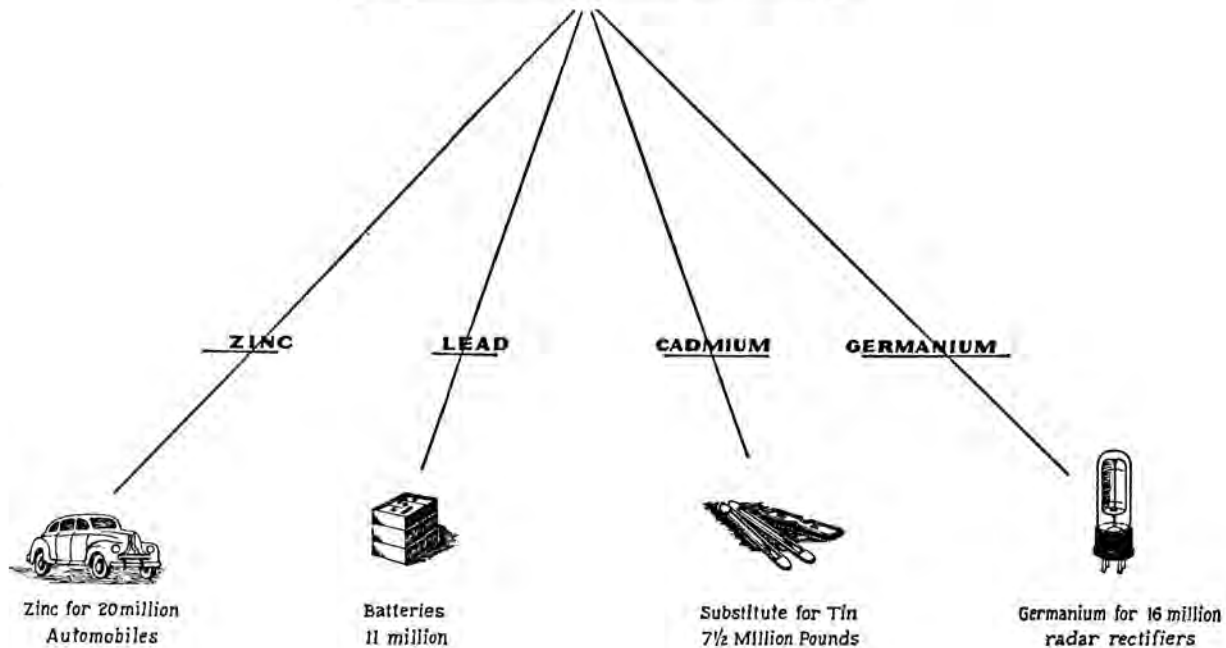
"However, to the high-cost producers the outlook is more serious. They have been getting the long end of premiums, and cannot expect prices that will compensate for the loss of premiums. According to the nature of their operations, they will have to curtail or shut down.

"In many cases this will be simply a private or local hardship. However, there are others where the national public interest may suffer from abandonment, simply because abandonment would cause loss of the resources or greatly increase the cost of its eventual utilization. No nation has such a superabundance of minerals that is can afford to waste them.

"We are disturbed by the apparent acceptance in Government circles of two ideas; first, that we have become relatively poor in mineral resources and, second, that true conservation of minerals consists of locking up the resources and discouraging the industrial activity which brings them to market. Too many people fail to realize that the world outside the United States is in general not much better off for minerals than we are, particularly if it moves in the direction of mass-production economy. Too many oversimplify the problem of mineral conservation. They fail to realize that there is more chance of enlarging mineral supplies in the future by technological progress than by surface discoveries. Adequate technological progress, either geological or productive, is not likely to be made without 'going' industries operating under competitive conditions.

"Probably the most conspicuous case now at hand where it ought to be considered if the public interest would be served by extending special assistance in the famous Tri-State zinc-lead district of Oklahoma, Kansas, and Missouri. This area, which during the twenties furnished about half the Nation's zinc supply and since has furnished about one-third, seems destined for a virtual collapse when premiums are removed. The drain on its reserves under the spur of wartime demands and high premiums has been so extensive that only a minor fraction of the operations can face the future without above-the-market assistance. In September of this year the district produced 10,155 tons of zinc and 2,107 tons of lead (metal content of concentrates) from ores averaging less than 2½ percent zinc and ½ percent lead content. Also it produced 1,917 tons of zinc (in concentrates) from the remilling of old tailings averaging about 0.7 percent zinc content. Despite the advanced depletion which these figures indicate, the district is estimated still to contain some 53,000,000 tons of ore averaging 2.5 percent zinc

50,735,500 TONS
Tri-State Ore Reserves
IN TERMS OF WHAT THEY WILL PRODUCE



and 0.4 percent lead. From such a reserve some 875,000 tons of zinc and 140,000 tons of lead can be saved from ore which is currently being mined at an average price of \$105 per zinc concentrate ton (corresponding to a metal price of 13.75 cents per pound of metal, St. Louis). Now, while sizable operations exist, most of the enormous, interconnected underground workings are empty of water, the mine, transportation, and treatment facilities are at hand, and thousands of skilled workers are resident in the area. If these advantages are allowed to lapse, the cost at some future time of unwatering, of pollution, and of equipping and manning the operations would certainly be vastly greater than that of saving the resources while they are readily available. Also, a considerable loss through oxidation and leaching would occur, and the products could certainly not be had on short notice.

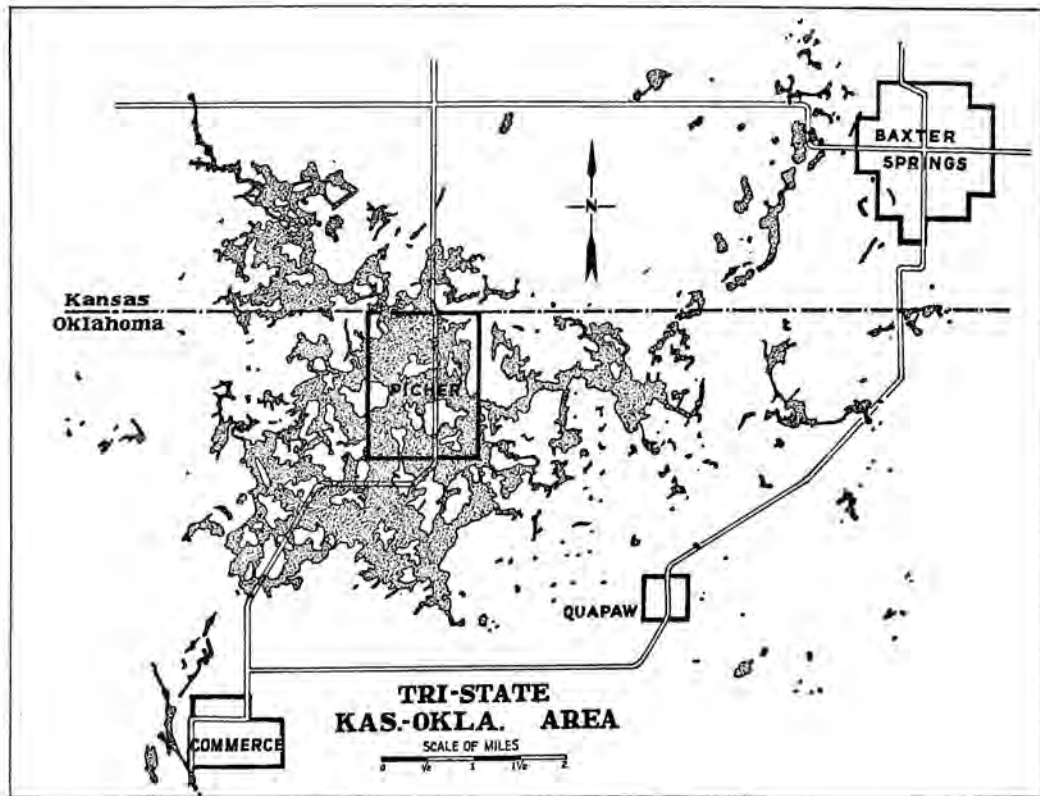
"Probably there are other areas which present similar problems. The Michigan copper country, for example, seems to be in jeopardy from the reduction of its premiums, and deserve study.

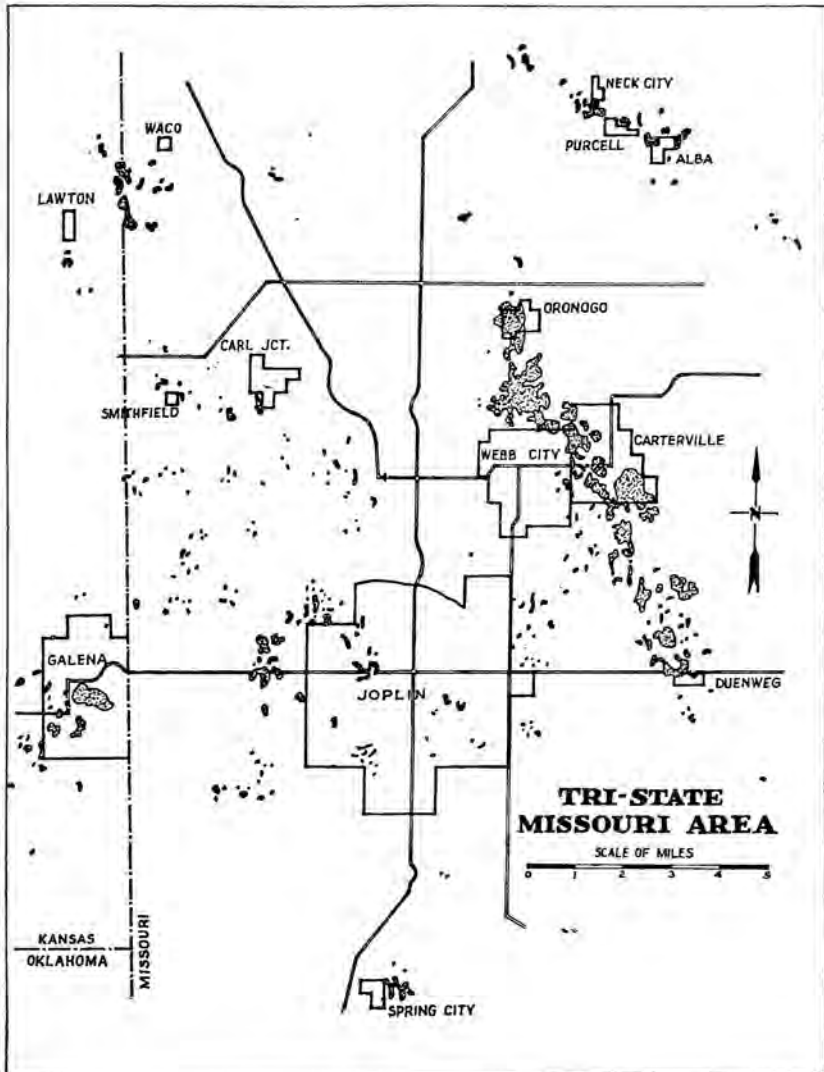
"We believe that the national and world problem of minerals over the long pull is one of supply rather than oversupply. Therefore, we believe that the Government would be acting in the best interests of the Nation by purchasing minerals while they are available, if abandonment is threatened and such abandonment would mean either condemnation of the resource or a much higher future cost of production. Minerals thus purchased should be put into the most storable form and placed in a national reserve against the day when the public interest would be served by committing them to use."

CONSEQUENCES OF ABANDONMENT

In relation to the future conservation of these minerals in the Tri-State district, one of the most serious consequences of a shut-down is mine flooding. Cessation of mining would mean the stoppage of pumps and the major interconnected mine openings (see map) would at once begin to fill with water from present inflows. The rising water table would dissolve great quantities of soluble sulphates, would become high in carbon dioxide, mineral acids and salts (especially sulphates of iron and aluminum) which hydrolize to create acid water. If this acid water is discharged in any quantity into stream drainage, it is neutralized by excess alkalinity and oxygen in the streams and precipitates are formed of heavy, sticky, unsightly and insoluble hydroxides. Inasmuch as all stream drainage from the entire district flows through Oklahoma into Grand Lake (see map) coupled with the fact that in Oklahoma stream pollution is a misdemeanor with enforcement vested in the fish and game commission, a serious stream pollution would exist. This would not be abatable as the cost of treatment to neutralize this water in any quantity before discharge into streams would be prohibitive.

Cessation of mining would mean the loss of mine machinery and equipment; mine openings would soon cave through disrepair; idle concentrators would be lost from deterioration and all supporting and independent industries, such as foundries, machine shops, tool shops, power and electrical appliance shops, etc., would be forced out of business. If lost through abandonment, replacement of present mine and mill facilities (exclusive of shafts and mine development) is estimated to be between 20 and 25 millions of dollars, a sum not likely to be furnished in the future by private capital. Furthermore, the railroads serving the district would not only lose the revenue from the now active mining industry, but also their only source (now 200 cars daily) of valuable flintrock ballast obtained from mill tailings.





IMPORTANCE OF CONSERVATION

Conservation of these reserves would mean the saving of important annual production of zinc and lead essential to the expanding industrial needs of the country and to the military needs for the common defense. They cannot be easily replaced from other mining areas now deficient or insufficiently developed to alone meet the demand.

THE PREMIUM PRICE PLAN AND ITS OPERATION

The premium price plan was devised by our governmental agencies following the entry of our country into World War II. The purpose of the plan was to control unstable and fluctuating prices and to increase production of strategic materials. Specifically, the plan became operative in the Tri-State district through the premium price plan for copper, lead, and zinc. It made available strategic reserves of lead and zinc minerals which could not be economically produced at base prices. Under the plan, ceilings were maintained and premium payments initiated for production in excess of established quotas. The operation of the plan in the Tri-State is graphically illustrated herein (chart, p. 473), which shows production from January 1941 to June 1945. Note that maximum production was maintained in the face of increased war costs and decreased tenure of ore, when "A" premiums were introduced in February 1942. A production decline late in 1942 necessitated introduction of "B" and "C" quotas to sustain production. Since March 1944 there has been a gradual decline due primarily to a marked manpower shortage. Since the middle of 1945 a slight increase in production has reflected a somewhat improved labor picture. An assumed projection of the chart indicates a life expectancy of 5½ years at the present annual production rate of 9,000,000 tons to conserve the remaining 50,735,000 tons of estimated ore reserves.

OUR SUGGESTIONS FOR A SOLUTION

We believe that throughout the recent national crisis and up to and including the present date the premium price plan has worked effectively and has been an economical plan for insuring maximum development and production of Tri-State ores.

Since the machinery of the plan is now in full operation and the administrators are thoroughly familiar with the problems peculiar to this area, and since the plan is being further adapted to compensate for cost changes and wage adjustments under the Government's wage-price policy, we feel that this plan or one similar to it is necessary to insure conservation of the large marginal ore reserves of zinc and lead which remain in this area.

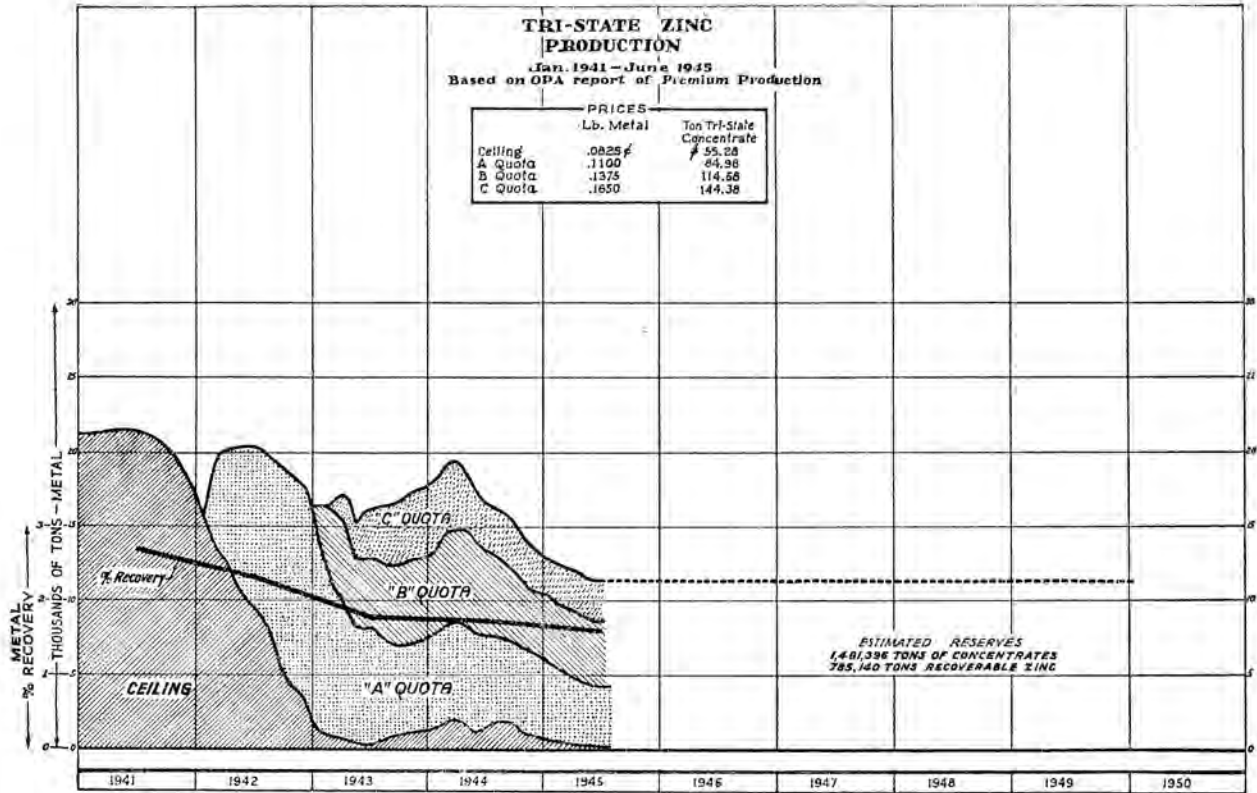
We wish to reiterate that our primary purpose in the recovery of these Tri-State ores is in the interest of conservation; we have no objections to any modification of the present premium price plan so long as its effectiveness is not impaired.

SUMMARY

In summarizing, we wish to emphasize that—

- (1) Large marginal ore reserves of zinc and lead exist in the Tri-State area.
- (2) The recovery of these large ore reserves will become uneconomical when the premium-price plan expires.
- (3) An active industry is now in full operation and ready to recover these large ore reserves efficiently.
- (4) The loss of these reserves will result in a tremendous and unjustifiable waste of the Nation's mineral resources.
- (5) Conservation is the course of wisdom, for no country is so rich in mineral resources that waste can be excused.
- (6) The premium-price plan has demonstrated its effectiveness for insuring recovery of remaining Tri-State ore reserves and it, or a similar and equally effective plan, must be continued if full conservation of these needed ores is to be achieved.

Therefore, we respectfully request that serious consideration be given to this presentation of our problem.



The CHAIRMAN. Very well.

Mr. BILHARZ. The Tri-State lead and zinc ore deposits are located at a point where the northeast corner of Oklahoma and the southeast corner of Kansas join with the southwest part of Missouri. The Tri-State mining district lies in parts of three counties, Ottawa County, Okla.; Cherokee County, Kans.; and Jasper County, Mo.

This field has been a great source of zinc. During World Wars I and II this mining field was a major source of zinc and an important source of lead. In the period of 1907 to 1944, the Tri-State operations contributed on the average, annually, nearly 41 percent of the national supply of zinc and 10½ percent of all the lead produced in the United States. This field can continue to be a great source of these metals. Such continuation depends upon the premium-price plan.

We believe that throughout the recent national crisis and up to and including the present date, the premium-price plan has worked effectively and has been an economical plan for insuring maximum development and production of Tri-State ores.

Since the machinery of the plan is now in full operation and the administrators are thoroughly familiar with the problems peculiar to this area, and since the plan is being further adapted to compensate for cost changes and wage adjustments under the Government's wage-price policy, we feel that this plan or one similar to it is necessary to insure conservation of the large marginal ore reserves of zinc and lead which remain in this area.

We wish to reiterate that our primary purpose is the recovery of these Tri-State ores so that they may continue to make their important contribution to the basic economy of the United States, that the large marginal reserves which were indispensable and an integral part of the defense program in World Wars I and II may be preserved for the benefit of peacetime consumption.

The country is approaching a shortage of zinc. There is already an acute shortage of lead. As a consequence of the war, when the great bulk of zinc and lead was restricted to military use, a heavy backlog of demand for civilian consumption has accumulated. Under current conditions the mine production of zinc in the United States is running at about 600,000 tons a year, with requirements of about 900,000 tons. Lead is being mined at the rate of about 400,000 tons a year, while consumption of newly mined lead is running at over 700,000 tons. Attempts are being made to balance the difference between production and consumption by importations, but the problems in this connection are increasing, particularly in the case of lead. Maintaining production in Tri-State through continuation of the premium price plan will alleviate these shortages. Without the premium price plan the mines will be forced to shut down. Once the field is down and the pumps stopped, the mines cannot reopen at any reasonable price. Therefore we believe that maintaining production in this area is, in effect, conservation which justifies continuation of the premium price plan.

We also wish to make clear that we have no objections to any modification of the present premium price plan so long as its present effectiveness is improved rather than impaired.

We wish to emphasize that—

Large marginal ore reserves of zinc and lead exist in the Tri-State area. In January 1946 the United States Bureau of Mines brought its survey up to date showing that there remain 50,735,000 tons of crude ore which the Bureau's engineers estimate will average 1.75 percent metallic zinc and 0.23 percent metallic lead, or the equivalent of 785,000 tons of zinc metal and 125,000 tons of lead.

The recovery of these large ore reserves will become uneconomical when the premium price plan expires.

Senator TAFT. That depends entirely on price, does it not? What price is necessary in order to make it worth while to operate these mines? You are arguing for a permanent subsidy, I take it. Is that it?

Mr. BILHARZ. No. We are arguing for the continuation of the premium price plan.

Senator TAFT. What do you mean? Is there not a price at which you can operate those mines?

Mr. BILHARZ. We cannot operate at the present price without the premium price plan.

Senator TAFT. What would be the price you would have to have on lead and zinc in order to operate at all?

Mr. BILHARZ. I believe that the average amount of money realized by the mines now, on the premium price plan, is around 13¾ cents.

Senator TAFT. Do you think we should permanently subsidize the whole lead and zinc production of the United States?

Mr. BILHARZ. As a matter of conservation, I do, as far as Tri-State is concerned.

Senator TAFT. It seems to me, if we are going to subsidize it, as a matter of conservation, the thing to do is to conserve production until the time when you cannot get the ore somewhere else much more cheaply.

Mr. BILHARZ. It is impossible to do that, as far as the Tri-State is concerned.

Senator TAFT. I think that for an industry to say that they must be permanently subsidized by the United States Government is a very extreme statement to make. I have no sympathy with that position, unless there are some very peculiar circumstances. On that same theory we will have to subsidize every industry in the United States because they cannot all compete with importers. Very few of them can, as a matter of fact.

Mr. BILHARZ. That is right.

Senator BARKLEY. Is there any likelihood of plastics taking the place of metals such as copper, zinc, and lead?

Mr. BILHARZ. No, sir.

Senator BARKLEY. You are safe there, then?

Mr. BILHARZ. Yes. Further answering Senator Taft, we feel, as far as the Tri-State is concerned, that it is not a permanent subsidy that we are asking; it is only for the life of the remaining reserves that we have there that cannot be left in the ground at this time. I mean, if the premium price plan expires the field shuts down and the reserves of metals that are there are lost forever. It is not a question of ever going back and reclaiming them at any price. We have tried to present that picture in our booklet.

We have known ore reserves which will produce 785,000 tons of zinc metal and 125,000 tons of lead metal. It will take a few years

to mine out that tonnage. Page 22 of our brochure shows the extent to which the field is connected underground, which results in a common pumping problem. If operations now cease, the entire field will fill up with water and no mine can afford to pump out the district to mine its own ore. Consequently, we are asking for a subsidy to enable the mining of this particular tonnage. Again we call the committee's attention to the fact that mining is a wasting asset, which, once mined, is gone and is unlike a manufacturing business which has a continuing supply of raw material.

Senator TAFT. I think you ought to realize that when an industry comes here and contends that they have got to be permanently subsidized, they are going further than anything we have yet undertaken to do in the United States.

Senator MCFARLAND. That all depends on what the policy of the United States is going to be in regard to marginal mines, does it not?

Mr. BILHARZ. That is right.

Senator MCFARLAND. It really has no relation to price control?

Mr. BILHARZ. No, sir.

Senator MCFARLAND. Except while price control is in effect. What the price will be in the future and what the future will bring forth a year from now we cannot say.

Mr. BILHARZ. An active industry is now in full operation in the Tri-State area ready to recover these large ore reserves efficiently. The current investment there represents nearly \$20,000,000, supporting a labor and managerial force of some 6,000 men and many allied industries. It is impossible to shut down and reopen mining operations at will. The necessary capital and equipment must be continuously engaged, or the organization will be dispersed and the necessary talent or know-how will be dissipated.

The loss of these reserves will result in a tremendous and unjustifiable waste of the Nation's mineral resources. Unless the operations are continuous, flooding and caving are inevitable, and the great bulk of these reserves will be lost forever. These hazards are particularly prevalent in the Tri-State field where the mines are comparatively shallow and the mining operations are interconnected.

Conservation is the course of wisdom, for no country is rich enough in mineral resources that waste can be excused. The importance of this point is further emphasized by the recent studies of mineral reserves which tend to show the diminishing of our mineral supplies. We do not believe that we are a "have not" nation, but nevertheless there is need for the conservation of the large reserve tonnage in the Tri-State district.

Any reduction in the Tri-State output will add to the problem of providing sufficient zinc and lead to meet current needs. Should the Tri-State operations be discouraged to the point where the major part of its production is lost, the consequences will be extremely serious.

The premium price plan has demonstrated its effectiveness for insuring recovery of remaining Tri-State ore reserves; and it, or a similar and equally effective plan, must be continued if full conservation of these needed ores is to be achieved.

In conclusion, this statement has been confined to some of the basic facts of the position of the Tri-State mining district. In order to save

the committee's time we have avoided details. However, a full presentation of the case is made in a printed brochure especially prepared for this occasion. Copies are available for each member of the committee, and we respectfully request your attention and consideration to this presentation of our problem.

Senator TOBEY. With reference to the Tri-State Association, what percentage of the country's zinc and lead production is represented by the mines in your association?

Mr. BILHARZ. Our association controls about 85 percent of the production in the Tri-State field.

Senator TOBEY. Is that 85 percent of the whole country's output?

Mr. BILHARZ. No, sir.

Senator TOBEY. What percentage of the country's whole output is represented by the Tri-State Association?

Mr. BILHARZ. Twenty-six and a half percent of the whole United States production is represented by the Tri-State zinc production.

Senator TOBEY. Is the American Zinc Corp. in your association?

Mr. BILHARZ. The American Zinc Lead & Smelting Co.

Senator TOBEY. Is the United States Smelting Co. in your association?

Mr. BILHARZ. No, sir.

Senator TOBEY. The Federal Mining & Smelting Co.?

Mr. BILHARZ. Yes, sir.

Senator TOBEY. What large companies are not in it?

Mr. BILHARZ. There are quite a number of large companies that have an interest in the field.

Senator TOBEY. With the inclusion of those large companies you have about 25 percent of the output of the country. What other companies produce the other 75 percent?

Mr. BILHARZ. I do not quite follow you.

Senator TOBEY. You presented the Tri-State Association's situation to us this morning. You have a group of companies in that association. The country as a whole has a certain output of lead and zinc. What percentage of the whole country's output is represented by the production of the mines in your association?

Mr. BILHARZ. Twenty-six and a half to twenty-seven percent of zinc, and from six and one-half to, I think, right now, eight percent of lead is represented by the production of the Tri-State district.

Senator TOBEY. You have the American Zinc Co., the Federal Mining & Smelting Co., and the United States Smelting Co. How is it that you have only 25 percent in your association?

Mr. BILHARZ. Those companies have very small holdings in that district.

Senator TOBEY. It is only part of those companies that you are including in the percentages which you have given?

Mr. BILHARZ. Yes.

Senator FULBRIGHT. I do not understand why you want a premium. Would not an increase in price solve your problem?

Mr. BILHARZ. We are asking just to be permitted to live in the Tri-State, to conserve our resources.

Senator FULBRIGHT. I do not see what difference it would make if the market price is raised, to pay you higher prices. You do not insist that the only way to solve this problem is by a subsidy, do you?

Mr. BILHARZ. We feel that the prices, particularly of zinc, will not be sufficient to permit us to continue operations.

Senator FULBRIGHT. Because of foreign competition?

Mr. BILHARZ. Yes, sir. If all controls and the premium price plan were removed, the market price could not rise high enough to enable our district to continue production of zinc and lead. The ceiling price today is 8.25 cents. The average price in our district is 13.75 cents. In today's world conditions any substantial increase over 8.25 cents would attract foreign metal and keep the price from rising to the 13.75 cents needed for Tri-State to continue operations.

Senator FULBRIGHT. What is the source of most of the lead and zinc outside of this country? Where does it come from?

Mr. BILHARZ. Today we are importing large quantities from Mexico and Canada. We shall probably continue to need metal from these two countries. There is a large production in Poland and Australia which would probably be attracted to the United States in the event of a high price in order to get dollar exchange. We can't guess at this time where and under what circumstances that metal will be consumed.

Senator FULBRIGHT. If that is true, why would not the price go up here to where you can operate, if it is left to a free market?

Mr. BILHARZ. It would be logical.

Senator MILLIKIN. Would this be a fair summary of your position—that in the position in which you find yourselves your costs are such that you cannot compete with the price that would be established for the rest of the country? Is that correct?

Mr. BILHARZ. That is correct. But established by imported metal.

Senator MILLIKIN. Without a subsidy?

Mr. BILHARZ. That is correct.

Senator MILLIKIN. You have got to have help to bring yourselves to a competitive position. Is that the gist of it?

Mr. BILHARZ. Yes, sir; on account of our American position.

Mr. Chairman, I would like to ask that a statement may be filed here by Mr. E. R. Shorey, president, Wisconsin-Illinois Zinc and Lead Producers Association, and president of the New Lucky Hit Mining Co., Schulsburg, Wis.

The CHAIRMAN. That may be done.

Senator MCFARLAND. Have you any statement showing what the effect would be if the controls were taken off the price? In line with the question by Senator Fulbright, will there be any statement filed by any of you people as to what the price might be if the controls were taken completely off?

Mr. BILHARZ. That is covered on the second page of Mr. Shorey's statement which I am filing herewith.

(Thereupon Mr. Bilharz withdrew from the committee table.)

STATEMENT OF E. R. SHOREY, PRESIDENT, WISCONSIN-ILLINOIS ZINC AND LEAD PRODUCERS ASSOCIATION; PRESIDENT, NEW LUCKY HIT MINING CO., SCHULSBURG, WIS.

Mr. Chairman and members of the committee, today we are not living under normal conditions of supply and demand. It is impossible to judge future supply and demand by today's business activities. There is now a shortage in certain grades of zinc, yet due to strikes in the zinc industry and strikes which affect zinc consumption in other industries, we cannot accurately predict the future

supply and demand. It follows, however, that if there is a shortage on today's production in certain grades that within a year there will be a very real shortage of all grades of metal as our industrial machine gathers momentum. The Government-owned stock pile of zinc metal and raw concentrates will make available sufficient metal for the next year, but once the Government stock pile is exhausted, we shall have only current production.

Both the world production and the world consumption are difficult to estimate at this time. With a high United States zinc price, other countries will be tempted to send their zinc here to obtain dollar exchange rather than use the zinc for rehabilitation and other uses in other countries. One of the biggest uncertainties is whether the Russians will consume the very large Polish zinc production for their own use or dump it in this country to get dollar exchange, or permit it to be used for the rehabilitation of western Europe. The zinc industry is no better than anyone else at guessing Russian intentions. We believe one fact to be certain, however, that we are facing a shortage of zinc in the future. The question is how soon it comes.

The current price of zinc is 8.25 cents per pound. With the exception of one company, however, all zinc produced in the United States is produced under the premium price plan and receives a bonus or subsidy varying from 2.75 cents per pound to 8.25 cents per pound. If this subsidy, generally referred to as the premium price plan, were to be eliminated and ceiling prices removed, the price of zinc would not rise enough to enable current production to be maintained. This is due, first, to the fact that consumption or demand is temporarily curtailed due to strikes; second, the RFC-owned stock pile can meet temporary demands; and third, foreign metal will seek the high United States price, depriving other countries of the metal. While the price would go up, we do not believe it would go up to 16½ cents, the highest which, under the premium price plan, the highest-cost producers receive today. Therefore many producers would be forced to discontinue operations, and such is the nature of a majority of small mines that once operations are discontinued and the mines fill up with water, the metal can be considered lost, because the mine cannot be reopened and the metal recovered at any reasonable price.

One further matter: The present law provides that quotas under the plan should be noncancelable. At present on zinc there are three quotas, namely, A, B, and C, which are cumulative. A mine on A quota receives 11 cents for its metal; on B quota, 13¾ cents; and on C quota, 16½ cents. Noncancellation means that these quotas cannot be canceled by the Government and that a mine which qualifies shall be placed in the appropriate quota group. A mine is not like a machine which can be turned off and on. Its raw material is a wasting asset which, once mined out, cannot be replaced. To continue in business a mine must maintain constant exploration and development work, doing its planning months in advance. Exploration and development work is expensive.

Normally an operator's decisions on future operations are based on price and his judgment as to how the price will change. While today the price is arbitrarily fixed by OPA, an operator can decide the probabilities and the factors which would cause OPA to increase or decrease that price. That is a business risk which everyone operating under OPA must assume. My point is that an operator is perfectly willing to assume the risk as to whether the price will fall below the OPA ceiling price because he would know the factors which might cause the price to decline. Without a noncancelable clause, however, the continuation of each class of quota would depend on the whimsey or arbitrary decision of some official or group of officials that would not be governed by any factors which an operator could take into account. Hence, where the system is arbitrary, we believe that the system should arbitrarily enable the operator to make his plans months in advance in the normal course of mining.

In conclusion, our district asks the continuance of the premium-price plan and that the classes of quotas be made noncancelable as in the act now in force.

STATEMENT OF ERNEST V. GENT, SECRETARY, AMERICAN ZINC INSTITUTE, INC.

The CHAIRMAN. You are secretary of the American Zinc Institute?

Mr. GENT. That is true.

The CHAIRMAN. Do you have a statement that you would like to make?

Mr. GENT. Yes, sir. It will take me about 10 minutes, Senator.

My name is Ernest V. Gent, secretary of the American Zinc Institute, representing 95 percent or more of the entire zinc mining and smelting industry in the United States.

To save the committee's time, an effort will be made to avoid going over the same ground which Mr. J. D. Conover, secretary of the American Mining Congress, has so ably covered in his statement and which we are glad to endorse. However, there are a few points particularly relating to zinc which we believe deserve special comment.

The McFarland amendment appeals to the zinc industry as a realistic approach to the present transition period, when we should be moving from a war- to a peace-time economy. This is sound and constructive legislation. Some will deplore that it does not go further and permit the return to a free market. But at least it is a logical step in that direction. It will help to cushion the adjustment which must come sooner or later unless ceiling prices and a controlled economy are to be forever with us. It starts the process of transferring part of the actual cost to the consumer.

This is the first legislation to recognize the desirability of an approach to relieve the Government of the full burden of subsidy payments. The failure to provide for such a mandatory program of decontrol in the past is an important reason for the slow progress made toward a free economy since VJ-day. It would be a mistake to leave the decision to modify the subsidy program to administrative discretion since all evidence points to the undue reliance upon the subsidy technique by stabilization officials. It is worthy of note that the British Government in the last few days has increased the price ceilings of zinc and other nonferrous metals, stating that the purpose was to shift the load, or at least a part of it, from the taxpayer to the consumer.

The ceiling price of slab zinc was fixed at 8.25 cents per pound on October 10, 1941, reflecting the cost on that date. There has been no change in the ceiling since then. Obviously this price has been below average current costs and this continues to be true because of the impact of higher wages and increased fuel and supply costs. Because of this fact, the subsidy plan went into operation as of February 1, 1942, and was later extended as to benefits in an effort to increase domestic mine production. Up to June 30, 1945, over \$100,000,000 was paid out in subsidy payments to zinc mine operators. This means an average price of over 11 cents per pound for all zinc produced in the United States in the year ending June 30, 1945, including production at the ceiling of 8.25 cents. The production at costs in excess of ceiling prices represented 65 percent of the total output.

It is to be noted that under the present system of subsidy payments the mine operator alone participates. The smelter, representing the indispensable step between the raw material zinc ore and marketable, refined metal, is completely neglected. Mine production to the extent of 35 percent of the total receives no premium at all. This appears both discriminatory and unsound. The situation can be ameliorated by the moderate increase in the ceiling price contemplated by the McFarland amendment, which in the case of zinc means an increase from 8.25 cents to 9.90 cents per pound.

Will this increase in price place an undue burden upon the consumer? Will it contribute to an inflationary spiral? Our feeling is that it will not. For instance, the difference of 1.65 cents per pound in the slab zinc price represents less than \$1 in the increased cost to the farmer of a complete zinc-coated roof for his barn, less than 2 cents in the price he pays for a galvanized bucket, and not much more for a feed or water trough. At the most it would mean an increased cost of but 63.5 cents in a medium price automobile, 4 cents in an electric fan, less than 3 cents in a refrigerator, only 16.5 cents in a washing machine, and but one-tenth cent extra for the two batteries in a flashlight. These are representative of what might be a very long list of farm and general consumer goods involving zinc which are in everyday use.

The demand for zinc, as for all nonferrous metals, is above normal. There is a great backlog of civilian requirements to be satisfied. The many pipe lines which service these needs must be filled. The supply of zinc in relation to this demand is substantially in balance, in contrast to the position of some of the other nonferrous metals where a shortage exists. Production of these metals, however, is generally interrelated. For example, lead and zinc are frequently mined together, while cadmium is a byproduct of zinc smelting. If the production of zinc is encouraged, then impetus is added to the production of lead and cadmium. Conversely, when zinc production is handicapped, the short position of lead and cadmium will be aggravated. Nothing so far proposed under the subsidy plan promises the necessary relief or encouragement.

Relief through some adjustment of the subsidy plan designed to offset increased wages and other costs is not a satisfactory answer, nor an incentive to maintain production at the high levels required during the reconversion period. In the first place, by such a process the level of world markets is completely ignored; much of the product mined does not receive its true worth; and, as previously stated, the increasing costs of the smelter or refinery are not adequately recognized.

Zinc and the nonferrous metals in general must play an important part in the reconstruction period. To meet the extraordinary volume of demand, the present rate of production not only must be maintained but, wherever found inadequate, the aim should be to encourage additional production so that all the current needs may be filled.

Unless there is applied some such remedy as is proposed under the provisions of the McFarland amendment, the present output is not likely to be maintained for long and certainly there can be no expectation of increased production. The net effect would be a retardation of the transition to a more normal economy.

The CHAIRMAN. Thank you very much.

STATEMENT OF FELIX EDGAR WORMSER, SECRETARY, LEAD INDUSTRIES ASSOCIATION

The CHAIRMAN. Are you in line with the other witnesses?

Mr. WORMSER. My case is a little bit different, because we are having the most acute metal crisis in the United States today; and there are a few other things that I think should be brought out.

The CHAIRMAN. Your statement is not very long, is it?

Mr. WORMSER. It will take about 15 minutes, sir. I will condense it for you, sir.

The CHAIRMAN. I wish you would.

Mr. WORMSER. I am a mining engineer and secretary of the Lead Industries Association.

The Lead Industries Association, representing both producers and consumers of lead, favors at the earliest possible moment as a step toward a sound economy for the country (1) the return to a free market for lead, (2) the elimination of subsidies (or premiums) to both foreign and domestic lead producers, and (3) the removal of Government as the sole buyer of lead imports and the removal of Government limitations on imports.

Senator MILLIKIN. By that, do you mean tariffs?

Mr. WORMSER. No, sir. The Government is the sole importer of all lead. Today we have a serious shortage. One of the reasons for it is the fact that not enough imports are being brought in currently to meet our deficit.

Senator TAFT. Can you go out in the world and buy lead, pay the tariff, and sell it at the present ceiling price of lead?

Mr. WORMSER. No, sir. The Government today, being the sole buyer, is paying $7\frac{3}{4}$ cents for its lead from Mexico, Canada, and Peru. The ceiling price in the United States is $6\frac{1}{2}$ cents. The Government pays the price and resells in the United States at the ceiling price and absorbs the loss.

Senator TAFT. The reason that the Government is the sole purchaser is because if only the Government brings it in, it can escape the tariff?

Mr. WORMSER. The normal tariff is $2\frac{1}{8}$ cents. The emergency rate is one-half that. Today the Government waives the tariff, being the sole importer.

Senator TAFT. I think that illegally it does not pay any tariff on the lead it brings in. But if you return the situation to normal you have got to raise the ceiling price quite a bit before you are going to get any foreign lead, I should think.

Mr. WORMSER. That is correct, sir. As a matter of fact, the world market for lead today is, in London, 8.1 cents. The British Government is buying lead at around 8.25 cents, and consumers are paying about 8.1. On the Continent the price today is between 9 and 10 cents.

Senator TAFT. So, if you had a tariff you would have to have a price of $9\frac{1}{2}$ cents for lead before it would pay enough for you to buy in the world market; is that correct?

Mr. WORMSER. That is correct, sir. As a matter of fact, that is all brought out in my statement. You are anticipating me. It is all detailed in my statement.

As a result of the failure of the Administration to prepare adequately for the modification of wartime price control and subsidies, the date when these desirable objectives can be attained has been delayed. We believe that the past unwillingness of the Administration to move more actively toward a free economy makes it essential that the Congress provide a specific program of decontrol as part of any bill extending the price control and subsidy programs. The failure to make such a provision inevitably will mean that next year we will once more be faced with new demands for an extension of control.

The only way to assure the return to a free economy is to make that return mandatory. We believe that the McFarland amendment to S. 2028 is a firm step in the right direction and that its enactment will help to remedy the lead emergency and effect a return to normal conditions for the reasons following.

There is every reason to believe that a higher ceiling price would bring about the increased lead production now needed acutely. The basic answer to the current lead problem is greater output. The history of the nonferrous metal markets during the pre-world-war period prior to the adoption of the premium price plan shows conclusively that the level of lead prices influences the volume of production.

The following table illustrates the close "Relation of Lead Prices to Domestic Lead Production" over a period of 25 years.

Year	Lead, New York price	Lead production from domestic ores and base bullion ¹	Year	Lead, New York price	Lead production from domestic ores and base bullion ¹
	<i>Cents per pound</i>	<i>Short tons</i>		<i>Cents per pound</i>	<i>Short tons</i>
1919	5.76	424,433	1931	4.24	390,260
1920	7.96	476,489	1932	3.18	255,337
1921	4.55	398,222	1933	3.87	259,616
1922	5.73	468,746	1934	3.86	299,841
1923	7.27	543,841	1935	4.07	310,505
1924	8.10	566,407	1936	4.71	387,698
1925	9.02	654,921	1937	6.01	443,142
1926	8.42	680,685	1938	4.74	331,964
1927	6.76	668,320	1939	5.05	420,967
1928	6.31	626,202	1940	5.18	433,065
1929	6.83	672,498	1941	5.79	470,517
1930	5.52	573,740			

¹ U. S. Bureau of Mines.

WORLD WAR II

The shortage of manpower and the adverse effect of the premium price plan is indicated by the following comparative figures for World War II:

	OPA ceiling lead, New York price	Average price under premium price plan ¹	Lead production from domestic ores and base bullion ²
	<i>Cents per pound</i>		<i>Short tons</i>
1942	6.48	6.892	467,367
1943	6.50	7.490	406,544
1944	6.50	8.073	394,443
1945	6.50	³ 8.750	³ 382,000

¹ Exclusive of Tri-State area, average price paid to lead miners.

² U. S. Bureau of Mines.

³ Estimated.

It is interesting to note that despite the payment of these subsidies, lead production has failed to hold up to the 1941 volume which was used as the basis for quotas when subsidy plan was adopted in 1942.

It can therefore be assumed that in the postwar period a higher price of lead will tend to increase production. The sole question is whether an increased lead supply can be obtained better by continuing the premium price plan, or by taking the first step toward a

free market through increasing the ceiling price from 6.50 to 8.15 cents as provided by the McFarland bill.

A further advantage of using the alternative of higher ceiling price is that it would induce an increase in the volume of scrap lead recovery thus augmenting current supplies. Scrap supplies are not eligible for subsidy payments and hence will not be expanded by any increase in subsidies. The main inducement to such output in the past has been higher prices. We have no reason to feel there has been any change in this situation. Moreover, despite all the efforts of the Government, it is believed that some hoarding of scrap lead is taking place in anticipation of a higher price. The continued evasion of inventory restrictions is encouraged by the present low lead price for scrap. Higher prices will make this urgently required inventory available for current consumption.

The volume of scrap lead reclaimed each year is important to the lead economy. Last year it was slightly less in quantity than the production of American lead mines. Lead produced from scrap was 328,000 tons and from the lead mines 389,000 tons in 1945.

American lead mines operated during the war and operate today under a complicated subsidy plan which acts as a deterrent to lead production for several reasons of which the uncertainty of the subsidy is an important one. The mechanics of the subsidy system have only recently been disclosed to the mining companies and the public, thanks to the work of the Senate Subcommittee on Mining and Minerals Industry which has been studying and surveying the problems of American small business. The production quotas of the miners on which they may receive subsidies are subject to change at 30 days' notice if costs decrease or the grade of ore increases, and are established on a formula that is unsound by the standard of good engineering and accounting practice.

Briefly, the subsidy plan results in allowances for depletion and depreciation on a basis of cost of mining, rather than on the correct basis of the machinery and equipment cost and the life of the depreciable items or their rate of use. Depletion should be based upon the depletion sustained. Operating margins are determined by a quota committee without regard to the total value of the ore. Under these unsound methods, results are obtained that discourage or penalize efficient mining operations. If the premium price plan is to be continued, it must be revised to encourage good mining practice and efficiency.

Under the present operation of the subsidy plan, precious metal values in the ore are used to reduce the cost of production of lead and zinc ores and the presence of precious metals in the ore is not considered as increasing the value of the ore for depletion or in determining its relative value for calculating allowable margins. The continuation of this subsidy principle will further restrict the production of lead or zinc in the Rocky Mountain area as it allows no incentive to mine these ores with precious metal content. This completely destroys the incentive of the producer to lay out plans far enough ahead for the efficient and most profitable operations of his properties.

We have made a survey among our mining members, both large and small, as to their attitude toward continuing this subsidy scheme. We find that, without exception, they are all desirous of returning to

a free market dependent upon and simultaneously with a removal of ceiling prices on all metals.

The present subsidy plan for nonferrous metals is a clear case of profit control. This is in sharp contrast with the situation in connection with subsidies which are being paid in agricultural and other fields. Why should the nonferrous metals have a unique subsidy system, based upon the individual profit position of each producer when the subsidies accorded agricultural products are based upon the number of units produced irrespective of the profit? We feel the efficient miner, as well as the farmer and rancher, should be encouraged to produce more, especially in view of the present lead emergency. This encouragement is not found under the present subsidy plan where the profit margin of each producer is "hand tailored".

Raising the ceiling price to take the place of the subsidy would save the taxpayers millions of dollars. Exactly the contrary policy is apparently being pursued. Instead of cutting down expenditures so that we can stop the creation of more inflationary money, all the evidence points to an intention to increase subsidies. For example, on March 28, 1946, an announcement was made by Office of Economic Stabilization that subsidies paid to lead miners would be adjusted upward to meet recent wage increases. In other words, the taxpayer will foot the bill and the fiction that prices need not be increased when large wage increases take place will be maintained. This is no way to get out from under the subsidy system.

Because the ceiling price of lead is now completely out of line with the world market, the Government has had indirectly to subsidize importations of lead during the first and second quarter of 1946. We have been informed that the Office of Metals Reserve have bought lead at 7.75 cents per pound New York, from other countries for the second quarter and have absorbed the difference between 7.75 and the domestic ceiling price of 6.50 cents and have paid no duty on the import. In other words, taxpayers have footed the bill of \$25 per ton of lead imported and have lost the benefit of any duty payment.

At the same time, some large and small mining companies in the United States are still receiving not more than 6.50 cents per pound for their lead production. They are not receiving any lead premiums. It does seem unfair for the Government to go out of its way indirectly to subsidize foreign producers, or subsidize consumption in the United States, when it is denying some mining companies the opportunity to sell their product at a price at least equal to that received by Mexican, Canadian, and other foreign operators from the United States Government. The McFarland amendment would diminish the need of indirect subsidies to foreign lead producers, or eliminate them altogether.

Although a subsidy of \$25 per ton of lead to foreign miners seems most unfair to domestic producers, we understand that consideration is being given to paying \$30 per ton premium over the ceiling price to foreign producers or purchasing the metal at 8 cents per pound.

Present premium payments are a subsidy, in reality, to consumers and under present conditions there is no need to subsidize the use of a scarce commodity. There is a temptation to overbuy at low prices. A higher price for lead would screen consumption. The available lead supply would go only to those who need it most. This would help to restore a balance between supply and demand.

Moreover, if consumers cannot afford or are not permitted to pay the full cost of a product under today's conditions of record incomes, under what conditions will they finally pay in full and make possible the elimination of subsidies? Because the subsidy lowers the price far below the level warranted by current supply and demand, it accentuates the present unbalanced situation. Higher prices by stimulating supply and cutting off the less essential demands will make possible a new and realistic balance between supply and demand.

The current lead shortage is created by three primary factors (1) the lower domestic mine production caused by uncertainties of the premium price plan, (2) governmental curtailment of the importation of pig lead from foreign countries, and (3) labor shortages. If a free market prevailed, American consumers could purchase lead in the world market whenever domestic lead was not available.

Why are imports currently restricted by informal agreement of officials in Washington and representatives of other governments? The method and manner of establishing and administering this control has never been revealed to the American public, or to our industry. Although it was reported in the press early this year that foreign lead imported into the United States would be limited to 10,000 tons per month, or a total of 120,000 tons per year, we now discover the permitted imports for the second quarter are not to exceed 7,500 tons per month which compares with 226,068 tons for 1944 and about 256,000 tons for 1945, roughly 20,000 tons per month. These statistics leave out of consideration imports of lead ores and concentrates which ranged from 62,000 to 94,000 tons per year. We believe that there are sellers in foreign countries willing to sell lead to this country above and beyond a limit of even 10,000 tons at the world market. Why shouldn't we be permitted to acquire these supplies to meet our domestic shortages in time of emergency?

At the present world price of 7.75 to 8.50 cents per pound of lead and a United States ceiling price of 6.50 cents, it is obvious that the United States smelters cannot successfully compete with foreign smelters for concentrates unless the United States Government purchases in foreign markets the lead concentrates for resale to domestic smelters at a price which will allow them a profit. They cannot operate on foreign lead ores so long as there is a ceiling price which is lower than the world price, plus duty.

The 70,000 tons of lead received in 1945 from foreign concentrates will not be available to domestic users in 1946.

One method of price decontrol advanced occasionally in Washington is that when production reaches say 75 or 100 percent of demand, or of some prewar level of output, price control shall be removed entirely. We submit that with the Government's apparent present deliberate policy of throttling lead imports into the United States, lead can never come out of price control under these decontrol standards, since the imports required to meet deficits in supply will not be available for an indefinite period into the future.

The lead consumer in the United States is penalized because his own Government is limiting imports and limiting the number and quantity of articles that may be made from lead, while our neighbor, Canada, has released all controls on the consumption of lead within the Dominion, and is licensing producers to sell lead in markets outside of Canada at greater prices than the United States Government offers to some miners here.

The complete destruction, here and abroad by government action, of a free market for lead has made it difficult to ascertain the true world level of lead prices. Reliable information we have received indicates that the price of lead is approximately 8.05 cents per pound delivered in Europe. This is normally equivalent to 10.20 cents per pound in New York, allowing for the duty. In contrast, however, the ceiling price of 6.50 cents per pound for lead is a full 2 cents below the world market, a completely abnormal relationship. Normally the New York price of lead is well over the London or world market, generally by a fraction of the tariff on lead. Only once in history, in 1937, was the London price higher than that in New York, and that was only for a brief period. It is a thoroughly unsound and artificial situation that the Government has now created in lead by preserving the ceiling at 6.50 cents, far below market reality, in an attempt ostensibly to "hold the line."

Even the McFarland amendment does not go all the way to restore the normal relationships of the two markets. The 8.15-cent ceiling price for lead provided by the McFarland bill might have been representative a few months ago of the world market, but it is low today. However, no legislation fixing the price of any world commodity can be expected to be correct in its market appraisal at all times.

It is quite possible that the ceiling price should be raised even higher under future conditions—possibly to the full limit of the A premium of 2.75 cents, so that when the subsidy is lifted the then ceiling price would more closely approximate the market. This would ease us into the period of transition from Government price control to a free market with the least disturbance to our national economy.

Lead smelters buy concentrates from the miners on contracts based upon a treatment charge of so many dollars per ton of concentrates. They pay for, or return, a percentage of the lead content, usually 90 percent, and retain the metal recovered above the agreed percentage as partial compensation for beneficiation of the material. The value of this "smelter gain" goes up in dollars as the value of lead advances, thus partially compensating the smelter for increases in labor and material costs which almost invariably agree simultaneously with an advance in price.

For the last 5 years labor and material costs have been rising, but the price of lead has been held stationary. Although some smelter contracts contain clauses providing for adjusting the treatment charge in the event of an increase in wage rates, these clauses do not cover the entire amount of such increased costs.

Should there be an increase in the ceiling price of lead brought about by the McFarland amendment, we believe supplementary price control legislation should be adopted which will permit a compensatory advance in the price of finished lead manufactures. Currently interest in the continued manufacture of some lead products is adversely affected by the regulations of the OPA which permit no relief to a manufacturer of lead products now being sold at a serious loss if he is engaged in other entirely unrelated operations which are sufficiently profitable to make a favorable over-all comparison with the 1936-39 base period. We think this is a thoroughly unsound principle to follow and we suggest that it be corrected by legislation so that each commodity stands on its own feet with reference to its costs and proper ceiling pricing and without relation to any other commodity.

From the miners' standpoint this is also an unsatisfactory situation for it discourages the continued use of lead in numerous products.

The current lead price is out of line with the general commodity index, with the peacetime relationship to zinc, and far out of line with agricultural products as the attached table indicates. Whereas the ceiling price on lead is only 33 percent above the average for the year 1939, farm products have advanced 100 percent in the same period.

What is there so sacred about the price of lead at 6.50 cents? There are examples of the price of lead ruling well above this level year after year in peacetime when wages were much lower and the grade of ore richer. For example, note the average price of lead for the peacetime years 1923-27, inclusive, as follows:

Average price of lead

(New York)

(Cents per pound)

1923-----	7. 27	1926-----	8. 41
1924-----	8. 09	1927-----	6. 76
1925-----	9. 02		

Ceiling price today, 6.50 cents per pound.

All of these prices for a peacetime active business period of 5 years were over the present ceiling of 6.50 cents. The McFarland amendment would help to bring about a necessary correction and would still leave the price below the average for the years 1923 to 1926 although higher than the average for 1929. However, the national income today is about double that in 1929.

Index of comparative prices of lead and other commodities

[1926=100]

Year	Lead ¹	Zinc ¹	All commodities ²	Farm products ²	Cotton Mid- dlings ³	Corn, No. 2 yellow ⁴	Wheat, No. 2 hard, Kansas City ⁵
1919.....	68.4	95.2	138.6	157.6	189.8	210.4	161.6
1920.....	94.5	104.5	154.4	159.7	196.4	186.3	164.1
1921.....	54.0	63.5	97.6	88.4	83.9	76.4	88.6
1922.....	68.1	77.9	96.7	93.8	121.4	82.1	81.1
1923.....	86.3	90.1	100.6	98.6	170.8	108.2	74.3
1924.....	96.2	86.4	98.1	100.0	166.1	128.1	86.4
1925.....	107.2	103.8	103.5	109.8	136.9	136.8	111.6
1926.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1927.....	80.3	85.0	95.4	99.4	102.4	116.2	91.7
1928.....	74.9	82.2	96.7	105.9	115.5	128.7	88.6
1929.....	81.2	88.7	95.3	104.9	110.7	125.4	78.9
1930.....	65.5	62.1	86.4	88.3	78.0	109.0	66.2
1931.....	50.4	49.6	73.0	64.8	49.4	70.0	40.5
1932.....	37.8	39.2	64.8	48.2	37.5	41.6	33.0
1933.....	46.0	54.9	65.9	51.4	50.6	55.2	48.4
1934.....	45.9	56.7	74.9	65.3	73.2	86.6	62.3
1935.....	48.3	59.0	80.0	78.8	70.8	109.6	69.5
1936.....	56.0	66.8	80.8	80.9	71.4	113.2	75.1
1937.....	71.4	88.8	86.3	86.4	67.3	137.5	80.3
1938.....	56.3	62.8	78.6	68.5	51.8	73.0	51.9
1939.....	60.0	69.6	77.1	65.3	54.2	66.8	50.5
1940.....	61.5	86.4	78.6	67.7	60.1	84.3	58.2
1941.....	68.8	101.8	87.3	82.4	82.1	94.7	66.4
1942.....	77.0	112.4	98.8	105.9	119.1	110.7	79.2
1943.....	77.2	112.4	103.1	122.6	114.3	141.0	98.3
1944.....	77.2	112.4	104.0	123.3	119.0	152.2	105.6
1945.....	77.2	112.4	105.8	128.2	126.2	155.2	111.2
April 15, 1946.....	77.2	112.4	⁴ 107.7	⁴ 130.8	⁵ 162.8	⁶ 159.6	⁶ 115.3

¹ Calculated from Engineering and Mining Journal data

² Bureau of Labor Statistics indices

³ February 1946.

⁴ Calculated from Bureau of Labor Statistics data.

⁵ Calculated from New York Cotton Exchange data

⁶ Calculated from Chase National Bank data.

Congress in the recently adopted Employment Act of 1946 stated, in section 2 of the act :

The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practical means * * * to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing.

We submit that continuing the subsidy plan for the nonferrous metals unchanged, limiting imports, and maintaining an artificially low price for lead for an indefinite period at increasing expense to the taxpayers is, to say the least, inconsistent with the purpose of Congress as declared above.

Furthermore, the Employment Act provides that the Council of Economic Advisors is authorized to recommend appropriate policies to—

foster and promote free competitive enterprise, to avoid economic fluctuations, or to diminish the effects thereof, and to maintain employment, production, and purchasing power.

We cannot imagine anything more completely removed from the principles here outlined by Congress than the complicated, discriminatory, and unrealistic price control of the lead market already described.

We believe an early return to a free market for lead is to the best interest of the American public, and that the McFarland amendment is an admirable legislative vehicle for the necessary transition stage. The methods of Government control of prices developed during the war have grown increasingly artificial and complex. Consequently, basically important business relationships have been disrupted and the achievement of production, especially needed in lead, has been delayed.

In their anxiety to control profits the OPA has created well-nigh intolerable situations in the lead mining industry. It has resulted in the adoption of such absurd standards of price control that a piece of lead from one part of an ore deposit will be worth more than an identical piece of ore from another part of the same ore deposit, only because of a difference in ownership. Or, to phrase the question more broadly, we ask you, gentlemen of the committee, is it fair to place a greater value on the lead from Idaho than upon the lead from Missouri? Or a greater value on the lead from part of Utah than that from Idaho? And so on? To ask these questions is to show the absurdity of the complicated wartime measure of control of lead when applied in peacetime.

It is time to discard the un-American subsidy system and to restore a free market for lead if that important natural resource in the United States is to continue to maintain a premier position in the world lead economy, a position which was won under the free competitive enterprise system.

Estimated minor effect of lead price increase on manufacturers: Increase in the selling price of lead products would have a small or negligible effect upon the costs of the principal consumers as indicated

by the following analyses, and so far as the increase in the cost of living is concerned, it would be unnoticeable.

(a) *Storage batteries.*—The average weight of the lead in a storage battery is 22 pounds. An increase of 1.65 cents per pound brought about by the passage of the McFarland amendment might involve an increase cost to the consumer of 35 to 50 cents per battery. However, the trade-in allowance for an old battery would be increased and practically offset the increased cost of a new battery.

(b) *Cable coverings.*—Electric cables are expensive and the sheathing weighs about 5 pounds per foot for an average-size power cable. An increase of 1.65 cents per pound would cause a rise of say 8 cents a foot in the cost of a cable, which has over-all cost of several dollars per foot. Therefore, the increase would be about 2 to 4 percent.

(c) *Paint industry.*—The average exterior prepared paint contains about 1.5 pounds of lead per gallon of paint. The average cost of a gallon of exterior paint is \$3.50. If the price of lead were to increase 1.65 cents per pound the increase in cost of the paint would amount to only a few cents at best or less than 1 percent. For pure white lead paint the cost increase would be greater as this contains about 15 pounds of lead per gallon. However, labor represents about 80 percent of the total cost of a paint job and thus it can readily be seen that recent increases in wage rates will affect the total cost of the job much more than a few percent increase in the cost of materials.

(d) *Ethyl gasoline.*—So small an amount of tetraethyl lead is used in each gallon of gasoline (about 2 cubic centimeters) that even doubling the price of lead would have a negligible, if any, effect on the retail selling price of a gallon of gasoline.

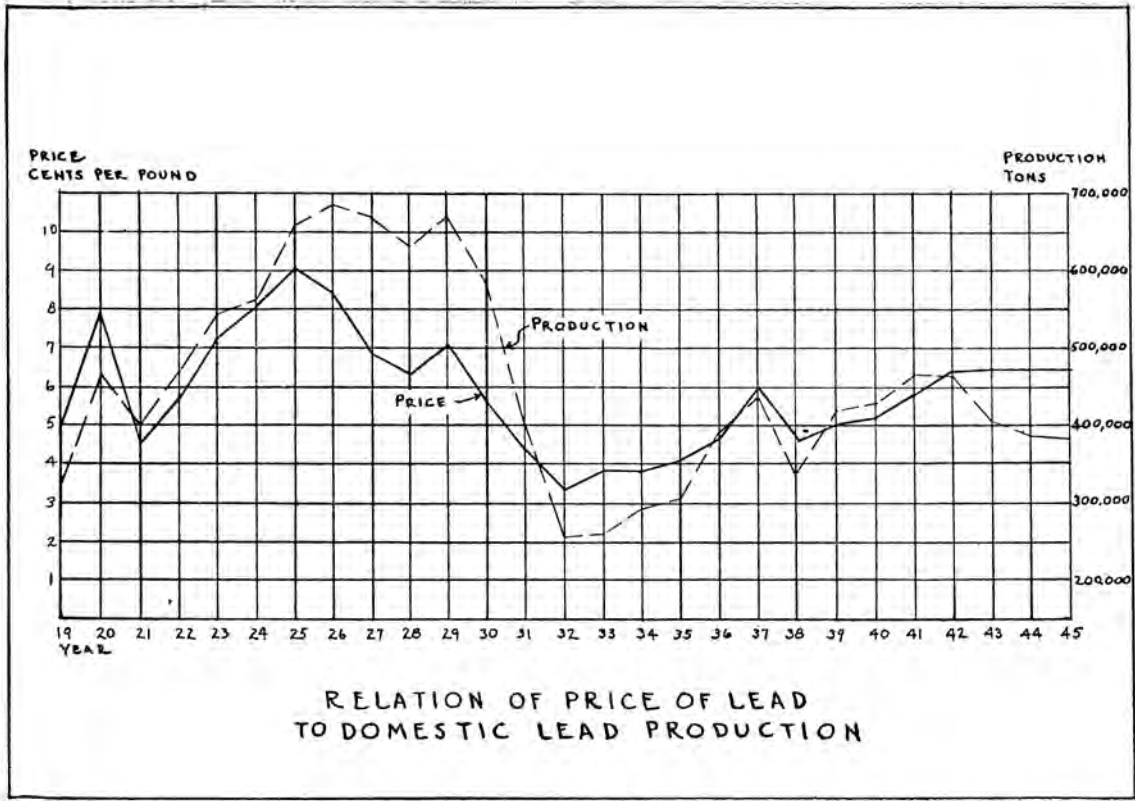
(e) *Ammunition.*—Similarly, an increased cost of lead would mean a minor increase in the cost of cartridges and shotgun shells.

(f) *Solder, bearing metals, type metals, and other lead alloys.*—These lead products are generally found as component parts of other articles and used in comparatively small amounts. For example, about 15 pounds of lead are used in the form of solder and bearing metals in the average automobile. An increased cost of even a few cents per pound on lead would hardly be felt in the over-all cost of the finished product.

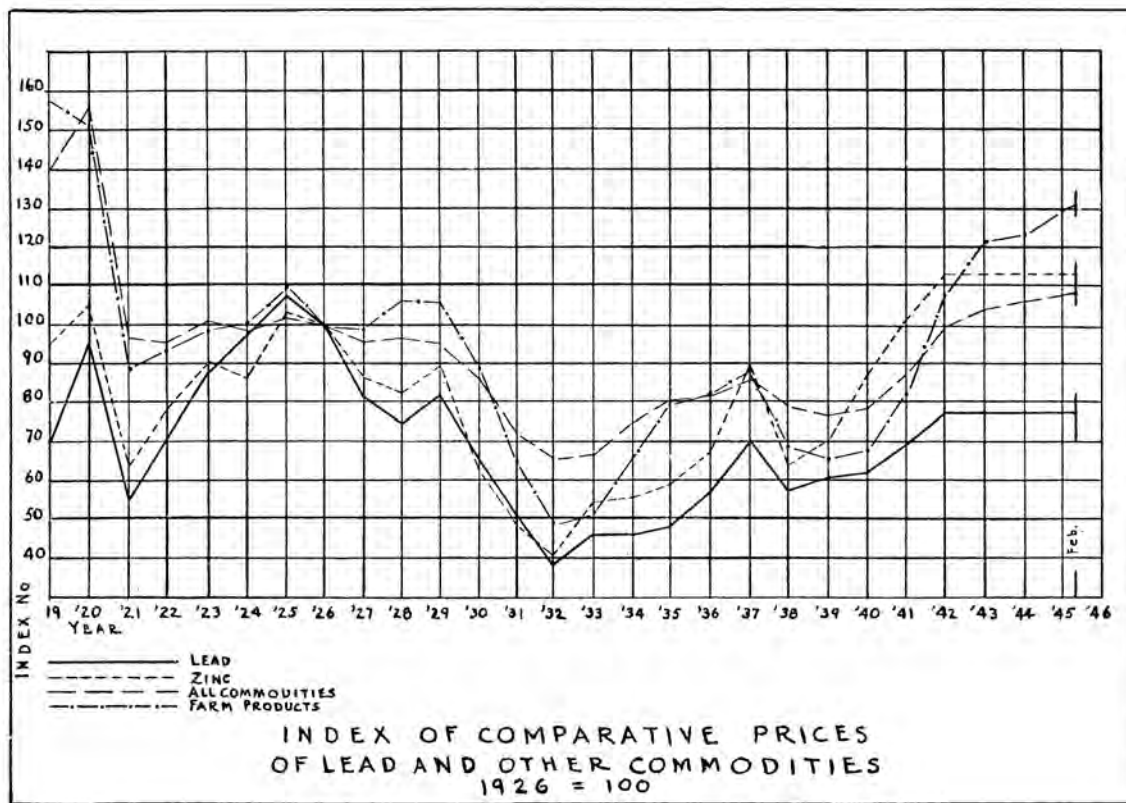
(g) *Miscellaneous.*—There are some important uses of lead such as collapsible tubes and foil, where lead is doing part of the job formerly done by tin. Even here an increased price of lead would be unimportant compared with the much higher price of tin.

Our conclusion, therefore, is that an increase of 1.65 cents per pound or even 2, 3, or 4 cents more in the price of lead would not be burdensome on consumers. The McFarland amendment therefore would have no adverse effect on the users of lead in manufactures. In fact, a large number of manufacturers in the Lead Industries Association and many nonmember users are strongly of that opinion.

(The charts referred to are as follows:)



RELATION OF PRICE OF LEAD TO DOMESTIC LEAD PRODUCTION



Senator McFARLAND. The decline in production is due partly to labor costs, is it not?

Mr. WORMSER. Yes, sir.

Senator MITCHELL. To what extent is the decline due to increased difficulty in mining and the shortage of ores?

Mr. WORMSER. There are still a lot of ores awaiting discovery and, given the proper incentive, I feel they will come out.

Senator BARKLEY. How can you tell that more exist that have not been discovered? Is that just a theory, or is it based on the law of averages?

Mr. WORMSER. It is faith that always keeps the miner and prospector looking for it, sir.

Senator McFARLAND. The big copper mines are blocked out for 25 or 40 years ahead.

Mr. WORMSER. In copper you have large massive porphyry deposits. In lead there is nothing to correspond to that, unless the area in southeastern Missouri corresponds to it. In lead the general rule is to block out for 3 or 4 years ahead even in Missouri.

Senator CARVILLE. Is that accomplished by diamond-drilling process?

Mr. WORMSER. Diamond drilling, shaft sinking, tunneling, and all sorts of expedients.

Senator MITCHELL. The ore which you have on hand at the present time, if new sources are not found, will last how long?

Mr. WORMSER. So far as present reserves are concerned, Senator, I would say that you can only count on maybe 6, 7, or 8 years; perhaps 10 years. But that does not mean anything, because the mining companies do not put their capital in the ground to fully block out their mines. They always try to keep ahead 4 or 5 years; so that when the time is up the chances are that we will again have 4 or 5 years.

Senator MITCHELL. In the same location?

Mr. WORMSER. That is right, sir.

Senator MILLIKIN. I would like to invite your attention to the top of page 4 of your statement. You say:

We find that, without exception, they—

speaking of the large and small mining members of the organization— are all desirous of returning to a free market dependent upon and simultaneously with a removal of ceiling prices on all metals.

Did you hear the testimony of the Tri-State representative?

Mr. WORMSER. I heard part of it, sir.

Senator MILLIKIN. The gist of his testimony, as I got it, was that in that particular area they will never be in position to compete in a free market. Did you interpret it the same way?

Mr. WORMSER. I am sure that they are having difficulty in competing in the world market.

Senator MILLIKIN. Do your members include Tri-State lead producers?

Mr. WORMSER. That is essentially a zinc camp.

Senator MILLIKIN. But they have lead down there also?

Mr. WORMSER. But they have to mine 8 tons of zinc to get 1 ton of lead. That is a byproduct. So it is a very small factor in their operation.

Senator MILLIKIN. You do not see any conflict, then, in the statement?

Mr. WORMSER. No, sir.

Senator McFARLAND. I asked before, if the controls were removed, do you think the price of lead would shoot up?

Mr. WORMSER. I believe it will go to the world market, and above the world market today, because of the terrific demand in the United States from all sorts of large and important industries, like the storage-battery industry, the paint industry, the gasoline industry, and so on. Lead is such an indispensable metal in our economy. As a matter of fact, I brought here for the interest of the committee a chart which will show at a glance the many varieties of uses to which lead is put, together with the districts of the West and in the East where lead is mined.

The CHAIRMAN. I think we ought to make it a part of the record.

(The chart referred to faces this page.)

Mr. WORMSER. It also shows all the counties in the United States where lead is mined.

Senator MILLIKIN. Does it show Lake County, Colo.?

Mr. WORMSER. It shows Lake, San Juan, Dolores, San Miguel, and Eagle Counties.

Senator MILLIKIN. They are the largest lead-producing counties?

Mr. WORMSER. Yes, sir.

The CHAIRMAN. Is New York shown on this chart also?

Mr. WORMSER. Yes, sir; St. Lawrence County.

Senator McFARLAND. I take it that it is just a question as to whether or not we want to absorb all of this increase in price or whether we want to absorb part of it by premiums.

Mr. WORMSER. Correct, sir.

Senator McFARLAND. And, as I understand it, you endorse the amendment?

Mr. WORMSER. We are very strongly in favor of the McFarland amendment, because we feel that it is an admirable transition stage of a free economy for lead.

Senator McFARLAND. If the ceilings were removed is there a possibility that at least for a short time the price might shoot to a higher level?

Mr. WORMSER. I should not be surprised to see it do so; but that will have one beneficial effect, in that it will screen consumption. Today, at the low price of 6½ cents, everybody that possibly can use lead has a tendency to use it; and there are some users of lead who could substitute other materials and help to ease the shortage. I therefore feel that if the price should go up extraordinarily it will help to correct this greatly unbalanced lead situation.

Senator McFARLAND. There is a world-wide shortage, is there not?

Mr. WORMSER. The shortage is world wide.

Senator TOBEY. What proportion of the lead output is controlled by the National Lead Co.?

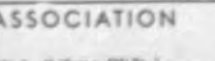
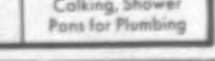
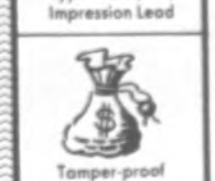
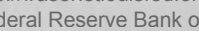
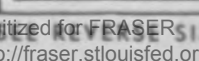
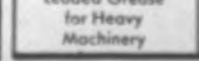
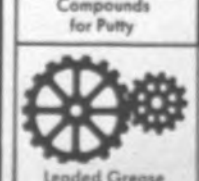
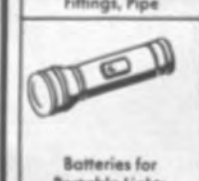
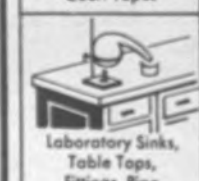
Mr. WORMSER. The National Lead Co. does not control any mining or smelting of primary lead except to a minor extent.

Senator TOBEY. What is the nature of its operations?

Mr. WORMSER. It is essentially a manufacturing company. It buys direct from the miners and smelters just as everybody else has to.

PRINCIPAL LEAD MINING DISTRICTS IN THE U.S.

STATE	NO. DISTRICT	COUNTY OR COUNTIES
ARIZONA	① HARSHAW	SANTA CRUZ
	② OLD HAT	PINAL
	③ WALLAPAI	MOHAVE
	④ BIG BUG	YAVAPAI
CALIFORNIA	⑤ RESTING SPRINGS	INYO
	⑥ COSO	INYO
COLORADO	⑦ LEADVILLE	LAKE
	⑧ ANIMAS	SAN JUAN
	⑨ PIONEER (RICO)	DOLORES
	⑩ UPPER SAN MIGUEL	SAN MIGUEL
	⑪ RED CLIFF	EAGLE
IDAHO	⑫ COEUR D'ALENE	SHOSHONE
	⑬ WARM SPRINGS	BLAINE
	⑭ BAY HORSE	CUSTER
	⑮ PORT HILL	BOUNDARY
ILLINOIS	⑯ UPPER MISSISSIPPI VALLEY	NORTHERN PART OF STATE
	⑰ KENTUCKY & SO. ILLINOIS	HARDEN
KANSAS	⑱ TRI-STATE AREA	CHEROKEE
KENTUCKY	⑰ KENTUCKY & SO. ILLINOIS	CRITTENDEN
MISSOURI	⑱ TRI-STATE AREA	12 COUNTIES IN SO. WEST. PART OF STATE
	⑲ SOUTHEASTERN MO. AREA	SOUTHEASTERN MISSOURI
MONTANA	⑳ BUTTE	SILVER BOW
	㉑ SMELTER	LEWIS & CLARK
	㉒ HEDDLESTON	LEWIS & CLARK
	㉓ BARKER	CASCADE, JUDITH BASIN
	㉔ EAGLE	SANDERS
	㉕ MONTANA	CASCADE
	㉖ CATARACT	JEFFERSON
NEVADA	㉗ PIOCHE	LINCOLN
NEW MEXICO	㉘ CENTRAL	GRANT
	㉙ MAGDELENA	SOCORRO
	㉚ WILLOW CREEK	SAN MIGUEL
NEW YORK	㉛	ST. LAWRENCE
OKLAHOMA	⑱ TRI-STATE AREA	OTTAWA
UTAH	㉜ BINGHAM	SALT LAKE
	㉝ PARK CITY	SUMMIT, WASATCH
	㉞ TINTIC	JUAB, UTAH
	㉟ RUSH VALLEY	TOOELE
	㊱ OPHIR	TOOELE
	VIRGINIA	㊲ AUSTINVILLE
WASHINGTON	㊳ METALINE	PEND OREILLE
WISCONSIN	⑯ UPPER MISSISSIPPI VALLEY	LAFAYETTE, IOWA, GRANT



FRASER SIDES FOR LIST OF MINING DISTRICTS

LEAD INDUSTRIES ASSOCIATION

I should like to call the attention of the committee to how the lead price is out of line. There are examples in the statement of peacetime years—1924, 1925, 1926, and 1927—where the lead price is higher than the ceiling price is today; but if you look at the table on page 8 you will see that it is quite obvious that lead is completely out of line with the value of all commodities, and with farm products specifically.

The CHAIRMAN. Gentlemen, we meet at 2:30 this afternoon, with all the Senators being present at that time.

(Whereupon, at 11:45 a. m., a recess was taken until 2:30 p. m. of the same day.)

AFTERNOON SESSION

The committee reconvened at 2:30 p. m., upon the expiration of the recess.

The CHAIRMAN. Dr. Schmidt, director of research, of the United States Chamber of Commerce; is that right?

Mr. SCHMIDT. That is right.

The CHAIRMAN. I hope you will help us a little bit by taking as little time as you can.

Mr. SCHMIDT. I have a document, and I think it is at your desk. Does everybody have a copy?

Senator TAYLOR. Yes, sir.

The CHAIRMAN. Yes, sir; we have copies. You couldn't condense it in some way, could you?

Mr. SCHMIDT. Well, I am not sure. I will try to go through it as rapidly as possible.

The CHAIRMAN. All right.

STATEMENT OF EMERSON P. SCHMIDT, DIRECTOR, DEPARTMENT OF ECONOMIC RESEARCH, CHAMBER OF COMMERCE OF THE UNITED STATES

Mr. SCHMIDT. The 2,200 business organizations in the membership of the United States Chamber of Commerce are a cross section of all business—retailing, wholesaling, manufacturing, finance, insurance, construction, agriculture, foreign trade, transportation, and communication. The chamber, therefore, approaches all national problems from the viewpoint of their bearing upon business as a whole. In addition, it is always our intent to study subjects of great concern to the country from the viewpoint of their bearing on the national economy as a whole. It is a well-established slogan of the national chamber that what is in the public interest is in the interest of business.

Many witnesses from various lines of business have already appeared before congressional committees to present their experience and recommendations with respect to price control. Others will appear before this committee. They have presented or will present numerous examples of the hardships and difficulties imposed on them by those responsible for administering our price control laws. You have that record and there would be little gained by adding to it.

Rather, what I would like to do is to give you briefly the thinking of the board of directors of the national chambers on what can be done constructively by government and business to control inflation.

It is a matter of common sense that we cannot control something unless we know what that something is and how it acts. By inflation we mean for present purposes those upward pressures on costs and on prices which arise inevitably out of the monetary and other distortions brought about throughout our whole economy by our unparalleled war activities and by certain developments since VJ-day.

No one man and no one group of men have the information or the mental power to grasp all these manifold distortions. Hence they cannot grasp the manifold readjustments necessary to restore the operations of our competitive economy based on consumer choice expressed through a relatively free market.

It is impossible, therefore, for Government to blueprint the reconversion. There does not and cannot exist the administrative knowledge and capacity to regulate in detail the business and buying activities of the American people running to several hundred million daily transactions. Any temptation to do so must be firmly put aside.

The objective of the Government, then, is to facilitate the reconversion, not to blueprint it. In guiding the reconversion a primary purpose should be to state and to carry through policies which will control inflation and maintain productive employment.

What are the upward pressures on costs and prices which must be controlled if inflation is to be controlled? And what part can the OPA play in their control?

The part OPA should play is to free the market of control by adopting a policy of decontrol, with clearly understood timing. The national chamber's board of directors recommends that price controls with the exception of rent be eliminated by October 31 of this year and that rent control be eliminated by March 31 of next year. At this point, Mr. Chairman, with your permission, I should like to introduce for the record the official policy statement of the chamber, which is in printed form, if you will grant us that permission.

The CHAIRMAN. Yes, sir.

Mr. SCHMIDT. It is entitled "Price Control or Decontrol?"
(The document referred to is as follows:)

PRICE CONTROL OR DECONTROL?

A STATEMENT ADOPTED BY THE BOARD OF DIRECTORS, CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA, WASHINGTON, D. C., MARCH 22, 1946

The OPA, 8 months ago, let it be known that in its view about 70 percent of the ceiling prices would be decontrolled by June 1946, 30 percent remaining under control. Now, we are informed that these figures probably will be almost reversed. Indeed, some Government officials have voiced the opinion that there is no prospect in the months—and perhaps even years—ahead, of getting out from under control.

The reinstatement of several material controls and price ceilings since VJ-day, and the alleged necessity, 8 months after the end of hostilities, of an indefinite continuation of price control is evidence that we are not returning to a peacetime free society. It has been contended that price control "should be abolished as soon as practical" or "when supply and demand are in reasonable balance." This balance is what the OPA states as its objectives; but since this criterion is expanding controls rather than contracting them, there must be something seriously wrong with the prescription or there may be other Government policies which are prolonging controls.

WARTIME CONTROLS

During the war the supreme objective was the production of war matériel requiring the shrinkage of the civilian economy to essentials, in order that the war might be prosecuted to a speedy conclusion with maximum intensity. Therefore, to some extent, wages and more especially prices including some rents were rigidly controlled, materials were allocated to war and essential civilian production, and scarce consumer goods were rationed. Two chief types of subsidies were paid: (1) To induce, for example, the opening of submarginal mines (production subsidies) and (2) to keep the cost of living index from rising (price depressant subsidies) as rapidly as it otherwise would rise. Inventories of goods accumulated before Pearl Harbor in the hands of consumers, distributors, and manufacturers helped to tide us over during the war. Victory gardens, thrift, patriotism-inspired cooperation, deferring maintenance, and other factors, helped to make the wartime controls reasonably effective.

The wartime upward price pressures which nevertheless prevailed, were due primarily to two factors: (1) Although a large fraction of production was not available for civilian use, labor and other producers nevertheless were paid "purchasing power" for this production; (2) to make possible the payment of Government purchases, the Government through its financial operations greatly, and perhaps needlessly, increased the money in circulation including demand deposits in banks—the equivalent of money.

To the extent to which tax rates were increased, a part of this greatly augmented money income was recaptured by the Government, before it was spent. Wartime Government bond purchases also diverted a part of the increased incomes away from consumer markets. Nevertheless, strong upward price pressures continued throughout the war.

POST VJ-DAY CONTROLS

At war's end wage control and rationing were largely eliminated. Materials' controls were relaxed. Price control, including some rent control was continued.

During the war the people and the Government, in a fundamental sense, knew what was wanted; the controls were designed to gain those ends. Now that the war is over and a free stable society with high-level employment is our supreme objective, it is the ultimate consumer, the private individual, who should determine what is to be produced by the free expression of his demands in the market place. But so long as prices are artificially depressed while wages are relatively free to rise and other controls are relaxed, there is little possibility of prices in relation to new costs, guiding production along the lines desired by the consumer. Price loses its function; when this is the case Government directives must be substituted.

Government bond purchases have been reduced and bond redemptions have increased, placing into the hands of the public additional quantities of current purchasing power. The demobilization of veterans provides mustering-out pay, readjustment allowances, and many GI loans are being made—all tending to provide current spendable funds for which little current product is produced by the recipients of these funds.

Now that the wartime dangers appear to be history, the patriotic appeals of self-discipline are less effective. Strikes paralyzing individual companies, whole industries and communities have multiplied. According to the almost universal testimony, industrial efficiency has declined. Labor turn-over is high. Whatever technological improvements in production were developed during the war have not yet been incorporated, for the most part, into the productive process and will take years to assimilate.

Tax rates on business and on individuals have been reduced. Some 12,000,000 lower-income earners have been wholly excused from paying income taxes, thus keeping in their hands more spendable funds. Wage increases for salaried and other workers have been general since VJ-day so that probably there are few workers who have not received, or will not shortly receive, an increase varying from 10 to 18 percent. All this pays additional funds into the hands of the workers so long as they are working. Several million persons have retired from the labor force—but they continue to consume. Frictional unemployment, perhaps, is normal while many jobs remain unfilled.

FREE PRICES WOULD ABOJISH SHORTAGES

If prices were allowed to seek their natural levels, shortages would disappear promptly because the open or market price, free from ceiling or other controls, is that price which brings into balance the supply and demand for commodities. Free prices or rising prices presumably would stimulate production of "the most essential commodities" as indicated by free consumer demand; simultaneously, the rise of these prices would cause numerous buyers to drop out of the market either because they did not have the funds with which to pay the higher prices or they would regard the prices "as too high"; they would wait. Thus free prices are the one sure way of causing supply and demand to come into adjustment. Competition, in time, would tend to force prices to correspond closely to costs.

PROBABLE DURATION OF SHORTAGES

Since prices are fixed on a broad front, there is no way to determine when supply and demand will come into balance at such fixed prices—the answer in some cases may be never, or at least not until the next depression occurs. The shortages and the time required for output to catch up have been greatly underestimated. Labor force surpluses have been overestimated.

Consider the men's clothing situation. During the war, when the men's clothing industry was producing millions of uniforms for the men in service, civilian production of men's clothing was reasonably adequate for the prevailing demand. The equality of demand and supply was possible because a large number of men were either in the services or were contemplating entering the services, and also because more civilian clothing was then produced than has been the case since VJ-day. Certain controls on worsted yarns developed at the later stage of the war and civilian clothing production was drastically reduced.

At the end of the war, with the demobilization of millions of men in prospect and with the cancellation of military clothing orders, it was expected that production of civilian clothing would return promptly to the market.

The reverse is the case. It is estimated by the Civilian Production Administration that about 40,000,000 suits are needed to fill pipe lines, veteran and civilian needs. Today production estimates by this same body, indicate an estimated production of around 24 to 25 million suits. Normally from five to eight million suits are carried as inventories; today these inventories are virtually nil. Shortages of components recur. More than the normal number of suits are sold without vests and extra trousers. Spinning, weaving, suit manufacturing—all are part of the productive process. Shortages of materials or labor may occur on more than one front. Will supply and demand ever come into balance under artificial price control?

What has been said of men's clothing may apply to innumerable other articles, but how many cannot be determined. Certainly housing, motor cars, some types of electrical appliances, and many other products under depressed prices may be expected to be in short supply for one, two, three, or even more, years. Therefore, if the Government's criterion for eliminating price controls remains "when supply and demand come into balance" and if money incomes are pushed up by law or union pressure while prices are kept suppressed and nothing else is done to reduce the causes of inflation, it is doubtful that supply and demand will come into balance until a general economic collapse occurs. This means an indefinite perpetuation of price controls.

MORAL ASPECTS OF PRICE CONTROL

Is this perpetuation likely to so condition the American people to controls, and make them so subservient to these controls, that they will ever generate enough individuality and realism to shake these controls? Habit is a powerful force. Once the mind and individuality of man is suppressed for a considerable period of time, man loses his desire for self-assertion and self-expression; he becomes a prey for further regimentation. The general public acceptance of price control more than half a year after VJ-day, when it was a free society for which we fought the war and which we were promised, is evidence of a decline of American individuality. The character and fiber of a people are a nation's greatest asset. The problem of price control is not merely an economic question.

We need to remind ourselves that by 1928, 5 years before Hitler came into power, German public authorities were in control of over 50 percent of the

national income (in spite of which the German economy suffered its greatest collapse in history and the people were driven into hostile and opposing camps). A government crutch can be used too long.

ARE PRICE CONTROLS RETARDING PRODUCTION ?

The view is widely expressed that price controls are retarding production. Nearly every manufacturer and distributor is able to cite shortages of commodity after commodity which he needs in his business for production or for sale. Suppliers cite hundreds of such cases in explanation to their buyers for the delay in delivery. Hundreds of items are out of production because of low ceiling prices. In some cases, workers must be laid off because of shortages of raw material or component parts. Certain foods are exceedingly scarce because of the way price controls are administered. Thus at the time of writing butter is relatively scarcer than table cream and ice cream. Specific ceilings on feeds and on beef may cause shortages of meats relative to other food. All this is the almost universal testimony of businessmen and farmers.

Yet, the OPA denies most of these allegations and insists that production and employment are at all-time highs, at least for any peacetime years. Thus Mr. Chester Bowles, in his testimony on February 17, 1946, stated that the notion that price control is retarding production—

“* * * is nonsense * * * Today production is surely at the highest point ever achieved in peacetime. Unemployment is at the lowest peacetime point in 20 years with as many people on our pay rolls as in our best wartime year. What are these 52,000,000 workers doing if they are not producing? Why is it that industry after industry is crying for more and more employees?”

Whether every assertion made by Mr. Bowles is demonstrable or not may be subject to dispute; but that he stressed a relevant point frequently overlooked, cannot be denied. Apart from strikes and frictional unemployment, our labor force does appear to be relatively fully occupied.¹ The most recent figures of the Federal Reserve Board on industrial production (the only over-all data which we have) indicate that production is substantially ahead of the last peacetime years. Thus, total production at the end of 1945 was about 50 percent above the 1939 level, and in the case of durable goods the output was about 70 percent above the 1939 figure.

*Industrial production*¹

[Physical volume 1935=39=100]

Year	Total	Nondurable	Durable	Employment ²
1939	109	109	109	100
1940	125	115	139	105
1945, November	167	158	191	116
1945, December	161	156	185	117

¹ Federal Reserve Bulletin, March 1946. The figures for January to March 1946 will be somewhat lower due to strikes.

² Bureau of Labor Statistics Index, 1939=100.

It should be noted that these figures are based on physical volume, and therefore not influenced by the declining value of the dollar.

In the light of these data, it is none too clear that the OPA ceilings are actually retarding production as a whole in any substantial degree. That these ceilings, based largely on prewar cost differentials, are reducing production of some items and stopping production of others altogether is true; but whether the ceilings are retarding total production is still in dispute. Clearly, if more butter is to be produced and the shortage is thereby overcome, this would involve a reduction in the use of butterfat for other items—unless total production were raised. Similarly the increased output of certain construction items would

¹ The Department of Commerce February 15, 1946, report on The Labor Force, states that in January there were 2,290,000 persons unemployed available for work and seeking work. This figure, as usual, did not include those (amounting at that time to 2.5 million) who were not working because of illness (50 percent), because of bad weather (20 percent), and the remainder because of strikes, temporary lay-offs with instructions to return within a specific period of time, and other minor reasons. The report states that 51.4 million members of the labor force were at work.

draw labor and other resources away from production elsewhere—unless additional labor and other resources could be drawn into the industry. But where is this labor—trained labor in many cases—to come from? If labor is relatively fully occupied and raw material producers are operating at or near capacity, it is difficult to see how serious bottlenecks can be broken without creating other bottlenecks, at least until efficiency rises and more labor-saving improvements are put to use. The fact seems to be that we do not have enough labor, enough trucks, enough knitting machinery and enough productive equipment in line after line to break down all production bottlenecks in a short space of time.² We are short of productive capital equipment and manpower; are we demanding the impossible in insisting that there be no bottlenecks? The deferred consumer demand, the needs of the veteran coupled with the enormous liquid savings in the hands of the people and the high hourly earnings of the American people are placing a demand on the American economy which exceeds that of wartime. Price control or no price control, many wants may remain unsatisfied for years ahead. The economic reformers who, in the depression cried, "We have solved the production problem but our problem is one of distribution," have exaggerated our productive capacity—as fabulous as it is, especially compared with that of other countries.

What then is wrong with price control? With the OPA? With the administration's policies? What can be done to speed production? To reduce price pressure? And above all what can be done to hasten the abolition of price control?

As previously indicated, at the heart of the transition price-control problem are two prime factors: (1) The method of war financing, creating enormous surplus buying power and (2) the administration's wage policy.

WAGE POLICY

Perhaps never in history have a Government's economic advisers been so grievously in error as were those of the present administration before VJ-day. Because the Government was responsible for nearly 50 percent of the total demand for goods and services during the war throughout our economy, it was the general opinion of those responsible for advising the Government in its transition policies that when the Government withdrew its demand for goods and services a major collapse would occur. At various times and places, Government officials predicted 5, 8, 10, and 20 million unemployed after VJ-day. One CIO union predicted 30,000,000 unemployed for the period following war's end. Congress did an excellent job of establishing legislation for the care of the GI's, for settling war contracts promptly, and disposing of surplus goods and in many other ways showed great foresight; but some persons in and out of the Government have continued to argue, Congress has neglected the human side of reconversion. Administration leaders reiterated these charges and took a number of steps which today are directly and heavily responsible for our plight.

Thus as war's end approached, the argument was advanced that we must maintain wartime take-home pay. This became a battle cry. The argument was made that a number of factors would reduce take-home pay: downgrading of labor, disappearance of high-paid jobs, abolition of overtime, and so on, and on.³ The Office of War Mobilization and Reconversion prepared a document (mimeographed) entitled "Facts Relating to Wage-Price Policy" (OWMR-502) which was designed to show in detail just how much loss of take-home pay would result from each of these factors and that wages could be raised by about one-fourth without the necessity of any price increases. It was further argued that wartime efficiency gains made wage increases possible without price increases. The document purported to prove under varying assumptions that straight-time hourly wage rates could be increased by 24 percent without increasing prices. This document was never published but copies of it leaked out. After some heated sessions with non-Government economists, the Government economists themselves decided that the document was too vulnerable to warrant its publication. But the damage was done. Labor unions quoted it extensively and are continuing to quote it to prove that the indicated wage increases could be made without price increases.

² Rising wage rates coupled with the penalty time-and-a-half wage requirements for overtime under rigidly controlled prices unquestionably have the effect of reducing the effective labor supply—the number of hours worked per week.

³ That the decline in take-home pay was grossly exaggerated is now admitted by Government officials.

Some of the same Government economists who wrote this document "advised" the General Motors fact-finding board, which recommended a huge wage increase. But the numerous price increases, grudgingly granted since then, and the President's Executive order of February 14, 1946, are a frank admission that the Government's economists were in grievous error. But, to repeat, the damage was done.

But this was not enough. The Department of Commerce, set up to help business with authentic figures and data, also prepared a wage-lifting without price increases document entitled "Domestic Economic Developments" (October 25, 1945). This was a study of the automobile situation and purported to prove that the wage rates in the motor-car industry could be increased by 25 percent without any price increases. This document was inadvertently released by the Secretary of Commerce, although it still has not been officially published. Again, the damage was done.⁴ The notion got abroad that profits were fabulous, corporation treasuries were swollen and that wages could be greatly increased without any one having to pay for the treat. Labor took full advantage of both documents.

Furthermore, high administration officials continuously harped on raising purchasing power, as though purchasing power were something apart from production. Money is a medium of exchange; it is not, in and of itself, purchasing power. If it were we could merely have the mail man bring us a bundle of daily purchasing power.

This bit of history is recounted not in order to blame someone for our impasse. Rather, its purpose is to make it clear to the American people that, unless we can secure a higher order of economic insight and statesmanship, we are likely to continue to be led into more and more economic chaos. Unless we can get a more or less complete replacement of the relatively small number of Government advisers responsible for this irretrievable damage to the American economy, we are not likely to have an administration properly advised when the next crisis arises.

When the first fact-finding boards appointed by the President made their reports, the members of the boards and the key men in the administration were still under the delusion that our transition problem was deflation. So they recommended 15 percent to 20 percent wage-rate increases. Even if this diagnosis of impending deflation had been correct, which it was not, the theory of raising wages when deflation is threatening was thoroughly tried in the 1930's with such adverse results, that one might have expected a sounder prescription. Surely we cannot create jobs by making it more expensive to put men on the pay roll.

Again we must say, the damage was done. Before the administration discovered that our postwar problem was inflation rather than deflation numerous substantial wage increases had been inspired, recommended, or ordered. Wage controls were virtually abolished and the unions were urged by the administration to see what they could get, which frequently in practice meant tying up a company, a whole industry, or a whole community, by means of a paralyzing strike and mass picketing where necessary.

The President's Executive order of February 14, 1946, states that it is the administration's wage policy to encourage general wage increases across the board up to the levels already established where these increases have been secured since V-J-day. Thus, it is inevitable that wage rates of nearly all workers will be increased in retailing, wholesaling, service, and manufacturing, by about 15 to 18 or 20 percent. Nothing less than this will be acceptable. Meantime the fiction—and it is pure fiction—is maintained that the President's Executive order may involve a slight bulge in the price line, but only a slight bulge which later will be straightened out.

Wages constitute approximately 70 percent of all costs in our economy. To argue that wages can be increased in a relatively brief period by 15 to 20 percent across the board (on top of wartime straight-time hourly increases of 15 to 20 percent) without any price effects excepts a slight bulge, later to be corrected, borders on the irresponsible. In unimportant matters the people can be misled without serious consequences. But when the facts come to be known about this wage-price situation in the months ahead the American people will be confronted with price increases closely corresponding to the current wage increases. Yet, they have been led to believe otherwise by their Government. Not only do

⁴ Immediately after the settlement of the General Motors strike, and after the above was written, the Secretary of the Department of Commerce publicly recognized this document to have been in error. (New York Times, Mar. 16, 1946, p. 1.)

we have monetary inflation; we have wage inflation and a frustrated or delayed price inflation.

By readily permitting wage increases "which do not require price increases" the administration has taken too narrow a view of the price- and cost-making process. Every wage increase, even when it does not necessitate a price increase, stimulates upward price pulls and the black market under current conditions, because of the increased buying power which it places into the hands of the public.⁵ Some wage readjustments at war's end were inevitable but they should occur primarily where employers find them necessary to recruit an adequate labor supply.

There is, of course, much more in the current policies than meets the eye. Just as the interest rate is being driven downward in order to redistribute income from the savers to the nonsavers, so the wage policy is designed to depress profits and other risk-taking incomes, while wage income is inflated. A gradual, subtle economic revolution is in process. It is so subtle and surrounded with such high-sounding slogans, that the people are not aware of the true inwardness of what is taking place. But this has always been the case during such periods of history, until after the events, as in the case of prewar France.

FISCAL POLICY

Our methods of war financing, continuing deficits for over a decade and the "cheap money" policy lie at the foundation of our price-control problems. Even the erroneous wage policy has been conditioned strongly by fiscal policy. Until we recognize the interrelationships between all these issues and policies and until we put our financial house in order, all other policies will prove ineffective in dealing with price control.

One of the great "miracles" of war finance, it is said, has been the financing of our growing debt by means of a steadily declining interest rate. The Treasury has boasted of the low interest rates it is paying on Government borrowing. The true story of war finance cannot be written, however, until all the evidence is in—some years ahead. The low interest rate has been made possible only by means of relying heavily upon the sale of Government bonds to the commercial banks and to the Federal Reserve banks.

As a result of this financing, currency in circulation (pocket money) increased from about \$6,000,000,000 in 1939 to nearly \$27,000,000,000 by the end of 1945 as indicated by the accompanying table. Demand deposits (check-book money—the equivalent of currency) increased from \$27,000,000,000 in 1939 to over \$76,000,000,000 in 1946. This constitutes an increase in money from \$33,000,000,000 in 1939 to \$102,000,000,000 in 1946.⁶

*Rise in bank deposits and currency*¹

[In millions of dollars]

Date	Demand deposits	Time deposits	Currency outside banks	Total deposits and currency
June 1939.....	\$27,355	\$26,791	\$6,005	\$60,943
January 1945.....	68,600	40,600	23,700	151,200
January 1946 ²	76,500	49,100	26,200	176,400

¹ Federal Reserve Bulletin, March 1946.

² Preliminary.

The Federal Reserve Board has released some additional estimates of liquid asset holdings of businesses and individuals as indicated in the following tabulation.

⁵ Thus the New York regional administrator of the OPA stated on February 26, "The black market in New York City is worse than during the war * * *." (New York Times, Feb. 27, 1946.)

⁶ In addition time deposits rose from about \$27,000,000,000 in 1939 to \$49,000,000,000 in 1946; saving bonds carrying such a low rate of interest that there is not much premium on holding them to maturity increased to \$48,000,000,000; many people view these as highly liquid savings to be spent as soon as goods are available or better investment opportunities open up.

*Estimated liquid asset holdings of individuals and businesses*¹

[In billions of dollars]

	December 1939	December 1942	December 1945 ²
Total	65.1	111.6	225.3
Currency	5.8	13.1	26.0
Demand deposits	20.9	36.7	61.4
Time deposits	26.3	27.7	48.2
United States Government securities	12.1	34.1	89.7
Business holdings—total	19.7	39.2	79.8
Personal holdings—total	45.4	72.4	145.5

¹ Federal Reserve Bulletin, March 1946.

² Preliminary.

It will be noted that now the American people and the business have upward of \$225,000,000,000 of liquid assets, of which over \$145,000,000,000 are held by individuals. With the artificially low interest rates earned by some of these assets, it cannot be expected that people will want to hold all these assets if a preference for expenditure develops or if a better opportunity for investment materializes. In other words, the fiscal situation of the Government may be vulnerable and unstable. It remains to be seen whether our methods of war financing have been a miracle or a mirage.

In 1939 our national income was about \$71,000,000,000; our money supply about \$33,000,000,000. Some such relation between money and national income has persisted for many decades; that is, we tend to have over the years about \$1 of money for each \$2 to \$3 of national income. Now, if this prewar relationship between money and national income should tend to be reestablished by natural economic forces, our national income in dollars would tend to be about two or three times \$102,000,000,000, which is our present money supply. This would mean a national income of \$200,000,000,000 to \$300,000,000,000 in contrast to a figure of about \$160,000,000,000 at present controlled prices and regimentation.

To put the matter another way: It is not probable that the American people and American business would care to hold in pockets and in the form of demand deposits \$102,000,000,000 in money—a form which does not earn any return and which does not augment the owner's standard of living so long as it is in the pocket or lying idly in the bank. In other words, it is altogether likely that the owners of these vast liquid assets will want to do something with them. Either they will spend them in the months ahead for consumer goods and thus bid up prices more fiercely, or they will want to invest them in real estate, securities, or in some other form. If they try to invest them, as many are now doing, stock prices will rise and we have inflation there, or they will invest them in real estate and then we have inflation in real property. Both are happening and that is why the Government has tried to stop security speculation by prohibiting buying on margin and giving speeches against such speculation, and is now proposing to put ceiling prices on vacant lots, farm lands, and other real property. Every time the Government intervenes with one of its ceiling devices or other controls, the inflationary pressures just move over to some other outlet. The American people can be expected to continue to find ways of spending and investing their money, regardless of how fast the Government claps on ceilings or closes loopholes first here and then there, only so long as the Government chooses to deal with symptoms instead of causes.⁷

It has been argued that the Federal budget will be short of balance by only a few billion dollars in the fiscal year 1947, and that the Treasury will not have to resort to any substantial borrowing in the several years ahead except for refunding operations because of large Treasury balances; therefore it is claimed that inflationary pressures through the Treasury will not be substantial in this connection.

This overlooks, however, the fact that (1) refunding may involve bank borrowing and that (2) the Treasury balance of about \$25,000,000,000 is now for the most part inactive.

Since it is assumed by the foregoing arguments of the administration that tax revenues will not equal Government expenditures and since it is assumed

⁷ Nor is this criticism of administration policy based on hindsight. See *Maintaining Purchasing Power in the Transition*, Chamber of Commerce of the United States of America, July 1945. In fact, the view that inflationary forces would outweigh deflationary forces after the war was set forth as early as September 1944, in *Inflation and the Postwar*.

that the Treasury balance, now not only large but largely idle, will be steadily reduced to make up the deficit in revenue, the activation of these billions of dollars now in the Treasury will provide a powerful inflationary factor. To put the matter another way, at present the velocity of circulation of this huge Treasury surplus balance is virtually zero but steadily these dollars will be used to meet Government pay rolls, buy commodities and other services thereby becoming purchasing power and making a demand on American industry for goods and services, directly and indirectly. This is a further inflationary pressure even though no new financing were involved.

As business expands it is inevitable that many concerns will be forced to borrow funds, which will create additional purchasing power, this making it all the more urgent that Government fiscal operations work in the direction of reducing Government requirements for funds.

The budget for the fiscal year 1947 calls for expenditures of nearly \$36,000,000,000. What this means in real terms is that the Government will be in the market for billions of dollars' worth of goods and services. This is further inflationary pressure.

PROFIT CONTROL

The OPA has consistently denied that its pricing policies were in the nature of profit control. Yet, unless the OPA uses the phrase "profit control" in some esoteric or special sense, it is obvious that it has endeavored to control profits. Base-period earnings, generally 1936-39, have been used as a bench mark with prices just high enough to permit earnings on net worth at this prewar rate. Some companies because of cost reductions or inordinately large volume have done better than this criterion was designed to permit. During the war with the large volume, when many services were omitted, lines were less diversified than is required to satisfy peacetime consumption and when there were greatly reduced selling costs, profits did mount in numerous cases.

The Federal Reserve Board's sample data on profits show, however, that in general there have not been substantial "war" profits.⁸ Thus in 1939, 629 large corporations had net profits of \$1,465,000,000; in 1940, the figure was \$1,818,000,000. In the period from 1942 to 1944, net profits for the same corporations averaged \$1,822,000,000 per year. Unquestionably individual companies prospered as never before on the basis of unprecedented volume, but the average corporation as reported by the Board, although it too did an all-time high volume of business, made earnings during the war which were little higher than before we entered the war.⁹

We have two additional sources of general data on profits, neither of which supports the view that industry during wartime has made inordinate profits. The accompanying table states the official data on net profits, first as reported by the United States Treasury and therefore official and, second, data reported by the National City Bank covering some 1,300 manufacturing corporations.

It will be noted in the first column that after nearly 10 years of deficits and subnormal profits, profits of American industry by the 1940's began to be restored to the predepression level and for the period from 1940 to 1944 the average profit actually was slightly below the rate of the late 1920's.

Net profit to net worth of United States business corporations

Year	Percent of return on net worth after taxes, depreciation, interest		Year	Percent of return on net worth after taxes, depreciation, interest	
	All active corporations ¹	1,327 manufacturing corporations ²		All active corporations ¹	1,327 manufacturing corporations ²
1928.....	7.2	11.6	1937.....	4.9	10.8
1929.....	7.5	12.8	1938.....	2.3	4.8
1930.....	2.5	6.4	1939.....	4.3	8.5
1931.....	- .7	2.3	1940.....	5.0	10.3
1932.....	-2.9	- .5	1941.....	6.9	12.4
1933.....	-1.0	2.5	1942.....	7.8	10.1
1934.....	1.9	4.3	1943.....	7.5	9.9
1935.....	3.3	6.7	1944 ³	7.0	9.8
1936.....	4.7	10.4			

¹ Compiled from Treasury Department, Statistics of Income.

² National City Bank letter, August 1945.

³ Preliminary.

⁸ Data in this section are profits after taxes.

⁹ Federal Reserve Bulletin, February 1946.

Similarly, the data covering only the manufacturing corporations show that except for 1941 (in December of which the United States entered the war), the profit rate throughout the war period was below the rate of the late 1920's, and slightly below the years 1936 and 1937.¹⁰

American business corporations throughout the war followed an exceedingly conservative dividend policy. In all of the postwar planning during the war so much emphasis was placed on more jobs that American industry recognizing that only through investment of earnings and savings can productive self-sustaining jobs be created, retained a larger than normal proportion of profits in the business. This, of course, accounts for the rise in liquid assets now owned by American business—assets which in due course will be converted into raw material and finished goods, inventories, pay roll, and new productive facilities. Are American corporations now to be penalized for having husbanded their resources so well during the war? Furthermore, with the higher wages and prices now prevailing, a business must have larger working capital.¹¹

Whether the present price-control policy will provide adequate incentives to maintain production cannot be determined. It is true that high-volume and capacity operation do tend to generate substantial increases in profits but if total costs exceed total selling prices there can be no profits and therefore no incentive regardless of the volume of business momentarily attained.

The OPA in its price policies is betting on huge volume but it is easy to predict that this volume will not be forthcoming if businessmen on a wide front once become convinced that every dollar of sales will involve more than a dollar of costs. For this reason the present price control policy, unless it is promptly flexible, may in time actually thwart total over-all production and not merely distort production.

Profit control continues under Executive order of February 14, 1946. The order sets up prewar profit standards as the bench mark (sec. 2 (b)). Whether this will prove adequate to keep our total labor force fully employed cannot be known.

Question may also be raised whether it is equitable in establishing wage policy to take account of the rise in the cost of living and the alleged increase in efficiency and productivity, but denying that investors are entitled to a similar cost-of-living adjustment by keeping them to their prewar returns. Stockholders are also human beings, they also must eat in order to live and it does not seem to be in accord with American traditions to have our great Government adopt policies along class lines.

SUBSIDIES

The President, in his statement accompanying the Executive order of February 14, demanded that subsidies be continued for another full year. He thus recommended the continuation of "concealed inflation." The Housing Expediter has recommended construction subsidies—more concealed inflation. We must recognize frankly that subsidies are a device for establishing what may be called "dishonest prices," that is, prices which do not reflect the facts of supply and demand. They appear to be holding the price line when in fact the price on subsidized products is paid in part by the consumer over the retail counter and in part in his tax bill. How long will we move from expedient to expedient? There is a limit to temporizing. Sooner or later we must face the economic facts of life.

SO WHAT?

This completes the diagnosis of the inflationary pressures. The one outstanding conclusion derived from this analysis is that price control on a broad front is largely dealing with symptoms. The problem is not price control; it is inflation control. Until this distinction is generally recognized the people and Government will demand "symptom treatments." The cry of "inflation" has been

¹⁰ During the war American industry did more and more work for less and less return. Thus, to take one example, the automobile industry earned about 7.5 cents per dollar of sales in 1939 and 1940; after this the figure declined steadily until in 1944 the net profit per dollar of sales reached a low of 2.6 cents (New York Times, Feb. 27, 1946). This is what happened generally throughout industry.

¹¹ For a decade the "Washington economists" have argued that profits are deflationary while wages stimulate the economic system because, it is alleged, a part of profits are always hoarded and thus cause a break in the circuit flow of money. If this is true, and if these economists followed their own logic, they should now argue for high profits since now our problem is inflation and not deflation.

sounded so often and so vehemently that the public is now heavily sold on a continuation of price controls.

Anyone who questions price control is labeled an enemy of the people. But the people have become victims of an irresponsibly superficial diagnosis. As a result the administration is truly slaying dragons. Until this devious approach to the inflation problem is abandoned in favor of a realistic analysis, the case for price control will appear overwhelming to the public.

The Government has made little educational effort to instruct our citizens on the causes of these inflationary pressures. For this reason, while the public, the administration, and many local groups are continuing to insist upon palliatives, sedatives, and nostrums, the reasons for the alleged necessity of continuing controls go unrecognized. The Government keeps fostering the utterly preposterous dogma that wages can be raised again and again and that little else needs to be done except to hide inflation through subsidies, and only a "little bulge" will occur in the price line.

The administration has made many mistakes as to wage policy, fiscal policy, and many other matters. When the Government makes a mistake, it makes a big one—affecting all the people and the whole economy. Private individuals, too, make mistakes, as do business firms, but when they make mistakes, retreat is relatively quick, corrections may be instituted promptly, and the repercussions are likely to be local and to be less serious. Until the Government develops an over-all coordinated policy for effectuating decontrol, temporizing, expedients, and failure will continue. Worst of all, reconversion to a free society will be indefinitely delayed.

IF PRICE CONTROL WERE ABOLISHED

One reason why men differ in their views as to the desirability of continuing price controls is that they differ as to what would happen if controls were dropped summarily. All admit that some price rises would follow. But government must recognize that some price readjustment will inevitably follow after decontrol regardless of when decontrol takes place. But would the rise in the cost of living index be 10, 20, 30 percent, or some multiple of one or the other of these figures? And how long would it last?

Since we are not dealing with a set of mechanical relationships it is impossible to predict the precise or even the approximate rise in prices which would occur. If after decontrol people generally became convinced that a rising price trend would continue for some months or perhaps several years, this in itself would most assuredly accelerate the rising trend; people would want to convert dollars and savings into goods and investments before their currency and savings declined still further in value. On the other hand, if people generally conclude that substantial price rises are likely to be temporary a "buyer's strike" might occur. Uncertainty prevails. A price spiral probably would spend itself in a relatively brief period and then deflation would set in.

But it must be remembered that the expenditure of currency and bank deposits merely involves a change of ownership and does not extinguish this excess purchasing power. The new owner would then have the funds to spend or invest. Only the retirement of the Federal debt and meantime its reconstitution in a form which people really desire to hold, will reduce the excess money and deposits. Is the Government prepared to shrink its budget to the point where debt retirement would be permitted to accomplish this purpose? The excess money supply would be corrected if we move the entire cost-price-wage structure to higher but properly balanced relationships.

SUPPOSE WE HAVE FURTHER INFLATION

Rising prices always involve a redistribution of income and wealth, primarily because all prices do not rise equally. Incomes may then rise, too, but they, too, do not rise equally. People living on pensions, trust funds will be adversely affected, and hospitals and other institutions relying heavily on endowed funds and many unorganized and white-collar workers would be heavily taxed by inflation for the benefit of the groups whose incomes rise more rapidly—so long as the free ride lasts. The middle class, often called the backbone of society, would receive a terrible shellacking. Social tensions, economic hardships, bankruptcies and family upheavals are the inevitable result of rapid and substantial inflation, if not during inflation then as an aftermath. With a highly organized, militant labor movement leading to monopoly wage fixing (supported by gov-

ernment) under pain of company strikes, industry strikes, community strikes, general strikes, and mass picketing, the probabilities are that a rapidly rising price level would cause a wholesale breaking of contracts and demands that wages keep pace with the rise in the price level. Then we would be confronted even more pronouncedly with a wage-price spiral which must end in collapse.

Of course, extreme inflation such as occurred in Germany after World War I is not in prospect here, unless budgetary deficits further multiply the currency. A balanced or preferably overbalanced budget would go a long way to make price control no longer necessary. Wage lifting too would have to stop and foreign lending would have to be geared with our supply and demand situation.

SUMMARY RECOMMENDATIONS

Spiraling wages and prices can do nothing but harm to our economy and its people. Every effort should be made to stimulate stable, productive employment for the months and years ahead with reasonable price stability; this requires close cooperation of government, agriculture, labor, and business. Business commitments and business transactions must rest on a foundation of confidence in the value of currency and in the reasonable stability of prices. We renew our pledge in support of this program.

The expansion of controls 8 months after VJ-day, rather than their contraction and the upward price pressures, is evidence to every man that we are not moving forward to a free society with low prices. We, therefore, require a reexamination of our reconversion policies.

We recommend a gradual elimination of price controls on commodities and that the final date for the elimination of all such controls be October 31, 1946; we further recommend that rent controls, properly adjusted, be extended not beyond March 31, 1947.

Congress should eliminate all wartime production and price depressant subsidies within the next 6 months. Costs of government must be drastically reduced. Deficit financing must be terminated. Every proposal for new governmental expenditures should be coupled with definite methods for raising the required revenues. The budget should be overbalanced and debt retired. Foreign lending should be geared into our domestic supply and demand conditions. Congress should make a thorough investigation of Treasury fiscal policy and make recommendations as to interest rates, borrowing, and budgetary procedure designed to minimize inflationary pressures.

Since VJ-day our policies have been based largely on the conception that we are faced with a problem of mere price control. The failure of these policies is due to a misdiagnosis of our problems. We have wage inflation, we have currency inflation, and a delayed or frustrated price inflation. The solution can come only through a coordinated policy which deals not purely with the symptoms of inflation, as does price control, but with the real causes of the inflationary pressures which abound in many sectors of the economy.

Under the policies suggested herein, some prices may rise, others may fall. Production will be stimulated and bottlenecks will disappear more promptly. Because of the distortions already created in the economy during the war and since VJ-day, additional adjustments are inevitable. Instead of frustrating these adjustments, the Government should try to guide them along natural lines so that gradually we will have an effectively functioning free economy with high-level employment at good wages.

Mr. SCHMIDT (reading) :

The OPA, 8 months ago, let it be known that in its view about 70 percent of the ceiling prices would be decontrolled by June 1946, 30 percent remaining under control. Now, we are informed that these figures probably will be almost reversed. Indeed, some Government officials have voiced the opinion that there is no prospect in the months—and perhaps even years—ahead, of getting out from under control. Under strenuous pressure the OPA has suspended a number of price ceilings, chiefly during the period when debate in Congress was hottest.

According to the announcements of numerous regional OPA administrators the black market is on the increase. Shortages in innumerable lines actually exceed those of wartime. New controls have been inaugurated since VJ-day. A number of thoughtful businessmen and executives of trade associations have stated that specific shortages under the present price ceilings will not disappear for

several years. A manufacturer of floor coverings predicted last summer that it would take about 5 months to fill his pipe lines through to the ultimate retailers so that normal business operations would be possible. Recently he stated that scarcely a yard of inventory has been accumulated, the demand being so intense that now he refuses to estimate the probable date when any type of reasonable balance will exist. Shortly after VJ-day the War Production Board stated that nylon hosiery would exist in abundance by Thanksgiving Day or at least by last Christmas. Yet one responsible manufacturer states that at the production rate of this month, April 1946, it will take a full year's production to merely fill the pipe lines from manufacturer to consumer and that normal conditions under artificial price controls will not exist until sometime in 1948.

We must frankly raise the question whether the current request to extend the OPA for one more year will not be repeated with equal intensity a year from now, and again a second year from then.

Senator TAYLOR. Mr. Chairman, may I ask a question here?

The CHAIRMAN. Yes.

Senator TAYLOR. Mr. Schmidt, you mentioned nylon hosiery. Just how is price control keeping nylon hosiery from appearing on the market?

Mr. SCHMIDT. That is not my point. If you will permit me to defer the answer, I think it will become clear in just a moment.

Senator TAYLOR. All right.

Mr. SCHMIDT. The foregoing facts are cited merely to demonstrate that we do not appear to be progressing toward decontrol under the Government policies now in vogue.

Here in the next paragraph really comes the answer, Senator:

The view is widely expressed that price controls are retarding production. Nearly every manufacturer and distributor is able to cite shortages of commodity after commodity which he needs in his business for production or for sale. Suppliers cite hundreds of such cases in explanation to their buyers for the delay in delivery. Hundreds of items are out of production because of low ceiling prices. In some cases, workers must be laid off because of shortages of raw material or component parts. Certain foods are exceedingly scarce because of the way price controls are administered. Thus, at present butter is relatively scarcer than table cream and ice cream. Specific ceilings on feeds and on beef may cause shortages of meats relative to other food. All this is the almost universal testimony of businessmen and farmers.

Yet the OPA denies most of these allegations and insists that production and employment are at all-time highs. According to the Federal Reserve System's index of physical production, the rate of output is nearly 50 percent above the 1939 rate. Employment is nearly 20 percent above the 1939 rate. Indeed, in every month since VJ-day we have had more than "full employment," as usually defined, after allowing for strikes and lay-offs induced by strikes. Our labor force appears to be relatively fully occupied.

Senator TOBEY. Just a second, right there. Perhaps I do not understand, but if our labor force is relatively fully occupied, and we do not have production, where is the labor force coming from when we get production?

Mr. SCHMIDT. That is exactly the point I am making here.

Senator TOBEY. Well, what is your answer to it?

Mr. SCHMIDT. It will unfold as we get into it, if you are willing to wait.

Senator TOBEY. All right.

Mr. SCHMIDT. It is our conclusion, therefore, quite contrary to many of the criticisms of the OPA, that the OPA, while retarding total production to some indeterminate extent, has been primarily responsible for distorting production. These distortions leading to pronounced scarcities of many essential goods and components give the appearance of creating underproduction when, as a matter of fact, to a substantial extent, correcting all pronounced shortages in commodity after commodity would involve diverting men and machines from things now produced, the very point you made, Senator, so that correcting shortages in one section is likely to create shortages elsewhere.

Moreover, rising wage rates coupled with the penalty time-and-one-half wage requirements under the Fair Labor Standards Act for overtime under rigidly controlled OPA prices unquestionably have the effect of reducing the effective labor supply—that is, the number of hours worked per week.

The national income appears to be running at a figure of approximately \$160,000,000,000 annually. Even allowing for price increases this constitutes perhaps a quarter or a third increase above the prewar level. Yet, and this point I cannot overemphasize, our basic productive capital equipment in the aggregate was designed in the prewar to produce a national income under \$100,000,000,000. I am told that at the present rate of national income, if New York City had double the hotels which it now has, every room would still fill up, provided people could get into and out of New York City. Are we going to keep price control until New York City can double its hotel capacity? Is that what we mean by saying price control should continue until supply catches up with demand?

The facts seem to be that in terms of the present level of earnings, we are woefully short of productive capital and equipment in textiles, in many lines of machinery, housefurnishings, motorcar manufacturing and so on, commodity after commodity. The American people with their high hourly incomes together with enormous liquid savings are making a demand upon the American economy which appears to exceed that of wartime. Price control, or no price control, many wants may remain unsatisfied for years ahead.

Senator TOBEY. Will you explain to me, Mr. Schmidt, the meaning of that paragraph beginning with, "The facts"? And I ask you in all sincerity, with no hidden thought. You are an expert in these things, and we value your testimony. But here we have a story of the leading textile companies like Pacific Mills and Botany Mills, and so forth, and similar concerns selling at the highest prices they ever sold for, paying higher dividends than they ever did and earnings statements reflecting that and justifying the prices to some degree, and the dividends; and yet they are doing that in the face of this benighted condition in which they are, according to your statement. Where is the anomaly there?

Mr. SCHMIDT. I have not mentioned any one word about a benighted condition in my statement.

Senator TOBEY. You are speaking about textiles "woefully short." The strange thing about it is that the textile companies have never been so prosperous as they are now.

Mr. SCHMIDT. I have not even mentioned the word "profits."

Senator TOBEY. I go back to your statement. You say, “* * * we are woefully short of productive capital and equipment in textiles.”

Mr. SCHMIDT. That is right.

Senator TOBEY. “In many lines of machinery.”

Mr. SCHMIDT. That is right.

Senator TOBEY. Well, now, despite that shortness they are doing the biggest business in history.

Mr. SCHMIDT. That is right.

Senator TOBEY. Now I ask you what the answer is. There is an easy answer there somewhere.

Senator BANKHEAD. What do you mean by saying that textiles are doing the biggest business in history—and I apply that to the Senator, too—when cotton consumption has gone down from 11¾ million bales to 8¾ million bales?

Senator TOBEY. I do not know. You are a cotton man and I am not. But I do know what prices the leading textile companies are selling at. I stand on the record. Their earnings are large, their products are in demand, and they are running and making money.

Now, if they are doing that—

Senator BANKHEAD. I am not discussing that. I am challenging you and the witness on the statement that the textile business is prosperous, more so than it has ever been.

Senator TOBEY. Well, I think it is in one of the most prosperous years in its history. I think I can prove that statement.

Mr. SCHMIDT. I was conceding his point. I was not confirming it.

Senator TOBEY. Do you agree with me?

Mr. SCHMIDT. Well, I do not happen to have the figures.

Senator BANKHEAD. Why do you concede it if you do not know it to be true?

Mr. SCHMIDT. I think the profits of the textile industry are, on a whole, very good. Maybe there are many exceptions; I suspect there are.

The CHAIRMAN. Well, we have a witness over here who might give us some testimony. Mr. Baker.

Mr. BAKER. We can comment on that, sir, either now or later.

The Senator's statement, of course, is correct with respect to volume. With respect to profitability, however, the textile-manufacturing industry is more profitable now, as of 1945, than ever before. The statements, however, which the Senator made with respect to volume are, of course, correct. In other words, more profitable with less volume.

Senator BANKHEAD. In other words, the farmers are catching it, not getting their cut on the manufacturing, I assume.

Senator BUCK. The farmer always gets the short end of it, Senator.

Senator BANKHEAD. How is that?

Senator BUCK. The farmer always gets the short end of it.

Senator BANKHEAD. Absolutely. It does not make any difference what he is producing; if he is disturbing the soil he gets it in the neck.

The CHAIRMAN. Well, whatever you do for the farmer I always vote with you on that, Senator.

Senator BANKHEAD. You have been pretty kind to them, Senator.

Senator BUCK. You don't vote often enough.

Senator BANKHEAD. I will have to give you a certificate on that.

Senator TAYLOR. It seems to me that no matter what we do for the farmer somebody else gets the benefit from it.

Senator BANKHEAD. That is the trouble. We want to fix it so they will get some benefits.

Mr. SCHMIDT. There is not one word of complaint in my testimony about the over-all profits of American business, nor in our report. Not one word. So I think the Senator has mininterpreted my testimony up to this point.

The CHAIRMAN. We have invited your president to come before us and—

Mr. SCHMIDT. I guess he is out of the city.

The CHAIRMAN. Well, I understood and I hope—I don't know as I have a right to say so—I understood that he was for the continuation of OPA.

Mr. SCHMIDT. I have not heard him say that.

The CHAIRMAN. You do not know?

Mr. SCHMIDT. No.

The CHAIRMAN. You have not heard him say that he was opposed to it?

Mr. SCHMIDT. Well, I think he is for some extension. So are we.

The CHAIRMAN. Are you?

Mr. SCHMIDT. Yes.

Senator TOBEY. You do not agree with the NAM head here yesterday that it ought to be abrogated, do you?

Mr. SCHMIDT. No.

Senator TOBEY. So we have the doctors disagreeing.

Mr. SCHMIDT. That is not too unusual.

Senator TOBEY. I quite agree. The patient pays, though.

Mr. SCHMIDT. If I may continue with my statement:

Why are inflationary pressures continuing?

(1) The enormous deferred demands. And this point needs no further spelling out.

(2) Our wage policy both during the war and since war's end has been inflationary in the extreme. Perhaps never in history have a government's economic advisers been so grievously in error as were those of the present administration before VJ-day. They could see nothing but collapse at war's end therefore promptly after VJ-day a number of steps were taken to counteract the imagined deflationary pressures. Wage controls, therefore, were virtually abolished; administration leaders urged higher and higher wages as though by making up wage rates deflation could be prevented. Surely we cannot create jobs by making it more expensive to put men on the pay roll.

On July 1, 1945, the Office of War Mobilization and Reconversion (third report, p. 57), stated:

The American people are in the pleasant predicament of having to learn to live 50 percent better than they ever have lived before.

Although it was not intended to, this statement has been widely interpreted to mean that wages must be raised 50 percent, and this helped to set the stage for subsequent extreme wage demands. It is difficult to see how Government bureaus can plan for the future without weighing and judging the prospective factors and forces which will operate; yet it is clear that such projections can only raise false hopes and get us into trouble.

The Office of War Mobilization and Reconversion also prepared a document (mimeographed) entitled "Facts Relating to Wage-Price

Policy" (OWMR 502), which was designed to show in detail just how much loss of take-home pay would result from each of several factors and that wages could be raised by about one-fourth without the necessity of any price increases. It was further argued that wartime efficiency gains made wage increases possible without price increases. The document purported to prove under varying assumptions that straight-time hourly wage rates could be increased by 24 percent without price effects. This document was never published, but copies of it "leaked out." After some heated sessions with non-Government economists, the Government economists themselves decided that the document was too vulnerable to warrant its publication.

The above paragraph is taken verbatim from our published document, and Mr. John W. Snyder, the Director of the Office of War Mobilization and Reconversion, after reading our report, informed us that he never approved this report and that he personally believed it was in error. And I want to say that in his behalf.

Nevertheless, the damage was done. Labor unions quoted it extensively and until the last month continued to quote it to prove that the indicated wage increases could be made without price increases.

Senator BANKHEAD. Is that a statement that Secretary Wallace said that?

Mr. SCHMIDT. No. I am coming to that in just a moment.

Some of the same Government economists who wrote this document "advised" the General Motors fact-finding board, which recommended a huge wage increase. But the numerous price increases, grudgingly granted since then and the Executive order of February 14, 1946, are a frank admission that the Government's economists were in grievous error. But to repeat, the damage was done.

But this was not enough. The Department of Commerce, set up to help business with authentic figures and data, also prepared a "wage-lifting without price increases" document entitled "Domestic Economic Developments" (October 25, 1945). This was a study of the automobile situation and purported to prove that the wage rates in the motorcar industry could be increased by 25 percent without any price increases. This document was "inadvertently" released by the Secretary of Commerce, although it still has not been officially published. Again, the damage was done.

And I have a footnote here which says that immediately after the settlement of the General Motors strike, the Secretary of the Department of Commerce publicly recognized this document to have been in error (New York Times, March 16, 1946, p. 1).

The notion got abroad that profits were fabulous, corporation treasuries were swollen, and that wages could be greatly increased without anyone having to pay for the treat. Labor took full advantage of both documents.

Furthermore, Government administrators continuously harped on raising purchasing power, as though purchasing power were something apart from production. Money is a medium of exchange—it is not, in and of itself, purchasing power. If it were we could merely have the mailman bring us a bundle of daily purchasing power.

This bit of history is recounted not in order to blame someone for our impasse. Rather, its purpose is to make it clear that, unless we can secure a higher order of economic insight and statesmanship, we

are likely to continue to be led into more and more economic chaos. Unless we can get a more or less complete replacement of the relatively small number of Government advisers responsible for this irretrievable damage to the American economy, we are not likely to have an administration properly advised as to how to get out from under price control.

When the first fact-finding boards made their reports, the members of the boards and keymen in the administration were still under the delusion that our transition problem was deflation. So they recommended 15 to 20 percent wage rate increases. Even if this diagnosis of impending deflation had been correct, which it was not, the theory of raising wages when deflation is threatening was thoroughly tried in the 1930's with such adverse results, that one might have expected a sounder prescription.

Again we must say, the damage was done. Before it was discovered that our postwar problem was inflation rather than deflation numerous substantial wage increases had been inspired, recommended, or ordered. Wage controls were virtually abolished, and the unions were urged by the Government to see what they could get, which frequently in practice meant tying up a company, a whole industry, or a whole community, by means of a paralyzing strike and mass picketing where necessary.

The Executive order of February 14, 1946, states that it is the administration's wage policy to encourage general wage increases across the board up to the levels already established where these increases have been secured since VJ-day. Thus, it is inevitable that wage rates of nearly all workers will be increased in retailing, wholesaling, service, and manufacturing, by about 15 to 20 percent. Nothing less than this will be acceptable. By December 1945 straight-time hourly factory wage rates were 54 percent above the 1939 figure and since then have increased still further. Meantime the fiction is maintained that the Executive order may involve a "slight bulge" in the price line, but only a slight bulge which later will be straightened out.

On the contrary, however, Senator Lucas, a long-standing supporter of the administration's liberal philosophy, on April 5, said that he would have to oppose the administration's new proposals with respect to minimum wages. There are his words:

Mr. President, if this bill should become the law of the land, it would constitute, in my humble opinion, a most extraordinary measure of inflation. In view of what this bill in its entirety will do toward bringing about inflation, it seems to me it will be extremely difficult to keep the economy of this country from running wild. I am convinced beyond the question of a doubt that if the measure should become the law of the land it would be absolutely useless and futile for the Congress to attempt to continue any control over anything from this time on (Congressional Record, April 5, 1946, p. 3244).

Wages constitute approximately 70 percent of all costs in our economy. To argue that wages can be increased in a relatively brief period by 15 to 20 percent across the board—on top of wartime straight-time hourly increases of 15 to 20 percent—without any price effects expect a slight bulge, later to be corrected, borders on the irresponsible. In unimportant matters the people can be misled without serious consequences. But when the facts come to be known about this wage-price situation in the months ahead the American people will be confronted with price increases closely corresponding to the current

wage increases. Yes; they have been led to believe otherwise by their Government. Not only do we have monetary inflation; we have wage inflation and a frustrated or delayed price inflation.

We have already been informed by numerous labor leaders that the current round of wage increases is merely a first installment. On April 16, 15 railway unions whose members recently received a 16-cent-an-hour increase in pay started proceedings to get an additional raise of 14 cents an hour (New York Times, April 16, 1946).

By readily permitting wage increases "which do not require price increases" the administration has taken too narrow a view of the price and cost-making process. Every wage increase, even when it does not necessitate a price increase, stimulates upward price pulls and the black market under current conditions, because of the increased buying power which it places into the hands of the public. Some wage readjustments at war's end were inevitable, but they should occur primarily where employers find them necessary to recruit an adequate labor supply.

The quality deterioration in some commodities is a direct result of the whipsawing between the upward pressure of costs and wages and the downward pressure of OPA ceilings. Under rent control the landlord too must watch his pennies and dollars, and this explains why tenants during the cold of winter frequently complain of the lack of heat, the undermaintenance, and the dilapidated condition of their shelters. In short, price control if it is rigid and in defiance of cost movements forces protective reactions and shows why price control without quality control is likely to become a shambles.

These events all have combined to increase uncertainty. Politically determined prices and wages are uncertain prices and wages. Absolute certainty cannot exist in the affairs of man, but when prices depend upon government decision confusion is added and uncertainty is increased because the behavior of Government officials is inevitably unpredictable.

(3) Not only is our wage policy inflationary; the same must be said of our fiscal policy. Our methods of war financing, continuing deficits for over a decade, and the "cheap money" policy lie at the foundation of our price control problems. Even the erroneous wage policy has been conditioned strongly by fiscal policy. Until we recognize the interrelationships between all these issues and policies and until we put our financial house in order, all other policies will prove ineffective in dealing with price controls.

One of the great "miracles" of war finance, it is said, has been the financing of our growing debt by means of a steadily declining interest rate. The Treasury has boasted of the low interest rates it is paying on Government borrowing. The true story of war finance cannot be written, however, until all the evidence is in some years ahead. The low interest rate has been made possible only by means of relying heavily upon the sale of Government bonds to the commercial banks and to the Federal Reserve banks.

As a result of this financing, currency in circulation (pocket money) increased from about \$6,000,000,000 in 1939 to nearly \$27,000,000,000 by the end of 1945. Demand deposits—that is, check-book money, the equivalent of currency—increased from \$27,000,000,000 in 1939 to \$102,000,000,000 in 1946. This constitutes an increase in money from \$33,000,000,000 in 1939 to \$102,000,000,000 in 1946.

In addition time deposits rose from about \$27,000,000,000 in 1939 to \$49,000,000,000 in 1946; Savings bonds carrying such a low rate of interest that there is not much premium on holding them to maturity increased to \$48,000,000,000; many people view these as highly liquid savings to be spent as soon as goods are available or better investment opportunities open up.

The American people and business have upward of \$225,000,000,000 of liquid assets, of which over \$145,000,000,000 are held by individuals. With the artificially low interest rates earned by some of these assets, it cannot be expected that people will want to hold all these assets if a preference for expenditure develops or if a better opportunity for investment materializes. In other words, the fiscal situation of the Government may be vulnerable and unstable. It remains to be seen whether our methods of war financing have been a miracle or a mirage.

In 1939 our national income was about \$71,000,000,000; our money supply about \$33,000,000,000. Some such relation between money and national income has persisted for many decades; that is, we tend to have over the years about \$1 of money for each \$2 to \$3 of national income. Now, if this prewar relationship between money and national income should tend to be reestablished by natural economic forces, our national income in dollars would tend to be about two or three times \$102,000,000,000, which is our present money supply. This would mean a national income of two hundred to three hundred billion dollars, in contrast to a figure of about \$160,000,000,000 at present controlled price and regimentation.

To put the matter another way: It is not probable that the American people and American business would care to hold in pockets and in the form of demand deposits \$102,000,000,000 in money—a form which does not earn any return and which does not augment the owner's standard of living so long as it is in the pocket or lying idly in the bank. In other words, it is altogether likely that the owners of these vast liquid assets will want to do something with them. Either they will spend them in the months ahead for consumer goods and thus bid up prices more fiercely, or they will want to invest them in real estate, securities, or in some other form. If they try to invest them in stocks, as many are now doing, stock prices will rise and we have inflation there, or they will invest them in real estate and then we have inflation in real property. Both are happening, and that is why the Government has tried to stop security speculation by prohibiting buying on margin and giving speeches against such speculation, and is now proposing to put ceiling prices on vacant lots, farm lands, and other real property. Every time the Government intervenes with one of its ceiling devices or other controls, the inflationary pressures just move over to some other outlet. The American people can be expected to continue to find ways of spending and investing their money, regardless of how fast the Government claps on ceilings or closes loopholes first here and then there, only so long as the Government chooses to deal with symptoms instead of causes.

Nor is this criticism of Administration policy based on hindsight. See *Maintaining Purchasing Power in the Transition*, Chamber of Commerce of the U. S. A., July 1945. In fact the view that inflationary forces would outweigh deflationary forces after the war was set forth as early as September, 1944, in *Inflation and the Post-war*.

It has been argued that the Federal budget will be short of balance by only a few billion dollars in the fiscal year 1947, and that the Treasury will not have to resort to any substantial borrowing in the several years ahead except for refunding operations because of large Treasury balances; therefore it is claimed that inflationary pressures through the Treasury will not be substantial in this connection.

This overlooked, however, the fact that (1) refunding may involve bank borrowing and that (2) the Treasury balance of about \$25,000,000,000 is now for the most part inactive.

Since it is assumed by the foregoing arguments of the administration that tax revenues will not equal government expenditures and since it is assumed that the Treasury balance, now not only large but largely idle, will be steadily reduced to make up the deficit in revenue, the activation of these billions of dollars now in the Treasury will provide a powerful inflationary factor. To put the matter another way, at present the velocity of circulation of this huge Treasury surplus balance is virtually zero, but steadily these dollars will be used to meet Government payrolls, buy commodities and other services, thereby becoming purchasing power and making a demand on American industry for goods and services, directly and indirectly. This is a further inflationary pressure even though no new financing were involved.

As business expands it is inevitable that many concerns will be forced to borrow funds, which may create additional purchasing power, this making it all the more urgent that Government fiscal operations work in the direction of reducing Government requirements for funds.

It cannot be overemphasized that producing always finances its own consumption providing no one is hoarding income. Therefore the pending boom and the high current level of production will continue to produce annually some \$160,000,000,000 or more of national income to which can be added billions of liquid assets and past savings.

The budget for the fiscal year 1947 calls for expenditures of nearly \$36,000,000,000. What this means in real terms is that the Government will be in the market for billions of dollars worth of goods and services. This may be further inflationary pressure.

Demands for the continuation of subsidies continue. During the war period the system of rollback subsidies was inaugurated for the exclusive reason of holding the cost-of-living index in order that labor would not demand further wage increases. This effort to hold wages has now been abolished and therefore the wartime reason for maintaining roll-back subsidies has also disappeared. Today the American wage earner has an income which exceeds anything in peacetime history, and yet we continue to insist that we must subsidize his grocery bill. Such a subsidy is opposed by practically all farm groups and business groups. It increases the deficit in the United States Treasury and thereby, at least potentially, is inflationary in this respect. Furthermore, by depressing prices it makes the consumer's dollar go further and in effect creates that much additional excessive money to spend in other markets if not in the subsidized markets themselves. Subsidies also distort prices and hence production. It is for these reasons that we believe that all of these wartime

subsidies should be terminated not later than October of this year, and our Board of Directors has so suggested.

The OPA by concentrating exclusively on subsidies and price controls has been dealing with the symptoms of inflation and that explains why instead of progressing toward decontrol there is clear evidence that in many sectors of the economy, controls are actually being intensified. So long as this economic myopia afflicts our price control policies they must fail.

Our conclusions are: The evil consequences of inflation are recognized everywhere. Inflation causes arbitrary redistribution of wealth and income; the instability of the value of the dollar is probably more responsible for labor trouble than any other single factor. Abandoning symptom treatments by the OPA in favor of a program which abolishes the causes of upward price pressures would get us on to a real solution to the problem and would restore a free society.

This analysis, if it makes anything clear, demonstrates beyond dispute that price control fails to wrestle with the causes of inflation. It does not operate in any way to reduce the supply of money or liquid savings which are at the bottom of the inflationary pressures. Nor will price control prevent a further increase in the supply of money. Nor does it diminish the desire of people to spend, but the contrary, since to the extent that price control is effective, people's money goes that much further. It does not diminish the disposition to spend, as shown by the rise in spending and the decline of savings since the end of the war, the unparallel volume of retail trade, the amounts of travel and indulgence in recreation and amusement. Obviously it does not increase the supply of goods; no advocate of price control even suggests that it does.

The OPA for the remaining days of its life ought to guide the economy toward natural readjustments. Some suggest that price controls be continued until "supply catches up with demand." Might it not be wiser to abolish all ceilings wherever critical shortages occur, on the theory that then manpower and other productive resources would be lured by the opportunity for profit and good wages into those sectors of the economy where shortages are most pronounced? The OPA appears to follow an opposite line of reasoning. We have money inflation, we have wage inflation and a frustrated price inflation. In a dynamic economy, some prices are always rising and some are falling. Instead of trying to hold a price line with a slight bulge, the OPA ought to take those steps which will lead to its own liquidation.

But the OPA is dealing only with the symptoms of inflation; therefore the Federal Government should cut its own expenditures, substantially overbalance its budget, and the Congress should reconsider our entire fiscal and interest policy with a view to encouraging the demonetization of our debt, encouraging people to buy and hold Government bonds, and to remove as many of these bonds out of the commercial banking system as possible.

Senator TOBEY. Well, that has been the national policy, hasn't it, to encourage people to buy and hold bonds, pretty earnestly and consistently?

Mr. SCHMIDT. I do not think so. In a free society you have to give people an incentive, and the interest rate is so low that last month on

the Federal Reserve System the redemptions exceeded the purchases.

Senator TOBEY. Well, would you raise the interest rates on Government bonds?

Mr. SCHMIDT. That is what I am suggesting that your committee ought to study.

Senator TOBEY. And what would happen to your existing Government bonds carrying 2 percent interest if you did that? How long would people hold them?

Mr. SCHMIDT. You would probably have to work out a refunding system. I do not know.

Senator TOBEY. You certainly would. They would go on the market like hot cakes, wouldn't they?

Mr. SCHMIDT. That is right.

Senator TOBEY. And they would be dumped.

Mr. SCHMIDT. They might be.

Senator TOBEY. Well, they would be, wouldn't they? You would dump yours and I would mine, wouldn't we?

Mr. SCHMIDT. There would be a tendency to convert, depending upon what the supply is of new ones.

Senator TOBEY. Yes; but you would not hold a 2-percent bond with an opportunity to get a 4-percent bond.

Mr. SCHMIDT. Not if I had a better opportunity.

Senator TOBEY. You certainly would not, and I would not.

Mr. SCHMIDT. Not if I had a better opportunity.

Senator TOBEY. No. That is right.

The CHAIRMAN. It says:

It does not diminish the deposition to spend, as shown by the rise in spending and the decline in savings since the end of the war, * * *

Mr. SCHMIDT. Yes.

The CHAIRMAN. According to the figures I saw, savings have increased.

Mr. SCHMIDT. No; I do not think so.

The CHAIRMAN. Well, I am sorry I do not have the figures before me here.

Mr. SCHMIDT. I talked with the Federal Reserve people about that, and they say that the savings have declined. They ran about \$45,000,000.000 during the war, so-called savings.

The CHAIRMAN. Yes.

Senator BANKHEAD. What do you call savings?

Mr. SCHMIDT. Pardon?

Senator BANKHEAD. What do you class as savings?

Mr. SMITH. Well, they include—I think they include debt repayment, they include the purchase of life insurance, they include the purchase of Government bonds.

The CHAIRMAN. Bonds; yes.

Mr. SCHMIDT. Any capital formation such as house building would be savings.

Senator TOBEY. Savings-bank deposits.

Mr. SCHMIDT. That is right.

Senator TOBEY. You of course appreciate the fact that savings banks—I speak for the section I come from—never had as large deposits as they have at the present time despite the fact that interest rates are only 2 percent as against 4 and 5 a few years ago.

Mr. SCHMIDT. That is right.

Senator TOBEY. In other words, people are putting their money in there, and with faith in the savings banks as a savings enterprise, regardless of the rate of interest; isn't that true?

Mr. SCHMIDT. So long as they have no better alternative, that is true.

Senator TOBEY. Well, that is what they are doing.

Mr. SCHMIDT. That is right.

The CHAIRMAN. You are for increasing interest rates, are you?

Mr. SCHMIDT. Well, I am not sure. What I am saying here, and what our board said, is that you people ought to institute an over-all analysis of this whole inflation problem. The OPA is just dealing with the symptoms of inflation, and they are trying to sit on the thermometer, and they are failing. And what we are saying in this report—the printed report as well as my testimony here—is that we have got to get at the causes of inflation. Now, I am not prepared, and I do not think many of us are prepared offhand, to tell what the over-all policy should be, but as nearly as I can state it it is in that last paragraph on page 14.

The CHAIRMAN. Yes.

Mr. SCHMIDT. And I did not read the last two sentences.

Foreign lending must be geared into our own supply and demand conditions. Government surplus commodities should be sold promptly but in an orderly fashion, so that they will be fed into the markets.

Numerous readjustments are inevitable. The Government should try to direct them along natural lines so that gradually we will have an effectively functioning free economy with high level employment at good wages.

Numerous people have said that pressure groups are flourishing in Washington as never before. But the more deeply the Government intervenes in the price-making process and in the entire economic process, the more the people will be forced to organize themselves into groups to protect themselves. The way to mitigate the pressure groups and to allow you as responsible Members of the Senate to function in the public interest is to reduce the number of areas in which Government intervenes. Then, and only then, can you function in the public interest without undue pressure from the people.

We commend to you an immediate investigation of what would be a coordinated over-all decontrol program involving prices, wages, fiscal policy, foreign lending, surplus disposal, and all other factors that bear on our current imbalance between supply and demand.

Regardless of what Congress does with respect to the continuation of OPA controls, the results a year hence will be unsatisfactory to large sectors of our society. The OPA through its propaganda has put this committee and the Congress on the spot. Whatever changes you people make, it is likely that you will get the blame for the unsatisfactory results under price control which appear inevitable.

The OPA takes pride in the fact that three out of four people appear to favor continued controls. Yes, one may wonder whether there should be much gratification at such a vote since it may be doubted that it is in any sense the expression of an informed or thoughtful economic opinion. Rather it is the evidence of the existence of another

pressure group, because the answers to such a question must be governed by the feelings of housewives and others who are conscious almost exclusively of their function as consumers but not of their responsibility as members of a cooperative productive organization.

Furthermore, if we place the beginning of economic literacy and awareness of economic principles and events at the age of 20 or 21, there is no one in the country under the age of 25 who has ever intelligently observed the working of a free market system. In most agricultural commodities, no one under 35 or 40 has witnessed with mature observation a truly free market.

If price control is continued on and on, is this likely to so condition the American people to controls, and make them so subservient to these controls, that they will ever generate enough individuality and realism to check these controls? Habit is a powerful force. Once the mind and individuality of man is suppressed for a considerable period of time, man loses his desire for self-assertion and self-expression; he becomes a prey for further regimentation. The general public acceptance of price control more than 8 months after VJ-day, when it was a free society for which we fought the war and which we were promised, is evidence of a decline of American individuality. The character and fiber of a people are a nation's greatest asset. The problem of price control is not merely an economic question.

We need to remind ourselves that by 1928, 5 years before Hitler came into power, German public authorities were in control of over 50 percent of the national income—in spite of which the German economy suffered its greatest collapse in history and the people were driven into hostile and opposing camps. A government crutch can be used too long.

The society of man is at its best when people are loosely knit together by the free market through which they may express their interests in the supply of and the demand for goods and services. The free market is impartial and minimizes compulsion and coercion. The consumer is free to buy or not to buy.

The market never operates perfectly. It may at times cause hardship, but it is the form of economic society which the American people, given a chance to understand it, actually desire.

Thank you.

The CHAIRMAN. Thank you.

Senator McFARLAND. As I understand, when I came in—and I missed part of your statement—you thought that if this committee would really study this problem we could solve it.

Mr. SCHMIDT. Being this is the Banking and Currency Committee, I think it rests on you, in that sense, not in terms of OPA. That is not the solution.

Senator McFARLAND. I just want to express my appreciation of your confidence that you placed in us, anyway.

Mr. SCHMIDT. I have plenty of confidence in you. If you let us down, the country is sunk.

The CHAIRMAN. Well, are your trustees for this entire statement? Do they know about it?

Mr. SCHMIDT. Of course, they have not seen it word for word. Yes, they are for it. You don't have to worry about it. But like any group of—

The CHAIRMAN. Is Johnston for it?

Mr. SCHMIDT. As far as I know, although I think he would have preferred—it may be that he would have preferred a little longer life for the OPA.

The CHAIRMAN. Yes.

Mr. SCHMIDT. I am not sure. But he believes in a free society, and I think this is essentially a good free—

The CHAIRMAN. We all believe in that. Mr. Baker.

Senator TOBEY. I will say, Mr. Schmidt, we have just this situation that confronts this committee. You gentlemen who are experts—you are economists, and we recognize you as such, sincerely—made a study of it. Most of us are men who have never had your background, but we are here to do the right thing, and then we have your splendid organization represented by you in this statement, and have you take a position along certain lines, much of which I am in accord with, and you say that you do not think OPA should be discontinued. Yesterday we had Mr. Wason here, and he came out dogmatically and said it should be thrown out the window. Then we had the Committee on Economic Development, Mr. Hoffman, and our friend from Vermont, the former president of the Federal Reserve Bank of Boston, who took a similar position, that it should be continued with a little less rigidity. So we have these different doctors advising us, and each sincerely, and here sits the committee having to separate the wheat from the chaff, and of course we want all the light we can get; but I just point out to you that we get so many authorities who disagree, some of them as far apart as from Dan to Beersheba.

Mr. SCHMIDT. It makes you question whether they are authorities.

Senator TOBEY. Well, I would not say that, but it shows that the authorities disagree.

The CHAIRMAN. We don't doubt that you are.

Mr. SCHMIDT. I question it.

The CHAIRMAN. You do question your authority?

Mr. SCHMIDT. That is right. I do not think anybody knows the real answer. All we are trying to do is evolve the most sensible national-interest policy.

The CHAIRMAN. Let me ask you.

Mr. SCHMIDT. And again, in answer to your earlier question; I have not argued about profits. There is not a word in here about profits?

Senator BANKHEAD. You believe in the profit system of course?

Mr. SCHMIDT. Oh, yes; I do.

Senator BANKHEAD. You couldn't stay with the chamber of commerce if you didn't. [Laughter.]

Mr. SCHMIDT. That is right. I have got plenty of other offers.

The CHAIRMAN. All right.

Mr. SCHMIDT. So if this is not a public-interest document, I hope you won't pay any attention to it.

The CHAIRMAN. We are going to pay a lot of attention to it, of course.

Mr. SCHMIDT. Because this is not an attempt to plead the cause of businessmen. This is an attempt to get on with the reconversion job, and we are absolutely convinced, those of us who have studied this, that the OPA sitting there is like holding the mercury down in a

thermometer. That is all it is able to do. If you do that and have a sick patient on your hands, you are kidding yourself about the patient's temperature.

Senator TAYLOR. Well, Mr. Chairman, may I make an observation there?

The CHAIRMAN. Yes.

Senator TAYLOR. You say the OPA is sitting on the thermometer, holding it down. Well, that is a very good statement, I think, and I may add that I have had the thermometer in my automobile get so hot that it blew up, and I wished somebody would have been there to hold it down until I got to a garage some place.

Mr. SCHMIDT. Of course, you don't really mean that. What you meant was that somebody should have told you about what was pushing it up. You didn't want somebody to hold the thermometer down.

Senator TAYLOR. Well, I think if they could have poured a little water on it to keep it cool it might have saved me an expensive repair job, and that is what we are trying to do with OPA.

Senator BANKHEAD. What is your thought about how this committee should go into a study such as you have suggested? We have heard nearly all the big shots so to speak.

Mr. SCHMIDT. There are lots of ways of going at it. You can ask the Congress for an appropriation of a few thousand dollars, ask the American Economic Association to pick the half dozen best economists in the country, who are absolutely disconnected from business or labor or any other groups, who are not identified with any particular business group or labor group or agricultural group, and ask that group to make a report to you in the next 45 days on what to do about inflation.

Senator McFARLAND. Well, if we would pick economists—

Mr. SCHMIDT. For a small sum I think you could get a report that really would do credit to the committee.

Senator BANKHEAD. You do not have the hope that we would get a unanimous report, do you?

Mr. SCHMIDT. I think you can.

Senator McFARLAND. If we would pick just economists, someone else would come along and say we ought to pick businessmen.

Mr. SCHMIDT. My view on that kind of question is that you should never pick a businessman because he is a businessman, nor should you ever pick a labor leader because he is a labor leader. If, however, a labor leader is competent in the field you certainly ought to pick him or consult him, and likewise with a businessman.

Senator BANKHEAD. Do you suppose this committee could agree in 45 days on who would be suitable and capable people to serve on a committee of that sort?

Mr. SCHMIDT. Well, the easiest way to do it, you have in the American Economic Association probably a dozen, maybe two dozen, living past presidents. You might perhaps approach men like Slichter, of Harvard, and other people of that caliber. You might ask them about these dozen men really competent to deal with the problem of developing a program for inflation.

The CHAIRMAN. Who are they? Slichter, I happen to know.

Mr. SCHMIDT. Jacob Viner, of the University of Chicago.

The CHAIRMAN. Oh, yes.

Mr. SCHMIDT. Sharfman, of the University of Michigan, was president last year. Goldenweiser is president of the Federal Reserve. You know him.

The CHAIRMAN. Oh, yes.

Mr. SCHMIDT. He is president this year.

Alvin Hansen has been president.

I don't know as I can remember the others, but there must be a dozen or two dozen men of that sort.

Senator TOBEY. Well, speaking of temperatures and Senators, did you ever hear the story about the Senator that went up into northern New England to spend a week end, and he was taken sick suddenly, and they called in the local doctor, and he said, "Get a trained nurse." Well, there wasn't any, so they sent up the hill to the next-door neighbor, and she had had a little experience in helping out in sick cases. The doctor said, "I have got to go on to another case, but I give you this advice: You take his temperature every 2 hours."

So he went away, and then she found the thermometer was missing, and she used a barometer, and when she drew it out after taking his temperature it said of the Senator, "Dry and windy." [Laughter.]

Mr. SCHMIDT. Very good.

Senator TOBEY. The present company is excepted. [Laughter.]

Senator McFARLAND. Well, this committee of experts—the OPA has, of course, advisory committees.

Mr. SCHMIDT. The OPA is a propaganda organization. You might as well be frank about it.

Senator TOBEY. Oh, just a minute. Now, when you say "propaganda," let us be fair. This word "propaganda" is a good deal like the word "communistic"; it is terribly misused. When we want to kill a man we call him a Communist. When we want to dispute something we say it is propaganda.

What do you mean, "propaganda"?

Mr. SCHMIDT. Of course—

Senator TOBEY. The chamber of commerce is a propaganda instrument. So is every agency that has any reason or faith in it. They try to spread the gospel as they see it. Is that propaganda?

Mr. SCHMIDT. If you object to the term—

Senator TOBEY. Well, I object to its application so glibly. So many men are labeled "Communist," "Red."

Mr. SCHMIDT. I would be glad to withdraw it and simply say that the OPA has to set aside a little evidence, and the OPA is not dealing with the forces that cause its problem.

Senator McFARLAND. Well, I was considering that.

Mr. SCHMIDT. Therefore the people that are now associated with the OPA have a quite different outlook and quite a different frame of reference. That does not mean, however, that a lot of them would not be very useful.

For instance, my friend Heflebower here certainly would be a man who would be very helpful to this—

The CHAIRMAN. I was going to call on him.

Mr. SCHMIDT. He would be very helpful to this technical committee I have suggested that you set up, and I think there are many others in the OPA that would be helpful.

Senator TAYLOR. I would say so, Mr. Chairman. Here is Mr. Baker sitting over here, from General Foods.

Mr. SCHMIDT. I do not happen to know him.

Senator TAYLOR. Does a man's viewpoint change all of a sudden when he gets down here to Washington?

Senator TAFT. It does. [Laughter.]

The CHAIRMAN. Mr. Heflebower, will you come over here?

**STATEMENT OF R. B. HEFLEBOWER, ECONOMIC ADVISER TO THE
DEPUTY ADMINISTRATOR, OFFICE OF PRICE ADMINISTRATION,
WASHINGTON, D. C.**

The CHAIRMAN. Will you state your name for the record?

Mr. HEFLEBOWER. R. B. Heflebower.

The CHAIRMAN. What industry are you from?

Mr. HEFLEBOWER. I am not from industry. I am an economist from academic circles.

The CHAIRMAN. Mr. Schmidt has made a statement here—you heard his testimony, I presume?

Mr. HEFLEBOWER. That is right.

The CHAIRMAN. I would like to hear your comment on some of these matters that were discussed, particularly low rates of interest, which was one of the suggestions, wage increases, and any other matters in the statement you care to comment on.

Senator BUCK. Who is this gentleman?

The CHAIRMAN. What would you call yourself?

Mr. HEFLEBOWER. Economic Adviser to the Deputy Administrator at OPA.

The CHAIRMAN. Mr. Schmidt suggested that he is one of the gentlemen we ought to select for this proposed committee.

Senator BUCK. He is not going to tell us that OPA ought to be done away with, is he?

The CHAIRMAN. I don't know. We might ask him.

Mr. HEFLEBOWER. Mr. Chairman, I would like to start by saying that the report which Dr. Schmidt has read, together with the statement prepared and issued by the chamber itself—

Senator McFARLAND. May I ask one question before you start? Is the testimony you are about to give your own personal opinion or the opinions of the OPA?

Mr. HEFLEBOWER. Well, the request here, Senator, was that I comment on the testimony of Dr. Schmidt. My comments will be those which indicate points on which I agree with him and points on which I disagree with him.

Senator McFARLAND. Will it be your own personal opinion or the policy of the OPA?

Mr. HEFLEBOWER. It happens in these cases that they are the same.

Senator BANKHEAD. Do you feel free to give your own opinion on every question that you are asked about, regardless of your employment with OPA?

Mr. HEFLEBOWER. Senator, there might be a few questions that get into the realm of high policy, about which I would ask not to testify, and particularly if they affect the Office of Economic Stabilization.

As I started to say, the reports of Dr. Schmidt and of the chamber represent a careful study and an attempt to really understand and be helpful with the problem of inflation. I certainly appreciate the studies that they have made and that the Committee for Economic Development has made, and those presented by similar organizations.

After referring to the failure of some Government economists to forecast the post-VJ-day period successfully, Dr. Schmidt undertakes to do some forecasting of his own. As I understand the gist of his forecast, it is that the price level is going higher, probably substantially higher, and there isn't much we can do about it and we had better let it go. At times he argues that prices have to go higher because wages have gone up, though the major portion of his statement appears to be based on the argument that prices have to go higher because total purchasing power is higher and will remain higher, that that will pull up commodity prices to a significantly higher level.

In passing, I would like to refer the committee to page 22 of the chamber's report in which there is an excellent description of the economic and social consequences of a significant rise in prices. That is in the printed report of the chamber.

Senator BANKHEAD. They have not been distributed.

Mr. HEFLEBOWER. If we should suspend price control now because purchasing power is excessive, then the same argument would apply all during the war. In fact, with the movement toward a balanced budget we will no longer be adding to the excess of purchasing power through the financing of the Government, and in a sense the situation is moving toward a better condition rather than a worse one.

I don't think anyone in OPA would ever deny that the problem of fiscal policy, surplus or deficit in the Federal finances, is of tremendous importance; and certainly our job for the year ahead would be made that much easier by the extent to which the Federal Government's budget is balanced, or a surplus developed.

Dr. Schmidt made a very interesting statement concerning the effect of OPA on production. I want to complement him particularly on his reference to the effects on total production in which he reaches the conclusion it has little or no effect. He does, however, believe it has a good deal to do with the balance in the production of manufactures, and that that balance would be corrected quickly if price ceilings were suspended.

I am reminded of a case which came to my attention a few days ago in which one industry using steel wanted to be relieved of ceiling prices on steel sold to it. They acknowledged they would get more steel, but also acknowledged that somebody else had to have less steel. There are cases in which the production of goods is interfered with because of the shortage of some key material or part. Now, whether the removal of price controls would overnight, or in any short period of time, correct these shortages is a matter of debate. If you will trace back to the causes you will find there are a number of causes not all of which are price. When the price appears to be the difficulty, we attempt as quickly as possible to relieve the situation.

Senator TAFT. What? What is that?

Mr. HEFLEBOWER. Where price is interfering with the supply of a critical part or material affecting the output of a given finished goods, we attempt to correct that situation.

Senator TAFT. Certainly the witnesses before you have not agreed with that statement. Their testimony has been it takes months to accomplish anything, and in most cases the thing is denied. The testimony would seem to show just the opposite of what you are saying now.

Senator TAYLOR. Mr. Chairman, if I remember correctly, Senator Capehart and also Senator Hickenlooper said they had very satisfactory dealings with OPA in getting adjustments.

Senator TAFT. After 6 months. Not now.

Senator TAYLOR. They said they got them speedily.

Senator HICKENLOOPER. As long as it has been brought into this, I will have to get the record straight, Mr. Chairman. I said to Mr. Porter that on the occasion, the only occasion I had had any direct dealings with him, that finally, the day before that, they had come to a successful conclusion, although the OPA had been at it since the latter part of January, about the 20th of January, and finally the exact amount that the company asked for and said they had to have, was granted, after about 3 months. Meanwhile terrific losses had been suffered by the company. That was a successful conclusion. That is one of the few I have had with OPA that has been successfully concluded over the years.

Senator TAFT. What about pig iron? It is admittedly short. There is none for the housing program. OPA won't raise the price and hasn't for 3 years, and they have promoted this idea of subsidies in the housing bill to try to take care of it: in the meantime they are refusing an adjustment of price.

Mr. BAKER. Mr. Chairman, may I answer that?

The CHAIRMAN. Yes.

Mr. BAKER. The price of pig iron has been established in accordance with our standards during the entire time it has been under control. Now that there have been increases in costs, an increase in the price of pig iron is now going through the shop and will be cleared within a few days.

Senator TAFT. The pig-iron people haven't made over 2½ percent for the last 3 years, and they have steadily requested an increase in the price of pig iron. There are today no gray-iron castings, which are the basis of many industries in the United States. There is nothing like the amount required for the housing program and OPA is still refusing an adjustment on the price. That is only one instance out of a hundred that I know of. I just object to the broad statement that whenever you think price is interfering with production, you adjust prices immediately.

Mr. BAKER. May I direct the committee's attention to the fact I have stated that we have agreed and decided upon an increase in the price of pig iron which is going through clearance?

Senator BANKHEAD. Is that merchant pig iron?

Mr. BAKER. Yes.

Senator BANKHEAD. There is a representative here to speak for them.

Senator TAFT. But 6 months too late. That is my point. This witness was saying that prices were immediately adjusted.

Mr. BAKER. The prices of pig iron have been generally fair and equitable up to the time of the recent increase in wages, and we are now

reflecting those increases in the form of an increase in price which is now going through clearance channels promptly.

Senator BANKHEAD. Is there any objection to stating how much the price increase is?

Mr. BAKER. I would prefer not to name it because it has not been released.

Senator BANKHEAD. I won't insist.

Senator TAFT. This is probably news to the pig-iron people, because I talked to some of them yesterday and they didn't know about it.

Senator McFARLAND. I would like to ask one question in the way of a constructive suggestion, rather than being critical. What is your suggestion in regard to the increase in labor and increase in price difficulties? That has been one thing that has slowed down production and that has stopped the production of copper, practically. Labor comes along and they say they want an increase in their wages. The industries say to them, "Well, we think you are entitled to that increase, but we cannot increase it with our present prices." They go on a strike and then as a result of that, you have a shut-down, and your production is lost for maybe a month, maybe 2 months, maybe 3. In the meantime OPA is grappling with this problem. Industry says, "Well, they are not giving us enough." Everyone is unhappy. Everyone is sore. Labor is out of work, begging for money to live on. Now, how are you going to get around that bottleneck? What is your suggestion, a constructive suggestion to avoid that? You know it exists. Everyone knows it exists. What is your constructive suggestion as to how to solve it? That is the thing I am most interested in. We cannot have our people out of work and striking, because of a price condition which you yourself don't grant. You don't solve it. It is not solved. How are you going to solve it? How are you going to prevent that? We will never have production as long as that kind of thing exists.

Mr. HEFLEBOWER. Referring to my answer to Senator Bankhead a moment ago, I would prefer not to discuss the question of wages, since they do not involve the Office of Price Administration.

Senator McFARLAND. Well, they are involved in the Office of Price Administration, absolutely involved, because they come in and maybe that is where the difficulty comes, about these people. People strike, and industry says, "We think you are entitled to more money but we have got to have an increase in price." So the plant shuts down. We have a shut-down. When you come to consider the price, you do consider the cost of the increase of production in wages, so that you do consider wages. You are considering it today on practically everything. Wages is involved as a cost of production. You cannot get away from it. You can't solve this question by just saying, "That is not within our province." We have got to find some better method of getting around these bottlenecks, or the people just won't stand for it.

Mr. HEFLEBOWER. Senator, what I meant was I don't wish to comment on the matter of management-labor disputes and the method of determining wages. When the wages have been arrived at, that part which is provable under the standards set down by the Wage Stabilization Board, we do take that into account, and the principles

which we apply in taking that into account are made clear to industry before they go into negotiations with labor.

Senator McFARLAND. Well, I don't know, you will have to get a better system than you have now. It is not working now. You admit that, don't you?

Mr. HEFLEBOWER. Well, I admit there have been a number of prolonged labor-management disputes and strikes. That is correct.

Senator McFARLAND. Anybody knows that slows down production, so it is not working now. I am asking you as an expert, what is your suggestion of the remedy? That is what we want. It has been suggested here that this committee solve this problem, and I am most anxious to solve it.

What is your suggestion?

Mr. HEFLEBOWER. Well, I appreciate your asking me the question, but since I have an official connection with OPA, it seems to me that I should not talk about the whole question of labor-management difficulties. I have some personal views, but they more or less refer to OPA's place in it.

Senator McFARLAND. If you have a remedy, whether you are talking for OPA or not, I would like to know what it is. I would rather you would talk personally. That is the thing we want to do—as far as I am personally concerned, that is the main thing I want to see solved.

Mr. HEFLEBOWER. Well, I think the committee that Dr. Schmidt suggested, of people who don't have official connections at the moment, can better discuss that.

Senator HICKENLOOPER. Mr. Chairman, may I say this: It seems to me that Mr. Heflebower is a servant of the United States and we are servants of the people of the United States. I see no reason why an official of OPA is not still a servant of the people and why his judgment should not be brought to bear to solve this problem. I don't think he should say, "I am with OPA, but my lips are sealed."

Senator TAYLOR. Mr. Chairman, may I suggest that my secretary is also a servant of the people, but I am afraid if you were to ask him how to improve the functioning of the Senate, he might say to get rid of me, if he said what he honestly thought, but he would be out of a job, I think.

Senator McFARLAND. Well, I think the witness would have plenty of jobs offered him, and could find plenty of jobs. If he has a solution here, regardless of who it might hurt, I think if he can solve this problem, he would be the biggest hero in the United States.

Senator HICKENLOOPER. He would have a place in the Cabinet.

Senator McFARLAND. He would have a place in the Cabinet. I am not one of those that is trying to be too critical. I am just seeking a solution of this problem.

The CHAIRMAN. Of course, I asked you to come up here for another reason, but if you have views and want to express them, you are at liberty to do so.

Mr. HEFLEBOWER. I didn't come up here prepared to discuss that, Senator, and that would be quite a long, extended discussion, I am afraid.

The CHAIRMAN. Very well.

Mr. HEFLEBOWER. I also feel, Senator, that since the Office of Price Administration does not have an official connection directly with

wages and labor-management disputes, and since I am here, asked by the Office of Price Administration to comment on Dr. Schmidt's testimony—

Senator BANKHEAD. Did you have that in advance?

Mr. HEFLEBOWER. Just a few minutes in advance, plus a bulletin somewhat in advance.

Senator BANKHEAD. That is proper, and I am glad you had it.

Mr. HEFLEBOWER. May I be excused from answering the Senator's question?

The CHAIRMAN. Yes.

Senator McFARLAND. I was not trying to embarrass the witness. I just wanted to find out whether on that matter you really had some good constructive suggestions for us.

Senator TAYLOR. Maybe you could get a private interview with him.

Mr. HEFLEBOWER. On page 8 of Dr. Schmidt's testimony he refers to the effect of the wage increases on prices. He says:

But when the facts come to be known about this wage-price situation in the months ahead the American people will be confronted with price increases closely corresponding to the current wage increases.

I am not clear just what Dr. Schmidt means by "corresponding" but I presume he means that in proportion to increases in wages—that is, if wages represent one-third of cost, that prices must go up equal to one-third of the percentage increase in wages.

With respect to that happening under OPA, it seems to me it is clear that is not necessary and will not happen. Our policies and our studies indicate that some, at least, of the wage increases that have occurred do not have to be reflected in prices. With respect to whether they would happen in the absence of price control, it would depend upon whether the prices were actually being governed at the moment by the inflationary demand to which Dr. Schmidt refers, or whether they were being pushed up. Obviously, if they were being pulled up by demand, the greater the demand the higher the price.

Senator TOBEY. You mean if they were being pushed up by costs?

Mr. HEFLEBOWER. It would depend on the extent to which wage increases were or were not offset by the gains in the industry.

Senator TOBEY. I thought when Dr. Schmidt testified he was not giving sufficient weight to that phase of it. There is, beyond peradventure, improvements and scientific advances and all that sort of thing which would bring them closer together, but of course there is a limit to it. You recognize that?

Mr. HEFLEBOWER. That is right.

Senator TAFT. That has been only, on the average, 4 percent a year during the more prosperous peace years, the general history of it being that it does not occur at all in wartime.

Mr. HEFLEBOWER. It moves much differently in war. In other words, some industries don't go up at all.

Senator TAFT. Shouldn't the wage increase follow increased productivity rather than precede it, on the chance it might occur?

Mr. HEFLEBOWER. Do you mean on the average or industry by industry?

Senator TAFT. Industry by industry.

Mr. HEFLEBOWER. That industry which was increasing its productivity would have to suffer a sharp increase in wages.

Senator TAFT. That is labor's position and I agree it has some force to it, but it seems to me it ought to occur after the increase in productivity rather than before.

Senator TOBEY. Conversely, in the retail end of it, at least, there have been improvements, such as limitations on credit and non-delivery service, and so forth, which should help retail business, which is a direct concomitant of the war.

Mr. HEFLEBOWER. That is true. With respect to the first period after the war, however, you don't necessarily have the same improvements after the war that you have had on the average in prewar prosperity periods. You may have a delayed introduction of improvements, or you may have a slowing down in some industries.

Senator TAFT. Don't you think that a general increase in wages, which constitutes 70 percent of the total national income, is bound to be reflected in an increase in prices, except to the extent that you have some proved increase in productivity? Where are you going to get the difference?

Mr. HEFLEBOWER. I think the 70-percent figure is a little misleading. Wages and salaries do represent 70 percent of the national income, but that does not necessarily mean that labor represents 70 percent of the cost in industry.

Senator TAFT. Of course not any particular industry, but if you take all the indirect labor to produce the original raw materials, in the woods and in the mines and on the farms, if you increase all that and add it as you go through the product, there are many figures showing that labor is not only 70, but even 80 percent of the final cost.

Mr. HEFLEBOWER. My point is, when you take the whole economy you have certain industries such as service industries and government in which wages represent practically all of it. That raises the average for the whole economy. When you come back to manufacturing and distributing, the average would be somewhat lower.

Senator TAFT. Well, I don't know. There were figures presented here that labor came to nearly 80 percent in most manufacturing industries. That is, when you take in wages and salaries, it is pretty near 80 percent of the total cost.

Senator TOBEY. It would be a mistake, would it not, for the American people to get the idea confirmed in their mind that we can have continued increases in the labor costs of production without sooner or later having to have a nearly relative advance in the price of the commodity itself?

Mr. HEFLEBOWER. It seems to me the two extremes are both erroneous, that you can have continued wage increases faster than productivity increases, and on the other hand, that you don't need to have any increase in prices.

Senator TOBEY. That would be ridiculous.

Senator TAFT. Wouldn't you say if we had a general increase in wages of 62 percent that it would be pretty difficult to prevent, we will say, a 40-percent increase in prices in this country?

Mr. HEFLEBOWER. Well, I think we are now over in the estimating sphere.

Senator TAFT. That is right. Correct.

Mr. HEFLEBOWER. And unfortunately, when you talk about wages and prices, we are not talking about exactly measurable things. As

wages go up, a number of things rise relative to commodities which we include in the indexes. I would think, just offhand, without having gotten my pencil out and figured it, that over a period of, say, 5 to 7 years, which includes 1 year after the war, that to have wages go up 50 percent more than prices is not entirely impossible.

Senator TAFT. Over how many years?

Mr. HEFLEBOWER. Five to seven years.

Senator TAFT. Oh, well, I am not talking about 5 to 7 years now. I am talking about next year and this year. That is what we are dealing with now. Now is the time we are trying to adjust the price level to the wage level.

Mr. HEFLEBOWER. I mean, beginning with 1940 and going through to 1947.

Senator TAFT. Oh, well, I don't see how you reach the figure in a period of no productivity at all.

Mr. HEFLEBOWER. My argument is building from 1939 to 1947, productivity is distinctly higher.

Senator TAFT. Well, how do you know it will be?

Mr. HEFLEBOWER. Well, first of all, productivity seems to have gone up generally in 1941. All the measurements would seem to indicate that. In some industries it went beyond that.

Senator BANKHEAD. How far were prices up in 1940, compared with 1936 to 1939?

Mr. HEFLEBOWER. I don't believe, Senator, that the level of prices as a whole had moved up very much by 1940.

Senator BANKHEAD. Or in 1941.

Mr. HEFLEBOWER. In 1941 they had begun to move up, particularly in the latter part of the year. It began to move up distinctly.

Senator BANKHEAD. In the fall?

Mr. HEFLEBOWER. That is right.

Senator BANKHEAD. But during 1940, most of 1940, they were about the same as the level of 1936-39?

Mr. HEFLEBOWER. Not materially above. They were moving up somewhat.

The last major point to which I wish to refer, Senator, is to make an assumption which I don't grant as a fact, but which seems to me to be important for bringing out one phase of Dr. Schmidt's testimony. That is that the long-term price level after removal of price control will be significantly higher than it is now. That seems to be in Dr. Schmidt's testimony, and I make it as an assumption for a moment for the purpose of making certain points. If that is true, there are two ways of moving toward that. As I understand, the suggestion is, Let's take it off and let it go there now. It seems to me we should understand the conditions under which we would be moving to it now, as compared to the conditions we would be moving to it at a later period. First of all, we have this lack of balance in the available supply of raw materials and parts to which Dr. Schmidt referred. That makes it difficult, therefore, until we get a balanced inventory of material and parts, for the finished-product industries to go ahead smoothly. You know the automobile industry has had to shut down from time to time and so have other consumer- and durable-goods industries. Second, we have very acute shortages in the sense of people not being able to get them at all—certain important consumer goods, at this time.

Next, we have a dry pipe line. The manufacturer, and to a considerable extent the wholesaler and retailer, have unusually low inventories of these commodities. We have not yet been able to introduce or make products toward a lower rate of costs relative to wages, which I argue we shall move toward in the months ahead. We haven't yet put in our postwar equipment.

Dr. Schmidt emphasizes the shortage of capital goods in order to reach a high level of production, and he wants us to remove price control before we have had a year or so to reequip and add to the total capital resources of our industries, so that they can increase the total output of the country. He wants to remove price control before we have yet reached our peak postwar rate of production.

Under those conditions the removal of price control with the demand situation that you refer to, assuming his explanation of the influence of that demand on prices, we would have a very rapid upward movement of prices, a movement that would carry prices for a time far beyond this historical postwar level of prices.

Senator TAFT. Don't you think that depends on a lot of different things? In some industries it would, and in some industries it would not. I never agreed with the theory of taking everything off, but it seems to me his argument is perfectly sound for a very large number of products. I don't think you can take the whole field that way.

Mr. HEFLEBOWER. That was his proposal, as you know, and I will come back to your inquiry in just a moment.

Now, contrast that with a period later, when we have been able to build up a more balanced supply of materials and parts, so that production in the end-product industries can go on, industrial management can plan its rate of output, when we have been able to make up some of our worst or most acute shortages; when inventories at the manufacturing and distributor levels have been at least partially restored; when we have been able—when industry has become more efficient by the introduction of more modern machinery, when they have been able to get their organizations operating more smoothly after the change-over period; when we have enlarged the total capital equipment of these industries by the production of machinery; when we have reached our peak postwar rate of production.

Senator TAFT. Who is going to determine all those things? Who is going to determine when they will happen? It seems to me you are assuming omniscience.

Mr. HEFLEBOWER. My answer is that it is clear those situations will be more close to achievement a year from now than they are now.

Senator TAFT. Dr. Schmidt's contention is that they won't be if we keep price control. Your actual human machinery to do it doesn't work, so that you don't have that result.

Mr. HEFLEBOWER. Do you mean we lack the personnel at OPA?

Senator TAFT. I mean that OPA's judgment is not perfect—it is not the perfect human judgment which we would like to imagine in a Government planning agency.

Mr. HEFLEBOWER. It seems to me that a large part of the points I have made do not even bear directly on price control, such as equipping industries.

Senator TAFT. But you want to keep price control until that happens. I say all these things are nice things to happen, but who is

going to determine when you have reached the peak? How are you going to determine when you have reached the peak postwar production? Are you going to wait until there is a drop?

Mr. HEFLEBOWER. I am not proposing that these are things as to when price control is removed; I mean that the effect of price control removal generally, as to conditions when they have bettered, as they certainly will during the year ahead, will have a less serious effect upon the cost or price increases you would have. I am taking Mr. Schmidt's assumption that the general level of prices is going higher. My argument is to follow his proposal now, to begin with we would move up far beyond that level that we would maintain for the postwar period and then drop back. We would have the kind of an upward movement of prices which we have all feared in this country. In contrast to that, the kind of price movement that will occur when an additional number of commodities have become in abundant supply, possibly have become a drag on the upward movement of prices generally, when consumers can get most of the things they want and when industry can produce more in total, the kind of price increase we would have at that time would be much less harmful than we would have under the present circumstances.

Senator TOBEY. Do you feel that the Wolcott amendment in the House bill is an unfortunate amendment to be adopted?

Mr. HEFLEBOWER. Yes.

Senator TOBEY. That does not take into consideration growth and the changing conditions and the bigger population and demand, and so forth.

Senator TAFT. You are talking about the Gossett amendment.

Senator TOBEY. Was it the Gossett amendment?

Mr. HEFLEBOWER. Yes, sir.

The CHAIRMAN. You didn't touch on the one question I was interested in. Mr. Schmidt said there ought to be an increase in the interest rate.

Mr. HEFLEBOWER. His objective, as I understand it, proposing an increase of interest rates, would be to pull off from liquid funds into permanent investments, a sizable portion of the total liquid funds hanging over the commodity market at the present time.

The CHAIRMAN. Yes.

Mr. HEFLEBOWER. That is a highly technical question and is a phase of economics which I haven't concentrated my attention on in recent years.

Senator TOBEY. There are two facets to it, aren't there, very definitely?

Mr. HEFLEBOWER. That is right. The question of what happens to those funds when they are attracted into the investment market—do they disappear from the market or not? Will they be liquid in the event that someone wants to consume?

The CHAIRMAN. He thinks they will, if the interest rate is increased.

Mr. HEFLEBOWER. He thinks they will remain as investments?

The CHAIRMAN. Yes.

Mr. HEFLEBOWER. If the higher interest rate which undoubtedly will be reflected in private investment attracts more people to put their money in investments, certainly those funds are spent. It seems

to me it is a question on which a representative of the Federal Treasury or the Reserve System would be much better qualified to speak than I am.

The CHAIRMAN. Well, they will appear before us.

Thank you very much.

(Thereupon Mr. Heflebower withdrew from the committee table.)

The CHAIRMAN. Mrs. Reed.

STATEMENT OF MRS. JAMES A. REED, PRESIDENT, DONNELLY GARMENT CO., KANSAS CITY, MO.

Mrs. REED. Mr. Chairman and members of the committee, I am Mrs. James A. Reed, president of the Donnelly Garment Co., of Kansas City, Mo., manufacturer of Nelly Don dresses. I manufacture good quality, low-priced dresses which are sold directly to approximately 2,000 accounts throughout the United States, and retailing from \$2.95 to \$14.95 each. I have about 1,500 employees in two factories in Kansas City, Mo., and St. Joseph, Mo. I am a member of the OPA and CPA industry advisory committees. I am here to urge:

1. Elimination of the maximum average price regulation.
2. Elimination of any price regulations which do not allow the producers current costs and a reasonable profit.
3. Elimination of price regulations which reduce established retail trade discounts. This includes all cost absorption forced on retailers by the OPA.

Price control as it exists today is one of the biggest obstacles to production. One of the worst regulations superimposed by OPA is the maximum average price regulation. This regulation has been in effect for 11 months supposedly to increase the supply of low-priced dresses. Actually it decreases their supply. It especially penalizes old-established firms with several price lines.

Under the maximum average price regulation I am not permitted to sell as many \$6.95 to \$14.95 dresses as I could produce because I cannot obtain sufficient material for \$2.95 to \$4.95 dresses to average out against the \$6.95 to \$14.95 dresses. The same type and quality of material that I cannot manufacture into the dresses of this price range is sold in \$19.95 and \$29.95 dresses, and even in those selling as high as 49.95, with the OPA's blessing.

In penalizing old-established manufacturers with several price lines in the manner in which I have described above, this regulation is wholly ineffective as to manufacturers with only one price line.

Mr. Samuel Levitties, then head of Consumer Goods Division of the OPA, recently testified before the House Banking and Currency Committee, as follows:

The dress industry by and large operates on either a single price line or at the most two or three.

I know this is true, so what excuse is there for a regulation superimposed over other price regulations which penalizes a few old-established dress manufacturers with several price lines and is wholly ineffective as to the rest?

When Mr. Bowles announced his low-priced textile program 14 months ago, he promised to increase the supply of good-quality low-

priced clothing, and to roll back the cost thereof. I quote from the press release of January 23, 1945:

For consumers it would mean:

1. A greater proportion of the supply of apparel will be in the low- and medium-price essential garments, beginning to appear in the stores by late spring.
2. Reduction of currently inflated clothing prices by 6 or 7 percent.
3. Every effort will be made to improve quality of clothing for the price.

Mr. Bowles' program has been in effect for 11 months, and his forecast has not materialized.

When the low-priced program was announced I was told that my price ranges were the very ones in which the supply was to be increased. In place of an increase, in my business I had to shut down a number of sections of my plant. I am running between 50 percent and 60 percent capacity today. The reduction by 6 or 7 percent has not taken place, either.

I have been in the dress business for 30 years—

Senator TOBEY. You must have been very young when you started in.

Mrs. REED. Well, not so young.

I have been in the dress business for 30 years, which would take me back to the beginning of the First World War, and even during that period I have never seen in the stores as poor quality, badly made dresses at as high prices as there are today.

Mr. Bowles still promises more goods and asks the women of the country to be patient until July, at which time the supply of dresses should be greatly increased.

I have just spent 2 weeks in the New York market trying to find materials for my July and August shipments, and there is nothing in the market that indicates an improved supply of dresses in July. I have less merchandise for July delivery than I had a year ago or the year before that.

We are now making less civilian goods than we did when we were turning out millions of garments for the Army and Navy. From 1942 to 1945 I turned out about 13,000,000 garments, and all during that time I was producing more civilian goods than I have been producing since last June.

Senator TAFT. Was that due to MAP primarily?

Mrs. REED. Mainly due to MAP—what the MAP did to me and what the MAP did to the suppliers.

In America, the use of woolsens and cottons for fabrics is important not only to those industries which manufacture the cloth but to the vast agricultural population that produces the raw materials, and any limitations we place upon the use of wool and cotton is destructive to the interest of those agricultural people.

Senator TOBEY. Nelly Don dresses are both woolen and cotton?

Mrs. REED. Yes, sir.

Last Friday I had occasion to see some beautiful woolsens that were produced right here in America—as fine in quality, color, texture, and design as anything I have ever seen in England or France.

Senator TOBEY. Were these Forstmann woolsens?

Mrs. REED. Yes.

In America we limit the use of such woolsens not only with low price ceilings but by a Maximum Average Price Regulation on both the woolen mills and the manufacturers who cut the cloth. As a result,

I am not able to offer my customers the nice jerseys and other woollens I have been accustomed to giving them for years past. I want to say I have not been using Forstmann woollens in my Nelly Don dresses. I am sorry, but they are over my head. Maybe some day I can.

Mr. Bowles has now issued new orders by CPA compelling the cotton mills to go back to the types of cloth they were producing in 1942 to 1944. Production at that time was geared to provide materials for war-time needs. Do we want to freeze our cotton mills in the production of the qualities of 1943, or any of the 10 years previous to 1943? In 1943 we were in a terrible war, and even my plant was running up to 75 percent of its production on war orders; our first energy and effort was on war production. The preceding 10 years were depression years. In America must our cotton mills turn out practically nothing but vast quantities of low-end and staple merchandise? Must we import our fine cottons if we are to have them at all? Cotton is too important in America to tie it down to false economic ideas. American mills can make beautiful fine cottons, as fine as any other country, and I think we are doing the cotton-producing States, as well as all America, a great disservice by trying to regiment our mills to low-quality and war-needs cotton materials.

May I say here, I was interested in Mr. Schmidt's statement about cotton mills and how much money they are making. Now, I never ran a mill, but in the early days I bought most of my materials myself. I had some pretty close connections with the mills, and I have another very generally close connection with a number of mills. Our cotton mills, particularly—I don't think perhaps it may be quite so true of the woolen mills—but our cotton mills have been in a depressed condition for more than 20 years. I don't know—I am not an economist and I cannot figure out all the ways by averages and figures they use—but my opinion is that our cotton mills increased their production so greatly in the last war, and then after the war was over we had that great increased productive capacity, and the cotton mills didn't live up to their opportunities in making materials attractive enough to American women to take care of their volume. They had been in the habit of making great masses of good quality but very staple merchandise, and I know in my own little business that I was striving to get something more attractive. I started out making little house dresses. I thought a woman ought to be as attractive when she gets up in the morning as when she goes out in the evening.

Senator TOBEY. Men feel that way too, Mrs. Reed. [Laughter.]

Mrs. REED. Well, apparently, a lot of women have felt that way, because I have a pretty good business. So I started more than 20 years ago going to Europe, not to get styles and fashions for my dresses but to buy fabric designs, and so I went to Paris every year for a great many years and bought fabric designs and brought them home and had these ordinary prints, 68, 72, 80, and 88 squares, that sort of material, printed with these lovely patterns. My business just grew. I just grew one floor after another until I had the largest business in America.

Senator TOBEY. Do you use Anderson gingham?

Mrs. REED. I did. I had to import that. I have a little story on that. I like nice cottons, and I like nice woollens. Now, the synthetics, they are all right, too, but I prefer personally wool and cotton.

So I have wanted—I thought we might start a fashion for cottons for winter. There is no reason why women should not wear some nice cottons. Girls in offices, schoolteachers, especially in the cities, where we have steam heat—it is just as warm as rayon, and I have used millions of yards of rayon. I thought I would start that fashion.

Another thing—I am looking around for something to produce, and my New York man, Mr. Howard, found a mill that was anxious to make some nice cottons. It is a southern mill. It used to be said that they could not make good cottons in the South.

SENATOR MCFARLAND. I hope Senator Bankhead is listening.

MRS. REED. They are doing it now. In January I placed my order for as much as they would allow me to place, of these cottons. I was going to select the colors that would be appropriate for fall and winter wear. Well, I was busy, and I didn't do it right away. I was down here in February, and my New York man came over and insisted that I select the patterns, because they were going to have a price from OPA and then I would begin to get delivery on that material in May, and I could save, May, June, and July, a certain amount, and I could start that. Now, when I was in New York last week I found they had just gotten the price from OPA and I won't be able to put it in the fall line. It will be an idea. We might have started a style in cottons, winter cottons—we will next year—but we should have started it this year. That OPA price was just made last week. I said, "Why did they take so long?"

SENATOR BANKHEAD. How long were they delayed?

MRS. REED. Well, from January until last week, and the reason they couldn't decide whether the price was just exactly right or not was, that is a comparable gingham to David and John Anderson gingham, and they have not imported it for quite a while. I don't know why it took so long, but I know my promotion in winter cottons has gone with the OPA.

SENATOR MCFARLAND. You assume that the OPA has gone?

MRS. REED. No. I wish I could.

SENATOR MCFARLAND. Well, you are a member of the Advisory Board of OPA, aren't you?

MRS. REED. I am.

SENATOR MCFARLAND. They don't listen to you?

MRS. REED. I have attended every meeting, except when I broke my ankle and wasn't able to go, that they have had since we started this. I have been on both of them, and they have not taken my advice, not once, or the advice of anybody on the committee I know of. They come down and they ask us—they make a little speech; they are very pleasant gentlemen—and ask what we think about so and so. After we have talked a little while, they begin to probably be tired of the hearing and the talk, and then they sit up and either read off or say, "Now, this is the way it is going to be."

I have gotten into a place where I can enjoy heckling them a little bit. That is about all there is to it. I said, "Well, on this MAP, why it just won't work. We can't get a price on materials, and all it will do is just impede production." They often say, "I know it won't work, but it has come down from above—that this MAP is going to be put into effect."

Now, we held it off for a couple of months. We had another meeting in New York, and the OPA man came up there, but at the last he

said, "You may as well make up your mind to it; the MAP is here."

In all those years—in the war years—I made 6½ million pairs of shorts.

Senator TOBEY. Women's or men's?

Mrs. REED. Men's. I made middy blouses for the Navy, and I made shirts and WAC uniforms and WAVE uniforms. We made those in thousands and thousands of pieces, and all this time we went along, and I was able pretty well to keep my business going. I finally got to a point in 1943 when I was turning out 75 percent—75 percent of my labor was going into war work, and I opened another plant in St. Joseph, and in that plant I used only war work. But last fall my production was cut to about two-thirds of what it had been, and the first 5 months I was still doing war work—those first 5 months until the 1st of June last year; I did a lot of war work.

The English cotton mills are already soliciting business in America on fine cottons. As a result of OPA control policies, my company has been forced into a position of going to the British to buy fine cottons. I have placed an order for 100,000 yards of two-ply/120 voiles and am promised the first 100,000 yards that come off their looms. I placed this order for English goods because our mills are so tied up with regulations that I saw no possible chance of obtaining that material in America.

I was informed last week that they are getting along in good shape; they will soon be wanting an order for another 100,000 yards.

Senator TOBEY. Is that England?

Mrs. REED. Yes. I have been talking to the mills here trying to get them to make finer cottons, and the cotton mills in the last several years have been doing a beautiful job. We used to have to go to France and Switzerland to buy dotted Swiss because the American-made dotted Swiss—the knots came out; when we washed it and ironed it, they would come out. They are now making a beautiful dotted Swiss here. I am going to show you one of my dresses, 3 years old, and I wish I could get the same now. I came down last June, and one of my suppliers said he had 75,000 yards of it and he would love to let me have it, but he was holding it for export. He didn't have an export order, but it seems like you have to hold it 30 days for somebody and then 30 days for somebody else; and then if they don't take it, the Government takes it. Although he was going to be paid 7 cents a yard more if he would export it, he would give me that 75,000 yards because I am an old customer and I have been a good customer. I came down and saw Mr. Davis. My Congressman got me an appointment with Mr. Davis. Mr. Davis said they needed the textiles to trade with China.

Senator BANKHEAD. What Davis was that?

Mrs. REED. Mr. William H. Davis.

I said, "I never heard of a Chinaman wearing dotted Swiss." But I couldn't persuade him to let me have that 75,000 yards. I don't know where it went, but I don't think anybody needed it any worse than we did, out in the Middle West. It gets awfully hot out there, and we like it. They like it in Washington, too.

Senator TOBEY. Have you some seersucker?

Mrs. REED. I use lots of seersucker, but I cannot get it now.

Senator MCFARLAND. When did Senator Tobey get to be such an expert on ladies' garments?

Senator TOBEY. It is a liberal education—being on this committee. Mrs. REED. This is all along the cotton line. I happened to pick this up in my New York office. This is a letter written by J. E. Fairbairn, editor of the British journal *The Outfitter*, apropos of what we have been doing with men's shirts here. [Reading:]

When Utility was introduced into Britain's clothing trade in 1941, it meant primarily cheapness. Now, it's different.

Plans have been completed for manufacture of a new Utility shirting, numbered in the schedule "3230." The event marked arrival at a significant stage in the Utility scheme.

No. 3230 is a colored woven striped poplin, constructed with twofold warp and woof. Mercerized, fully shrunk and finished in the way that Lancashire knows how, it is a beautiful shirting cloth. Samples I have handled are indistinguishable from some of the famous brand names in this field in prewar years.

Its significance is that it puts Utility definitely into the quality class, marking the end of the long climb upward from the first days of the scheme in 1941.

The Utility meant primarily cheapness. Price dominated the planners' minds. Their program was for mass production of printed cambrics, standardized in yarn, weaving, and printing specification and with each operation rigidly price controlled.

This is the production of smartly styled quality lines at controlled prices, as distinct from cheap goods at cheap prices.

Retail prices are not yet fixed for this, but should range around 21 s., which is \$4.20.

Prices mentioned are for a shirt with two matching fused collars—the way in which most shirts are sold in Britain.

Production costings and profit mark-ups are still strictly controlled, but in arriving at the two newer shirtings provision was made for the extra cost of better make and cloth finish and of collar fusing, items which were frowned on as "unnecessary luxuries" in the early spartan days.

No. 3230, in fact, is giving British shirting manufacturers new opportunities for employing their skill in designing better-grade shirting poplins, and they are very pleased about it.

This is the January edition. It must have come in December. Men in England can have nice woven madras or poplin shirts that sell for \$4.20. It seems pretty bad in America we keep shirt companies from putting out \$3 shirts because they could not put out enough \$1.50 ones when they didn't have enough material to make \$1.50 shirts. I paid \$6.50 for one white shirt in New York for my 15-year-old boy. I am trying to induce him to wear white shirts. And it wasn't any better quality than a \$3.50 shirt. But the point is, now we are starting this new bill to make cotton mills go back to making what they made in 1943, which was practically all staple merchandise, but England is allowing their mills to make nice, fine shirts, while Mr. Bowles is regimenting our cotton mills to the production of cheap, low-end, and staple merchandise.

Senator MCFARLAND. That is, English shirts?

Mrs. REED. Yes, of English material. I see there is one of the shops downtown where you do not have any trouble in getting beautiful English shirtings.

One important reason for the shortage of woolen and cotton dresses is failure of the OPA to fix adequate price ceilings on yarn and cloth. Many dress materials like all-wool jerseys, dotted swiss, fine quality lawn, voiles, and others are in reduced production because of inadequate price ceilings. If Mr. Bowles finds that a company has been operating on an over-all profit, he expects production of such items at a loss. Under such circumstances they are simply not produced.

The exemption levels, tolerance and other forms of relief held out by OPA are wholly ineffective to cure the situations I have described.

For example, the exemption levels apply to cotton dresses priced at \$1.72½ and below wholesale. Those exemption levels are below the prices of my company and others in my industry and offer no practical relief.

Mr. Bowles and Mr. Porter state that if we do away with the maximum average price regulation clothing prices will skyrocket. I am not an economist but it is not at all clear to me how these gentlemen reach such a conclusion. It must be remembered that in doing away with the maximum average price regulation we are not abolishing price control in this industry. Not only are our prices frozen to those of March 1942, but we are still required, under other price regulations, to put 10 per cent more cost into the same garment and to sell them at the same March 1942 prices.

Senator BANKHEAD. Wait a minute, right there, on that maximum average price regulation. The House has adopted an amendment abolishing that, and it is necessary for this committee to act on it. In addition to what you said, just tell us in a broad, general way whether or not you think that regulation has been injurious to the best interests of the people and has limited production of cotton goods.

Mrs. REED. Senator, I brought some dresses to demonstrate the difference in prices. I believe I can illustrate it better than I can tell you. Senator BANKHEAD. I would be glad to have you do so.

(The witness exhibited a dress.)

Senator TOBEY. What size would that be?

Mrs. REED. I think that is size 14.

Senator TOBEY. Is that the same as 40?

Mrs. REED. Oh, no. It is a long story, but you can make it a little longer. I would call it size 32. WPB decided that women's dresses should be marked beginning at 40 and up. I have been making women's dresses for a long time and calling them 14, 16, and 18.

Senator TOBEY. Do they sell better that way?

Mrs. REED. Yes; they like it better.

I do not want to give any references to names, but this [indicating] is the finest cotton grade in America today.

The CHAIRMAN. How much is that?

Mrs. REED. It is \$10.95. That is my retail price.

Senator BANKHEAD. Is that your product?

Mrs. REED. Yes.

Senator MCFARLAND. I should think some of these girls would want to buy that dress.

Mrs. REED. If there is some 14-year girl here I will give it to her.

Here [indicating] is a dress of the same identical material. It sells for \$29.50.

Senator TOBEY. About \$18 difference in the prices?

Mrs. REED. Yes.

Senator BANKHEAD. What should be the difference, Mrs. Reed?

Mrs. REED. I want to say this, that I have no objection to the price variations. Women pay different prices for different dresses, and all that sort of thing; but what I object to is Mr. Bowles, night after night—or somebody on the radio—telling the American women that they are giving them more.

Here [indicating] is some balloon cloth. I don't know whether it ever saw a balloon or not, but there is some material that was left out

after the war and sold all over the country. I sell it for \$10.95. This one [indicating] is \$22.50.

I am limited on a number of these dresses. I could make this one [indicating] at \$2.95. There is no material for that kind of dress. I do not mind making those.

Senator BANKHEAD. But you have got to make so many at \$2.95?

Mrs. REED. Yes; before I can turn this out [indicating]. But I cannot get the material to make the \$2.95 dresses, so I have to make fewer of these [indicating].

Senator BANKHEAD. That reduces production?

Mrs. REED. It reduces production. It reduces it until, in 11 months, there have only been 2 months that I have had any profit at all in my plant since that started last June.

Senator BANKHEAD. You have had to operate without any profit?

Mrs. REED. Yes. There have been 2 months in which I have gotten enough so I could go ahead; but I am setting up a surcharge that I will have to pay some way; I don't know what I will have to do with it.

Senator BANKHEAD. Because you put out a number of these without being able to put out a cheaper grade?

Mrs. REED. Yes, sir.

When we knew this was coming on we saved all of our low-price material. We did not make any of it up. So we started out with an extra amount. But of course after a while it is sometimes like money in the bank; you eventually run out of it.

Senator BANKHEAD. You did not make the cheaper ones, because you could not get the material?

Mrs. REED. That is correct. That is a part of the reason I went to New York myself. I have used every bit of influence in urging everyone I could to give the material.

Senator BANKHEAD. Do you know how much surcharge they are building up against you?

Mrs. REED. I am not checking that now.

Senator BANKHEAD. Is that a penalty? That is not a profit, is it? It is not like a surcharge on income tax?

Mrs. REED. No. I have been getting bills for cotton that I bought last fall that I did not know there would be another charge on. It is the escalator clause, providing that later on they can charge you for it. I am still getting those bills. I have gotten \$5,000 worth in the last 6 weeks. Things are not as they seem, nowadays.

Senator MCFARLAND. To whom do you have to pay this money?

Mrs. REED. It is a surcharge that you are supposed in the next 3 months to make by lower-price goods, and then if you do not do that, they put you on a basis where you cannot make anything except that; and if you cannot do it, you go out of business. I have closed down machines. I have heard a lot of people telling how they cannot get any help. The ones I laid off didn't want to be laid off.

Senator BANKHEAD. Did you lay off a substantial number?

Mrs. REED. Oh, a great number. I closed down 30 machines just 2 or 3 weeks ago. We are running less than 60 percent. A year ago we were running 100 percent. We had every machine in our place filled.

Senator BANKHEAD. What is the reason for that reduction?

Mrs. REED. One reason is that I try to live up to these laws. After all, my husband is a lawyer.

Senator BANKHEAD. And a mighty good one, we all know.

Mrs. REED. I am trying to live up to this thing. All the time they keep telling us that next month we will get more material, every time I come down to an advisory meeting. They told us last fall that the mills were all holding back materials because they did not want to pay a high income tax, and that there would be lots of materials after the 1st of January. Every time they say there will be more, there is always less. They evidently were holding it back, because it is not there.

Senator McFARLAND. If it were not for this surcharge, could you go ahead and produce these more expensive dresses? Can you get material for them?

Mrs. REED. I could have gotten material, and I can get more of that kind of materials [indicating].

Senator BUCK. Is there a demand for that?

Mrs. REED. One of my customers in Houston, Tex., told me that he had a "Nellie Don" in his store and he had to call out the police. They had not had anything like that happen, except with nylon hose.

Senator BUCK. So it is not due to the lack of demand?

Mrs. REED. No. My trade call me up at home, some of them that know me very well and know that I go to New York. I tell some of these dealers, "In years gone by I have bought \$200,000 worth from you." I even brought the cards down showing that I bought some during the depression. I say, "You ought to give me some merchandise. That is the way my customers do with me."

Senator McFARLAND. Have you told the OPA officials the same story that you have told us?

Mrs. REED. Yes.

Senator McFARLAND. What did they say to you?

Mrs. REED. I don't know. They sort of talk about something else. I don't get any sense out of it.

Here [indicating] is a seersucker dress. I made this same quality. The retail price is \$8.95.

Here [indicating] is a blouse of the identical material.

Senator HICKENLOOPER. Did you make this blouse?

Mrs. REED. No, sir. I make the suit. This is \$9.95 retail.

Senator BANKHEAD. Why the difference?

Mrs. REED. They have some queer rules. Of course, in my plant I started to make little house dresses and put a little design on them, and later on, of course, when my business got bigger, I could not design all the dresses, so I have a very expensive designer. But WPB decided that if you didn't make more than 52 percent gross profit you were not a couturier, and I cannot charge my designing department. But I suppose persons who do this make over 52 percent profit, and they can sell the dresses for a higher price.

Senator BANKHEAD. The more you make, the higher you are allowed to charge?

Mrs. REED. Yes.

Senator TOBEY. If your suggestion is followed out and the MAP were liquidated, would that relieve most of your troubles and would you then think that the OPA should go on without any MAP for a time longer?

Mrs. REED. I think that is the worst thing in the OPA. It affects me very much.

But I wanted to show you some more dresses. This [indicating] is one that sells for \$7.95. This is the dotted swiss that I was telling you about. In America I think we ought to encourage our cotton industry to make nicer things. A lot of it is no good. This [indicating] happens to be my own, and it is 3 years old. I have about 500 yards of that this year, just enough to make some for a few of our employees.

Senator TOBEY. What size is that?

Mrs. REED. That is size 16.

Here is another dress [indicating] that sells for \$29; and here is one that sells for \$49.50.

Senator McFARLAND. Did you make that?

Mrs. REED. No; I cannot.

Senator TAFT. Those people, I suppose, always charge that much for dresses?

Mrs. REED. I suppose that is the idea.

Senator TAFT. Did they put more expensive material into them originally?

Mrs. REED. I suppose so.

If you only make one-price dresses you do not have an MAP, and you are a couturier, too. That is a French word for a high dress-maker, you know—one that creates.

Senator BANKHEAD. A designer?

Mrs. REED. Yes. In my plant I have a more expensive designing department than many of the plants that are couturiers, but I cannot put the charge in.

Senator BANKHEAD. Do you make dresses as good as that one [indicating] in design and quality?

Mrs. REED. Yes.

Senator BANKHEAD. What do you get for them?

Mrs. REED. I get for my cotton dresses \$10.95.

Senator BANKHEAD. And that one is \$49?

Mrs. REED. Yes. This [exhibiting] is a pretty nice little dress for \$7.95. Women like it. The dotted swiss is \$7.95.

They also make rules about what you can put in your costs. For 30 years I have given my factory employees, everybody that worked for me, whether janitors or basket boys or a woman that sewed on a machine, on piecework, 2 weeks' vacation with pay. Of course we always considered that as a part of our expense in making our garments. But that is not the way they figure it. You can charge your vacations for office people; that is legitimate, and other people do it; but it seems that giving a pieceworker in a factory a vacation with pay is not a part of the expense of making a dress.

Senator McFARLAND. After this demonstration, if these regulations are adjusted or lifted so that you can make these materials up, you ought to open a shop here in Washington, because, with this demonstration, I am sure you would get plenty of business.

Mrs. REED. I do not have a shop here, but Mr. Jelleff handles my goods in Washington, and he will tell you that he cannot get half as many as he wants.

This [indicating] is a part of the MAP. I make these cottons up in the summer. Of course that is a long season. I like to run my plant the year round, so I decided that there was no reason why the same

machines could not make woolen dresses if they could make cotton dresses, and so more than 20 years ago I started making lightweight wool dresses, and women like them. I sold all I could make. So I have as many fall suits as I have spring suits.

Here [indicating] is a little lightweight jersey a hundred-percent wool.

These are a hundred-percent wool, and here are some more [exhibiting]. This [indicating] I have been using. It is very good year after year, and I have used them, almost the same kind of material—maybe a little change here and there—for 22 or 23 years.

Senator TOBEY. What would dresses made up of this material sell for?

Mrs. REED. From \$10.95 to \$14.95.

Senator TOBEY. Some of the large stores in the East have been putting out rotogravure sections illustrating these dresses. Doubtless some of them are your goods. The very attractive printing helps the sales tremendously.

Mrs. REED. Yes. The jersey man tells me that he does not make his own yarn. He buys his worsted yarn, and now he cannot get it so he can make that lightweight wool. The kind that is made without worsted is so messy—it pulls, and all that. We do not even use much of it because it is not satisfactory.

It seems that the ceiling price on this lightweight worsted yarn is not right. I do not pretend to know anything about milling now, I just know that they tell me that the ceiling prices are not right. Of course these mills do not have any outside income. They have to make their money out of what they sell; and they cannot make any money on that kind of worsted yarn, and so they make something else or make a heavier worsted. They can produce something else.

This light-blue cloth [exhibiting] was used by big producers. There were literally millions and millions of yards of that quality of jersey out every year. I think when we have great quantities of excess wool in our warehouses and women want these lightweight wool dresses, it is an outright shame that they cannot have them.

If the price were 5 or 10 cents a yard more it would make a difference of perhaps 50 cents in the price a woman would pay for her dress.

You can get a nice light-wool dress for \$89.50. I happened to get one last winter. Of course they are nicer than that [indicating], but you can buy high-priced lightweight wools, too.

Women like a popular price like \$10.95 to \$14.95.

I talked to the president of a mill last Monday and he told me that he tried to get a 10-cent increase in the price. I paid him 20 cents, and I would be willing to put it through my plant without profit if I could keep my plant going. I would rather pay him 20 cents more. But he could not get an increase, so he is making this [indicating].

This stuff [indicating] is too thick for a dress. What I am going to do is to buy some of it, and I will make a two-piece, with a skirt and little blouse; and if you are young and small and pretty you can wear this type. But it does not take care of my trade—the woman who wants a nice lightweight wool dress. But I am trying to do everything I can to keep my people employed. I have a lot of people out there. It is far more important to them whether the plant runs

than it is to me; but it is my job to keep it going. I would not change my mode of living if my plant were closed—at least, if I closed it before I lost all I had in it. But there are people who have worked for me for 25 or 30 years, and it would not be so easy for them to go out.

Senator TOBEY. Did you develop this business yourself?

Mrs. REED. I started with two machines.

The CHAIRMAN. Have you finished your statement?

Mrs. REED. Yes.

Senator BUCK. Can you demonstrate why you cannot make these dresses at \$10.95?

Mrs. REED. I can only make as many of these \$10.95 dresses as I can make of the \$2.95 to offset it.

Senator BUCK. Yes; I understand that; but pick out the ones that that relates to.

Mrs. REED. I do not have any of the \$2.95 dresses.

Senator BUCK. I mean the ones at \$10.95.

Mrs. REED. This [indicating] is \$22.50. This dress is mine [indicating].

Senator BUCK. Those two you cannot make because of MAP?

Mrs. REED. I can only make a limited amount. When Mr. Bowles tells us that he is getting more low-priced dresses by this restriction he is not telling the whole thing. This [indicating] is \$29.50, made by another firm. This one [indicating] is \$49. This of mine is \$8.95.

Senator BUCK. Can you make these seersucker dresses?

Mrs. REED. No. When I was doing a lot of war work I started making these little house dresses and just kept going because there are a certain number of people that want them.

Senator TOBEY. You sell dresses, and back in your mind is a great yearning to be able to supply just what people want?

Mrs. REED. Yes.

Senator TOBEY. You serve people?

Mrs. REED. After 30 years, you know, you build up something in your business besides just the money you have made in it.

These [indicating] are all heavy woollens that the people that were making light-weight woollens are making. I am making skirts. I cannot make a dress; you don't want a thick dress like that.

One of the things that the maximum average price has done has been to bring confusion into the mills. We are all messed up. Not all of us. I happen to make dresses in mass production, so when it changed from something that has been made for years, on to something else, it is very difficult. If they cannot make any money, after losing money on that product, it is only a certain length of time until they are out of business.

I protested that over-all profit is a vicious thing in business. I do not think it is fair for me to make the woman that buys this dress [indicating] pay the profit on another dress that I sell at a loss. I think that the gentleman from OPA said yesterday that in business generally they work on leaders, and certain things they sell at a loss. They almost put John D. Rockefeller in jail for doing that, only of course he didn't do it all over the country; he just did it in certain spots. But that is something that just runs people out of business.

If you decide that you are going to make canned apricots B quality

and sell them at a loss, who can sell them at a profit, especially a big concern? Some man who is raising apricots wants to can them and sell them.

Senator TAFT. And that is the only thing he does?

Mrs. REED. Yes. He goes out to sell his apricots. Of course, what will happen is that maybe some other store will sell them and maybe they want to sell something else at a loss, or maybe they are independent dealers and they do not have these things. The mail-order houses and the chain stores and a lot of other large producers have done that. But I do not think it is a good practice and I do not think our Government should be encouraging that. I think that in most of our first-class companies they have not done that. When you buy goods from them they make a little profit on everything, and do not try to overcharge you on any one thing.

Senator TAFT. Did you ever consistently lose money on any one product?

Mrs. REED. My policy has been to make a little money on everything I make. I make a small amount on everything. I have never sold any other way. I just don't believe in it.

Senator TAFT. Most manufacturers do not, anyway, do they?

Mrs. REED. No, sir. Thirty years ago the records were not as good as they are today, but when I started out selling, I started selling to big accounts, and they had been used to buying from a little dealer or a little manufacturer, and he would say, "I will sell this big account at a loss and they will give me an ad in the paper. Then I can go out in the country and sell my goods." Marshall Field buys my stuff. I just happened to get started on some big accounts that did not ask me to do that. But after I had been going along a little while, that is what they wanted to do. But I couldn't do that. I had a very low mark-up and I did not sell any small accounts in the beginning. I sell large stores in large cities.

Senator TOBEY. Do your men go out with samples, or do the buyers come to you?

Mrs. REED. I have 30 men out on the road. I have two New York salesmen that sell in New York and in Philadelphia to Strawbridge & Clothier, and to stores in Boston. I even go farther up into New England.

The CHAIRMAN. Thank you very much.

Mrs. REED. Thank you for hearing me; and I hope I have not taken too much time.

The CHAIRMAN. We will hear next from Mr. Hugh Morrow.

STATEMENT OF HUGH MORROW, REPRESENTING THE MERCHANT PIG-IRON INDUSTRY

Mr. MORROW. I am quite sure, Mr. Chairman and members of the committee, that you will not very much enjoy my statement following the wonderful presentation that you have just heard. I have always been interested in dresses, although I am the father of six daughters and the grandfather of seven granddaughters. Down our way they say that a dress should be like a barbed wire fence: one that will protect the premises but not obscure the view.

I hope you will let me depart from the dignity of the hearing by saying in the beginning that I really am unable to offer any justification for the pig-iron committee in selecting me for this post of danger. I was here yesterday and today, and I realize that it is a post of danger for one to attempt to present a matter before the committee.

I first thought when I left home that I would not reduce any of my remarks to writing, but hearing the proceedings on yesterday and seeing the enthusiasm of the committee, I thought that I had better write my statement in order to make it brief, and protect myself from any idea of being swept off my feet by that enthusiasm.

Two friends once were strolling together in a pasture, when they were suddenly confronted by a ferocious bull. One of them climbed a tree and the other sought refuge in a nearby cave to which the bull had rushed him. The man in the cave remained there a few minutes, and poked his head out, and the bull rushed him back in again. He waited a little while longer and poked his head out again, and the bull again rushed him back. His friend in the tree hollered to him, "Why in the name of heaven don't you stay in the cave long enough to let the bull go far enough away so that we can both escape in safety?" The man in the cave said, "You don't know all the facts. There is a big bear in this cave."

I am here for the pig-iron industry just to tell you the facts, without any recommendation, without any assertion of opinion on the part of the pig-iron industry. I am sure that I would not have been selected for this post if I had advised the pig-iron committee that I had never seen the Senate in session, that I had never seen the House of Representatives in session, and had never attended a meeting of a House committee or a Senate committee. But do not let that mislead you. I spent 119 days in Washington traveling to and fro, but that was in appearing before the improvised seat of government—and God bless them—the alphabetical bureaus.

It is refreshing as a member of the worried and harassed public to be able to address a body of this sort, with open minds, honest minds individually and honest minds collectively, and to be able to discuss economic and governmental obstacles without being charged with lese majeste or without being slandered with the charge that you are putting property rights ahead of human rights.

We are here to talk to you about merchant pig iron, and in the course of our remarks we may mention OPA.

Merchant pig iron is principally used in the manufacture of malleable and gray iron castings. The average individual meets merchant pig iron in the home in the form of soil pipe, boilers, furnaces, radiators, plumbing equipment, and so forth, or, on the farm in the form of horse shoes, tractors, plows, harrows, binders, and other machinery, or in the transportation field in the form of wagons trucks, busses, automobiles, railroad rolling stock, and locomotives.

In short, it may be fairly said that there is a shop of some sort in every hamlet in this wide country that makes some use of pig iron in one form or another.

Lincoln said, "God must have loved the common people or else He would not have made so many of them." Pig iron is common. It is to the land what mullet is to the sea. Everybody feeds on it. It is the

corn bread of this country's industrial life. It is cheaper per pound everywhere in the United States than even the wholesale price of meal, flour, and sugar is anywhere in this country. It is so cheap that it is not a cost-of-living factor.

By the time pig iron reaches the consumer the impact of even a considerable increase in its price is practically lost. For example, take soil pipe, one of the serious bottlenecks in the housing program. Based on Government estimates of the amount of soil pipe that goes into the average 5-room house, a \$2.50 increase per ton in the price of pig iron will add only 67 cents per house to the cost of the soil pipe. I haven't the figures on the impact of such an increase on cooking stoves and bath tubs, but can very well imagine that the added costs would be somewhere between the cost of a Coca-Cola and a Sunday morning newspaper. The wildest stretch of the imagination cannot bring pig iron within the purview of a menacing inflation.

Civilian Production Administration is much disturbed—and properly so—over the continued decline in pig-iron output. It recognizes that this will wreck, or hopelessly delay, the shortage in housing, and in other important fields. Only 10 days ago it called the industry into a conference and announced that the emergency would require the production of pig iron at a greatly excessive rate, and estimated the deficit below minimum needs for the next year to be from 750,000 to nearly 2,000,000 tons. The industry frankly stated that pig-iron production was facing another decline.

We are here before you today to bring to your attention and to the attention of the public, the salient facts underlying this serious situation, so that appropriate remedial action can be taken before it is too late.

On the eve of price control, the merchant pig-iron industry, after having survived the vicissitudes of a decade of the world's greatest known depression, was in excellent condition to assume its important role in the war program. Today, after 5 years of price control, it is again depressed, its management harried and bewildered, its owners apprehensive of the future.

In looking for the cause of this unhappy situation, one can unerringly point to the policy and practice of OPA, which still bestrides American industry, and now seeks a further lease on life without let or hindrance.

Listen briefly to the story of the struggle of merchant pig iron! On June 24, 1941, a ceiling price was placed on merchant pig iron which froze the then current base price that had been in effect since December of the previous year. This action met with the approbation of the pig-iron industry which recognized the desirability and need of preventing any unwarranted distortion of prices. It was understood by all, however, that the goal was real stabilization, and not the sentencing of the industry to the stocks and pillory of the earnings of four half-capacity years of production.

The war-production program was met in 1941 and in 1942 and earnings, while on the decline, continued reasonably satisfactory. However, in the spring of 1943 the industry became concerned about further increased costs over which it had no control; and by summer it could see costs equaling or passing the maximum net earnings possible under the ceiling price set about 3 years earlier. Accordingly, on September 30, 1943, the Industry Advisory Committee recommended

that OPA consider a needed adjustment of prices. Then ensued a series of events that rivaled even the celebrated case of *Fordyce v. Fordyce* as related by Dickens.

Conferences after conferences after conferences and then conferences were had in Washington by busy representatives of the industry who were badly needed on their jobs to help in the war effort. Every conceivable piece of information covering a period of 9 years was supplied. This included all production figures, costs broken down in minute detail, selling prices and realizations, depreciation reserves, net worth data, fuel consumption and God only knows what else, the costs of preparation running into many thousands of dollars.

The calendar reveals a record of promises made by OPA only to be broken, of actions scheduled for performance only to be postponed. In many conferences had early in the proceedings, price action was stated to be imminent. On one occasion top officials acknowledged that higher prices were needed, but stated that other considerations made it inexpedient to grant them at that time.

Senator TAFT. What was the price at that time?

Mr. MORROW. In the South it was \$20, and \$24 in the North.

The industry reluctantly acceded to a postponement requested for 60 or 90 days. Mr. Chester Bowles praised its action as "statesman like." The resultant delay was not a 60 or 90 days but an additional 7 months during which time the industry was earning at the meager annual rate of 2.5 percent before taxes and lost during the last three-quarters of 1944, \$2,647,000 in earnings below OPA standard, due to delay in processing.

Senator TAFT. Is the OPA standard based on a base period?

Mr. MORROW. That is right.

Senator TAFT. What percent does that give the industry?

Mr. MORROW. I will explain that a little later on, Senator Taft.

Senator TAFT. I will wait, then. Go ahead.

Mr. MORROW. The original base period was 5.6 percent, and they changed the rules in the middle of the game. I will explain that later on.

Finally, after nearly 18 months, the mountain brought forth a mouse. I heard a gentleman here this afternoon say that when a thing of this kind happened they broke it just as soon as possible. A dollar a ton increase was granted in an order which stultified itself by stating—

average total operating costs * * * since 1941 have increased 4.79 per gross ton (exclusive of any increases resulting from the basic steel wage award).

The order further said:

The over-all return from pig iron sales of the ten companies has shown a steady downward trend. From a peak in 1941 of 13.8 percent of net worth, the earnings of the ten companies have declined to a current rate of approximately 2 percent of net worth.

Voiced in a syllable, so to speak, we have in this order an adjudicated increase in costs of \$4.79 per ton; an adjudicated reduction from 13.8 to 2 percent of net worth, and a paltry increase of \$1 per ton. The order on its face partakes of intellectual dishonesty, and is self-condemning. Any court away from Washington would set it aside *ex mero motu* on the ground that it is stultifying.

Just before issuing this order, OPA informed the committee representing the industry that it had decided to reject the period 1939-40

previously promised and agreed to as a base period for the computation of a new ceiling price, and which would have afforded 5.6 percent of net worth, and stated that it had adopted the period 1936 to 1939, inclusive, as a base period which would allow the industry only 3.7 percent. This change of the rules during the middle of the game, which plainly smacks of unfair dealings, was followed up by cheating in the score. Instead of the dollar increase earning 3.7 percent or \$3,700,000 in 1945, it actually earned \$1,956,000 or 1.95 percent which was 47 percent less than what OPA calculated the score should be.

Let us depart from the record long enough to recount what was taking place elsewhere during the long 18 months of delay.

American armies had been formed and trained for active service in England; had stormed the Normandy beaches; fought and won at St. Lo and Avesanches; had destroyed the German armies in the West; had liberated Paris and Brussels; had transformed the Battle of the Bulge from a threat to the channel ports to the springboard for victory; had scattered the hopeless remnants of the Wehrmacht before the Siegfried line; and with Patton had begun their parade from the Rhine to Czechoslovakia. OPA had swollen from a struggling bureau of 50,000 to a triumphant one of 70,000. Its Public Relations Division had expanded from a timid handful to legions whose slogan had already in that early day, begun to shift from "production for war" to "reconversion to peace" and thus having in mind the extension of tenure of office.

In the meantime the pig-iron industry, suffering a denial of justice through a reckless indifference to the consequences of delay, was absorbing around \$11,000,000 in increased cost and was eking out a precarious existence on a profit margin which reached the low point of four-tenths of 1 percent of net worth.

Senator HICKENLOOPER. When did it reach that point?

Mr. MORROW. The third quarter of 1945.

The industry was in despair—its equipment wearing out, maintenance costs soaring, new capital beyond reach, and management bewildered by the problems ahead. This, we respectfully submit, spotlights a situation from which only the Congress can give relief.

Originally OPA selected another base period for pig iron but switched to the 1936-39 period, not in a desire for fair dealing, but on the grounds of expediency, with the intent of making 1936-39 the universal measuring stick. It so happens that because of depressed conditions, the pig-iron industry was operating generally through the 1936-39 period with an output of only 50 to 60 percent capacity. Under OPA's formula the pig-iron industry is now expected to practically double this output with no increase in profit before taxes and an actual decrease in its earnings after taxes.

In case of merchant pig iron three price increases have been granted; two in 1945, and one on March 15, 1946. The total of these increases amounts to \$2.50 a ton, which is \$2.20 per ton less than the adjudicated \$4.29 increase in cost occurring between 1941 and February 14, 1945, and which stands out in bold contrast to the increase of \$5 per ton awarded by the Wartime Price and Trade Board in Canada to the Canadian pig-iron industry, effective April 1, 1946. Each of these two other increases granted to pig iron by OPA was characterized by unreasonable delay, conferences, minute data, etc. I shall not

vex your patience by entering into these details except I would like to refer briefly to the last increase—an increase of 75 cents a ton granted on March 15, 1946, which deserves some comment, and special comment, since what I have heard here this afternoon.

Senator TAFT. Did you know about the additional increase that was about to be given?

Mr. MORROW. The industry had never heard of it.

Accompanying this last order was a press release which reads in part as follows:

Today's price adjustment will enable the merchant pig-iron industry to earn an average rate of profit, during the next 12 months, equal to its average rate of return on net worth in the years 1936-39—appropriate adjustments, both upward and downward, were made on account of changes in costs and volume which may reasonably be expected to occur in the next 12 months, and the final result was converted to an annual basis.

Mr. Baker has just told this committee that OPA is going to increase pig iron within a few days, and that the increase is now going through the regular process.

Senator TAFT. Have you had an increase in wages, like the steel unions have?

Mr. MORROW. Oh, yes.

Senator TAFT. How much increase in cost per ton did that one increase mean?

Mr. MORROW. It varies in different districts, Senator. I do not know whether I can answer that industrywise. We all had to put in the 18½ cents following the steel-wage conference, between January and that time, and it is differently estimated.

Mr. FAGAN. I can answer that in this general way. The plants of course know the amount of raw material they operate themselves. Down South they produce their own coal, their ore, their stone, so it would be calculated through the entire operation. That would total probably something like 10 or 12 hours, and a 20-cents-an-hour increase, which is about what it works out, after you put in the social-security tax, would be somewhere around \$2.

Senator TAFT. 2 a ton?

Mr. FAGAN. Yes. In the North the immediate effect would not be that much, because we have not felt it in our ore yet, because the ores we are using were brought down last year.

Senator TAFT. That would be in addition to the increase of \$4.70?

Mr. FAGAN. That is right.

Mr. MORROW. I think he is a little modest. It strikes me that we will have to have about \$2.63, to answer the question for the South.

When I first read and pondered over that press release and guessed at its author, my thoughts swung like a pendulum between Campbell's utterance delivered more than a century ago when he said: "What millions have died that Caesar might be great," and the recent utterance of a distinguished American citizen, Mr. Bernard M. Baruch, when he laconically said, in effect, to OPA: "Quit your kidding the public."

Aside from its misleading tendencies, one of the remarkable things about this press release is its cocksureness. While the industry finds it hard to see further ahead than a few weeks, OPA, who assumes no loss for error, takes in the next 12 months at a mere glance. Before

the ink hardly had time to dry on the press release, Mr. John Lewis had made demands which make the recent Government-imposed wage increases on the steel industry pale into insignificance. Just as sure as the coming of daylight and darkness, the pig-iron industry faces during the next few months increases not only in costs of coal, but also in coke, iron ore, fluxing stone, and freight rates. The only features of the rising cost picture which the industry cannot see, and which OPA apparently is able to see, clearly and confidently are the amounts and the times of these increases. The pig-iron industry's experience, if not the experience of the people generally, furnish grave doubts as to OPA's omniscience and clairvoyance. Unhappily for the industry, OPA's prognostication about the increases in 1945 proved highly erroneous to the great prejudice of the industry. Even by OPA's short-sighted standard the section of the industry studied was entitled to earn \$3,700,000 in that year (normal earnings would have been \$12,500,000) but actual earnings, as stated before, were only \$1,956,000.

It is easy to gamble with the other fellow's money. But no degree of patriotism, even if ample funds were available, could demand that the pig-iron industry in peacetime continue, as in wartime, to subsidize production, or to make good the miscalculations of OPA.

Let us say that the pig-iron industry would like to express itself on the side of harmony and cooperation with the Government in any laudable effort that will bring about a sane and reasonable solution of the vexing problem of the Price Control Act that confronts the people of this country, as well as this Senate committee. Never before in peacetime has Government virtually underwritten enormous wage increases for employees and a price squeeze for employers. Congress now faces the job of continuing price controls, and at the same time correcting their harmful effects on production. The effort to maintain rigid price ceilings, while encouraging labor on every hand to force rates up, was bound to cause trouble. Employers must have a hope of fair profit. Without that, production ceases.

The OPA always has been slow, often unreasonable, often arbitrary. It is jammed with theorists who are seldom in doubt and seldom right. The effect of its policies has been to discourage the only remedy for the sort of inflation that menaces this country. That remedy is full production and full distribution of goods.

With the congressional battle over price control entering its crucial phase, OPA officials seem to be changing tactics. A belated concession now comes from OPA Chief Paul A. Porter. Someone very aptly wrote that "to attempt to woo the Senate of the United States is a waste of time, to attempt to coerce is fatal, and to attempt to outwit is disastrous." At any rate, Mr. Porter recently said over the radio: "If there is any place where price is standing in the way of production, OPA intends to smash that bottleneck." Ever since September 30, 1943, OPA has known, or ought to have known, that pig-iron prices were standing in the way of production of pig iron and no attempt has been made to smash that bottleneck as yet.

The trend of the new strategy seems to be to urge a continuance of price control without change in the present law on the promise by OPA to apply a more realistic and lenient attitude within the frame-

work of the present law. This mere promise, which in effect is a promise only, to apply common sense from now on will not suffice. The blanket authority already delegated under the existing law will still leave the door wide open for circumvention of the will of Congress. Nothing short of Congress taking full charge, and removing all doubt and uncertainty by setting up a definite yardstick which the layman can understand in one reading, and which a bureau can neither ignore, nor circumvent by the tactics of delay or by spurious construction, or otherwise, will satisfy the long pent-up demand of a very tired and worn-out people.

It will not do to leave the question of what is a reasonable profit to any one man, or to any one set of men. Especially is this true if the matter should unhappily fall into the hands of those schooled in the thought already too prevalent in certain quarters in Washington that success is unsocial, and that the Government should take over industry as England is now doing.

The delegates to our Constitutional Convention were conversant with the philosophy of that eminent French magistrate, Baron de Montesquieu, who was the first to give to the world the doctrine of the separation of governmental powers by dividing them into three main departments—the executive, legislative, and judicial. Montesquieu had written that—

When the legislative and executive powers are united in the same person, or in the same body of magistrates, there can be no liberty.

Congress should define at least a minimum specific margin of profit requisite for a reasonable profit with the further provision that in the event of the failure of OPA to enter its order within 30 days or some other short period after submission, the producer seeking relief may increase prices accordingly without incurring penalty. This last provision will forestall any denial of justice by long and unreasonable delays. Listen to what the late Mr. Associate Justice Brandeis said in an address to a trade-union in Boston when he was its attorney:

It is absolutely essential that a business be profitable. I do not mean merely that the business should not be run at a loss. I mean that the business should be run under such conditions that the owner is willing to risk his capital in the business.

It is not our thought or recommendation that a reasonable profit be defined in the Price Control Act in the general terms so employed above by Mr. Justice Brandeis. A general definition might leave too many loopholes. It brings into play too many professional economists who have a Phi Beta Kappa key on one end of a watch chain and no watch on the other end. It brings into play too many OPA freshmen who are eager to try their young wings out and to soar in the stratosphere of sweet dreams of an abundant life. Let these freshmen be content with spending their time in accentuating the positive of the horse and eliminating that part of him which makes sense, as depicted in the *Federal Register* of November 15, 1945, page 14060, in which they whiled away their time suspending price controls on many items, including pin cushions, shoe horns, wigs and toupees, wood hair curlers, comb cleaners, hand-decorated used bottles, book-ends, and ash trays when made from worn baby shoes, novelty pouring and measuring cups for liquor bottles, novelties made of butterfly

wings, sleigh bells, dog and cat beds, and dog and cat cushions, mattresses, and diners, toothpicks, magician tricks, and so forth.

The story of the creation of the world is told in Genesis in 400 words. The Ten Commandments contain only 297 words. Lincoln's immortal address is but 266 words in length. The Declaration of Independence required only 1,321 words to set up a new concept of freedom. The Office of Price Administration, during the acute paper shortage, according to the St. Louis Democrat, used 2,500 words to announce a reduction in the price of cabbage seed.

On the other hand, in lieu of generalities such as a reasonable profit, a specific minimum margin of profit of at least 7 percent before Federal taxes on net worth should be set forth in any extension of the Price Control Act. The proposal of 7 percent represents the substance of the fair-return formula long sanctioned in public-utility law.

It is believed that the 1936-39 base period ceases to be realistic when the average profit level of an industry during the years 1936-39 falls below 7 percent of net worth. And the reasons are clear: First, a profit level below 7 percent will not enable an industry to attract investors and acquire needed capital. Secondly, if under a regime of administered prices the permitted profit level is below 7 percent, any erroneous calculation or oversight by the Administrator may be disastrous. Such a low profit level automatically strips the industry of its reserves and leaves it to face competing industries without the power to take advantage of new machines, techniques, or technology. The economy under such circumstances is sure to lose the production of essential commodities. Thirdly, a profit of less than 7 percent is confiscatory.

The Congress has a great opportunity now to write a new Declaration of Independence from the tyranny of blanket authority vested in administrative agencies.

Now, Mr. Chairman, employing the thought of a distinguished American citizen, permit me to conclude by saying that if in the course of my remarks I have said either more or less than is suitable to this occasion, let me make my apology in the words of Montaigne: "I speak truth," he wrote, "not so much as I dare, and I dare more as I grow older."

Now, Mr. Fagan, will you explain that chart to the committee?

Mr. FAGAN. I do not know that you can see these figures here [indicating], but this top line [indicating] is a level established 1941. It had been established at other times at full production.

On this chart [indicating] you will see that the production was at full production up through here [indicating], and dropped to 97 and down to only 89 here [indicating]. All through this period it was practically full production. The industry would be expected to earn in that period about \$37,500,000 before taxes.

This red extends down to the black and represents the cost absorbed by the industry, and that amounted to \$28,000,000, out of the \$37,500,000. The black part represents the profit before taxes, not after taxes, amounting to \$9,500,000 out of the \$37,500,000 you would normally expect.

The CHAIRMAN. What were the profits after taxes?

Mr. FAGAN. They were about half of that.

The Federal income taxes, you will note here [indicating], were about \$6,000,000 a year, and in those 2 years you will see how the taxes

go down as the earnings went down, so that the Government was receiving about \$1,000,000 instead of \$6,000,000. The industry was also receiving about a million dollars.

There are several things on this chart that I would like to point out that have been covered by Mr. Morrow's remarks.

He stated that in September 1943 the industry advisory committee approached the OPA and pointed out to them that their earnings had reached a point where they were going to need some relief. On December 30 they presented a report with all the figures that OPA asked for, and then after a great deal of consultation, on March 21 OPA established a base period of 5.6, and it was their own admission in the beginning that the 1936-39 period did not fit their pattern for this industry. The industry earnings were not represented in that period. They also told us that we would get a price increase very quickly.

Well, then, they asked us to delay that price increase so that this area here—this is their first standard that they set and due to the delayed action this is the loss we sustained because we didn't get a price increase. Then when they did finally give the price increase which was 13½ months afterward, they lowered their earnings standard from 5.6 to 3.7, which was the 1936-39 base period. That cut us out of \$1,900,000 earnings by changing the rules.

This increase of \$1 a ton, the first one here, on February 14, 1945, was supposed to restore us to this level here. Well, we continued to fail to gain that level so they gave us another increase of 75 cents a ton in October of last year, but the whole year we failed to earn even this low standard here by about \$1,700,000. Then on March of this year they gave us an additional 75 cents ostensibly to cover some of the wage increase due to the recent 18½-cent increase in the steel industry, which applies in our industry also.

That is the one Mr. Morrow referred to in this press release. What Mr. Baker had in mind today by saying they are processing an additional increase now is all news to us.

Senator TAFT. I have heard indirectly that was a mistake. He was thinking about the one on March 15, but I don't know.

Mr. FAGAN. Well, he certainly made the statement here. We were very much puzzled because the members of the advisory committee have been here for the last 2 or 3 days; we have been in touch with those fellows over there and they haven't said anything about it. We understand the Chief of the Division is out of town. We wondered just how that could happen.

Senator TAFT. May I ask directly, this fall-off in production, is that likely to be corrected in the absence of any further increase? Is this last 75-cent increase going to—

Mr. FAGAN. No, sir. It will be accentuated, the fall-off of production. The 75 cents will not take care of the situation because we are faced now with additional coal costs and ore costs and freight costs now. Those were not considered in the 75 cents at all.

The CHAIRMAN. May I ask a question as to how much longer you will take?

Mr. FAGAN. Oh, not very long at all. I just have one more chart to show you here.

You are used to looking at this line here. This is total manufacturing. This is your earnings on net worth in the 1936-39 period, which is the OPA standard. That was 10.45. These are from the Securities Exchange figures that are coming out all the time now.

You will note that went up to as high as 30 percent in 1943. This is the figure I got out of the recent Journal of Commerce. It is still 26 in 1944.

Now, while that was taking place, this was what happened to the pig-iron industry: You will see that we were very depressed here; 1938 was a loss year. That was a red figure. The average of the industry was a little over 3 percent.

No; that is the standard we are entitled to earn at full production.

You will note also that as production went up we went right up with the rest of the economy. Here is where prices were frozen and this is what happened to the pig-iron industry when the total economy goes there. Now OPA is very proud of this line, average line, but averages are very misleading. I think that is all I have unless you have some questions.

The CHAIRMAN. Thank you. Are there any questions of the witness?

Senator TAFT. Mr. Chairman, I move if possible these charts be copied in the record.

Mr. FAGAN. You have a copy of all of those in the back of this statement.

The CHAIRMAN. All right. We will put them into the record if you submit them.

(The charts referred to are as follows:)

TABLE 1 (Chart No. 1).—*Profit before income taxes as percent of net worth*

Period	Merchant pig-iron industry	Total manufacturing	Period	Merchant pig-iron industry	Total manufacturing
1936	3.45	12.0	1942	10.81	25.7
1937	7.98	13.5	1943	5.01	30.0
1938	1.71	6.4	1944	2.34	26.0
1939	1.64	10.2	1945	1.85	-----
1940	8.01	14.7			
1941	12.66	24.7	1936-39 average	3.13	10.45

¹ Loss.

Source: (1) Merchant pig-iron industry: Public accounting firm's consolidated statements covering 10 merchant pig-iron producers selected by OPA as representative of the industry.

(2) Total manufacturing: (a) Securities and Exchange Commission, Survey of American Listed Corporations Survey Series, Release No. 89, January 15, 1946, years 1936-43. (b) Year 1944, OPA figures on profits before taxes as percent of net worth, 2,152 manufacturing corporations, United States Department of Commerce, Survey of Current Business, March 1946.

CHART No. 1

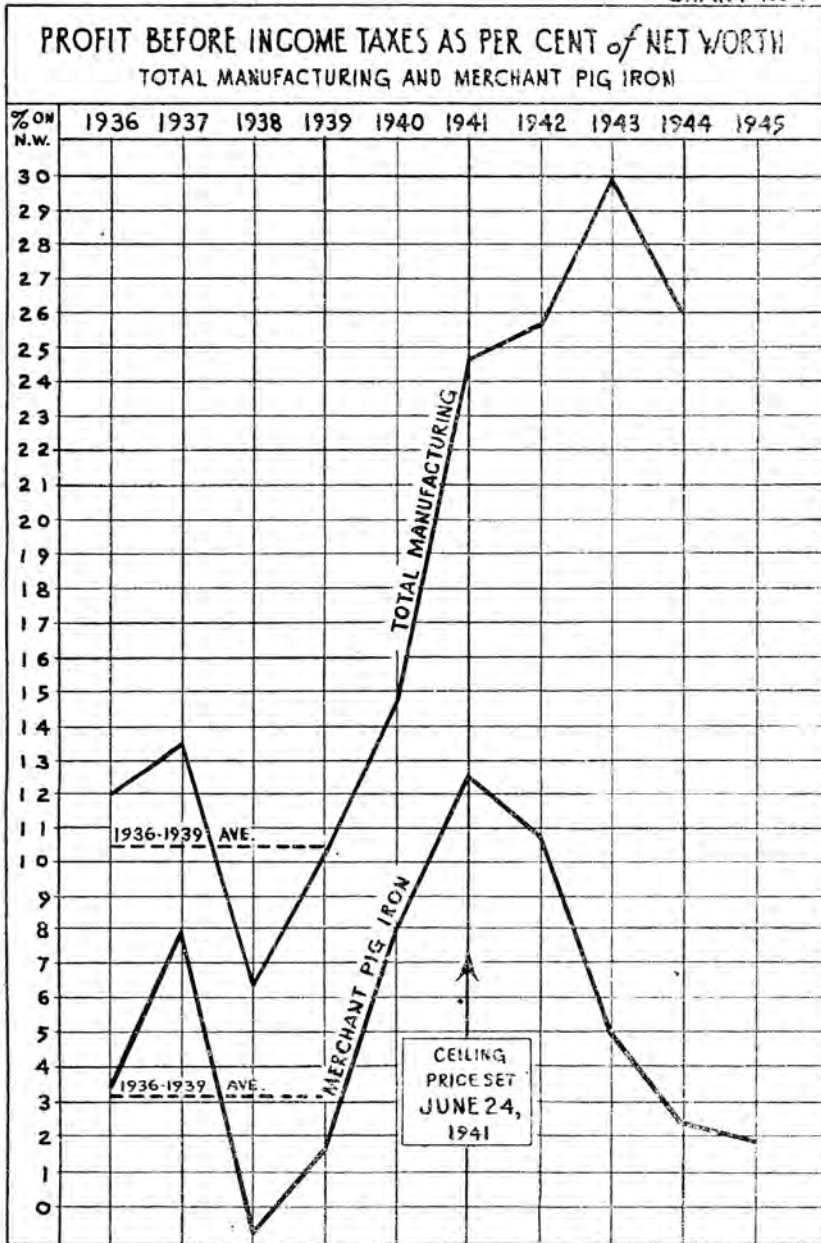
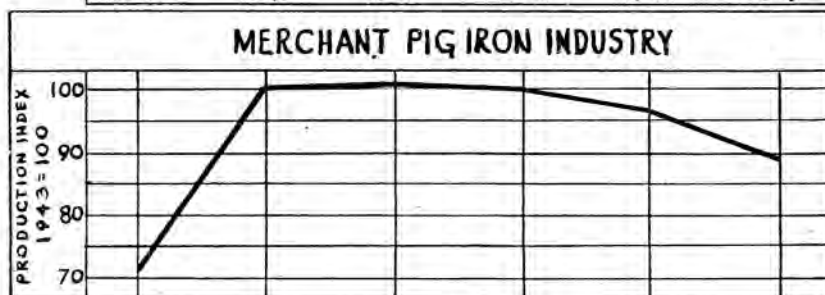
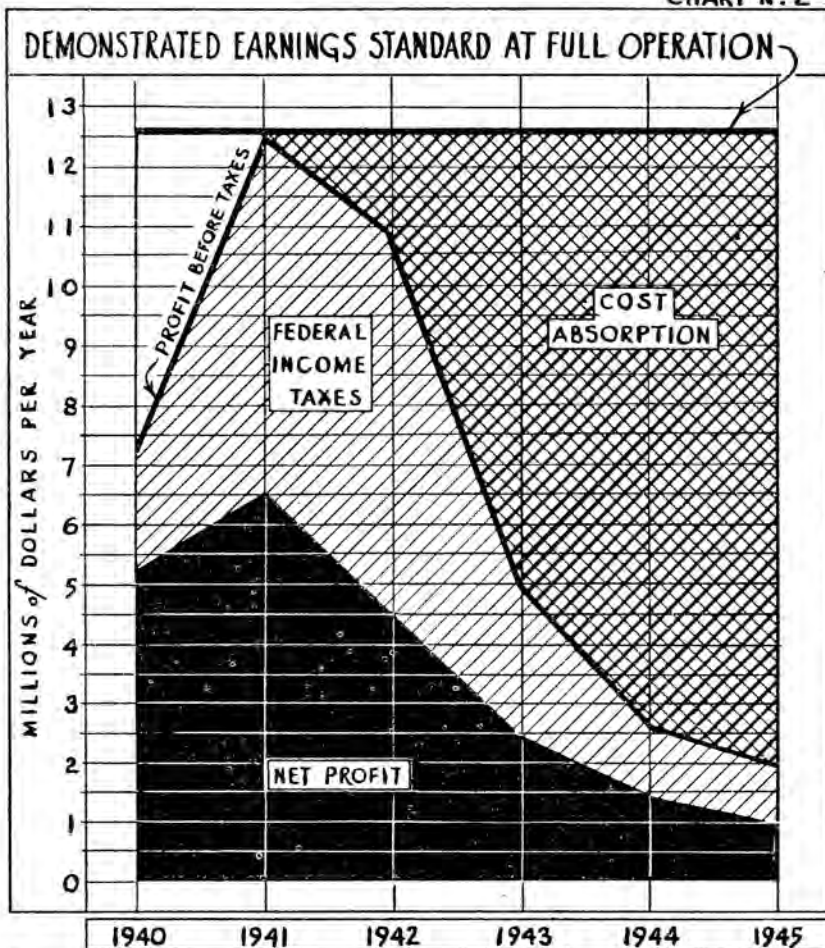
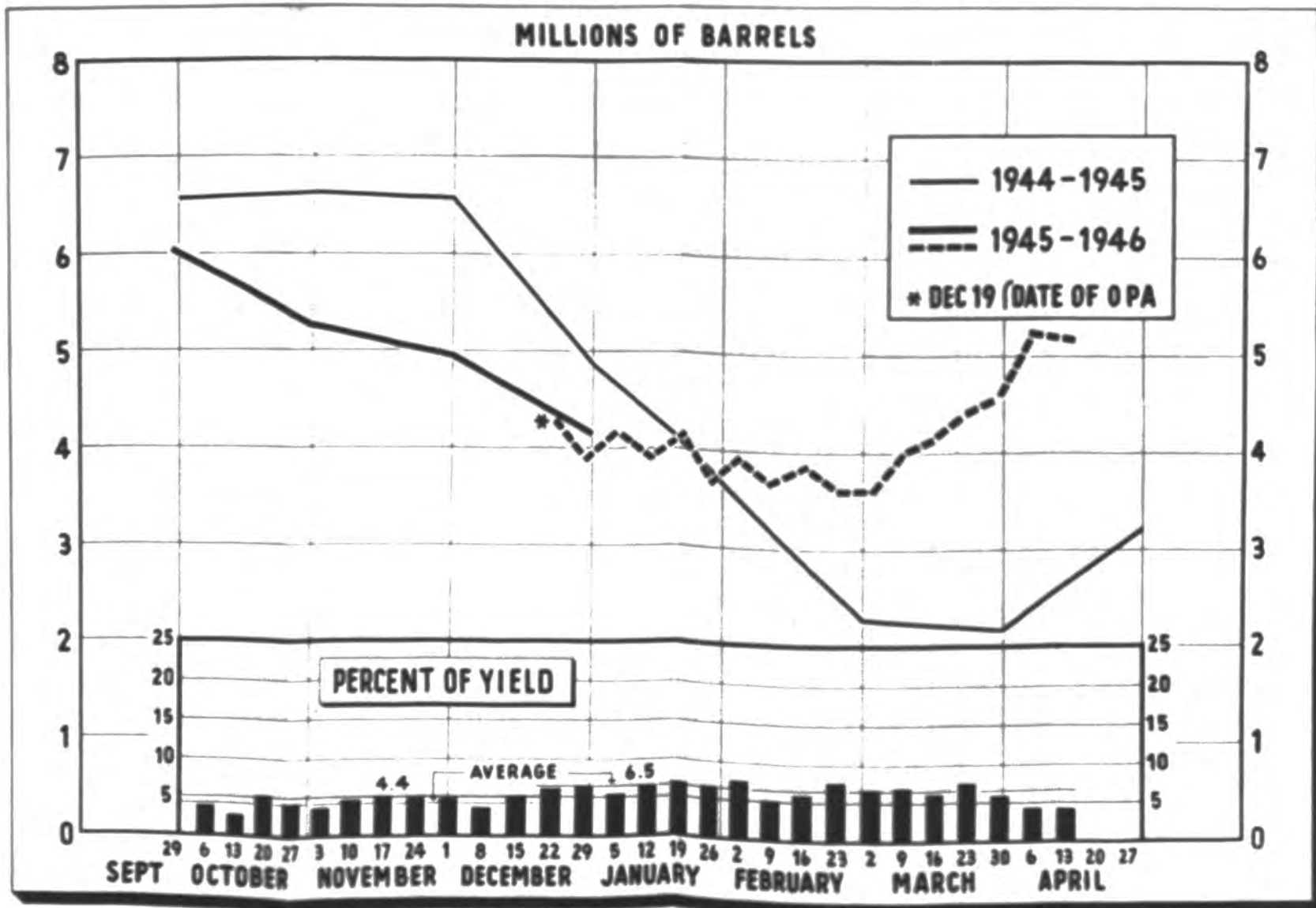


CHART N^o 2



STOCKS OF KEROSENE · P.A.W. DISTRICT ONE



U.S. REFINERY YIELDS · 1941 ACTUAL VS 1946 REQUIRED

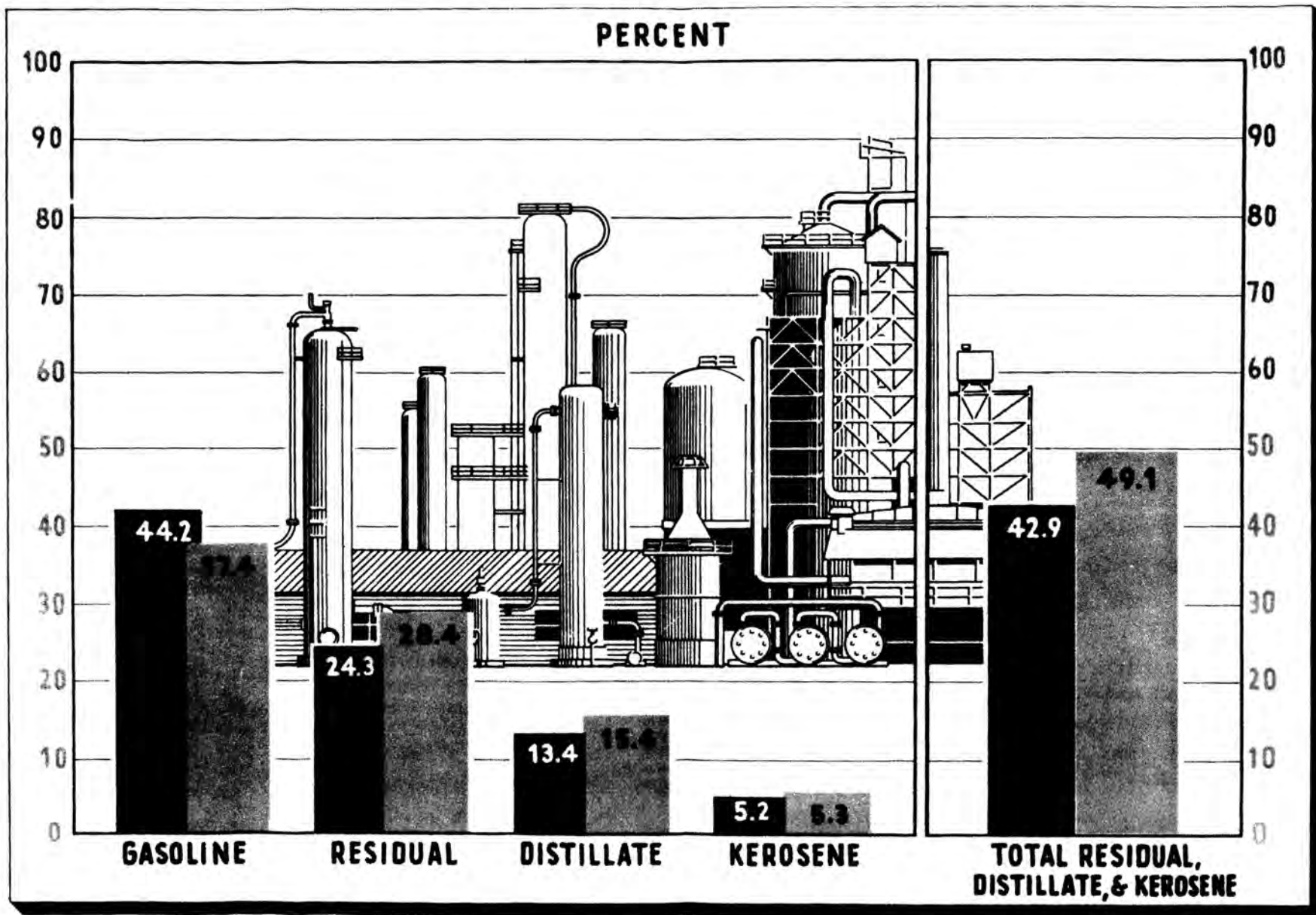


TABLE 2 (Chart No. 2).—Earnings and production, 1940-45

Year	Profit before Federal taxes	Federal income and excess profit taxes	Net profit	Production, gross tons
1940.....	\$7,329,336	\$2,067,544	\$5,261,792	2,738,347
1941.....	12,495,329	5,951,094	6,544,235	3,813,399
1942.....	10,822,050	6,275,559	4,546,491	3,853,541
1943.....	4,946,343	2,468,082	2,478,261	3,826,449
1944.....	2,580,547	1,157,950	1,422,597	3,729,109
1945.....	1,955,946	1,955,946	1,000,000	² 3,107,319

¹ Estimated.

² 8 companies operating; 2 companies shut down due to costs far in excess of OPA selling price.

Production index—1943=100

Year	Index	Companies
1940	71.....	10
1941	100.....	10
1942	101.....	10
1943	100.....	10
1944	97.....	10
1945	89.....	*3

* 1943 production: 8 companies, 3,479,947.

Source: Merchant pig-iron industry, public accounting firm's consolidated statements covering 10 merchant pig-iron producers selected by OPA as representative of the industry.

TABLE 3 (Chart No. 3).—Annual rate of profit before income taxes for period 1943-45, by quarters

Year	Profit before income taxes Annual rate
1943—First quarter.....	\$8,049,468
Second quarter.....	5,782,168
Third quarter.....	4,759,776
Fourth quarter.....	1,193,960
1944—First quarter.....	4,388,536
Second quarter.....	2,982,788
Third quarter.....	1,977,832
Fourth quarter.....	1,377,720
1945—First quarter.....	2,560,169
Second quarter.....	1,732,060
Third quarter.....	431,536
Fourth quarter (estimate).....	3,100,000

3 years, round numbers

Profit for the year 1941, \$12,495,329.....	\$37,500,000
Actual profit for 3 years 1943-45.....	9,500,000
Cost increases absorbed 1943-45.....	28,000,000

OPA BASE-PERIOD EARNINGS STANDARDS

	Date established by OPA	Profit before income taxes	
		Percent on net worth	Amount per year
First selection.....	Mar. 21, 1944	5.6	\$5,600,000
Second selection.....	Feb. 14, 1945	3.7	3,700,000
Third selection.....	Mar. 15, 1946	3.4	3,400,000

Industry failed to meet even these low earning standards, as follows:

1. Delay in processing by OPA:	
Last three quarters 1944 earning standard.....	\$4, 200, 000
Actual earnings.....	1, 552, 899
Below standard earnings.....	
	2, 647, 101
2. Switch in base period, year 1945.....	
	1, 900, 000
3. Price increase of Feb. 14, 1945, failed to restore 1945 earnings to earnings level established as of that date by.....	
	1, 744, 000
Earnings for last 9 months 1944 and year 1945 failed to meet OPA standard of Mar. 21, 1944 by a total of.....	
	6, 291, 101

The CHAIRMAN. Mr. Hallanan.

STATEMENT OF WALTER S. HALLANAN, CHAIRMAN, SPECIAL COMMITTEE, AMERICAN PETROLEUM INSTITUTE, PITTSBURGH, PA.

The CHAIRMAN. How long do you think you will take, Mr. Hallanan?

Mr. HALLANAN. I will be through as quickly as I can, Senator. I would like to ask the indulgence of the committee for 5 or 10 minutes for Mr. Boyd, who has a statement on behalf of Dr. Wilson, chairman of the Standard of Indiana, who was unable to get here this afternoon, and Mr. Boyd cannot be here tomorrow.

The CHAIRMAN. Why can't he submit his statement and put it in the record?

Mr. HALLANAN. I should like if you could give him 5 minutes, if possible.

The CHAIRMAN. All right.

Mr. HALLANAN. Mr. Chairman and gentlemen of the committee, my name is Walter S. Hallanan. I am president of the Plymouth Oil Co., of Pittsburgh, Pa. During the war emergency I served as chairman of the production committee of district I under appointment of the Petroleum Administrator for War. I was also a member of the Petroleum Industry War Council and was chairman of the general production committee of that organization.

Today I appear before your honorable body as chairman of a special committee of the American Petroleum Institute to petition your favorable consideration of the unanimous plea of the petroleum industry—every segment and division of it—to be relieved immediately from the “strait-jacket” of Federal price control.

Every group of the industry has joined together in this appeal to the Congress that we may be liberated from the shackles of OPA control and that we may now be given an opportunity to meet the constantly variable problems of this great industry through a free economy operating under the competitive system of free enterprise.

The industry comes to the Congress seeking this relief—not willingly—but because of the compulsion of circumstances over which it has no control. With the manifold and perplexing problems of post-war readjustment facing the Congress, the oil industry regrets the necessity of having to take the time of congressional committees in urging consideration of a matter that in all fairness and justice should have been disposed of long ago by the appropriate executive agency of the Government.

Price controls were properly provided by Congress for the purpose of preventing run-away prices of commodities and products in scarce supply during wartime and in the reconversion period. They were instituted solely as a war emergency measure. The war is over—and insofar as the petroleum industry is concerned, there has been no shortage of crude oil or any of its principal products since August 1945.

There can be no successful challenge of this recognized fact. However, in utter disregard of the announced policy of the administration as proclaimed by the President immediately following the end of the war and despite the solemn and oft-repeated pledge of Mr. Chester Bowles that price controls would be immediately removed from any commodity when the supply of that commodity approached demand, the OPA has steadfastly continued to manifest a strange and stubborn unwillingness even to move in the direction of removing any degree of control from the petroleum industry. In the meantime, we are regimented under the edicts and decrees of an army of uninformed bureaucrats who impose their opinions and authorities to bring about serious dislocation in one of the Nation's most vital industries. We believe that Congress is our only refuge in our appeals to bring order into a healthy American industry.

The record of Mr. Bowles' frequent statements concerning the policy of the OPA to remove controls as supply approached demand is well known to the members of this committee and to the public generally. Consequently, I will not trespass upon your time or burden your record with quotations from his statements, or from those subordinate to his level, other than to call attention to the fact that this policy was iterated and reiterated by him in recent testimony before the House Banking and Currency Committee.

Despite its unsatisfactory and unhappy experience with the OPA over the last 4½ years, during which period it has been "surveyed" to death and all the while chained to an unfair, inequitable, and unrealistic price structure that represented only 62.1 percent of parity, while the average of all other commodities stood at 107.1 percent of parity, on the basis of the latest figures issued by the United States Department of Labor, the industry took it for granted that Mr. Bowles meant what he said and that he said what he meant. There was no equivocation about his pledge. There were no ifs, and, or buts. Today, more than 7 months after VJ-day, however, we are still lashed to the OPA whipping post.

Knowing that the supply of crude oil and its principal products had not merely approached demand nor even merely equaled demand, but had actually exceeded demand ever since last August, the industry assumed that in the light of Mr. Bowles' unequivocal pledge that decontrol of its price structure was only a formality. However, months have passed since that pledge was iterated and reiterated; but, despite the fact that inventories of crude oil above ground have increased from day to day and week to week and month to month, even in the face of sharp curtailments in production under the orders of the State regulatory agencies, the only satisfaction the industry has been able to get from OPA has been a meaningless promise to "study the situation."

Hon. Wright Patman, chairman of the Small Business Committee of the House of Representatives, which committee has made an exhaustive study of the oil price control structure, particularly as it affects the thousands of independents engaged in the business, has only recently insisted that, in the light of the indisputable facts as to supply and demand, the industry should be relieved immediately from continued price control.

The only satisfaction he has obtained has been a nebulous promise that it "might be possible" to suspend controls by midsummer and thereby place the industry on probation for an indefinite period.

We are not asking for probation. We feel that the petroleum industry is entitled to its economic freedom in order to meet its many and variable problems as it has done since the discovery of the Drake Well in Pennsylvania, more than 80 years ago.

The industry is now more apprehensive than ever about the purposes of OPA because of the apparent change in its attitude since Mr. Bowles testified before the House Banking and Currency Committee.

Several weeks subsequent to his testimony, Hon. Paul Porter, successor to Mr. Bowles and the present OPA Administrator, appeared before that committee and it is quite significant that not once in his thousands of words of testimony did he say or even intimate that controls would be removed when supply approached, equaled, or even exceeded demand, as has been pledged by Mr. Bowles.

The latter's announced policy, which had been completely unproductive of results, apparently has been scrapped. Mr. Porter told the committee that controls would be removed "as rapidly as it is safe to do so." That, of course, is an ambiguous statement that has no meaning at other than the OPA will retain to itself the authority to make the determination as to when it is safe to remove controls and that it will not necessarily be guided by the fundamental factors of supply and demand. Mr. Porter in his testimony insisted that there must be confidence in the integrity of the Government's word that it intends to drop emergency controls "just as rapidly as it is safe to do so."

The oil industry would have complete confidence in any pledge of the Government, given by the President of the United States or by the Congress of the United States; but, in the light of the record, I may say frankly that it can hardly be expected to have any great degree of confidence in the word of the OPA.

We do not feel that we are asking for anything to which we are not entitled when we request that the pledge of the OPA, in which Mr. Porter has asked us to have confidence, is written into the Price Renewal Act.

As passed by the House, the bill contains a provision making it mandatory for OPA to decontrol commodities when supply reaches a certain point on a yardstick which is established and further provides that with respect to industrial products the OPA advisory committees shall determine when that point is reached and that in respect to agricultural commodities the determination shall be made by the President of the United States. We ask that this provision be retained in the act. Opposition to its retention by the OPA can hardly be construed in any other significance than that the OPA is determined to continue its wartime power over all American industry.

Senator TAFT. Mr. Hallanan, that amendment is "Production equals 1941" or something of the kind?

Mr. HALLANAN. That is right.

Senator TAFT. What effect on your industry would it have if production had reached 120 percent of 1941?

Mr. HALLANAN. Oh, we are well beyond that figure. I think we will have figures a little later on on that, Senator.

The oil industry wants to be done with surveys, studies, reports, and questionnaires. It wants to be free to meet the normal, peacetime demands of the American people, and at the same time build up the Nation's oil reserves in order that we may not become a have-not nation in this one critical material so essential to our economy and our national defense.

A specific example of the effect that production restriction by price control has on the motoring public is the present shortage of metallic lead which is now in such short supply due to a demoralized economy that current allocations of industrial lead are so limited that the American motorist is now confronted with the prospect of a return to the inferior wartime gasolines with their pings and knocks—simply because, without enough lead, the high antiknock rating of postwar gasoline cannot be economically maintained. Here again the petroleum industry may be blamed by the public for a fault that like so many others sprang directly from OPA.

I may say that the industry here and now disclaims responsibility for future low-cost supply of petroleum products to the American public if OPA controls are continued; but, if the industry is permitted to operate under the flexible law of supply and demand, it is confident that it can furnish an adequate and continuous supply of crude oil and its products at reasonable prices.

Because of unnecessary continuation of OPA regulation of the oil industry since VJ-day, there have been many bottlenecks and hindrances in getting petroleum products to the American people at fair prices. This situation will become progressively worse if the industry is unnecessarily kept in a "strait-jacket." It is in the public interest that this situation should be recognized immediately and corrected promptly.

Petroleum supplies are now ample to meet all foreseeable demands if they are not subject to frozen and unrealistic price structures. On any yardstick that would measure adequate supplies to take care of all demands, the petroleum industry is ready to meet every test.

After many months have elapsed since the close of the war—during which we mobilized every resource at our command to fill every need of our fighting forces on every front—this industry which gave forth oil and petroleum products in quantities and kind never dreamed of before finds itself locked up in the hands of a Federal price-control agency which seeks to impose its distorted economic will over our destiny and the welfare and security of the American people.

It becomes increasingly evident that certain groups which enjoyed the exercise of far-reaching power during wartime prefer indefinite continuation of their wartime power to direct the Nation's economy. Having had a taste of power they found it a sweet morsel, very much to their liking. They are loath to give it up now.

There is no room in a free America for any Government control that is exercised for control's sake alone. There must be some sound

justification in the public interest. That justification does not exist today insofar as the oil industry is concerned; it has not existed since the end of the war, and there is no foreseeable circumstance under which it will exist in the future.

Gentlemen of the committee, the war we have so recently won was an oil war. On the sea, in the air, and on the land, oil was one of the great factors that gave us superiority and ultimate victory over our enemies. Our allies looked to us for the oil to carry on their victorious advances.

If those who blazed the trail in the past generations in finding oil, had been compelled to build our great crude-oil reserves and our refineries and distribution lines with an OPA mandate over their heads, there might have been another story to tell today.

These crude reserves from which flowed the high-octane gasoline, the lubricating oils, and the fuel oils that took our Navy armada to the four corners of the earth, would not have been there. We have our oil reserves today because the American oil producer—the “wildcatter,” if I may use that name—went forth to take a chance in the most hazardous business in the world—finding oil. That would not have been the case if he had thought it would be necessary to see his product sold under an arbitrary price structure that denied him a fair price for his product. It would not have been possible if he had been told that he had to sell his product for less than he could replace it. Under frozen-price structures, the profit margin is entirely inadequate to attract the venture dollars that have been responsible for past discoveries of new crude-oil reserves.

May I divert for a moment to call the attention of the committee to the report of the Crude Oil Advisory Committee, set up under the auspices of OPA, and which I had expected to be covered by testimony to be presented to the committee yesterday.

The OPA Crude Oil Advisory Committee in its report stated that the oil producer was losing 36 cents a barrel based upon the cost of exploring and finding oil on the figures of 1944; that he was actually losing 36 cents a barrel from what he was receiving for the oil, based upon his costs as determined by the OPA Crude Oil Advisory Committee, and that committee recommended an immediate increase of 35 cents a barrel, and the OPA finally acted on April 1 by authorizing an increase in the ceiling price of 10 cents a barrel, but that didn't take into consideration the parity based upon the average period of 1936-39 wherein the committee report shows that it would take a price of \$1.99 to give the producer parity based upon 1936-39.

Senator BUCK. Is that the base period?

Mr. HALLANAN. 1946-39; yes, sir.

Senator BUCK. In answer to Senator Taft a moment ago, you said you are 20 percent ahead of that period?

Mr. HALLANAN. Yes.

Senator BUCK. How are you compared to 1941?

Mr. HALLANAN. We are substantially higher than that now, with a substantial cut-back under our regulatory bodies in Texas and other oil-producing States. You will find a statement later on from the Texas Regulatory Commission which I have quoted in here. I have those figures in detail, Senator, which I would be glad to give you later.

To the best of its ability the oil industry is intent upon carrying out its obligations to serve the public interest. Its purpose is to get available oil products to customers in plentiful supply at the lowest price consistent with a healthy industry. This it cannot guarantee so long as it is hamstrung by inflexible and unreasonable restrictions and prohibitions that no longer have the slightest color of justification. It is an indisputable fact not so far even questioned by OPA that there is today an adequate supply of petroleum. Consequently, the principle of price control is wrongly and dangerously applied to petroleum products.

I use the word "dangerously" advisedly, because it is a fact that seasonal shortages of certain types of heating oils during this past winter were OPA-created. The facts are that the public was denied an adequate supply of certain heating oils for a considerable period while the slide-rule theorists in OPA debated the location of a decimal point. By the time they finally decided on its proper location, the peak of seasonal demand had passed.

The people are concerned with the question of whether the crude-oil productive capacity in the country today is sufficient to meet all requirements. The answer is "Yes." There is not only enough capacity to meet the needs, but some to spare.

The requirements for 1946 as estimated by the PAW, with additions made to cover the revised requirements of the Navy and War Shipping Administration is 4,381,000 barrels daily. The surplus productive capacity is, therefore, more than 300,000 barrels daily. Actual production during January and February of this year resulted in a large accumulation in stocks even though this was a period of peak requirements. As a result, production in March was cut down to about 4,400,000 to prevent further accumulation.

I think it would be interesting to this committee to quote from a telegram sent to the President of the United States only a few days ago, signed by all three members of the railroad commission of Texas, which is the oil regulatory body in that State which alone produces approximately one-half of the Nation's crude-oil requirements. This public body speaks with thorough knowledge of the problems of supply and demand in the petroleum industry. This telegram tells most convincingly the facts about the adequacy of our petroleum supply. I quote, as follows, certain excerpts from a telegram to the President of the United States:

The three undersigned regularly elected commissioners, composing the entire Railroad Commission of Texas, which is the oil and gas conservation and production regulatory body of the sovereign State of Texas, wish to assure you and all the administration and the Congress that petroleum production is presently in balance with consumptive demand. We respectfully submit that OPA controls should be decontrolled on petroleum and all its products immediately in order that further wasteful overproduction of gasoline may be avoided.

The Navy's fuel oil shortage was brought on by OPA restrictions. Refiners lost money on manufacturing fuel oil at the rate of about 1 cent a gallon so therefore they manufactured as much gasoline as they could out of a barrel of crude and correspondingly just as little fuel oil as possible. Then besides preference in price was given to export fuel oil.

The Navy's shortage of fuel oil was not caused by any shortage of production of crude. However, when the Navy brought their shortage of fuel oil to our attention the Railroad Commission of Texas promptly authorized the increase of crude-oil production from Texas wells of 200,000 barrels per day, bringing our State's authorized permissive crude production up to 2,160,000 barrels per day for the month of April.

Senator TAFT. Mr. Hallanan, I don't want to interrupt you, but I am afraid I at least cannot wait. It will take you nearly another half hour to finish this.

Mr. HALLANAN. I think I can finish this in 10 minutes.

Senator TAFT. But you have taken nearly a half hour for 7 pages. I am afraid I cannot wait. I think you have made your point. There is one question I have. You might tell us what OPA's answer is to this. What is their objection to taking off the control? They think the price would go up a lot, is that it, because they have held it too rigidly?

Mr. HALLANAN. I think if you will just give me a moment or so I deal with that on page 9.

We pledge to you, sir, and to the administration, and to the Congress of the United States that there shall never be a shortage of crude oil from Texas if it can be produced without causing physical waste and harm to the producing reservoirs.

When any commodity is in production balance with consumption there is no need for further artificial controls. We believe that fundamental.

Here is a specific case where OPA artificial control too long continued in force is actually working against our national security in making unavailable fuel oil for the Navy. If decontrol is effected the Navy can readvertise for bids on its fuel-oil needs and award the contracts to the lowest bidders as was the custom before controls.

Within the last few days, Mr. Ralph K. Davies, who, as Deputy Petroleum Administrator for War, mobilized the vast petroleum resources of this Nation to carry on the war and to supply the needs of our own military forces as well as the needs of our allies, testified before a congressional committee that—

there was no longer any need for price control in the petroleum industry.

There can be no doubt as to the present crude-oil productive capacity being in excess of maximum requirements.

What of the future? That will, in our opinion, depend on price control.

The question will naturally be asked: Will lifting of price control result in an increase in crude and product prices? The answer is, most probably, "Yes—to a small percentage." Certainly there can be no runaway of prices on petroleum products for the very obvious reason that there is ample supply to meet all foreseeable demands of the consuming public. The real question is: Would such an increase be in the public interest? I will not try to answer that question, but will state the facts:

With present price ceilings on crude oil, the return to the producer is less than the cost of replacing his product. In order to maintain production, new fields must be discovered because the old fields are constantly declining in productive capacity.

As a matter of fact, three-quarters of our crude-oil production comes from one-quarter of the wells. If there were no new drilling of any kind, the productive capacity would fall below requirements within a year.

To drill enough wells and find enough fields to sustain productive capacity requires tremendous and increasing amount of capital each year. Capital is attracted into this risky business only if profits are possible when the driller is lucky enough to find at least an average amount of new oil. However, when the cost of finding and producing

oil costs more than the sales price of the oil, as it does today, it may be expected that drilling activities will decrease markedly. This will result in a short supply of crude oil within the near future.

I submit: Is this in the national interest? The military people tell us it is not. How about the public—the average consumer of gasoline, kerosene and heating oil? He may save as much as 1 cent per gallon on his purchases for perhaps a year. Is it worth it to him to have this country become a “have-not” nation as regards oil?

Consideration must be given to the future as to what his cost will be in later years when the Government, realizing the danger to the Nation resulting from the mistakes it made this year, attempts to rectify them by high-cost synthetic production—perhaps subsidized but still at the taxpayers' expense. Or maybe they will simply return to rationing the public on gasoline and other petroleum products.

Now, Senator, I might call your attention to this fact: That today gasoline is selling from one-half to three-quarters of a cent under the ceiling price, just because of this frozen-price structure that has resulted in a shortage of certain products where the refiner could not adjust his runs to the requirements of the public because if he did he is losing money. He is going broke. The result is you have an accumulation of gasoline stock today at way beyond any need and gasoline is still below the ceiling price.

We ask for control of our own industry so that we can meet these seasonal requirements.

The CHAIRMAN. You contend there is an adequate supply?

Mr. HALLANAN. I contend there is an adequate supply and I think we can sustain that. Mr. Boyd's statement from Dr. Wilson which will be filed will show that there is a surplus of refining capacity in the United States of about 4,000 barrels a day surplus capacity.

Senator TAFT. Of course, your suggestion is that if we continue price controls it will result in an actual decrease of production which they have held out as a justification for price control still further?

Mr. HALLANAN. That is right.

It is easy to hold prices artificially low and appear to be acting in the public interest when you don't have to bear the responsibilities for the future. Certainly many oil companies can stay in business and produce some oil for a considerable time at the present prices—simply by liquidating their assets—their underground reserves—and not replacing them. No oil company wants to do this, and I do not believe the public wants it.

The old adage, “You can't get something for nothing,” is just as true today as ever. If the sole object is to have the lowest possible price for oil, then the public must be willing to put up with shortages, low quality, and lack of reserves for a national emergency. We saw what oil meant to us in the last war. A healthy, expanding industry was a national asset then, and we do not believe it has ceased to be. We wonder what the public will think when they realize where the present policies are leading.

It is well known that it was the reserve productive capacity of a number of new fields that shortened the war and assured victory, for the utmost production of the 300,000 settled and stripper wells, and of thousands of new wells drilled under such handicaps during the war, would still have fallen far short of the magnificent total of 5,197,500

barrels, or 218,000,000 gallons, of petroleum daily that was required in July 1945 to smash our last enemy. Without this reserve of oil to hurl against our enemies it is doubtful if we could have fought two wars at once without completely crippling our civilian economy by oil rationing of unbelievable severity.

Many of the fields that contributed so heavily to the call for oil, regardless of price or future, are now far less productive than they would have been under continued good production practice. Their owners have paid heavily and without recompense for the excessive depletion of the reservoir that the wasteful emergencies of war forced upon them.

Perhaps this now comes in the category of water over the dam, but the war-taught fact remains that our national security will henceforth demand an almost instantly available reserve productive capacity of at least 25 percent greater than our ordinary needs. With reasonable freedom and some encouragement, the petroleum industry will do its part in maintaining this vital reserve capacity, but it has no relish for again being penalized for its efforts.

The oil men of this Nation are deeply conscious of the ruinous effects of unbridled inflation. They are just as desirous as anyone of preventing any such tragic condition in this country. I think I may say with pardonable pride that, measured over the years, they have demonstrated a capacity for vision and action. Their record is one of the marvelous achievements by private industry.

Since the First World War we have quadrupled our crude-oil producing capacity, found and put to use enormous volumes of gas, increased our yield of gasoline from a barrel of crude oil by 75 percent, built 100,000 miles of pipe lines, and not only quadrupled refinery capacity, but changed refinery technology to an amazing extent.

During the 23 years, 1919 through 1941, we drilled 551,676 wells in the United States, of which 136,381 were failures. In 1918 technical men of the industry estimated the crude oil of the United States, both proved and to be discovered at only 7,000,000,000 barrels, and the automobile industry feared that an oil shortage would hamper its growth. Since that time our private-oil industry has produced 23,000,000,000 barrels of oil, and still has proved reserves of 20,000,000,000 barrels, while we continue to discover new fields.

The great network of highways and roads covering the United States was built by Federal and State Governments largely out of funds derived from special taxes levied on automobiles and the consumption of oil products. In the case of gasoline alone the States were collecting taxes at the rate of \$948,038,000 yearly in 1941. Along these roads and highways the oil industry has established the greatest distribution system in the world. During normal peacetime in America, a so-called nation on wheels, the motorist is rarely, if ever, beyond reach of a service station where he is assured of fine products and exceptionally efficient service.

A business dealing with so vital a product, organized so efficiently, and enjoying so rapid and constant an increase in consumption, might perhaps be expected to earn a great rate of profit and pay dividends at high percentages on investment.

On the contrary, the industry's profits, large in total dollars, have been small in relation to the investment, because the investment in

dollars has grown so great. It has been able to pay dividends at only modest rates. In the past 20 years they have averaged only 4 percent on net depreciated investment.

Those engaged in the oil industry are practical men. They are concerned with facts—facts which convince them that the only way to assure this Nation of a continuing adequate supply of petroleum over the years to come is to remove the blighting hand of bureaucracy from the industry's throat. In that way, and in that way only, will we achieve the production necessary to meet demands and at the same time maintain an adequate ratio of new reserves. That is the way to prevent inflation—the only certain way to do it. Inflation can and will be prevented only by exercise of the full capacity of America's enormous productive facilities, unhampered by strait-jacket controls lodged in hands that are without comprehension of the problems involved.

High production during the war drew heavily upon crude-oil reserves accumulated in prewar years. The industry has disposed of a substantial part of its low-cost inventory of crude oil in the ground at prices which do not stimulate sufficient exploratory and development drilling.

It is axiomatic that if you sell goods off your shelves and do not replenish those shelves, you are liquidating. The oil industry resists its involuntary liquidation. It wants to continue on a "going concern" basis. It is motivated not alone by the instincts of self-preservation, but by the knowledge that the national economy cannot survive without an adequate supply of petroleum.

The replacement of reserves is nothing new in the oil industry. It is one of its major normal operations and during the base period of 1936-39, 63 percent of the industry's gross income was put back into exploratory operations. That percentage has declined precipitately since 1941 because OPA price ceilings did not permit the industry to carry on this major normal operation with any expectation of deriving a reasonable profit therefrom. In 1941, the percentage fell to 52 percent, and in 1942 and 1943 it dropped to 41 percent.

The American petroleum industry is built upon the crude-oil producer. The needs of the millions of petroleum consumers in this country eventually fall squarely upon the owners and operators of the 425,000 oil wells in the United States. The responsibility of the industry for so much of the present pattern of life in this Nation is not so lightly held nor casually regarded by those who through four generations of the history of petroleum have inherited and steadily developed the creed of continuing service.

In the brief interval between two global wars, the demand for petroleum multiplied fivefold—and so did the supply. The degree to which that supply will continue to meet a positively increased demand depends very largely upon the liberation of the petroleum producer from the artificial and unnecessary shackles of a misplanned economy which now imbue the oil producer with a futile feeling of despair, discouragement, and disgust. So long as this attitude continues, the future oil supplies of this Nation are in jeopardy.

The oil industry insists that it is not interested in a mere suspension of price control, either now or at some uncertain date in the future. We are asking for our full freedom. We do not want the probationary

and restricting hand of OPA on our shoulder. We want to be restored to our status as a highly competitive industry. We want the opportunity to survive. We seek to conduct our business entirely unhampered by the restrictions which were imposed by Congress only as a war emergency.

The war is now behind us and we ask that the restrictions born of that war also be placed behind us.

We want the opportunity to go forth as free Americans to develop the vast oil reserves of the Nation and to be enabled to make the same kind of contribution to national security and prosperity as we have in the past. The greatest incentive to that goal would be immediate release from the strangling hold of Federal price regulation. We submit that on the facts and the record we are entitled to that consideration forthwith.

The CHAIRMAN. Mr. Hallanan, are you going to be here tomorrow, in the morning? I think somebody representing OPA will be here. We might want to ask him some questions.

Mr. HALLANAN. I have planned to leave.

The CHAIRMAN. Well, you leave, then.

(Thereupon Mr. Hallanan withdrew from the committee table.)

STATEMENT OF WILLIAM R. BOYD, CHAIRMAN, AMERICAN PETROLEUM INSTITUTE

Mr. BOYD. My name is William R. Boyd. I am chairman of the American Petroleum Institute. During the war I was chairman of the Petroleum Institute for War Council.

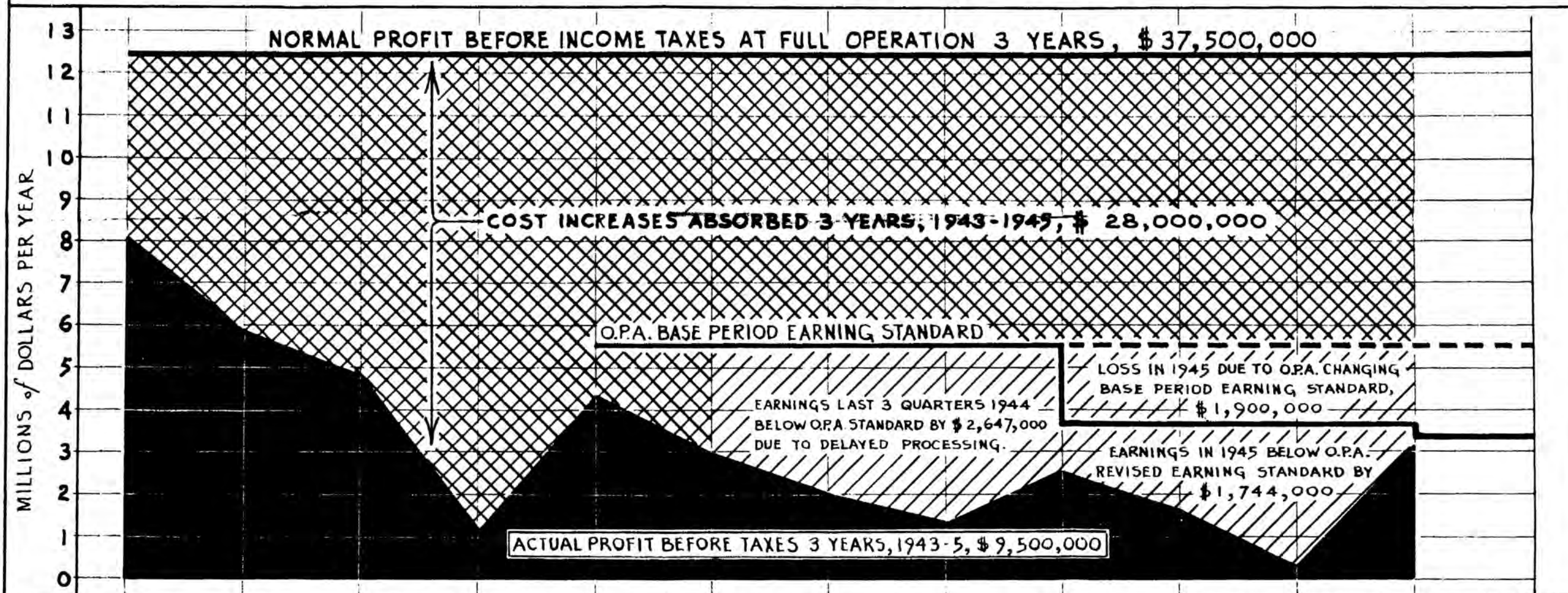
Dr. Robert E. Wilson was to have been the other witness. He is unable to be here, and I would like to put his entire statement into the record, which is very brief, including a couple of charts he has, and I can summarize in a few minutes the points he wanted to make, if you will let me do it.

The CHAIRMAN. All right.

Mr. BOYD. The American Petroleum Institute has requested me to address your committee regarding price control on the products of the refining branch of the petroleum industry. Earlier witnesses have shown you that the industry's crude oil producing capabilities are well in excess of requirements. My subject is just as simple and can be completely covered in a few minutes. The petroleum industry today has a surplus refining capacity of about 400,000 barrels per day, and much more is building. Stocks of all products are about 325,000,000 gallons higher than a year ago in spite of the fact that total consumption is much lower than it was then. All major products are today in abundant supply with the exception of heavy fuel oil, the production of which has been held back by ridiculously low ceiling prices which the OPA kept in effect throughout the fall and winter. New Navy purchase arrangements are rapidly overcoming even this last shortage.

The refining capacity in this country is more than sufficient to provide all requirements, both domestic and export, and has been in that relationship ever since VJ-day. As a result of this large capacity, operated by hundreds of different companies, the refining industry is highly competitive. This was the situation for many years before the war. It was the situation immediately following VJ-day. It is the

THREE YEARS OF MERCHANT PIG IRON UNDER PRICE CONTROL



1943 BY QUARTERS 1944 BY QUARTERS 1945 BY QUARTERS

1 2 3 4 1 2 3 4 1 2 3 4

SEPTEMBER 30, 1943
ADVISORY COMMITTEE RECOMMENDS GENERAL INCREASE IN PRICE CEILING.

DECEMBER 30, 1943
COMMITTEE FILES SUPPORTING BRIEF WITH O.P.A.

FEBRUARY 14, 1945
FIRST PRICE INCREASE OF \$1.00 PER TON GRANTED AFTER 13½ MONTHS PROCESSING BY O.P.A.

OCTOBER 23, 1945
SECOND PRICE INCREASE OF 75¢ PER TON. EARNINGS CONTINUE BELOW O.P.A. STANDARD FOLLOWING FIRST ACTION.

O.P.A. BASE PERIOD EARNING STANDARD		
DATE ESTABLISHED BY O.P.A.	PER CENT ON NET WORTH	ALLOWED ANNUAL EARNINGS
MARCH 21, 1944	5.6	\$ 5,600,000
FEBRUARY 14, 1945	3.7	3,700,000
MARCH 15, 1946	3.4	3,400,000

MARCH 15, 1946
THIRD PRICE INCREASE OF 75¢ PER TON STATED BY O.P.A. TO PROVIDE PROPER EARNING STANDARD FOR NEXT 12 MONTHS.

situation today, and I am sure will continue to be the situation in the foreseeable future.

No matter what theories one may believe regarding price control in industries where production is inadequate to meet demand, the only possible reason for continuation of price control on the petroleum refining industry is a disbelief in the competitive system. There was just as much reason, or, better, lack of reason, for price control on refining before the war as there is now. There will be just as much reason, if any, 1 year from now, or 10 years from now. As I see it, the issue before the Congress and the people is: Shall we have price control for control's sake? If the answer is yes, then we must be prepared to continue it indefinitely and to accept all that goes with it—rationing and black markets, wage fixing, quality deterioration, and all the other governmental actions and restrictions which are prevalent in a controlled economy.

I feel sure that this is not the answer of the American people and that the Congress will reflect their real desire to return to a competitive economy where the consumer, and not a Government bureau, tells the supplier whether or not his price and quality are satisfactory. The OPA has repeatedly assured industry and the public that they would eliminate price control whenever an industry could meet public demand, but they have not lived up to that promise in our case.

As to competition, all I need to say is that the refinery price of gasoline is today $\frac{1}{2}$ -cent to $\frac{3}{4}$ -cent a gallon under the ceiling price in most areas of the country, due to the fact that arbitrary price ceilings encouraged the production of gasoline instead of the fuel oil that was really needed. As to profit margin, several small refiners have shut down because they cannot make a profit under the highly competitive conditions which exist and many have had to curtail operations.

It is true that, in spite of this surplus refining capacity, individual product shortages have appeared during the past few months; first kerosene, then heating oils and Diesel oils, then residual fuel oil. In each instance these shortages resulted from an arbitrarily, and wrongly fixed price relationship between the multiple products made by refiners. The fixed prices were determined largely by the 1941 pattern of relative demand when it was necessary to maximize the production of gasoline. When the demand pattern changed toward more fuel oil and less gasoline, as it did following termination of the war, it was essential for the price relationship between individual products to change accordingly, if the yields from crude-oil processing were to fit the new requirements. This fact has been pointed out by the industry ever since the end of the war.

I won't burden you with the interminable discussions which have been held with OPA; not to increase the total income to the refiners, but primarily to adjust individual product prices to meet the new requirements. They were given in detail at the recent hearings before the House Banking and Currency Committee. Suffice to say that eventually after the successive crises had been allowed to develop, OPA made the price adjustments and the individual supply situations were corrected. This is clearly illustrated for the case of kerosene in the chart showing district I production and inventories. However, the long delays in making the adjustments, which OPA eventually agreed were correct and necessary, brought about local shortages and an

unbalanced yield and stock situation which contributed to the next crisis. Each time, however, OPA pointed to the crisis which they themselves had created by their slowness of action, as a reason for the continuation of price controls and even as a justification for additional governmental control of the industry. They even suggested at one time that kerosene and heating oils be subjected to distribution control which would have meant rationing, which the industry strongly opposed as indefensible in view of the adequacy of industry capacity.

All of this was totally unnecessary. If price controls on the refining industry had been lifted following VJ-day, and the industry even at that time could have filled any formula for decontrol since enumerated, no shortages would have appeared and the average refinery margin on petroleum products would not have been measurably higher than it was under price control.

Neither I nor anyone else can predict exactly what will happen to each individual product price in each section of the country when price controls are removed. The price of some products, such as residual fuel oil, will undoubtedly increase in some areas. The reason is that they were held artificially low by OPA, which not only discouraged production but created an artificially high demand in relation to competitive fuels, such as coal, which resulted in heavy drafts on stock. As in the past, a free market will quickly eliminate these abnormalities when the competitive factors are allowed to dominate. In spite of probable increases in some product prices, I am confident that with the competitive pressure of 400,000 barrels of excess refining capacity the weighted average refinery margin will not increase except possibly to the moderate extent justified by recent increases in labor and raw-materials cost.

If there was ever an example of where price control could do nothing but harm to an industry, to the public and to the country, we have it in the refining industry. It is our earnest hope that the Congress will, in the national interest, speedily correct this condition.

The CHAIRMAN. Tomorrow morning we will meet at 10 a. m.; when James Carey, secretary-treasurer of the Congress of Industrial Organizations, will be our witness. We will not have a session in the afternoon, because of the funeral services for Chief Justice Stone.

Senator TAFT. Is Mr. Carey the only witness tomorrow?

The CHAIRMAN. He is the only witness.

(Whereupon, at 6:30 p. m. an adjournment was taken until Thursday, April 25, 1946, at 10 a. m.)

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

THURSDAY, APRIL 25, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to recess on yesterday, in room 301, Senate Office Building, Senator Robert F. Wagner (chairman) presiding.

Present: Senators Wagner (chairman), Murdock, Taylor, Fulbright, Mitchell, Carville, Tobey, Capper, Buck, Millikin, and Hickenlooper.

The CHAIRMAN. The committee will come to order. We have here as our witness this morning Mr. James B. Carey, secretary-treasurer of the CIO. We will have to recess at 12:30 until tomorrow because of the funeral.

All right, Mr. Carey.

STATEMENT OF JAMES B. CAREY, SECRETARY-TREASURER, CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. CAREY. Senator Wagner and members of the committee, I am James B. Carey, secretary-treasurer of the Congress of Industrial Organizations.

During the consideration by the House of OPA extension two Republican gentleman hailing from Ohio and Nebraska referred publicly to the OPA Act as an economic narcotic.

Senator MILLIKIN. Mr. Chairman, I should like to invite the attention of the witness to the fact that the vote in the House showed that quite a few Democrats had the same view.

Mr. CAREY. I am referring solely, Mr. Chairman, to a public statement made by two Republican Congressmen and I shall proceed to indicate why I cite their quotation.

The CHAIRMAN. Very well.

Mr. CAREY. I regret very much that many Democrats in the House joined with a great number of Republicans in the House to do a job on the American people.

Senator MILLIKIN. In other words, a matter that, for better or worse, received bipartisan consideration—the villainy you attribute to the House was done by both parties.

Mr. CAREY. Well, the Democrats in the House did a much better job than the Republicans.

Senator MILLIKIN. You look at the vote and you may change your mind.

Mr. CAREY. There were more Democrats who voted in favor of the OPA Extension Act than there were Republicans.

Senator MILLIKIN. Well, there are more Democrats in the House, I am sorry to say.

Mr. CAREY. I think there are too many Democrats of the type that did the job on OPA and too many Republicans of the same ilk in the House of Representatives. I hope that same pattern is not followed in the Senate.

Senator BUCK. If this is going to be a partisan speech by the witness I think he should tell us in advance.

Senator MILLIKIN. If he wants to make a partisan speech we will have to have a partisan discussion, if that is his purpose, and he opens with that kind of a statement. I want him to have free speech, but I am going to have free speech, too, if he is going to make a partisan speech.

The CHAIRMAN. All right. You may proceed, Mr. Carey.

Mr. CAREY. So that there will be no misunderstanding, I am against the Democrats and the Republicans that voted to do the job on OPA in the legislation in the House. I am now testifying and asking that the Senate not follow the same pattern as those Democrats and Republicans in the House that destroyed the effectiveness of price control. May I begin again?

The CHAIRMAN. Yes.

Mr. CAREY. During the consideration by the House of OPA extension two Republican gentlemen hailing from Ohio and Nebraska referred publicly to the OPA act as an economic narcotic. They then went on to say that regardless of all else the natural economic laws of the universe will continue to function.

I cite this quaint quotation by two members of the House merely to point out that we have in this country side by side with our democracy an economic monarchy which makes its own laws, enforces them at its own pleasure in calm disregard of our political democracy. When those two members of the House referred to the "natural economic laws" of the universe they didn't mean at all what the phrase seems to imply. They meant the dictatorial mandates of the reigning economic monarchy.

Senator MILLIKIN. Mr. Carey, may I ask you, are you charging this administration with permitting the existence of an economic monarchy?

Mr. CAREY. I am charging that an economic monarchy exists.

Senator MILLIKIN. Within this administration?

Mr. CAREY. Within this society.

Senator MILLIKIN. Under this administration to which you have given your support for all of these years?

Mr. CAREY. The economic monarchy was not brought about during the present administration.

Senator MILLIKIN. Did this economic monarchy grow up since yesterday?

Mr. CAREY. No, sir. This existed in a period when Mr. Hoover was President, Mr. Calvin Coolidge was President, and Mr. Harding was President. It ran over even into the administration of Mr. Roosevelt.

Senator MILLIKIN. And during the last 16 years this administration has not been able to eliminate that monarchy?

Mr. CAREY. No, sir.

Senator MILLIKIN. But you have continued to support it?

Mr. CAREY. I am asking that we eliminate it.

Senator MILLIKIN. You want it to continue to exist?

Mr. CAREY. No, sir. I am asking that it not continue in the same position of power.

Senator MILLIKIN. You have not been able to do anything very effective about it, if you don't like it?

Mr. CAREY. That is correct. I am asking now that I get a little bit of assistance from some of the Senators. I am trying to see to it that they don't use the present opportunity they have to bring chaos and confusion into this Nation, the same type of chaos and confusion we had during the period when Hoover was in the White House.

Senator MILLIKIN. And you are saying that has been continued during the last 16 years?

Mr. CAREY. I do not say it is done with the assistance and support of the President now in the White House. I think it has been done in spite of his recommendations in support of OPA and other good legislation.

Senator MILLIKIN. It has been done despite the position of the administration during the last 16 years in power?

Mr. CAREY. Yes.

Senator MILLIKIN. So this reigning economic monarchy, despite the fact the President of the United States said he had the key in his pocket, has continued to exist?

Mr. CAREY. I know of no such quotation by the President.

Senator MILLIKIN. Don't you remember the great speech that was made during the last 16 years where it was described how the economic monarchists controlled the country of the beginning 16 years ago, but that now, "I tell the people that the White House is master of the economy and this President in his office has the key in his pocket"; don't you remember that?

Mr. CAREY. I don't remember it.

Senator MILLIKIN. We were supposed to have eliminated the economic monarchists 8 or 10 or 12 years ago. Now you come up here and say they are still here. You fellows have supported them consistently.

Mr. CAREY. Supported whom?

Senator MILLIKIN. Supported the administration which has not been able to defeat the monarchy under your own testimony.

Mr. CAREY. Our record, I suppose, is as clear as your own in regard to special issues in this country.

Senator MILLIKIN. I know what your record is.

Mr. CAREY. Our record is not involved in that economic monarchy. I am not quite so sure I can say the same about your record.

Senator MILLIKIN. You have voted for the maintenance of an administration which under your own testimony has continued economic monarchy; at least, has not been able to defeat it.

The CHAIRMAN. Well, let's go on.

Senator MILLIKIN. Mr. Chairman, I did not provoke this political discussion. I enter it with great joy if that is the kind of thing we are going to have here today, but I did not provoke it.

Mr. CAREY. Senator, do you subscribe to the statements made by the Congressmen from Ohio and Nebraska that I quoted here?

Senator MILLIKIN. They referred to it as an economic narcotic. Of course, I don't know what they had in mind, but I would not for one moment hesitate to make the argument that there is an element of the narcotic in OPA. When you speak about a "line" and the "maintenance of a line" which does not in fact exist, you are proposing an economic narcotic.

Now, let me make that clear. When you talk about a line on meat which does not in fact exist, it is an economic narcotic, and when you talk about a line in building materials which does not in fact exist, you are talking something that is false and fictitious and which is an economic narcotic. When you talk about a line in the farm business which does not exist, you are doing the same thing. This whole hearing has been full of one instance after another of the very thing I am talking about, which might be referred to as an "economic narcotic."

Mr. CAREY. Senator, did you not support the OPA during the period of the war?

Senator MILLIKIN. Yes.

Mr. CAREY. Did you vote for an economic narcotic?

Senator MILLIKIN. I am going to vote for it this time, but I hope to have some restrictive amendments which will get OPA's mind on the business of encouraging production while holding the line.

Mr. CAREY. Well, the testimony I have to offer, Senator, indicates that that is merely a dodge that is destroying price control in a manner that will do injury to the people of this Nation.

Senator MILLIKIN. In other words, you want to maintain a fiction?

Mr. CAREY. No, sir; we prefer to maintain price control.

Senator MILLIKIN. You say it is price control.

Mr. CAREY. The price control that you voted for, Senator, we think is necessary today. We don't think it is an economic narcotic.

Senator MILLIKIN. Do you say price control is being maintained today?

Mr. CAREY. I am not too sure now, in view of the action of the House and in view of the attitude you represent.

Senator MILLIKIN. Those conditions originated and existed long before the House took that action. That may be the reason why they took the action they did.

The CHAIRMAN. All right. Will you proceed?

Mr. CAREY. There are no such things as "natural economic laws."

Senator MILLIKIN. Who repealed those?

Mr. CAREY. They never existed.

Senator MILLIKIN. My God! That is astounding information.

Mr. CAREY. In the first place, economic laws are a prostitution of the aims of nature, whose first purpose is to fill the needs of man. In the second place, the only basis for any so-called economic law is the repetition over and over again of the vicious things that happen in the market place. There is nothing legal about them. They state only an effect and cause nothing.

Attempts to sabotage OPA and price control, in plain words, stem from the effort of certain greedy interests to perpetuate their holding up of the American people still further.

Senator MITCHELL. Would you call that campaign a scare campaign?

Mr. CAREY. I think it is proper within our democracy for the National Association of Manufacturers to carry on the campaign they have engaged in, but I am not too certain it has been properly refuted. I hope it does not have an impact on the Senate because the campaign of the NAM was definitely misleading.

Senator MITCHELL. When you say it was not properly refuted are you suggesting that the OPA should have been on the air more and should have talked more?

Mr. CAREY. Yes, sir; so should the CIO, so should the A. F. of L., and so should all the consumer groups. Unfortunately the American people do not have the resources of the National Association of Manufacturers. They do not have access to the radio and the campaign funds. The campaign of the National Association of Manufacturers, if it is a scare campaign, has been a campaign to blackjack the people and the OPA into silence.

Senator MITCHELL. Would the American people have any method of raising \$400,000 to carry on a Nation-wide campaign for OPA?

Mr. CAREY. Certainly they would not.

Senator MILLIKIN. Oh, the A. F. of L. would, and the CIO would.

Mr. CAREY. They would not have access to the channels of public information that were available to the National Association of Manufacturers. I refer specifically to the remarks addressed to the American public generally.

Senator MILLIKIN. I haven't seen any lack of propaganda in favor of OPA.

Mr. CAREY. Well, I am sure, Senator, you have seen the campaign of the National Association of Manufacturers.

Senator MILLIKIN. They testified the other day they spent three-hundred-thousand-and-some dollars. That is not 10 percent of what you fellows spend on a national campaign.

Mr. CAREY. I only wish we had some \$300,000 to spend in support of price control in this country today. Unfortunately, the NAM secure their funds from the work of the people, most of them members of the CIO.

Senator MILLIKIN. Where does the CIO get its funds? From them?

Mr. CAREY. Yes.

Senator MILLIKIN. Of course.

Mr. CAREY. But the NAM is not serving the interest of the CIO.

Senator MILLIKIN. You don't criticize them for that, do you?

Mr. CAREY. I said, Senator, they have a right to do it, but unfortunately others do not have the same opportunity and in the same degree as the National Association of Manufacturers. They do a lobbying job here and they do a job in the newspapers of the country and all over the radio. As treasurer of the CIO I can tell you we do not have the resources of the National Association of Manufacturers.

Senator MILLIKIN. Well, I have made some study of the publicity work of your own organization and I think it is without par in skill or extent in this country. I don't think there is anything that compares with it. I think you are masters of the subject. I don't think you should complain because someone else wants to do a little job of propaganda.

Mr. CAREY. Believe me, Senator, I don't complain because they want to do a job of propaganda. I only regret that we do not have

the resources that they have. I agree that we do a better job with a dollar than the NAM can do.

Senator MILLIKIN. And you have a lot more dollars to spend.

Mr. CAREY. I said, Senator, as treasurer of the CIO that we don't have. We just don't have it. I regret we don't.

Senator MILLIKIN. Well, you will pass the hat pretty soon and you will have some more.

Senator MITCHELL. You haven't had \$395,000 to buy full-page ads in all the dailies of the country on OPA.

Mr. CAREY. That is correct, and I regret that we haven't.

Senator MILLIKIN. There is no limitation on your pamphlets. They are excellent pamphlets.

Mr. CAREY. The advantage we have, Senator, is that there are more workers than there are employers in this country. The only advantage we have against the NAM is that the NAM represents 10 percent, the worst 10 percent of the employers of this country and we are much more representative of our people than the NAM is representative of the employers of this country—fortunately. That, I think, is one reason why, even to you, Senator, our campaign of education on these issues is better than that of the NAM.

Senator MILLIKIN. I think you do a superb job and I am not fooling.

Mr. CAREY. Thank you.

Senator MILLIKIN. I want to say to you here that I don't hold with the full extent of the NAM position, so that you certainly don't need to picture me as having cloven hoofs, horns, horns coming out of my head, and breathing sulfurous fumes.

Mr. CAREY. I will look carefully at your record. I will be happy to publicize your support and championship of OPA without amendments.

Senator MILLIKIN. Well, I am not going that far, either. I am a middle-of-the-roader.

Mr. CAREY. It has been a carefully planned campaign. There is nothing spontaneous about it. If you will harken back a few brief weeks you gentlemen of the Senate will recall the extensive newspaper advertising campaign carried on by the National Association of Manufacturers against price control. These advertisements made two major points: (1) That price controls were delaying reconversion and holding back the production of goods; (2) that if we could only have a return to unlimited free competition, all would be well with our economy.

I now point out that this newspaper campaign was carefully timed for the period in which it occurred. It was more than coincidence that at that time more than 1,500,000 mass-production workers were on strike throughout the Nation for wage rates that would represent just a bit more than bare subsistence standards. A suspicious person might deduce that the forces attacking OPA had more than a casual interest in forcing the strikes. I leave the deduction to whoever cares to make it.

With regard to the two major premises in the NAM propaganda campaign, let us consider the first one—that price controls were and still are holding back production. The truth of the matter happens to be that more goods are being produced today than ever before in

this Nation's peacetime history. The figure has been estimated by competent authorities at \$150,000,000,000.

But let us not deal with generalities. Last November, the Bridgeport (Conn.) Chamber of Commerce conducted a survey of that town under the OPA. The claim was that unless price controls were relaxed or removed 8,700 persons would be laid off in Bridgeport by February 15, 1946. This survey was quoted by Robert R. Wason, president of the NAM in a public statement on January 19 as evidence that price control was ruining the country. Perhaps Mr. Wason did not know, or perhaps he did not care to know, that on the day he was making that statement, employment in Bridgeport had increased by 4,800 workers to reach an all-time high for that city.

I leave the contention of NAM that price control is preventing production to the intelligent judgment of the members of this committee.

On the second point, that a return to unlimited free competition will solve all our economic ills, let me point out that the proponents of this theory know it is complete and utter falsity. They themselves have no intention of returning to practices of free competition. They are dealing merely in catch words. They know that free competition in the market is left for small businessmen, farmers and workingmen to delude themselves with.

Up above the small business level, free competition has been pretty well abandoned. Economic domination has taken its place. When the NAM makes a plea for free competition it is arguing for more and more economic domination arrived at through curtailed production, consequent scarcity of goods, administered high prices, and relatively low wages.

The only competition that exists is in the race to get to the market first and skim off the cream of the profits. Economic well-being becomes purely a personal affair under the NAM banner and the rest of the community is abandoned to its own devices.

The next point I raise is an old one. It has to do with the matter of credentials. When I appear here today as spokesman for the Congress of Industrial Organizations, I submit myself to questioning with regard to the people for whom I speak. If your committee wants details I can give them to you. I speak for the membership of the CIO which has chosen its representatives through the democratic processes of which we are all so proud here in the United States.

Today, as I appear here, therefore, I speak for our more than 6,000,000 members throughout the United States. I speak, also, in behalf of the consumers whom those 6,000,000 members represent. If we assume the usual average of four dependents to each worker, I speak for 24,000,000 of our American citizens who are threatened with the devastation of inflation.

Senator MILLIKIN. Mr. Carey, I ask you this question and not because I consider it of any importance, but because one of the Senators the other day in questioning Mr. Wason asked him whether he had told each and every one of the members of his organization about his statement. The Senator seemed to consider it as significant that he had not done so. Has this statement been submitted to each one of your 6,000,000 members for an opinion?

Mr. CAREY. The 6,000,000 members of CIO operate through their democratically elected representatives.

Senator MILLIKIN. Yes.

Mr. CAREY. We hold national conventions in which we consider price control; in which the representatives discuss the thing, the question of price control, and urge the enforcement of price-control legislation even better than we have had.

Senator MILLIKIN. In other words, you haven't told each of your members of this particular speech?

Mr. CAREY. May I go further?

Senator MILLIKIN. Yes.

Mr. CAREY. Then we have State organizations and each of the State organizations has considered this matter of OPA. Then we have city organizations. We coordinate the activities of our locals in the States. We have local unions in which the members are polled in open meetings in which they discuss the issue.

The national organization participates in the activities of the CIO through the city and State organizations as well as the industrial organizations. We have a clear indication of what our people seek regarding these questions.

Senator MILLIKIN. I don't for one minute challenge the statement you are speaking for the members of your organization. I asked you the question I did—

Mr. CAREY. In the local meetings, sir, they have been polled.

Senator MILLIKIN. Has the statement been submitted to each of your 6,000,000 members with a request for his opinion on this particular speech?

Mr. CAREY. No, sir.

Senator MILLIKIN. I don't regard it of any importance that you have not done so. As I say, I mentioned it merely to balance the same line of questioning that was put to Mr. Wason the other day.

Mr. CAREY. Well, sir—

Senator MITCHELL. Mr. Wason made the point that he had submitted a question on OPA to 800 of 15,000 members in the—

Senator MILLIKIN. I think he said 1,500 out of 15,000.

Senator MITCHELL. Yes, and 800 had replied. I think it would be more difficult to contact 6,000,000 people than it would 15,000. I think within reason you could contact 15,000 people in this country.

Senator MILLIKIN. I agree entirely with that. I don't regard the point I have made as relevant, or the point that Senator Mitchell made as relevant. I merely wanted to bring the matter in balance.

Mr. CAREY. Senator, I think it would be relevant. I do so because the CIO is supporting this legislation that has been in operation and the NAM is attempting to kill this legislation. If we had a choice between the NAM and its 15,000 people and the 24,000,000 people I am delivering testimony for, I can say to you we have not had in one single instance an indication that any worker, member of the CIO, is opposed to price control.

Senator MILLIKIN. I am not in position to discuss that with you, and I am perfectly content with your representation here. I do not challenge for one moment your right to make the statement, nor do I suggest that you are not representing the opinion of your people.

I think it would be absurd for you to poll every member of your

organization before a statement of this kind is made. By the same token I think it would be absurd if the NAM felt it necessary to do the same thing.

Mr. CAREY. Before we would take action to bring about inflation in this country, as one officer of the CIO, I would think it would be necessary to poll every single member of the organization.

Senator MILLIKIN. You are now assuming your case—you started out with a very fine statement that you would accord the NAM full liberty of opinion. I assume Mr. Wason has expressed the opinion of NAM. It doesn't happen to agree with your opinion, but there is no reason to believe that NAM wants to bring this country to a dead stop. It is very interested in keeping the economy of this country going. All the selfish motives that you attribute to NAM are inducements to a prosperous economy. They cannot work for these greedy objectives which you attribute to them unless they have an economy out of which they can get something.

Senator MITCHELL. In view of the trend of this discussion, Mr. Chairman, I wonder if I might have leave to have printed in the record at this point a letter I have received from Mr. H. A. McCarthy, executive director, New Council of American Business, Inc. This letter indicates that the president of the organization is general manager of the Intermountain Network, Ogden, Utah. The executive vice president is Wesley E. Sharer, of Wesley E. Sharer & Associates, Chicago, Ill. The secretary is William L. Maas, secretary of the Pacific Sound Equipment Co., Los Angeles, Calif. The assistant secretary is Frank Jaros, vice president of the Kompolite Co., New York City. The treasurer is Samuel Rubin, president, Faberge, Inc., New York, and the executive director is H. L. McCarthy, of Washington.

I don't know anything about the organization. I have merely received this letter. The letter states [reading] :

Independent businessmen are alarmed at the sabotage action of the House yesterday.

One good indication of this is the enclosed letter to New York Times in answer to an NAM blast printed in that paper last Sunday.

In this letter we nail NAM misrepresentatives and give the real belief of the independent business community.

Elimination of price control at this time would throw all business into a maelstrom of inflationary bidding for goods and service.

We deem it exceedingly unfortunate and misleading that the lush treasury of the NAM is being used to convince the public that businessmen are against price control. The New Council of American Business completely supports Mr. Bowles' and Mr. Porter's far-sighted efforts to save the business structure of the Nation.

Sincerely yours,

H. L. MCCARTHY,
Executive Director.

I ask also that the letter sent by Mr. McCarthy to the New York Times be printed in the record.

The CHAIRMAN. That may be done.

(The letter referred to is as follows:)

APRIL 17, 1946.

Reply to Mr. Weisenberger.

EDITOR OF THE NEW YORK TIMES.

DEAR SIR: Mr. Weisenberger's reply to Mr. Bowles is a prime example of the evasiveness which characterizes pronouncements of the National Association of Manufacturers. The NAM does not, however, speak for the majority of businessmen who want to keep price controls on, wherever needed, for at least another

year. Many of the members of our organization, the New Council of American Business, also belong to the National Association of Manufacturers.

Not one of these has ever been approached through any survey by the NAM to discover their attitudes on price control. In one paragraph Mr. Weisenberger says "the fact is that a majority of manufacturers oppose price control." In another paragraph he says "97 percent of a representative cross section find price controls hampering manufactured goods production."

These statements raise two questions: One, How many businessmen were canvassed to make up the "representative cross section"? Inquiry by this office covering a large number of NAM members fails to disclose a single instance of such a poll being taken. On the contrary, Chairman Spence of the House Banking and Currency Committee announced that 95 percent of the committee's mail from businessmen and consumers alike favored the extension of the Price Control Act without crippling amendments. It would appear that the NAM sample was either intuitive, or cannily selective.

The other question which arises from Mr. Weisenberger's reply concerns the meaning of the word "hampering." Any regulation can be said to "hamper" production even if it only involves the annoyance of filling out forms. The real issue is whether OPA regulations have kept goods from being produced. The experience of most businessmen is exactly the opposite. We have now passed the 150,000,000,000 mark in annual production for the first time in our peacetime history. Where production lags, it is often because some producers are holding off in the hope that price ceilings will be abolished. Not content with normal profits, such producers are hoping to get in on the short-lived and disastrous killing that inflated prices would yield. The best way to eliminate this bottleneck is to let everyone know that price controls are not going to be wiped out.

If the survey claimed by NAM was ever made, it would appear that the question about hampering production was "loaded" or that a special effort was made to contact only the most greedy of their membership. Mr. Weisenberger cites CPA Administrator Small's comment on low industrial production in January. He fails to cite the all-important footnote that the reason for January's low output was that the automobile industry, including parts and material sources, was at a standstill and that many other industries were tied up on account of labor difficulties which have since been resolved. Since January the index of industrial production has climbed steadily, week by week.

Much of the rest of Mr. Weisenberger's reply is taken up with equally evasive reasoning along the line: Mr. Bowles admits * * * Mr. Bowles implies * * * Mr. Bowles pictures * * * Mr. Bowles should hear * * *. At no point does Mr. Weisenberger attempt direct categorical answers to Mr. Bowles' comments except where he claims that the NAM advertisements did not call for the elimination of rent control. On this point the advertisements speak for themselves. They state quite simply that "the OPA should be abolished." No reference is made to any exception by the continuance of rent controls. Business profits are now running higher than at any time in our peacetime history. Business failures are at an all-time low. Price control enables businessmen to compete on the basis of managerial efficiency. Its elimination at this time would throw all business into a maelstrom of inflationary bidding for goods and services.

We deem it exceedingly unfortunate and misleading that the lush treasury of the NAM is being used to convince the public that businessmen are against price control. The New Council of American Business completely supports Mr. Bowles' and Mr. Porter's magnificent efforts to save the business structure of the Nation.

Sincerely,

HENRY L. MCCARTHY,
Executive Director.

Senator MILLIKIN. I would like to say as far as my information indicates I have no reason to believe that the majority of all businessmen, all men engaged in all types of business, are opposed to OPA in its entirety. I have no reason to believe that.

Senator MITCHELL. I think that is true. I think it should be in the record. There is a definite organization which does not believe that.

Mr. CAREY. I suggest that your committee challenge the credentials of others who are clamoring for the sabotage of OPA and the destruc-

tion of price control. You needn't rely on my testimony, however. Look at the record. It reveals that Mr. Henry J. Kaiser appeared before the House Banking and Currency Committee on March 1 and made the following pertinent comment [reading] :

There are thousands of manufacturers whose opinions are certainly not represented in NAM's advertisements * * * it appears to me that the NAM, before taking a position in which it presumes to represent American industry, should take a poll and furnish this committee with its results.

There we have a flat statement from a man who represents an important segment of American industry that made an outstanding contribution to winning the war. He says the NAM does not speak for him in its well-timed newspaper advertising campaign.

As I have said before, the whole campaign to destroy price control has been carefully waged. It is nothing new. It was under way the moment the original legislation was passed back in the dark days of the war. We all know, of course, that some of the present spokesmen against price control appeared to be for it back in those days. They really weren't in favor of it, however—except for the other fellow. They were for it 100 percent if the price in question happened to be that paid a worker for his labor. They are still for that phase of it, all of them.

Much of the present pressure for destruction of price control takes as the basis for its reasoning the wage increases that have been obtained by workers in steel, automobile, textile, and other mass-production industries. The Congress of Industrial Organizations has stated publicly that these wage increases total about \$10,000,000 a week, or about \$500,000,000 a year.

I now remind your committee again that the production level in the country stands at \$150,000,000,000 on an annual basis. It is a simple problem in mental arithmetic to discern that the wage increases which I cited amount to precisely one-third of 1 percent. What then becomes of the theory that wage increases in this microscopic amount should be the basis for price increases that are forecast in many quarters at approximately 50 percent? The only conclusion is that those who would destroy price control are motivated by the greediest of greedy motives.

Senator MILLIKIN. Mr. Carey, let me ask you—I don't know what the percentage of over-all increase is per capita, but does it not come down to the problem of the individual business?

Mr. CAREY. It does; yes, sir. I am speaking directly against the campaign that has been engaged in to destroy price control. I am speaking directly to the campaign engaged in by the National Association of Manufacturers who purported before a congressional committee to represent industry employing 85 percent of all the workers in this country, in the manufacturing field.

Senator MILLIKIN. By the way, do you challenge that statistic?

Mr. CAREY. I don't know. I am not interested. The NAM doesn't go out of its way to publicize its membership rolls. I don't know the members of the National Association of Manufacturers. We seek that information.

Senator MILLIKIN. I don't know either, but I think that was a rather significant statistic which they offered. I thought perhaps you were going to challenge that statistic.

Mr. CAREY. I challenge it in this way, Senator: The employers we come in contact with are opposed to inflation and thereby support price control and extension of OPA without amendment. I speak with a great number of employers, so I raise the question that either the NAM is misrepresenting those employers or those employers are not members of NAM.

Senator MILLIKIN. I think you can conclude those you speak for are not members of the National Association of Manufacturers.

Mr. CAREY. I don't pretend to speak for the employers, but I do have contact and relations with them.

Senator MILLIKIN. I was not making a slurring remark on your representation. I agree with you that probably those that you speak for are not members of the NAM. I think it is quite apparent there are many manufacturers who are not members of the NAM.

The CHAIRMAN. All right.

Mr. CAREY. It was the position of the Congress of Industrial Organizations when it began presenting its demands for wage increases last fall that industry was well able to afford those increases without raising prices, and when we speak of wage increases let us not assume that the wage raises asked and obtained were added to the wartime wage. No such thing occurred.

The truth of the matter happens to be that wages in the affected industries had been drastically cut back in the period beginning with VJ-day. A cut-back in wage to a wage earner is a cut-back in the standard of living, and make no mistake about it. His wage represents food, clothing, shelter, doctor bills, and medicine. It does not represent something that can be laid aside in its entirety to provide for future needs. Its use is present, day by day, and even hour by hour.

On the other hand let us see what has happened in the field of profits. In 1936 corporate profits were 3.8 billion dollars.

In 1937 they were 3.9 billion dollars. In 1938 they were 1.7 billion dollars. In 1939 they were 4.2 billion dollars. A prewar average of 3.4 billion dollars. Came now the war years.

In 1940 corporate profits rose to 5.8 billion dollars. In 1941 to 8.5 billion dollars. In 1942 to 8.7 billion dollars. In 1943 to 9.8 billion dollars. In 1944 to 9.9 billion dollars. In 1945 to 9.3 billion dollars. An average of 8.7 billion dollars.

Senator MILLIKIN. Was that before or after taxes?

Mr. CAREY. I will give the total figures before and after taxes, if you so desire.

Senator MILLIKIN. Would you mind when you put that in the record contrasting the prewar figures which you have given after taxes with the war-year figures which you have given after taxes?

Mr. CAREY. In my next paragraph, Senator, I indicate how much was paid in dividends which would indicate figures after taxes. That is, after corporation taxes and before income taxes.

Senator MILLIKIN. My memory of the previous testimony—I may be wrong about it—is that the figures which you have given for the war years were before taxes. I may be wrong about that.

Mr. CAREY. I will supply for the record, Senator, detailed information and the source of that information, so that there will be no question as to the actuality of the figures.

These figures reveal that during the six war years American corporations made profits after taxes of over \$52,000,000,000. Of this vast amount 25.9 billion dollars were paid over to stockholders and 26.1 billion dollars remained undistributed in corporation treasuries. These profits lack the characteristics of the wage. The fact that they were not used or required by their owners on a day-to-day, hour-to-hour basis is well established by the fact that more than half of them were hoarded.

Senator MILLIKIN. Would you mind if I interrupted you? I have tested those figures which you attribute to each of the war years and they amount to the \$52,000,000,000 that you mention in that paragraph. I would suggest, nevertheless, that you make another check to see whether they are before or after taxes.

Mr. CAREY. I thought that paragraph would cover your point. As I say, we are very concerned about these tremendous corporation reserves because those tremendous corporation reserves unused in American industry, for every dollar of them, it means 1 hour of unemployment in American industry for some worker.

Senator MURDOCK. What is that statement? Will you repeat that?

Mr. CAREY. These tremendous unused reserves held by the corporations—I am not speaking now of the amount spent to build new buildings or extend production, but the amount that remains a blood clot in our economy—at the present time it is a source of great concern. It will operate to stifle the American economy. The funds are not used, either for purchasing power or distributed as dividends, or used to be plowed back into the industry for productive uses.

For every dollar of these unused reserves it means 1 hour of unemployment for some American worker. In other words, \$52,000,000,000 means 52,000,000,000 man-hours of unemployment.

Senator BUCK. What do you consider to be the hidden purposes of these reserves?

Mr. CAREY. Some of these are used for the purpose of extending plant facilities, to rehabilitate machinery, and put in more modern machinery, but it so happens in our economy during the period of the war we constructed a great number of new plants and facilities and there will not be sufficient need for these great reserves because we have more plants and facilities and machinery than we can properly use at the present time, or will ever need in any foreseeable future.

Senator BUCK. There are only two uses that can be made of them: One is dividend to stockholders and the other is to put them into the plant.

Mr. CAREY. That is right, but I might say now there is no opportunity to put it into the plant because these big companies like General Motors have so many new facilities and plants that they don't need them.

Senator BUCK. Well, there will be a need for them just as soon as we get this economy operating as it ought to, so that you can have more jobs, there will be more work; there will be more plants needed to produce work.

Mr. CAREY. The plants are all there, Senator. The point I am making is that they do not need the money to build new facilities.

Senator BUCK. It is true there must be a great many wartime plants, but they will have to be reconverted to peacetime use.

Senator MURDOCK. Let us take, for example, a plant that was constructed during the war solely for war purposes and which today can be converted to peacetime operations by the expenditure of 20 or 30 or 40 million dollars, but if it is not converted to peacetime production it becomes a ghost plant and does not operate.

Now, let us make a further supposition that out of war profits some large corporation had accumulated reserves of 30 or 40 million dollars. They are now willing to purchase one of these exclusively war plants and utilize 30 or 40 million dollars of their reserve for the purpose of converting that plant to peacetime operations, which will result not in a closed plant, but in a plant that is turning out products for civilian use. Would that change your proposition?

Mr. CAREY. No. That would be a proper use of the reserve. I am speaking now about—

Senator MURDOCK. The point I am making is this: I don't agree in the piling up of vast reserves, either, but I do know that the very situation I have now pictured for you exists. I know that if this tremendous war plant is not converted it will remain a ghost. I know if it is converted probably this entire productive capacity will be used in peacetime production in an area of the United States that is crying for the products of that plant, on a competitive basis with other areas of this country.

Now, let me make one further observation. If these corporations, or one of them, was not in a position as a result of accumulated reserves, to step into that picture and convert the plant to peacetime production, then the only salvation for that type of plant is further expenditures on the part of the Government to convert it. So that while I don't want to take the position that I favor the accumulation of large reserves, I can see that the accumulation of reserves can be used, if the attitude of the corporation is right, for the benefit of employment and the benefit of business.

Mr. CAREY. I am not taking issue with the accumulation of reserves that are necessary for plowing back into the industry to expand production. I am saying that the exorbitant reserves that are now held provide a danger to our economy. I used the figure of 26.1 billion dollars accumulated in corporation reserves in the 6 years. That is in addition to the reserves they already had which were pretty large. If we take all our plants in this country—take Pearl Harbor day as an example—according to the Internal Revenue figures all the plants and facilities in this Nation other than transportation amounts to \$22,000,000,000. So they have in reserves which have accumulated in the last 6 years, enough to replace every plant and facilities in this country, other than transportation, at the time of Pearl Harbor. Now, I don't think that is their plan. I don't think they think that is their plan. So the reserves will be unused capital.

Properly used to stimulate production and increase purchasing power of the whole American community they would be of great beneficial interest. They are not regarded by industry from a beneficial viewpoint, however. They are revered as the incentive to seek for more and more profits regardless of the effect on the community or on the general welfare of the people of the United States.

That, gentlemen, in a few words, is the motive of those who would sabotage OPA, remove price control, and deliver this Nation over to destructive inflation.

Senator MURDOCK. What you object to, then, as I understand you, is an accumulation of reserves and then the hoarding of those reserves?

Mr. CAREY. That is correct.

Senator MURDOCK. Instead of plowing them back where they belong?

Mr. CAREY. That is right.

Senator MURDOCK. Now, I agree with that position, but on the other hand, I do think a proper purpose can be served by corporations during very profitable years in accumulating a reserve, but only with the idea that that reserve will not be hoarded, but will be plowed back into the industry for the purpose of expansion and for the purpose of creating full employment.

Mr. CAREY. Yes, sir. It can be done in several ways. Plow it back into industry for constructive expansion of the production facility, or given out in dividends or in consuming power through wages and through reduced prices, giving it to the consumer, thereby expanding the market. I cite these figures to indicate that these corporations are today asking for increased prices at the same time they are accumulating these tremendous reserves and paying out these splendid dividends.

Senator CARVILLE. Well, Mr. Carey, who do you think should determine when these reserves should go back—be channeled back into the industry? Do you think the Government should do that?

Mr. CAREY. I would say the Government should certainly not permit a further exploitation of the American economy through increasing prices and thereby enhance the opportunity of further hoarding of unused reserves. That is the point I make, Senator. I think these corporations—I have no right to speak for NAM, but I think they should be down here asking the Government to do something not to sabotage price control, because these tremendous reserves provide a danger for the whole economy.

Senator MILLIKIN. I would like to make one observation. I cannot reconcile hoarded reserves with greedy profit-making. You don't make any money out of hoarded reserves.

Mr. CAREY. Well, if you want to go into motives, Senator, I would say there is a breaking point in which even the NAM could not justify tremendous profits and at the same time ask for price relief and the elimination of price control. I think they have passed out all the profits that the market will bear.

I cited the point of how much they have passed out. I think it would be too bad for the NAM if the American people realized the tremendous profits that are being made and the tremendous reserves that are being held back, which may later be distributed in profits to someone.

Senator MILLIKIN. There is no profit in a hoarded reserve. You cannot make any money out of a hoarded reserve.

Mr. CAREY. Senator, may I say that money certainly has value even if it is only in the safe. If they have it in reserves it still has that power which they can use. It is at their disposal.

Senator MILLIKIN. That is true, but—

Mr. CAREY. The Government has no jurisdiction over it. That fund belongs to the corporation.

Senator MILLIKIN. If a man has a choice of having a dollar not at interest and one at interest he is going to have it at interest. His second choice would be to have it without interest, of course, if it were a choice of that or not having it at all. But once you get a dollar you want to put that to work. That doesn't square with your theory that we have got a lot of greedy economic monsters that are oppressing the country.

Mr. CAREY. Except as they hold back goods. Perhaps you may say that a greedy economic monster would not hold back goods, but he will, if he thinks he has an opportunity to make even more by holding it back and enhance the price of it. That is what they are doing. That is what I think this Government and the Members of Congress and the American people do not fully appreciate. They even indicate that they are starving for profits. They are asking for price increases. They should be ashamed of themselves with all of the tremendous profits they have made and the tremendous reserves they are holding.

Senator MILLIKIN. Well, you cannot run price control on over-all averages. No man can run a business on over-all averages. You have to take it item by item, and see what the situation is.

Mr. CAREY. That is not true, Senator. That is just not true. I am speaking with some experience in production. You don't take it item by item. A corporation bases its dividends on its over-all income minus costs.

Senator MILLIKIN. I am talking about the line. The line concerns itself with furniture and butter and chickens and wheat and so forth. So necessarily he must look to see what the situation as to those items is as far as profit is concerned.

Mr. CAREY. Senator, no manufacturer I have ever worked for or had relations with operates on that basis.

Senator MILLIKIN. Except for what is called "loss leaders" I never knew of a manufacturer operating on any other basis.

Mr. CAREY. Take, for instance, the manufacturer of radios. Radios are their prime product, but they will also manufacture other items that take care of a portion of the overhead because they are a fill-in item.

Senator MILLIKIN. Oh; I quite agree.

Mr. CAREY. And they don't expect to have a profit on those fill-in items.

Senator MILLIKIN. But they don't expect to lose on them, either?

Mr. CAREY. Oh, yes; they do. They expect a loss on these. They will sell an item for 2 cents that it cost them 3 cents to make because it absorbs a portion of the overhead, or because it is an operation which enhances their opportunity for profit on their radio line.

Senator MILLIKIN. The testimony we have had so far indicates that so far as the manufacturer is concerned he tries to make a profit on all his items, with a few exceptions.

Mr. CAREY. That is correct. He does try to make a profit on all items.

Senator MILLIKIN. That is right.

Mr. CAREY. In order to make a profit as an over-all profit and in order to pay dividends he is going to keep his overhead costs down and that is one way of doing it.

Senator MILLIKIN. We had an illustration the other day of a big food concern that sells its supplies, hundreds of food items, in order

to get a merchant to carry its entire line—it was said that some of the items are priced very low—I don't know whether it was developed that some of them were actually sold at a loss or not. Against that it was urged that perhaps they did that to drive the little fellow out of business. That is a conflict of opinion we don't need to go into here, but it seems to me basically if you are running on a profit motive the idea is to get profits.

Mr. CAREY. You want to have the enterprise profitable as a whole, and the coal man is also perhaps going to be an iceman and he might make a loss on one in order to render services to his customers, in order to keep his customers and make a profit on the other item. But it is an enterprise that is going to be profitable all around even though individual items may not be profitable. Another case would be where a manufacturer may not make a profit on the first 100,000 items he produces of one piece of goods because he has to get his production up in order to make a profit at a certain stage and he will know his breaking point. So that there are a lot of reasons why American employers use good judgment in having a loss on individual items in order to keep the enterprise profitable.

Senator MILLIKIN. I wouldn't dispute your theory completely, but I do suggest that the American manufacturer or businessman must be allowed to use his judgment as to what items he wants to make a profit on and what items he wants to put out for sales purposes and overhead purposes, or whatever it may be.

Mr. CAREY. I think past practices in that respect are pretty good, but we are now having produced a new idea which says we must have price control which will provide a profit on every item produced by a manufacturer. That is quite different. That is something new.

Senator MILLIKIN. I don't think that is new when you have a seller's market. A manufacturer in a seller's market does have an opportunity to make a profit on everything he produces. If you are a wise businessman you will make it if you can. Whereas, if the situation is reversed then you have to use these devices to which you have referred.

Senator TOBEY. Mr. Carey, when I came in the room you expressed apprehension that the Senate of the United States or the American people might be fooled. I would like to recall to you the statement of a distinguished American which covers that. He said [reading]:

You can fool all of the people part of the time, part of the people all of the time, but you can't fool all of the people all of the time.

Mr. CAREY. That is something I have to agree to in the face of the evidence of the House. That today is my concern, what appeared to be chaos and confusion which existed in that deliberative assembly. That is serious, because between 75 and 85 percent of the people in this country want effective price control. In the face of that I certainly hope that the people of this country, although they are—

Senator BUCK. Mr. Carey, let me say individually my mail doesn't indicate that at all. The chairman, on the other hand, says he can give you a figure that far exceeds mine, of those who are in favor of OPA.

The CHAIRMAN. Out of about 5,000 I had 50 against it, and the rest for. All pleading for the continuation of OPA.

Mr. CAREY. Well, ours runs much higher than that. I have the job of opening the communications that come into the CIO, not directly,

but I supervise it, and our mail is running very heavy on this. In fact, that may be part of the reason why I am a little bit emotional on this subject, on the evidence of the House and what may happen through trying to kid people that the amendments that the House is proposing will not sabotage OPA, but is a middle-of-the-road device. They have been stifling OPA now with the pressures they have exerted and I would like to know what the Senate is going to do about protecting the wage envelope of the people of this country. I had better ask that in the House, however.

Senator MILLIKIN. Let me make this suggestion, Mr. Chairman. I was going to make the suggestion to Mr. Carey along this line: It is to be assumed that Mr. Carey knows his business. I think he makes a big mistake if he believes that the House depart entirely from knowledge of its business. Every one of those fellows is up for election this year and every one of those fellows is in very close touch with his constituents. Maybe they are wrong—

Mr. CAREY. Maybe if they had a chance to vote on it again it might not be the same.

Senator MILLIKIN. It might not be; but I simply suggest, Mr. Carey, as you know your business, it is apparent to me that you do, I believe you are making a mistake when you assume completely that these gentlemen over there don't know their business. They are pretty close to the people, and they are running for office this year, and the paramount motive with a man running for office, is to get elected.

Senator TOBEY. Were the votes in the House on the amendments record votes?

Mr. CAREY. They are all record votes.

Senator TOBEY. On all amendments?

Mr. CAREY. Yes. I would hope that the Senate would provide them an opportunity of voting again on this subject now that they have had an opportunity to hear from their constituents.

The CHAIRMAN. I hope so, too.

Senator MURDOCK. You have an idea that there are some people who vote then that might not write or talk; is that your idea?

Mr. CAREY. Correct. There are a lot of people that perhaps would write to Senator Wagner that would not write to Senator Mitchell. There are some that write to the CIO. We get a great number of them in the CIO headquarters as to their problems. I am speaking primarily of the problems of the people of this country. They have had some notion we were going to have an economy that will operate to overcome the difficulties we faced during the war period. They understood they had to face these inconveniences and price controls after the war for some time. There are a great number of other things that grew out of it. VJ-day just wasn't the day. If OPA was an economic narcotic during the war it is still an economic narcotic. If it was not an economic narcotic during the war, and I can indicate plenty of evidence why it was necessary, then it is still necessary to continue OPA.

I am also saying that industry in the United States is pretty profitable. It is unfortunate we have a campaign before us indicating that we must have elimination of OPA, price increases, and inflation in this country at the request of the National Association of Manufacturers. I believe their membership has been pretty well taken care of before, during, and following the war in terms of profits.

I am asking and pleading that the Senate of the United States do something in behalf of the American people. They are taking a whipping on this proposition. They have taken it before, and I think it should be called to a halt.

Senator MILLIKIN. How do you think it is possible to stop the black market?

Mr. CAREY. Senator, the black market can be stopped unless we arrive at a stage of creating an atmosphere that OPA is something un-American and something evil. Then we have a break-down of the whole administration of OPA, as we had in the time of prohibition. I think we can find a parallel there, excepting that prohibition may have been considered bad by the people and OPA is necessary and considered good by the people of the United States. It is not the black market as much as it is the pressure that is exerted upon the administrators of OPA to get them "to be reasonable."

Senator MILLIKIN. Here is the thing that disturbs me. It seems that where there is no pressure against the line we hold the line, but the moment there is pressure against the line people go into the black market; which poses the question, Of what use is the line?

Mr. CAREY. We are confronted with the situation of the American employers holding back in the distribution of their products because they think that OPA will be sabotaged and the lid will be taken off, and then they will have an opportunity to get an even greater profit by holding back.

Senator BUCK. Do you have any proof of that?

Mr. CAREY. Yes. We have submitted it to the House committee, and we will be glad to put it in the record here.

Senator BUCK. I think it ought to be put into the record, because that is a very broad statement. I do not recall that there is any testimony on the part of the National Association of Manufacturers that they wanted more money. Their plea was to release controls to get more production so that there would be more jobs.

Mr. CAREY. At the present time I am seeking a home; and if the prices go up on dwellings it does not provide one additional house to increase my opportunity of getting a home. The same thing applies in other fields. If the employers get greater profits and greater reserves, which they will if prices are increased, it will not increase production one iota.

Senator BUCK. You are speaking of wiping out OPA entirely. That is not going to happen; there is no chance of that. As I said, the testimony presented here by NAM was pleading for relief from controlling industry so that there could be production. That and financing is the only way you can stop inflation.

Mr. CAREY. The greatest period of production in this country was during the recent war, and we had price control.

Senator BUCK. Those controls were put on because of the war and in order to help the country itself.

Mr. CAREY. Price control did not hurt production.

Senator BUCK. Of course not.

Mr. CAREY. Then, why should some people make the claim that it hurts production now to have price control?

Senator BUCK. You have not heard the testimony here. One industry came in which for 9 months has not made any money. He is simply asking for—

Mr. CAREY. He deserves a medal for his economy. I would like to know the name of the company, in order to get the facts.

Senator BUCK. The testimony is right here in the record. It is a knitting mill in Utica.

I have here in my files a letter from a company that makes radiators, by which your people are employed, the CIO. Since the wage went up they tried to get an increase in profit and could not get it. The mill has closed down and has been closed down for some time, and the men are out of work. They are not producing any radiators which are needed in the building of homes which you are trying to get.

Mr. CAREY. The testimony is that if you increase the price you will increase the production?

Senator BUCK. This particular person cannot operate because he has not any profit. He is asking that the ceiling on the radiator he makes be raised so that he can make some money. That has not been done, and the plant has closed down. It is the plea of NAM that they be allowed to make a reasonable profit, to make more goods, and make possible more jobs.

Mr. CAREY. It has been our experience and the experience of our committee that OPA has been extremely reasonable and, in fact, very kind to any requests made for increasing prices.

Senator BUCK. They have been considered, but the testimony here has shown that weeks and months have passed before any relief has been given, and the companies have suffered accordingly in the meantime.

Mr. CAREY. I do not know the details of any instance. I think they are worth looking into, and we will certainly look into it.

Senator MILLIKIN. I should think you would have a direct interest.

Mr. CAREY. There are methods by which that one employer can be given relief that do not run to the extinction of OPA; and to use that argument, not asking for amendments to the OPA law, but for the wiping out of price control, I think is a mistake.

Senator MILLIKIN. It depends on the amendment. I have no amendment in mind. We have been trying to get OPA to tell us how it can become a dynamic agency to increase production. Frankly, as far as I am concerned, I do not see the answer. I believe we can make it a dynamic agency to increase production and, at the same time, hold the line. I am not talking about the black-market line as the line, but I am talking about a realistic line. I suggest that you folks have as direct an interest in that as the directors of the NAM.

Mr. CAREY. We could set forth a very serious indictment of the administration of OPA and show instance after instance where they have given relief where they should not, and perhaps instances where they did not give relief that they should. But from all I can see, in studying the whole thing, the broad picture, and thinking in terms of the millions of members of our organization, that what OPA needs today is a lot of support.

Senator MILLIKIN. You are trying to get a house. The reason you cannot get it is because essential materials are not being made, and to the extent that they are being made they are in the black market.

Mr. CAREY. Then I will have to wait. But I certainly know that offering an additional thousand dollars for a house is not the answer to it. That is not going to produce one additional house.

Senator MILLIKIN. You gentlemen were in here the other day supporting the Wyatt housing bill which offers a whole lot more than that.

Senator MURDOCK. The difference is that under the Wyatt bill whatever is paid, is paid for stepping up production. I think there is a difference between just handing out an advance in price without the requirement that production is to be stepped up, and handing it out with that requirement. I am not sure that the subsidy provided in the Wyatt bill will do what it is supposed to do, but I am rather in agreement with you that it is better to pay directly for increased production than to pay only on the expectancy of increased production.

Mr. CAREY. The Congress of Industrial Organizations urges the Senate to renew the price-control statute for at least a period of 1 year. We have steadily supported and will continue to support the broad concept of an effective price-control program for any period needed to provide for equitable distribution of available supplies of goods and services made short due to wartime conditions. We urge support for price-control programs because experience has proven that wage earners, farmers, and small businessmen are the greatest sufferers in any period of inflation.

This fact is recognized by far-seeing industry groups that realize, through recent experience, that increases in production alone will not resolve the inflationary pressures which exist in the current market. Only last Sunday the Committee for Economic Development said, and I quote:

We look forward to a further expansion of production and must do everything possible to hasten this expansion. But it is not clear that production increases will of themselves, in the near future, eliminate the excess of demand.

Senator MILLIKIN. They say that within the near future a balanced production will not occur, and of course, that is correct; but I believe you will agree that when the time comes when production is in approximate balance that then we have ended the inflationary tendency.

Mr. CAREY. I would venture the opinion that the radiator manufacturer mentioned is not producing for reasons other than price.

Senator MILLIKIN. I was not discussing the radiator man. I say, I believe you will agree that when production does come into balance with demand, there is an end of inflation. Do you not agree to that?

Mr. CAREY. That is correct.

But production alone is not enough. Our economic system will function smoothly only if the goods which are produced are distributed to the market and sold to the consumer in the market place. Pent-up demand will be satisfied only when necessary goods are produced in high volume and distributed through the channels of trade to the consumer. Every threat to the continuance of OPA thus far has provided speculators and hoarders opportunity to gouge consumers by raising price levels still further. If the price increases thus far granted have brought more goods out on the market, we have not been informed of it. We have seen the effects of run-away prices in various foreign countries. The situation in China, France, the Philippines, should warn us against the chaos that results when inflation becomes rampant.

The Congress of Industrial Organizations has never regarded price control as a wartime measure in the sense that its necessity began on

Pearl Harbor Day and ended on VJ-day. We believe that price control was made necessary by the special economic conditions which the war brought on. Because those economic conditions still exist the need for price control still exists. And the evidence on hand makes it absolutely clear that inflationary pressures today are greater than they were at any time during the war. In order to make clearer what the situation is, I would like to refer to a few of the specific inflationary problems which face us.

Consider the housing situation. Your committee knows the existence of the tremendous housing need and the tremendous amount of money available for speculation. What the result of this combination has meant in increased sale prices of homes and real estate is so well known that there is no need of my going into it further.

Next we have the hoarding by speculators of consumer goods. You have undoubtedly seen the reports in the daily press. We have been told repeatedly that more than 4,000,000 shirts are being withheld from the market in anticipation of the end of price control, or at least of the issuance of relaxed price regulations by the OPA. How high shirt prices would go if ceilings were entirely removed is anybody's guess.

You are confronted with the stark fact that some business organizations in the country are willing to gamble with our economic welfare to gain additional profits at the expense of the whole Nation.

Senator MILLIKIN. I would like to say to you that when witnesses have been on the stand we have asked a lot of questions as to what inventory was being held back, and so far we have not been able to learn of any specific inventory in any appreciable amount that is being held back. If your organization has any facts on that subject, as to shirts, for example, or as to any other item in short supply, I personally would appreciate it if you would put them into the record.

Mr. CAREY. The OPA has information on that.

Senator MILLIKIN. They have not given it to us.

Mr. CAREY. Are they unwilling to give it to you?

Senator MILLIKIN. They have not given it to us.

Mr. CAREY. Have they been requested?

Senator MILLIKIN. We have had a lot of testimony on the subject, but so far I do not believe anything of that kind has been put into the record. We have been unable to learn that manufacturers were withholding inventories for speculation. Perhaps that is not surprising. But if OPA or if your organization has any information of that kind as to specific items, I think it would be very, very helpful if you would put it into the record; and I ask you to put it in if you have it.

Mr. CAREY. Our workers are employed, in many cases, in these warehouses.

Senator MILLIKIN. Then they are in perfect position to give us evidence of that; and I think it would be a constructive thing if you will let us have it.

Mr. CAREY. I will be glad to do it. I know the agencies of government that have that information are the OPA and the Department of Commerce.

Senator MITCHELL. I do not think we have asked OPA for that information. I wish we could have whatever information they have on inflated inventories.

Senator BUCK. I would like to have permission to have inserted in the record the letter that I have referred to with reference to radiators.

The CHAIRMAN. Very well.

(The letter referred to and submitted by Senator Buck is as follows:)

JOHNSTOWN, PA., *March 22, 1946.*

HON. C. DOUGLASS BUCK,

Senate Office Building, Washington, D. C.

DEAR SIR: I am employed in the cast-iron boiler and radiator industry. All of the plants of my employer have been closed for the past 9 weeks. This shut-down resulted from the strike of the United Steel Workers of America (CIO) Union. Along with other unions, including basic steel, our production workers demand an hourly wage increase of 18½ cents per hour. Well over a month ago, at the demand of basic steel producers, the OPA granted a ceiling-price increase of \$5 per ton to basic steel. The production workers of that industry returned to work after having been granted an increase in hourly wages of 18½ cents per hour.

However, our production workers are still on strike, as our management is in no position to grant their demands, for the reason that OPA has not seen fit to increase the ceiling price for cast-iron boilers and cast-iron radiators. I know that OPA was petitioned for such increase in September of 1945. They are in possession of all the essential facts. Cast-iron boilers and cast-iron radiators are listed as critical components by OPA with relation to the necessity for new residential housing construction.

Production in this industry has declined, and I believe will continue to do so, as the industry has no incentive for increasing production while taking a loss on every shipment.

An increase in production is desperately needed. Under OPA the conclusion is inescapable that our industry is not, and has not been, justly treated.

May I respectfully request that as a member of the committee considering legislation on extension of OPA that you favor the abandonment of price controls for this industry?

Yours very truly,

PAUL B. HOLMES.

Mr. CAREY. You are confronted with the stark fact that some business organizations in the country are willing to gamble with our economic welfare to gain additional profits at the expense of the whole Nation. For example, the National Retail Dry Goods Association wants Congress to insure the retailer a profit on each item he sells, regardless of how large his over-all profits may be. The association also wants to be allowed to maintain the same percentage margin of profit, no matter how high prices go and regardless of the volume of business.

The National Automobile Dealers Association is demanding that margins must be maintained regardless of prices and volume of business.

The National Association of Retail Grocers urges that no violation of a price ceiling should be prosecuted unless it is more than 2½ percent above the ceiling. Obviously the adoption of their proposal would mean an immediate increase of 2½ percent on all grocery-store prices.

The American Wool Council and other organizations want OPA's Maximum Average Price plan to be eliminated. If they are successful, the lower ends of even the present price ranges will disappear immediately.

The National Cotton Council is determined that there shall be no ceiling price placed on cotton regardless of the price increases which are taking place.

The National Association of Real Estate Boards wants an across-the-board increase in rent ceilings.

Your committee must decide if it is the intention of these various groups to raise or lower prices. We try not to be unduly cynical, but we believe these gentlemen will raise their prices. We do not believe their pressure on you gentlemen of the Congress and on the OPA has been applied to "increase production." We believe they are out to increase profits.

The pressure on the Congress has had two purposes: (1) to hamstring or eliminate all controls, and, failing that, (2) to cause congressional pressure on OPA to achieve the purpose by indirection.

The CIO cost-of-living committee has been following price control carefully since it first began, and it has seen the agency weakened as effectively by administrative inhibitions within the OPA as by amendments to the law. We believe, therefore, that it is the responsibility of this committee and of the Senate to protect OPA against the kind of congressional pressure which exacts off-the-record deals, bargains, and promises to "be reasonable."

Our views about the dangers which confront price control are based on our knowledge of what has already been happening to price control and to prices in the past few months. You may perhaps know that OPA has been taking the ceilings off a good many items and commodities which have been under control during the war. Recently, OPA issued a report called Facts About the Charge That Price Control Is Interfering With Production. In this report OPA admitted that between VE-day and February of this year, price ceilings were taken off 1,300 types of items. You know what has happened since.

The effects in each case after decontrol are not available. For at least a few of them, however, the facts are available. You may recall what happened to the prices of citrus fruits in the holiday season between Thanksgiving and Christmas of last year as a result of the removal by OPA of ceilings on these items. Within 2 or 3 days after the removal of the ceilings, the prices of some grades of oranges in certain areas jumped 96 percent. Three or four weeks went by before ceilings could be reinstated. By the time the prices were again brought under control, on January 3, 1946, the consumer had been gouged of a huge sum of money to help prove to the Government that price control was still needed.

Senator HICKENLOOPER. Mr. Carey, the fact is that citrus fruits were decontrolled at the time of the greatest short supply in the season, just before Thanksgiving; is not that true?

Mr. CAREY. From what little I know of the subject, my answer would be "No."

Senator HICKENLOOPER. I believe the citrus fruit people, in giving their statement, indicated that. In fact, as I understand it, citrus fruits today are selling below the ceiling?

Mr. CAREY. Below the ceiling of January 3, 1946. But during that period—and that is what I am speaking of, Senator—the American people were gouged the difference between the price ceiling established prior to that and what was established later and during the period when there was no price ceiling on citrus fruit.

Senator TAYLOR. May I say that this citrus-fruit situation has been rather overdrawn and misrepresented to favor both sides. The citrus people, as I understand it, did ask to have the ceiling withdrawn, and told OPA that there was a huge crop that would be available as of

that date, which would keep the market in line. But unseasonable weather conditions postponed the ripening of the crop, and it did not come as quickly as they expected; so that neither the growers nor the OPA were to blame for that. I do not believe that OPA did it maliciously. It was a trick of fate. Nevertheless, they did have to put the ceiling back.

Senator MILLIKIN. I have no personal knowledge on the subject, but last Sunday's PM carried, as I recall, a whole page on black-market activities in New York, and citrus fruits are in the black market at the present time there, despite the controls to which you refer.

Mr. CAREY. Senator, I am not saying that the establishment of a price ceiling and maintaining that price ceiling is all there is to it. It has to be supervised.

The CHAIRMAN. There has to be enforcement?

Mr. CAREY. Yes, and it must take place at the retail level.

When ceiling prices were removed on that very important household commodity, clothespins, the price in some areas jumped from 5 cents to 20 cents per dozen. You may be familiar with the price increase on coconuts, an increase of 400 percent, which took place when OPA removed the ceiling price on that item.

These I am merely using as examples, because I do not have sufficient information on all the other items.

Senator HICKENLOOPER. Do you have any information as to what the price of coconuts is today, whether the price has gone down or whether a new supply has come in?

Mr. CAREY. I do not know, sir.

Even where price ceilings are being kept on, the tendency is clearly toward relaxation of price control. The OPA report referred to above, which showed the elimination of ceilings from 1,300 types of items, also reported that between VE-day and the 1st of February, OPA made 459 industry-wide price increases.

If there is anything in the profit figures of American corporations to show that these price increases are dictated by necessity, we have not been able to find it. The CIO cost of living committee, which has followed many of these increases on a case-by-case basis, has revealed again and again that the increases are being made to maintain uneconomic wartime profits and even to increase such profits. Meanwhile, the cost of living continues to go up.

Of course, the general public will foot the bill for these higher prices. The ordinary consumer, already bedeviled by higher prices, will find himself further bedeviled by more price increases. The average worker who finds his take-home pay falling while the cost of living continues to rise, will be put under a greater squeeze than ever before.

Gentlemen, if decontrol, industry-wide price increases, and manufactured inflation are to be the economic program of this country in the months ahead, then we will have no one to blame but ourselves for the chaos which is bound to follow.

The Congress of Industrial Organizations has continuously pointed out that the economic prosperity of this country depends on our maintaining an increasingly higher level of purchasing power. We have pointed out time and again that at the beginning of the war

purchasing power in this country was too low to support full employment and full production. During the war the cost of living went up. New and modern plants were built. New and more efficient methods of production were developed. The wage increases which took place have not been enough to keep up with these increases in the volume of goods which will be available when full peacetime production is resumed. In other words, purchasing power was behind in the race when the war began—during the war it fell even further behind.

Senator MILLIKIN. Would you say that the unit cost of production has decreased?

Mr. CAREY. Oh, yes; tremendously. There might be cited some examples where it has not gotten up into high levels of production as yet.

Senator MILLIKIN. I think that almost everyone agrees that if we are going to obtain an increasingly high level of purchasing power, we have also got to maintain a constant decrease in unit costs. Do you agree with that?

Mr. CAREY. Oh, certainly. I do not agree, however, that if you have increased productivity and do not increase the income of the worker and the consuming power, you will have prosperity. In fact, you will have depression.

Senator MILLIKIN. You have got to have a margin; every decrease in unit costs balanced by an increased wage?

Mr. CAREY. Or a reduction of prices.

Senator MILLIKIN. You have got to have reduction in prices or you cannot have a full purchasing market; you cannot have the thing that you want to obtain.

Mr. CAREY. If you have a maintenance of prices or even an increase of prices, and do not have maintenance of wage standards, and have increased productivity, then you have a bad situation.

Senator MILLIKIN. What you are saying is that despite the reduction in unit costs, prices remain the same or go higher; and I agree with you 1,000 percent. We have got to keep reducing unit costs and reducing prices if we want to obtain this objective that you and I are talking about. We are in agreement on that.

Senator MITCHELL. On that point, it has been said that there is no information available indicating any increased productivity on the part of labor; that, therefore, any increase in the cost of labor must be followed by an increase in the prices of articles.

Mr. CAREY. That is not so, Senator.

Senator MITCHELL. Why are there no studies available in the Government showing that? That point has been made before this committee. It has been stated that the departments of the Government have been checked and that there is no study showing an increase in the productivity of labor. Is it because an individual is looking for statistics on production of consumer goods rather than war goods?

Mr. CAREY. The Government would have some difficulty securing the information, because the policy that is followed is that any information that is sought by the Department of Labor must be supplied by the employer on a voluntary basis; and they are not going to supply information that is going to do injury to their cause. The productivity of labor has increased tremendously during the period of the war, and we have not been able to increase wages to match that.

Senator MITCHELL. Is there any reason why that increased productivity should stop with the war?

Mr. CAREY. None whatever. The biggest increases in production levels should result in lower unit costs.

Senator MITCHELL. I have a chart showing that textile production in 1945 was up 41.2 percent; that prices were up 30.3 percent for 1939, and that employment was down 5.3 percent in 1939. Is there any way that the textile industry could get 30 percent more production with 5 percent less employees than by increasing the production of the employees?

Mr. CAREY. No; none whatever. There is no other method.

Senator MITCHELL. Then how does this statement of the National Association of Manufacturers follow:

In this industry the weekly take-home wages increased 88 percent between 1939 and 1945, with a price increase of 41 percent. Is it any wonder that production, and hence employment, is down?

Mr. CAREY. They are trying to sell the Nation a bill of goods. Every time prices remain the same and wages go up it cuts into profits? That is just not so.

Senator MITCHELL. To give the full picture, the NAM should have said, to say the least, that with 5 percent less employment the industry was producing 30 percent more goods?

Mr. CAREY. That is right. And then they should have gone beyond that and told us the labor cost in those operations, because labor costs in that particular case would be a pretty high percentage of the retail cost of the product. But it still would not be a hundred percent of the cost of the product. They would indicate that if you give a 10-percent increase in wages you have to have a 10-percent increase in price; and that is just not so.

The productivity of the textile mills in this country has been tremendous.

Senator MILLIKIN. You have got to consider the volume also?

Mr. CAREY. Yes.

Senator MITCHELL. The least that can be said is that NAM has failed to give the public, through this publication, even a bare minimum of information on this question.

Mr. CAREY. That is not a new technique of the NAM.

Senator MITCHELL. You would agree with my statement, then?

Mr. CAREY. Yes.

The measure of our inability to provide the buying power which will be needed if the product of full production is to be sold is to be found in the hoarded reserves of industry. These are greater today than ever before in the history of this Nation, and no unbiased competent economist can be found to say what will be done with all of the money.

Senator MILLIKIN. I do not know whether you are submitting any figures or not, but I believe it is pertinent to inquire what proportion of the reserves represents bookkeeping reserves in the way of depreciation, what percentage represents reserve funds set aside for bonded indebtedness, and what percentage represents the actual cash reserves. I do not believe you have broken it down in that way, but it would be an interesting figure if you have it.

Mr. CAREY. The only reserves covered in the 6-year period amount to more than the total value, according to the internal-revenue figures on Pearl Harbor Day.

Senator MILLIKIN. I think you will find a very significant depreciation in there.

Mr. CAREY. This would mean that they could replace all their plants and facilities and have some left over.

Senator MILLIKIN. I am not arguing the question of what the reserve is; I am simply suggesting that it would be very informative if we knew, and it were so broken down, how much cash represents depreciation and how much represents money set aside for bonded indebtedness.

Mr. CAREY. It would be helpful to have it broken down corporation by corporation.

Senator MILLIKIN. If you fellows have anything like that, I think it would be interesting to have it.

Mr. CAREY. We could pick some few choice examples, like General Motors. It makes a beautiful picture, but these reserves are a threat to our economy.

Senator MILLIKIN. Do you have a break-down of that kind?

Mr. CAREY. I do not have it immediately, but we will certainly get it.

Neither can anyone say what will be done with the full amount of the profits which are currently being earned at present prices and present wages.

Every inflationist in the country is now trying to hide behind the wage increases which have been made, and to blame labor for the price increases that he has been able to wheedle or bludgeon out of OPA.

We refuse to be the whipping boy for this crime. We refuse to be blamed for the efforts of the Department of Agriculture to get the prices up. We refuse to be blamed for the fact that the Civilian Production Administration refuses to use its powers to help get low-priced production out of the plants, to prevent hoarding, and to stop black markets. All of these things spell inflation. They have been going on for some time. It is up to Congress to see that a change is made.

Gentlemen, this country must have price stabilization. The greater inflation is allowed to become from here, the greater will be the price we pay for it in the deflation which will follow. The deflation is being built primarily out of two failures in economic statesmanship: First, the failure to realize that purchasing power must be built up in the hands of the common man, the man who can be expected to buy the new avalanche of consumer goods which will come from our plants and equipment. Second, the failure to realize that what is being done to build up our purchasing power through the creation of higher minimum wages and through wage increases is being completely offset and perhaps more than offset by the wild price increases which are being both permitted and engineered in the Federal Government today.

I repeat that it is the responsibility of this committee and of this Congress to completely reverse the pattern which is being followed. The price-control law must be preserved and strengthened. It must obviously be preserved without weakening amendments, but also without hidden, weakening deals with OPA. The Office of Price Administration must be given clear and sharp instructions to keep ceilings on

and to keep those ceilings as tight as the earnings of industry permit, and the economic welfare of the Nation requires. The pressure group conglomeration of Congressmen on the Hill which is purely a rump committee and which spends its time harrying the agency people who really believe in price stabilization, must be given clear notice that it is the intent of the people of this country and of Congress to hold whatever is left of the price line.

The CIO will continue to do what it can to inform its members and all of the American people that these issues are vital and essential to their welfare, and that the measure of economic statesmanship of this Nation and of the Congress which represents it will be found in the action taken by your committee and the Senate in the next few days.

The CHAIRMAN. That is a very fine statement, Mr. Carey.

Mr. CAREY. I would like to advise you that we have some witnesses right from our shops, members of our organization, and we would like to have them appear and make statements in line with the testimony which I have given.

Senator TOBEY. On page 9 of your statement, in the middle of the page, the last three lines of the second paragraph, you refer to wage increases and say that our efforts to build up purchasing power are—being completely offset and perhaps more than offset by the wild price increases which are being both permitted and engineered in the Federal Government today.

Would you detail that a little bit?

Mr. CAREY. Senator, with the idea in mind that OPA would continue, we negotiated wage contracts and we sought the enactment of legislation establishing minimum wages, but as prices go up, that is all washed off the board. Situations are brought about that throw our whole economy into chaos and confusion. We adopt our program and recommend to our people that they sign labor-union contracts for a period of a year or, in some cases, 2 years, to bring about stability in the industry, and then the House of Representatives takes the action it did to destroy price control, and if it should be repeated in the Senate, all that is thrown away and a whole new hand will have to be dealt.

Senator TOBEY. I agree. What I have particular reference to—and I am asking in all sincerity—What are the wild price increases which are being permitted and engineered in the Federal Government today, taking your statement at par; how is price control being nullified; and what are these increases that you speak of, and who motivates them?

Mr. CAREY. The items that have been decontrolled, where industry-wide price increases have been granted that go solely into profits or reserve columns would have a weakening impact. Just the threat of an amendment to cause the Administrator of OPA to be “reasonable” has a tremendous effect. That is the term that is used in order to get an extension of the Price Control Act. We are going to have to let go here and there. Our criticism of OPA would be that they have not held the line enough, and they need some help.

Senator TOBEY. They are all human, and a sword of Damocles of concentrated opinion in certain groups has a certain effect on OPA?

Mr. CAREY. Yes; and a great number in OPA, because of an enactment of a piece of legislation by Congress, have to be businessmen, at least have a business background, and it has been conducted that way and they receive requests on the part of employers for price relief in a very sympathetic manner.

Senator TOBEY. I have tried to hold up their hands pretty consistently. The thing that has impressed me, in all fairness, has been the fact that they have been called down here to Washington and put in key positions, and they have been primarily businessmen who have been successful, men of character and probity, and they have come down and taken positions here. Some have testified that they came down here with a deep-seated prejudice against OPA, but they have gone to the job and have sat around the counsel tables and conferred and looked into this picture in the interest of the Nation as a whole, and they have become confirmed believers in OPA as the remedial agency necessary to protect the public in these trying times. I know many of those men down there who have been good businessmen—and God knows we need good businessmen; you will agree to that. They have taken hold of this job in the conviction that this is the way to handle the matter. They have not come down here to stick a knife under the fifth rib of the OPA. They have been sold on it as the best method to protect the public. So, when you throw bricks at the OPA in a blanket indictment, I do not think it will hold water, because the key men are men who have been businessmen themselves and have paid taxes. That is a part of the evidence in this picture of the need for continuation of the OPA. Do you not agree?

Mr. CAREY. Yes; I do not think they should be held responsible for what has happened. I think they have been harassed, denounced, criticized, and called bureaucrats as if they are not making just as much of a contribution as any other representative of the Government representing the people. I think they need some sympathy and a lot of support. I think most of the criticisms are directed without looking back at the whole picture to see what is really responsible for their action.

Senator TOBEY. We are sitting here as a jury, and this is a very important matter which comes before us, and the main requirement of men on these committees is that they consider these matters on the facts and without prejudice. The most tragic thing that could happen on any piece of legislation is for men to be motivated by prejudice. I think there is a good deal of prejudice against OPA. I do not think it is all justified. OPA has made mistakes. There have been incongruities, abnormalities, and inconsistencies. It could not be otherwise with men like you and me handling these things.

Mr. CAREY. The only prejudice that I object to is the prejudice that grows out of OPA doing an effective job when they carry out their responsibilities. They should not be criticized for doing just that.

Senator TOBEY. I quite agree.

Mr. CAREY. That is part of the opposition, and I think it is certainly unconstructive. I think they deserve tremendous support, but I am a little afraid that they have become demoralized by the action of the

House of Representatives. They would have to be something other than human if they were not demoralized in the face of that action.

Mr. NIXON. Mr. Chairman, my name is Russ Nixon. I am chairman of the legislative subcommittee of the CIO on economic stabilization, and I want to introduce to you the people we have asked to come here, out of our shops, feeling that you would be interested in hearing other than professional testimony, such as some of us might give.

I would like you to hear the testimony of the men and women whom we represent, workers out of the shops. The people that we introduce to you now are not experts. They are just workers out of the plants.

The first group I want to introduce is a group representing the United Electrical, Radio and Machine Workers, General Electric Co., Local No. 301, Mr. and Mrs. John C. Saccocio, and their two children, one 11 years of age and the other 2 years of age.

(The following letter and telegram were later received for the record:)

NEW YORK, N. Y., April 23, 1946.

HON. ROBERT F. WAGNER,
United States Senate, Washington, D. C.:

On the occasion of the public hearings now being held before the Senate Committee on Banking and Currency on legislation to maintain OPA controls, I desire to convey to you the overwhelming sentiment of the people of the city of New York in support of continuance of price and rent controls. Continued price and rent controls are necessary if we are to achieve our hope of a prosperous postwar economy. The many crippling amendments passed by the House would sweep away price controls on practically all foods and on many other essentials. With the accumulated demand, prices are bound to rise sharply long before production can catch up with the demand. We must avoid a postwar boom which will inevitably bring economic collapse. On behalf of the people of the city of New York I urge you to carry on the fight to save the OPA. I am confident that they can rely on your vigorous support of price-control program.

WILLIAM O'DWYER, *Mayor.*

HONORABLE DEAR SENATOR: I'm sure that all black marketeers are anxious that OPA be continued. The Volstead Act did not do as much damage to law-abiding businessmen, farmer, consumer, and Government that OPA (as it has been managed) has done. Therefore I suggest that OPA be abolished; instead have an emergency control board with power to put ceiling on any product if and when prices go unusually high. For example, here in New York City the live and kosher poultry industry, because of the OPA, have forced consumer and farmer to pay higher prices for what they need. OPA has favored those who are engaged in that industry here by allowing them about 200 percent more profit than before OPA. Why? This alone has caused these dealers to become money mad; result—black markets, monopolies, less to farmer, and more to food bill of consumer.

Two hundred dollars a week for an A. F. of L. chicken plucker? One hundred and fifty dollars for a 14-hour week A. F. of L. chicken killer? One hundred dollars a week for A. F. of L. retail kosher butcher worker? A conspiracy? Unless OPA is abolished there is danger that \$10,000,000,000 to \$15,000,000,000 deficit, your salary may have to be paid with more borrowing, more greenbacks in circulation, while the black marketeers will be more busy than ever; they will not give up theirs; result?—request for another extension of OPA and again fooling the public.

The OPA is a menace to peace and production.

Respectfully yours,

BENJAMIN ROSENFELD,
Brooklyn 23, N. Y.

STATEMENT OF JOHN C. SACCOCIO, MEMBER OF LOCAL 301, UNITED ELECTRICAL, RADIO, AND MACHINE WORKERS, GENERAL ELECTRIC CO., SCHENECTADY, N. Y., ACCOMPANIED BY MRS. JOHN C. SACCOCIO

The CHAIRMAN. What work do you do?

Mr. SACCOCIO. I am a welder, Mr. Chairman. Wages are high; they are not low. I am down here pleading for OPA.

It is true we received a wage increase of 18½ percent in Schenectady, but my take-home pay, since VJ-day, has come down \$15 per week, on the average.

There are certain conditions existing in Schenectady which I think you people should know about; for instance, certain commodities, household commodities, that we use. At one time my wife bought tomato paste which she paid 4½ cents a can for. Today that same tomato paste costs 15 cents a can. That is all through OPA liftings, and what not.

She used to buy tomatoes for 15 cents a can, and today she is paying 35 or 40 cents.

The CHAIRMAN. Because tomatoes are not under OPA now?

Mr. SACCOCIO. OPA is supposed to have controls.

The CHAIRMAN. But the canners have raised the price?

Mr. SACCOCIO. The prices have gone up so.

Senator MITCHELL. You just know they cost you that much more?

Mr. SACCOCIO. Yes. That is why I say the OPA law must stay, not with amendments, but I think it should have more teeth in it, not just by fining a merchant or manufacturer a small fine and letting him get away with it. I think he should serve a jail sentence plus his fine.

The CHAIRMAN. How many workers have you got up there?

Mr. SACCOCIO. We have approximately 15,000 to 16,000 workers in our unit.

The CHAIRMAN. Do they all believe as you do about it?

Mr. SACCOCIO. I believe so. Every working man and woman wants to see price control.

Senator TAYLOR. What kind of product do you make in that factory?

Mr. SACCOCIO. We make all kinds of products, such as turbines, refrigerators, and so on.

Senator TAYLOR. Do you know about these charges that have been made, that there are inventories being held back and they are not putting goods on the market, but rather holding out in the hope of higher prices? Do you know whether or not there is any truth in that charge?

Mr. SACCOCIO. I cannot answer that, because I am not in the manufacturing end of it. I am just a buyer, and that is all.

I might say there is one item in particular in Schenectady which we use a lot of—that is, people of Italian extraction. According to OPA ceilings we should get cottonseed oil at \$2.50 a gallon. But today you cannot buy it at that. You have to pay \$4.50 a gallon, and they are asking as high as \$10. I have stopped in one market where I have done a lot of trading, and previously I had been paying \$2.50 ceiling price for that oil.

Senator BUCK. Is that still the ceiling price?

Mr. SACCOCIO. No, sir.

Senator BUCK. And you cannot buy it for that?

Mr. SACCOCIO. You cannot buy it unless you want to patronize the black market.

Senator BUCK. Over what period of time have these prices been asked?

Mr. SACCOCIO. This \$5 to \$10 a gallon has been within the last 2 months.

Senator BUCK. How about the canned goods you spoke of, going up in price from 15 cents to 40 cents?

Mr. SACCOCIO. That has been from 1940 up until today.

Senator BUCK. Then OPA has not been holding the ceiling down, has it?

Mr. SACCOCIO. Because it has no power, as I see it.

Senator BUCK. It has had all the powers it asked for, for over 3 years.

Mr. SACCOCIO. What happens is this, as I understand it: If a merchant is caught selling goods at over ceiling price he is brought before a judge and fined \$5. That is too easy. It pays him to get caught once. As long as he makes probably a thousand dollars or \$500 he would be glad to pay \$5. But if he had to go to jail, I don't think he would try it.

I have here a budget that I have brought down that I have worked out with my wife.

Senator MITCHELL. Is your wife here?

Mr. SACCOCIO. Yes.

Senator MITCHELL. Then she had better come up to the table.

Mr. NIXON. She said that if she remains he gets nervous. The baby is crying in the next room, and the older child is taking care of the baby.

Senator MITCHELL. Just take a seat, lady.

Mr. SACCOCIO. My rent averages \$10 per week. My food bill is \$25 a week, gentlemen—believe it or not.

Senator MITCHELL. How many in the family?

Mr. SACCOCIO. Four. On clothing we average \$8 per week.

Senator BUCK. Can you find all the clothing you need?

Mr. SACCOCIO. She can answer that better than I can.

Mrs. SACCOCIO. It is in the stores if you look for it.

Mr. SACCOCIO. Insurance is \$3.29 per week. Medical expense averages about \$2.50 a week.

The CHAIRMAN. You ought to have health insurance.

Mr. SACCOCIO. We should. I think the Senate and the House of Representatives should do something about that, too.

The CHAIRMAN. I have got a bill, if the Senate will pass it.

Senator TOBEY. Do you belong to the Blue Cross?

Mr. SACCOCIO. I don't belong to any organization.

Senator TOBEY. It is a medical and hospitalization organization.

Mr. SACCOCIO. I belong to a mutual-benefit association which is affiliated with the General Electric Co., but they pay no doctor bills. All they pay is lost time from work, which amounts to approximately \$12 per week.

Senator TOBEY. In New England they have a Blue Cross and Blue Shield which supply hospital and medical costs.

Mr. SACCOGIO. We have never heard of it in Schenectady. If it is there, it has been a secret. We have this hospitalization plan. They pay a certain portion of my hospital bill, but I have to pay the rest. But in Schenectady, as I say, if you are a member of a mutual-benefit association, and go to one particular hospital—we have only one—and if they know you are a member of that organization, the price of your room automatically goes up 50 cents a day. This actually happened. I had my oldest boy there for an operation for tonsils, and at the time there was a person in front of me who did not work for General Electric. His wife was there, and my wife was with me. He asked the price of a room, and it was \$3.50 per day. They happened to talk a little too loud, and I heard them.

After they got through interviewing those people and made arrangements for the room, the first thing they asked me was if I was a member of this hospital plan in General Electric, and I said, "Yes," and my room was \$4; it wasn't \$3.50. It was the same type of room.

Senator TAYLOR. They charged you for participating in the medical plan and then took it away when you got to the hospital?

Mr. SACCOGIO. That is absolutely right.

I had a dental bill this past year, from last August to the present time. I had my teeth fixed, pulled, and bridge work made, which I can't wear, and so forth. It amounted to approximately \$2 a week so far, up until today.

Then my income-tax deductions are \$6.30 a week; social-security deductions 66 cents a week; my telephone bill amounts to about \$1 a week. My light and gas amount to approximately \$1.50 per week, which makes a total of \$60.25.

The CHAIRMAN. What are your wages?

Mr. SACCOGIO. I am a pieceworker. I never made the same wages each week, but my average is about \$66 per week.

The CHAIRMAN. And you use it all up on your family?

Mr. SACCOGIO. That is right. I can't save a cent, no matter how hard we try.

I might get along on this myself, because I am a high-wage earner, but we in Schenectady are not all high-wage earners. We have workers there getting as low as \$40 per week, and their wives have been forced to go to work in order to maintain their families. In a democracy such as we have in these United States, for the life of me I can't understand why a wife has to go to work to help her husband make both ends meet. Why can't the husband alone take care of his family properly?

The CHAIRMAN. Your expenses would be reduced somewhat if we were able to pass the health-insurance bill that is now before the Senate committee.

Mr. SACCOGIO. I am not arguing on medical expenses; I am arguing on OPA.

The CHAIRMAN. We will be glad to hear that. You want to hold on to OPA?

Mr. SACCOGIO. That is right; I do, by all means. God help us if OPA goes out of existence or they pass certain amendments. I have no high-school or college education where I can interpret the laws as they make them. I say, give OPA full power to act. Put teeth in their laws. As I said previously, send these merchants and manu-

facturers to jail for any violation of OPA regulations. Keep them in line.

I was on the market for a car, Senator, and it is impossible to buy one because today they are asking a thousand dollars for a 1940 Dodge. That is a car that is today 6 years old. God help us if OPA goes out of existence and these manufacturers can put their new cars on the market. I can't touch one, and neither could any other worker touch them, because prices would be exorbitant. Even today, with wages we receive today, it is hard to get along.

Senator BUCK. You say, put all these black marketeers in jail. Where are you going to get the jails?

Mr. SACCOCIO. Build more of them. We have a wonderful organization, the FBI, that built up a wonderful reputation. Get them out and get after them. Don't start from the bottom with the small merchant; start from the top.

Senator BUCK. Put them all in there?

Mr. SACCOCIO. Yes, sir; whether they are worth a million dollars or ten dollars—put them all in jail.

Senator BUCK. We would not have any place to put them.

Mr. SACCOCIO. Then we can build concentration camps.

I have here also a budget for 1940-41. At that time I was employed by the city of Schenectady as a laborer.

Senator MILLIKIN. Were you married then?

Mr. SACCOCIO. Yes, sir; I was. At that time my rent was \$10 a week, which remains the same, thanks to OPA with their rent ceilings.

My food then was down to \$10 per week. My clothing was down to about \$4; my medical expense was down to about a dollar. Dentist bill was about the same. As to income-tax deductions, I have none. Social security, I paid none, because, as I understood it, there was a municipal law in the State of New York that does not allow a city to deduct social-security taxes from their employees.

My telephone bills remained about the same. My light and gas was about 88 cents per week. There is an increase of, I would say, about 40 percent in light and gas. We have a wonderful system up in Schenectady on this light and gas. Of course, that is going outside of OPA, I guess, but I would like to bring it out.

We have the meter man come once a month to read our meters, and then the following month it is estimated from the previous reading. In other words, one month the bill will either go up or down, but it seems to me our bills remain the same. There is one exception. Last summer I was invited to my brother-in-law's camp. We went there for 2 weeks. We used absolutely no electric light or gas for 2 weeks, and we never even walked into the house for 2 weeks. But my bill for that particular month, my light bill, had gone up 50 cents. It pays to stay home sometimes.

There are a lot of other commodities that have gone up anywhere from 50 to 300 percent—not 60 percent, but 300 percent; and I am pleading here with you, gentlemen, not to do away with OPA, and don't give it any weakening amendments. If anything, I am pleading with you, gentlemen, to make it stronger.

You are supposed to be representing me and my wife and those children. We are the people. I believe if this issue was brought up

on a voting machine tomorrow the people would vote to retain OPA and give it more power than they have today. I would say, like I said before, give it teeth; don't take away any of its powers.

Senator MITCHELL. You do not hear people saying, "We can't get this or that because of OPA," do you? Do they blame OPA because you cannot buy just what you want in the stores?

Mr. SACCOCIO. Today there are a lot of commodities on the market, such as oil. Of course, there is a scarcity of oil; there is some. We are sending oil and other items to Europe to help in the food problem over there, and I absolutely believe in that. But in one particular market, going back to oil, they had oil, but, of course, I didn't know it, but I happened to know an employee there who was a personal friend of mine, and he advised me, before I went in, "When you walk into the store he will tell you he has no oil. Just walk into the back room. He has got it in there." I went in there and, my God, that room was just stacked with oil, cases of it. I brought it to the merchant's attention; I said, "Look, you have oil, and I have traded here a long time. Why can't I have some oil?" He said, "It is not for sale," and walked away. He is doing business with the public, and I said, "Why isn't the oil for sale?" He couldn't answer me. I said, "I have got to have oil." He said, "I will give you a gallon of oil. Do you want to pay \$6?" I didn't answer that. So he picked up the oil and set it on his counter. When he put that oil on his counter I put \$2.50 on that counter and picked up the gallon of oil and was walking out with it, when he said, "Where are you going with that?" I says, "The OPA ceiling is \$2.50. Either you call a cop or shall I call one?"

Well, I got my oil. But if it was not for OPA I probably could not get that oil for \$10.

Senator TOBEY. What he was probably doing was to hold the oil until the ceiling price was taken off.

Mr. SACCOCIO. In my opinion, they are holding back a lot of these commodities, just waiting for OPA to be blackjacked into oblivion, so that they expect to get more when they put these products on the market—and God help us after that.

Senator TOBEY. Were you born in this country?

Mr. SACCOCIO. In Schenectady, N. Y.; that is my lifetime home.

Senator TOBEY. How many children have you?

Mr. SACCOCIO. Two children.

Senator TOBEY. It is a very healthy thing for this committee to have people like yourself come before it. We have many people come before us, but there is nothing finer, to me, than to have people that love America, common people, just as I am and you are, with a family, and trying to make an honest living, to bring these matters to our attention. It is our job to have an understanding heart for it and fit it into the general economy; and that is what we propose to do.

Mr. SACCOCIO. I hope so. But, in my experience—I am not referring to you or any particular gentleman here—in my experience as a voter, I have had candidates for State Senator and candidates for the House of Representatives and candidates for election for Governor, and other offices, that come up and speak for democracy a hundred percent, but after they get elected, what happens to this democracy?

Senator TOBEY. Pardon my speaking in the first person, but on the floor of the Senate I said a while ago:

My brethren, we have a greater menace in this country than Hitler and all his legions, and it lies in the fact that the people have begun to lose faith with the agencies of government. When that time comes and they come to the conclusion that we did not give a damn about them except to get their votes at election time, then look out.

Mr. SACCOGIO. We have a Congressman from the Thirty-first Congressional District, a man by the name of Bernard Kearney. There is a man that is vicious for labor, in my opinion.

Senator TOBEY. You mean he is vicious for labor or against it?

Mr. SACCOGIO. He is against it. That man voted for a bill that, in my mind, he had no right voting for or against at the time. I am referring to the Case bill. There is a bill that came up before the House, and here is a man that didn't even know what it contained, and he voted for it. The only reason he changed his mind was because men like myself and thousands of other members of our organization went out and petitioned people, telling the people what he was doing. Only then did he change his mind. He was not representing the people. You see, the people will lose touch; yes, they will, because representatives of the Government—I don't say the Government itself, I say its representatives—men like you and you and you—lots of you do not represent the people. You seem to represent the manufacturers, not the people. We are the majority. We are the people that elected you. Companies like General Electric, Westinghouse, General Motors, and a few other organizations are not electing you. We are electing you. We are the majority. These are the people that are losing faith in the Government. You people talk grand about democracy; it sounds good when you are making your campaign speeches, but once you are elected it all seems to disappear.

In the City Council of Schenectady we pleaded with the council. We showed them the facts—people that were supposed to represent us. We presented our case to them and they turned us down. We have child-care centers all over the country. Our city council refused to appropriate money to run this child-care center for the period of a year. They only allotted enough money for 2 months' purposes.

You do not do business that way; you do not do business from month to month or from week to week. You do it on a yearly basis.

That is all I have to say, gentlemen.

The CHAIRMAN. Thank you very much.

Mr. SACCOGIO. I hope the OPA is retained, and instead of giving it amendments that would weaken it, I say give it more teeth.

Thank you.

Mr. NIXON. Mr. Chairman, the next worker is Mr. Bernard Gorsica, a steel worker, at the Jones & Laughlin Corp., South Side Works, Pittsburgh.

**STATEMENT OF BERNARD GORSICA, MEMBER OF LOCAL 1272,
UNITED STEEL WORKERS, JONES & LAUGHLIN CORP., SOUTH SIDE
WORKS, PITTSBURGH, PA.**

Mr. GORSICA. My name is Bernard Gorsica. I am 46 years old. I support a wife and three children. One is 11 years old, one boy is 12, and a girl is 2½ years old.

I am a little bit excited, because I am not used to this kind of stuff.

I have in my hand three pay envelopes and I will show you how my wages were cut. It is a shame that the workers in the steel industry had to wait for the war in order to cease a hand-to-mouth existence. Up until that time that is all it was. During the war we got good money and we began to feel a sort of sense of security. We knew that we could feed our kids and maybe save a few pennies to put away for an education for our children.

I have a pay envelope here for the pay period ending July 21, 1945. I made \$141.52; and after all the deductions for social security, insurance, union dues, and Federal income tax I was left with about a weekly earning of \$64.65; and out of this \$64.65 I bought war bonds which amounted to about \$7.07 out of this pay envelope. That brought my pay down for a week to \$54.58.

Now, my wife is a pretty good manager, and with the little bit of money that we saved up by putting it into war bonds, if the expenses did not run high or if we operated so we didn't have to pay insurance, we could manage it. But it was pretty tight.

So, then, comes VJ-day and the bottom dropped out of everything, including my wages. I was put back on 40 hours a week. I lost my time and a half for 6 days; and I have here another envelope which shows you that for the November 10 pay period I earned \$103.62. After all deductions were made for social security, Federal income tax, group insurance, union dues, and so forth, I had left \$49.41.

I had already begun to cash my war bonds at the rate of one or two every pay day, to meet current expenses. I was still buying war bonds, but I was only taking that money out of one hand and putting it into the other.

So, things got pretty bad. Due to the pressure of steel workers throughout the industry our national leaders had to reopen the contract and demand a 25 cents an hour increase for us steel workers.

The strike lasted approximately 4 weeks, and we got 18½ cents. The 25 cents which we were asking for would not have covered all the money we lost due to lost overtime and the loss in tonnage and various other factors that enter into the case, which a technical man could explain to you. But we got this 18½ cents an hour.

I have here my latest pay envelope for March 30, 1946, and that pay envelope represents \$120.40 for 39 hours a week. Mind you, gentlemen, I seldom if ever make 40 hours a week. I usually make about 35 or 30. I already quit buying war bonds through the pay envelope. After the usual expenses, like Federal income tax, union dues, and so forth, I have about \$60.20 left for a week. There was a \$10 amount there which brought it down to about \$50.20. This \$50.20 is a loss of \$10 compared to the wages which I got before VJ-day, \$64.65.

I know, and everybody else here knows, that the cost of living has gone up considerably since that time. In my case I am fortunate. I am considered a skilled worker in steel. I am a blooming mill recorder. But the majority of the fellows in the steel industry are not fortunate enough to save money through war bonds. A lot of them still live from hand to mouth, and when they got these wages they could not save anything—not because they didn't want to save, but they couldn't, because prices were too high.

Another thing that I am fortunate about is that I have a wife that watches the pennies pretty closely, and also that I live in a Federal housing project, and my rent is only \$45 a month, everything included.

The CHAIRMAN. What about OPA?

Mr. GORSICA. You gentlemen can see that two people try to save a little bit to lay aside, not to buy a home, but to save for an education for our children. If we have to go into our fund my wife is on the verge of tears that we have to spend this money; and you can see that if we have to go into our savings and all our current expenses are on the same basis as they were right on through the war—there is no additional expense; we try to eat the same way, but, still, if you have to cash one or two bonds in order to meet current expenses, that is proof right there that OPA should not be abolished. They have been doing a pretty good job up until now. If the ceilings had been taken off rents I would be wiped out completely. The rent alone would wipe me out. I would not be able to feed my family.

I think that is the sentiment of all of the fellows that I work with. They are a hundred percent for the retention of the OPA, and not a one of them in our union, or even on the other side of the river from our side, blame the OPA for the high prices. They blame the black market and the fact that the OPA is not allowed to carry out the law the way it should.

I beg all of you gentlemen to consider all of these cases that I brought up in my own personal life, and vote for the extension of the OPA without any amendments which would really nullify the whole OPA.

I can assure you that not only are all of the steel workers for it, but our entire community on the South Side and in the Greenville district of Pittsburgh is 100 percent for OPA, and they want it kept without any crippling amendments.

Thank you.

The CHAIRMAN. Thank you very much.

Senator BUCK. I understood you to say that your regular week was 40 hours and that some weeks you only work 35 hours. To what is that due?

Mr. GORSICA. The way they worked during the war, we very seldom ever lost any time, but now it seems it is up to other people to tell you why it is done, but we seldom if ever get a full work week of 40 hours. In fact, this pay envelope is an exceptionally good pay envelope, because I usually lose a day.

Senator BUCK. That condition has existed since the strike?

Mr. GORSICA. It happened before the strike. Immediately after VJ-day man-hours were being cut.

Senator BUCK. Have hours improved any since the settlement of the wage dispute?

Mr. GORSICA. No, sir; the hours have not improved. As I said before, this is an exceptionally good pay envelope. Thirty hours is exceptionally good time for a steel mill in the blooming mill end of it; and I want to again specify and emphasize that I am one of the fortunate fellows in the steel industry. Seventy-five to eighty percent of the men working in the steel industry are not as fortunate as I am. I am fortunate, but I still have to spend from my savings and deprive

my children of a chance for an education, and send them out to sell newspapers.

The CHAIRMAN. All of the workers are for holding on to OPA without any crippling amendments; is not that so?

Mr. GORSICA. Yes, sir.

Mr. NIXON. Senator, I know you want to adjourn, and I would like to ask your instructions. We have a worker from a packing house in Iowa, and clothing workers from Keansburg, N. J.; we have two textile workers from Georgia and a worker from Pennsylvania. May they appear at some later time, perhaps tomorrow?

The CHAIRMAN. We will do the best we can.

Senator MITCHELL. May I request that a statement from Hon. Robert W. Kenny, attorney general of the State of California, be printed in the record at this point?

The CHAIRMAN. It may be included in the record.

(The statement referred to is as follows:)

STATEMENT OF HON. ROBERT W. KENNY, ATTORNEY GENERAL, STATE OF CALIFORNIA

Members of the committee; I am appearing before your committee in support of the extension of the present Price Control Act to June 30, 1947. I appear not as a State official, but as a private citizen of the State of California and speak in behalf of an overwhelming majority of the citizens of my State.

Speaking for them, I wish to inform the committee that the people of my State are firmly opposed to the amendments in the Price Control Act as passed by the House of Representatives. These amendments, we are convinced, would, in effect, abolish price controls.

Gentlemen, the people of my home State of California are anxious and worried about the fate of the Price Control Act. The housewife who strives to keep the family budget on an even keel, workers who have suffered a cut in pay with the end of wartime overtime, the veteran who has to start from scratch in a new business, the small businessman who is getting just by, the white collar worker whose income is frozen—all fear one common enemy—inflation.

They have good reason to be anxious and worried. All around them they see strong inflationary pressures. They know, for instance, from hard, first-hand experience what was revealed in a recent survey made by the National Housing Agency—that real-estate prices are more inflated on the west coast than in any other section of the Nation. Whereas homes of \$6 000 or less have increased 65 percent nationally, they have increased over 96 percent on the west coast. Where homes from \$6,000 to \$12,000 have jumped 57 percent nationally, they have been hiked over 87 percent on the west coast. And just plain raw land has jumped 98 percent on the Pacific coast compared with 60 percent for the Nation as a whole.

They have seen the stock market—also uncontrolled—soar to 15-year highs in recent months, with an inflationary fever infecting everyone again as it did back in the not-so-good-old days of 1929.

They see people lining up for scarce goods—nylon hose, butter, and other items still short. And they realize what could happen if we didn't have the OPA, backed with the present strong Price Control Act to protect them.

A lot of Californians still remember the inflation that hit this country during and after the last war, when price control was all but unknown. With no OPA to sit on the lid, eggs soared to 92 cents a dozen, rents skyrocketed 99 percent, cotton goods 286 percent, clothing 245 percent. Businessmen tried to hedge by hoarding more and more goods; workers demanded higher wages, then saw their new pay envelope shrink again by new price increases; white-collar workers, with fixed incomes, were squeezed unmercifully. Consumers were soon outpriced, slowed their buying—and the bottom fell out in 1920—just about 18 months after the armistice. The collapse was sharp and bitter—over 100,000 businesses were wined out, and 5 000 000 were thrown out of their jobs.

My people back in California are worried because they know this could happen again—unless the Price Control Act is extended for as long as it is needed, at least for another year. Unless we have a strong Price Control Act the entire Nation will suffer—but Californians will be hit particularly hard. I am thinking of our veterans. As you probably know, more returning veterans are settling

down in California than in any other State. Inflation would make a tragic joke of the money benefits of the GI bill of rights. What good will a loan of \$2,000 for a home do a veteran who can't find anything but a shack for less than \$15,000? What good will it be if a veteran wants to start in business and finds his loan swallowed up by inflation-bloated prices? Even worse, think what could happen to our disabled veterans, those who sacrificed their health and limbs so that democracy might survive; their modest pensions would vanish like a puff of smoke.

I am thinking of the hundreds of thousands of elderly people in California who have retired to enjoy a well-earned rest, to be financed by pensions, old-age insurance, or what they thought were safe, conservative investments. Every spurt of the inflationary spiral would make their lay-by money worth less and less. Maybe some of us younger folks could survive a trip through the boom-and-bust wringer, but not they.

I am thinking also of the large number of civil servants who work and live in California—more than in any other place with the exception of the District of Columbia. Living on practically frozen incomes, how can they hope to survive the vicious inflation which is sure to be touched off if the OPA is not given another extension of the present effective Price Control Act? Squeezed between a constantly rising price level and a rigid salary ceiling, they'd soon be in desperate straits.

I am thinking of the 300,000 workers in California. Here is a letter recently written to me by the wife of one:

"DEAR ATTORNEY GENERAL KENNY: During the war I worked in an office, and my husband, beyond the draft age, worked in a shipyard. We put our extra money into war bonds. With the war over I returned to my kitchen, but my husband, after a lay-off that ate up some of our savings, finally got another job—but with no overtime money. We've had to retrench a bit, but we don't mind that so much as we do the talk about inflation we hear. Mr. Kenny, if the OPA is weakened or abandoned we and thousands like us are going to have a harder struggle than ever. Please do something about it."

Something must be done about it. What is done is the responsibility of the Congress of the United States.

I am thinking of the hundreds of thousands of homeless and near-homeless Californians who are looking to the veterans' emergency housing program for relief. They have all read carefully what Wilson Wyatt, the National Housing Expediter, said the other day:

"I am deeply concerned over the present version of the OPA bill. If enacted by Congress, it would jeopardize the whole veterans' emergency housing program by making impossible the production of homes for veterans at a price they can afford. The uncontrolled inflation which would result would increase home-production costs—already so high that we face extremely tough problems."

Not only are Californians thinking in terms of housing—they are thinking of the thousands of construction jobs that a big housing program would provide. Many workers laid off in shipyards and aircraft plants and thousands of retired veterans are looking forward to long-term, decent-paying construction jobs. Inflation at this time would wipe out not only shelter but also their opportunities for work.

I am thinking of California's new industries, created during and since the war—our first real step toward industrial development. Many of these new enterprises in consumer goods, plastics, and light metals are just in their infancy. They are tremendously important to California. They mean jobs, purchasing power, more goods, and better living for thousands of Californians. But they need high, sustained consumption for several years before they can weather any kind of a financial adversity. An inflationary blast now would shake them to their foundations, and cut off the customers they need. It might take years for California to rebuild them.

And finally, I am thinking of California's third largest industry—motion pictures. The life blood of this industry is the 25 or 50 cents Mr. and Mrs. Average Moviegoer is willing to lay down once or twice a week to see their favorite stars perform. If inflation comes and purchasing power is slashed, as it was after the last war, the moving-picture industry will be among the first to feel the effects. You can well imagine what a blow to worker income in California a depression in motion pictures would cause.

In short, gentlemen, I am thinking of all the people, the resources, the industries which have made California the great State it is. We Californians

reflect the Gallup polls which show over 70 percent of the Nation favoring extension of the present Price Control Act, and the National Opinion Research Center poll which shows 85 percent favoring extension of price controls. We want to keep our State the prosperous State it is, the good State it is to live in.

But there are those who disagree with us—those who think they will benefit from inflation. This powerful, well-organized minority consists of three groups. First, those who want all price controls killed at once: the National Association of Manufacturers spending hundreds of thousands of dollars to befuddle the American people with a series of advertisements whose arguments hold no more water than a sardine fisherman's net; the large corporate farmers who would like to keep wages low and prices high; the real estate interests who thrive in inflationary times; the speculators who are betting on inflation, hoping that they can grab quick profits before the depression sets in.

Second, there are those who say they are all for the Price Control Act—but. They speak vaguely of revisions, amendments, and streamlining. Each of these reservations is loaded with dynamite, for each blasts a little more of the foundation away from the Price Control Act. They are having a tough time fooling the American people, for letter after letter pouring into Washington states, "pass the OPA bill without crippling amendments."

Third, and I am ashamed to admit that the present administration in California is a prime example of this group, there are those who speak salubriously of States' rights, as a substitute for a National Price Control Act. They long for the old pre-OPA days when the State agricultural administration ran the show, fixing prices at high levels, without regard for the consumer. They are jealous of OPA's record of keeping food prices relatively stable for the past 5 years; their mouths water for a cut in the juicy inflationary pie they envision for themselves, if the OPA is drastically weakened or killed. We can do it better is an old theme song used unsuccessfully by many politicians in recent years, but the people of California want stable prices instead of music, good jobs instead of promises. They aren't and won't be fooled.

Gentlemen, California does not stand alone in her request that the Price Control Act be extended in its present effective form. Poll after poll, survey after survey, the wires and letters you are receiving from your constituents show that an overwhelming majority of American citizens demands another year of the present act. And it must be extended quickly, for the specter of hoarded goods waiting for an anticipated price inflation, the fear of depreciated savings, the dread of unwanted unemployment haunts every household in the United States. You can allay these fears by passing the present Price Control Act—thereby taking a long step toward insuring the sound, prosperous, livable America we have all fought, worked, and sweated for these past 5 years.

STATEMENT OF JACK KRANIS, CHAIRMAN OF A COMMITTEE REPRESENTING SMALL BUSINESS, LABOR, AND CONSUMERS, NEW YORK, N. Y.

Mr. KRANIS. Mr. Chairman, my name is Jack Kranis, and Mr. Nat Messing and I are here as a committee representing small business, labor, and consumers, representing a total membership of over 100,000 people who are strongly opposed to any emasculation of the OPA Act.

I request that five telegrams and a copy of the minutes of a joint meeting of industry, labor, and consumer for the retention of the Office of Price Administration, held in New York City on April 23, 1946, be incorporated in the record.

The CHAIRMAN. That may be done.
(The matter referred to is as follows:)

NEW YORK, N. Y., April 24, 1946.

JACK KRANIS,
New York City:

Please speak in our behalf for continued OPA without crippling amendments.

MEYER STERN,
United Packing House Workers of America, District 6.

NEW YORK, N. Y., April 24, 1946.

JACK KRANIS,
New York City:

This is your authority to represent the Butter and Egg Merchants Association, Inc., in giving testimony to the Senate Banking Committee in Washington.

WILLIAM SCHECTER,
President, Butter and Egg Merchants Association, Inc.

NEW YORK, N. Y., April 24, 1946.

JACK KRANIS,
New York City:

Average business backs you in your fight against inflation. Proposed amendments to price-control legislation represent a danger to American economy. Continuation of OPA and the inclusion of commercial rent control are of the utmost necessity.

HEYMAN ROTHBART,
Managing Director, American Business Congress.

NEW YORK, N. Y., April 24, 1946.

JACK KRANIS,
New York City:

Please argue on our behalf for continuation of OPA, minus crippling amendments, despite refusal of OPA to grant necessary adjustment to us on occasion. Feel that price ceilings are necessary. Limited profits with valued dollars are better than unlimited profits and worthless dollars.

HERMAN B. GLASER,
Attorney for New York Appetizers Association, Inc.

NEW YORK, N. Y., April 24, 1946.

JACK KRANIS,
New York City:

Contact league members Beatrice Jacobs and Sophie Anzell at conference of National Emergency Committee to Save the Price Control Act, 1406 G Street NW., telephone Executive 1487, also Washington branch of league, 1706 G Street NW. President is Kathleen Cliff, home address, 3500 Rodman Street NW., Washington 8. Am sending wires to Washington introducing you.

VERA BOUDIN,
League of Women Shoppers.

**JOINT MEETING OF INDUSTRY, LABOR, AND CONSUMER FOR THE RETENTION OF THE OPA
HOTEL WALDORF-ASTORIA, NEW YORK CITY, TUESDAY, APRIL 23, 1946**

The joint meeting of industry, labor, and consumer for the retention of the Office of Price Administration, called under the auspices of the National Meat Industry Council, met in the Pillament Suite, Hotel Waldorf, New York City, Tuesday evening, April 23, 1946, at 9:45 p. m., Mr. Jack Kranis, temporary chairman.

The temporary CHAIRMAN. I now call this meeting to order.

May I, at the outset, ladies and gentlemen, thank you for coming here tonight. There are some people coming later from New Jersey and Philadelphia, but their trains were late and they have been slightly delayed. However, they will be here shortly.

This meeting has been called under the auspices of the National Meat Industry Council, which is an organization composed of organizations in eight States and the District of Columbia. They represent over 25,000 retailers and over 1,500 independent slaughterers.

There was a meeting of the executive committee of the National Meat Industry Council about a week ago. After hearing what was going on in the House of Representatives, they became alarmed, and I think rightly so, when some of

the Congressmen took the bits into their mouths and started running. I doubt if even today they know which way they went, so far as the OPA law was concerned. It was decided at that meeting that a meeting of small businessmen, labor, and consumers of these three States be called, and by the three States, I mean, of course, New Jersey, Pennsylvania, and New York.

I, therefore, tried to secure representatives of these various small-business people, labor, and consumers to come to this meeting tonight so that we might take some definite steps and some definite action to see to it that the OPA is retained and not emasculated, as it seemed it might in the House of Representatives up to this time.

As you may know, the Senate Banking and Currency Committee is first meeting to give its proposal on the bill. The Senate itself has not as yet met, and we have two chances to see that an OPA bill emerges of the type we want. One is that the report of the Senate Banking Committee to the Senate should be the correct one, and then the action of the Senate itself.

With these few remarks, I want to say that the work of the National Meat Industry Council is finished, so far as bringing you together here, although not that they won't take a stand and go further, so far as this bill is concerned.

It would be a good idea now to appoint a chairman for this evening to carry forth a program of action to the end that the OPA is retained.

I would suggest that you propose a chairman for the evening to go ahead with the meeting to bring about action of the type that the National Meat Industry Council is asking for.

Mr. ROSEN, Mr. Chairman, ladies, and gentlemen, since Mr. Kranis is closely associated with the National Meat Industry Council, and since he has knowledge of what this is all about, exactly what action is needed, since he is in possession of all the facts and information, I move that he be appointed chairman of this group. I believe that he can do a quicker job, because he has all the contacts and the information, and while there is no particular honor attached to the chairmanship, I think he should have it because he can carry on more efficiently.

I, therefore, move that you, Mr. Kranis, act as chairman.

The TEMPORARY CHAIRMAN. Thank you, Mr. Rosen.

Are there any other nominations for chairman?

Mr. ROTHBARD (American Business Congress). I move that the nominations be closed.

Mr. PRESENT. Second the motion.

The TEMPORARY CHAIRMAN. A motion has been made and seconded that Jack Kranis be appointed chairman of this meeting.

Thank you very much for the honor. I accept it. I will do my best, and I hope that I can carry on.

Before I read some of these telegrams that I have received from Chester Bowles and Senator Mead and former Assemblyman Lamula, I should like to introduce to you Commissioner Schultz, who is here to give us a special message. He is in a hurry to leave, so I suggest that we hear from him now. [Applause.]

Commissioner SCHULTZ. Representing as I do the Markets Department of the City of New York, this is but one of several meetings of its kind, although this probably represents the largest individual group, that are being held in the city of New York tonight with the same objective in mind, and I shall have to appear at all of them. I was asked to be here at 9 o'clock, Jack, and I was here, so I will have to go. I am very grateful for being permitted to give to you my message and the message of the city of New York.

The war on its battlefields is over, but today we are fighting a war of another kind. It is a struggle to prevent the misery of inflation from engulfing the Nation. If history is to teach us anything, it proves that inflationary pressures created by war do not end when the fighting is over. This was made clear after World War I. Forty-three percent of the inflation came after the armistice was signed, at a time when there was no effective control such as we have had under price control during the recent war.

A year and a half of inflation was followed by a collapse that brought tragedy to millions of people. In 5 years following the World War I, prices collapsed; over 100,000 businesses failed. It was not big business but little business that suffered most severely. It was the little man who suffered the greatest disaster when the bottom fell out of the market.

One simple example will indicate what this may mean: Sugar rose from a little under 9 cents a pound wholesale at the time of the armistice to 28½ cents

a pound in less than a year. When the collapse came sugar dropped to under 5 cents a pound. Thousands of wholesale and retail grocers lost their savings and many lost their businesses when the bottom fell out of sugar and other prices.

Unemployment increased by over five and one-half million. Pay rolls shrunk 45 percent. Average farm income shrunk from \$1,360 to \$460. In the 5 years after the collapse following World War I, over 450,000 farmers lost their farms by mortgage foreclosure. Inflation, collapse, depression—that has been the course of events after every war. It could happen again at this time.

For the same of business, of labor, of farmers, of veterans, of consumers, of every one of our 140,000,000 Americans, it must not happen again.

The two principal objectives of the Nation in the transition period are:

- (1) Maintaining of stable prices and living costs; and
- (2) Maintaining a full peacetime production and employment.

These two objectives were emphasized in the President's Executive order issued just after the Japanese surrender. They are still the principal objectives in our fight for a prosperous postwar economy. We cannot avoid the devastating effects of inflation unless we retain price and rent control for at least another year.

Mayor O'Dwyer appeared before the House Committee on Banking and Currency on March 8 and strongly urged the extension of price control. Today he feels that it is necessary to arouse the people of this city to the disasters that would befall them if price and rent control were not maintained without the crippling amendments that have just been passed by the House.

Mayor O'Dwyer together with the people of New York, is prepared to carry on the fight and to make all of the facilities of the city available to impress the Congress of the United States that the overwhelming sentiment of the people of this city and of this country demands that price and rent control be continued.

I thank you. [Applause.]

For the Markets Department, may I add that if OPA is continued, as we hope it will be, we will continue to cooperate with them as we have in the past, and we will continue to ask their support of us as we have in the past, and as we have in the past received.

I am sorry, but I have to run along, gentlemen.

THE CHAIRMAN. Thank you very much, Commissioner. I am sorry you have to go.

I would like at this time to have Mr. Homnick, a veteran of this war, to read the telegrams we have received.

(Thereupon Mr. Aaron G. Homnick read the following telegrams:)

"Terribly sorry I could not accept your invitation. It is reassuring to find that so many groups like yours fully understand the crisis our economy faces today and the disastrous consequences of too much self interest in dealing with it. I believe that the greatest single danger to the future health and prosperity of our free enterprise system would come from the crippling of our stabilization machinery just at this crucial moment. I cannot believe that the American people would sit idly by while we drifted again into the economic chaos that followed the armistice of 1918 and the inflation of the twenties and I cannot believe that our economic system would survive the shock of another such experience in a single generation. I have great confidence in our free enterprise system and its ability to continue producing the highest standard of living, the most widespread economic security and the greatest freedom for our farmers, our businessmen and our workers of any system on earth.

"I believe that in the future we can produce business opportunities and a living standard that far exceed anything we have ever dreamed of in the past. But I am equally convinced that this future under free enterprise can never be won if we indulge ourselves through pursuit of narrow self-interest in another inflationary boom and collapse.

"The task that lies ahead during these next critical months is not an easy one even under the best conditions. It will require strong legislation from Congress. But it will require also good sense, good judgment and courage on the part of all groups in the country including the governmental agencies which have the responsibility for administering this program, and it will require the full cooperation of labor, management, businessmen and farmers.

"Your organization is rendering a real service to the American people when it contributes to the task of making that program work effectively.

"CHESTER BOWLES, *Director.*"

"Sorry indeed vitally important work of my Senate War Investigating Committee prevents my attendance tonight. Assure you I am working vigorously with my colleague Senator Wagner, Chairman of Senate Banking and Currency Committee, to obtain extension of price control legislation and to eliminate crippling amendments adopted by the House. OPA must carry out its very necessary price-control policies in order to prevent inflation and protect our economy. Best wishes to all present.

"JAMES M. MEAD, *United States Senator.*"

"Exceedingly regret inability to address your members tonight as the legislative representative of joint rent action committee organization of 66,000 small businessmen in New York. I wish to join you in vigorous protests against action of Congress in sabotage OPA, and small businessmen know that OPA in spite defects in bulwark against unbridled inflation and disaster for all shall sincerely appreciate opportunity address your organization on some future occasion.

"JOHN J. LAMULA."

"Congressman Celler out of city and unable to attend meeting tonight.

"Secretary to Congressman EMANUEL CELLER."

The CHAIRMAN. Thank you very much.

I am glad my friend here read Mr. Lamula's telegram because it brings us to the point where we can begin.

I know many people sitting here in this room, as I myself, have many a time taken issue with OPA as to certain parts of their regulations. Some of my friends from OPA who are sitting in the back here know that I have done it also very often.

However, I think that we have all agreed, unless any one wishes to state otherwise, that the general picture of the OPA itself we have always wanted. We have always wanted that picture which we wished to sponsor at the present time: The need for an OPA.

At this point I should like to throw the floor open to some of the people representing organizations of labor, the consumer and business, to hear their viewpoint on this entire picture.

I now call upon my friend Messing, manager of Waiters' Union, Local No. 2 of the AFL.

Mr. MESSING. Mr. Chairman, ladies and gentlemen, I don't know whether I am going to make a very popular speech for this occasion, a speech which will suit the ears and feelings of some of the people assembled here this evening.

However, I am going to be very honest with my convictions, not only because I represent labor and I come from the laboring class, but because I happen to have had the occasion of serving on the OPA board. Very true, many a time have I had disputes with my coboard members, for the way they have favored the big fellow against the small chicken market man, or the small butcher or the small grocery man. Above all, however, I was often very strongly provoked by the fact that small businessmen whom you represent here tonight would cash in overwhelmingly on this black marketeering against the housewives whose sons had given their lives in the war effort, or whose husbands sacrificed their lives, when these women had to go out and work for a living. And, as I say, these small businessmen, chicken men or butchers, whatever they were, were not only not controlled by the OPA board, but took an arrogant attitude toward the men who were giving their time without compensation, in an effort to help maintain the country in a manner that would have been fitting for a workingman or small businessman to live in and maintain themselves on the earnings they had made or which they had, without causing a possible inflation. Their attitude to the OPA board was one of defiance, and they had no mercy for the consumers at all.

Today, for some reason or other, from what I understand—and it is right that it should be so—the small businessmen throughout the Nation are banding together very quickly in order to make sure that the OPA is retained, because the OPA is being opposed by some of the powers that be. It is natural, of course, to want an OPA board to suit yourselves, to make sure that what you have does not go out of your pockets for the benefit of the next fellow.

Let us be clear about this: The OPA is the most wonderful thing for this country, now more than ever before. I cannot speak for all of labor, but amongst

my associates and my travels, I can tell you that the overwhelming sentiment is for the retention of the OPA. I went to a dinner in Newark, N. J., only last night where I met a great many labor leaders—New York and New Jersey—and I discussed this subject matter with them, and I can tell you that they expressed their sentiments to the effect that we must do everything in our power to retain the OPA for the protection of the people and to ward off inflation.

But, how about a little educational program, or evolving some method of teaching our people, our businessmen and women, to be honorable about the entire situation? Of course, no one here is big enough to admit that what I say is the truth, but the truth of the matter is that there is more black-market money rolling around this country now than there ever was in the days of Dutch Schultz in prohibition time, in racketeering. I am opposed to that, and I believe that in my small way I express the sentiments of the majority of labor men and women throughout the United States.

We shall do everything in our power to support the retention of the OPA, but we will likewise do everything in our power to exterminate some of the small-fry black-marketeers, as well as the big fellows.

Of course, I realize that it takes a lot of courage to come up to a meeting of this kind and talk this way, but I am the man to do it because I am the man who challenges anybody who wants to take exception to what I am saying as to what has gone on here today.

Therefore, in conclusion, Mr. Kranis, I wish to congratulate you on your efforts. I congratulate you on your ambition and also on your ability, and I assure you that my organization, and I personally, will support you and your efforts wholeheartedly, to the best of my ability. At the same time I wanted you and all those present to hear and understand exactly to what extent we will support you, and to what extent we will fight if necessary.

Thank you.

The CHAIRMAN. We will now hear from Mr. Rothbard, of the American Business Congress.

Mr. ROTHBARD. I am a managing director of the American Business Congress, and I am pretty grateful to Mr. Messing for the message he just gave you, because I don't think anybody here would challenge him. I don't believe there is anybody here who supports the black market, but I don't think there is any essential difference between small business and the laboring group when it comes to the problem of OPA, which is merely a problem of the small man protecting himself against the crush of big business.

Take big business—there is nothing wrong with it; it is all right; but it has its own interest to look out for, and it is just too bad if the little fellow gets crushed underneath.

Even in the ranks of big business we find very intelligent people who don't go along with the NAM crowd. Let us take a fellow like McGraw, of the McGraw Hill Publishing Co., or a fellow like Kaiser. Kaiser and McGraw took their own money out of their own pockets and went down to Washington to fight for OPA. McGraw, who represents the biggest section of big business, is at least intelligent enough economist to know that if we let OPA die we are going to see the death of the American economy as we know it. We will see a survival of some big finance group, perhaps, or a survival of nothing. Only last week I was down in Washington, up on the Hill, roaming around, trying to do what I could on two fronts; the first front was to protect commercial rents, to work for commercial-rent control, and there you have a sad case. It is a pretty tough deal. The American Business Congress represents small businessmen from all over the country, a good many of them from here in New York, and down there, with a force of the small businessmen behind me, I saw that it was not a question of saving one segment of the American economy, saving commercial rents, but that it was a problem of trying to protect the whole structure against the gang which was putting its nose right into the barrel, as they always did. Here is what happened:

The NAM came out with what amounted to a deal; they were going to attack the OPA, so that they could get some good concessions in, perhaps get that clause in about the 75 percent production, then they would go off OPA, perhaps protecting profits. They never thought they could kill it. That is what they went in on.

Then Mr. Namm of the Dry Goods Association came in with another deal. These Congressmen we like to think of as great leaders, but take the little Congressman from down south who never made a dime before he came to Washington, now hearing all this big money talk around Washington, gets a little cen-

fused. Furthermore, here he had a chance to attack those hated Reds, those Reds like Roosevelt, so they found a good chance to attack everything Roosevelt ever stood for this way; they had a chance to get along with good Republicans from the north like Clare Hoffman, for example. Here you have a man who hates the small businessman as much as he hates the trade-union. Then the House of Representatives went haywire.

I then went over to the Senate side. The boys began to talk. They would like to see OPA saved, every one of them, except maybe Taft, but there is an election coming up, and if they could beat the White House on this deal, they could show that they were a pretty powerful political element. The net result was that in the Banking and Currency Committee of the Senate, where everyone took it for granted that they would go out for OPA, as they are now in doubt. We have two good friends up there like Mead and Wagner who are worried for us. They are worried that maybe in the Senate they won't get a strong recommendation though. If the Senate cannot come through very strongly in time for the conference committee the House boys will knock them on their ear.

There is one point in connection with all of this. There is a lot of talk about veterans' position. I happen to be a veteran. Right now I am representing small businessmen. There is nothing strange about that. I have always been with the small businessmen. I was with the combat forces of the Third Army and got back only 3 months ago. I saw what inflation is like in Europe today. You go to Paris and try to buy a meal, and it will cost you \$30. You go into Germany and they are almost ready to use that paper to light their pipes with, except that under the American Government they have some kind of price control in Germany, and except for a few items, you can buy things with money.

Now if you don't want to see a repetition of what happened after the last war—and that goes for the labor group, the small-business group, the veteran, and every decent element in American life—if we don't want to see a total bankruptcy of the American economy, we had better go to work, and going to work does not mean just saying we are for it and sitting around. Going to work means getting behind a group like this, following out its recommendations when it makes them, and seeing to it that those boys up on the Hill in Washington who recognize nothing but a vote or a telegram which means a vote, know what the American small people, the American small businessmen, American labor, want. It is up to us to recognize what they are trying to put over on us.

Miss Vera Boudin, League of Women Shoppers: I just want to say that as a representative of a consumer group, I certainly recognize the force and the validity of what Mr. Messing had to say.

I did not come here, however, this evening to attack the businessmen here present on the score of the black market. They themselves know that many of them are entitled, and, justly so, to receive exactly the kind of criticism that Mr. Messing gave. However, they apparently have seen the light. Maybe too late, they have come to realize that they need the OPA.

I have been at meetings with this group before, and I have been at meetings with this group in Washington when they were tearing tooth and nail at the OPA, but apparently they have come to realize that their own businesses will collapse along with the rest of our economy if we do not have an OPA and a real OPA. Whether they will abide by it after we get it is another matter, and I, as a representative of a consumer group, will be on the other side of the fence.

There has been some misapprehension about where the consumer stands on OPA. I have heard a lot of talk about the consumer not caring about OPA, but that is not so. During the last few weeks we have had tables on Seventy-second Street and Broadway and Forty-second and Times Square, trying to secure petitions for retention of OPA. They were fighting to sign our petitions, ladies and gentlemen, and we did not even have a table for the people to lean on, there were so many of them. We had to put our petitions up on our arms, and they stood several deep waiting in line to sign our petitions for the extension of price control with no amendments. In about 3 hours' time we had 6,000 signatures, people wanting OPA. They know they must have OPA.

It is terribly important for us to know that business recognizes it and that small business, as well as the more enlightened elements of big business, such as Kaiser and McGraw, whom Mr. Rothbard mentioned, go along with the consumer and with labor. That is important, ladies and gentlemen, because when it comes down to it, in the end we are all consumers, and if we do not have OPA we are all going to get it in the neck, because nobody is going to be able to sell, since nobody is going to be able to buy. Therefore we definitely have to take joint

action. There is not the slightest question about that, as business, labor, and consumer we have to fight for it. I was about to say we have to fight for the restoration of the OPA, but OPA is still on the books and does not have to be restored, so we have to fight for the extension of the OPA. We have to fight not only for its extension, but for its extension with sufficient funds, which it never had before.

I think that the OPA did a remarkable job, in spite of the fact that it was sabotaged by Congress, and its leaders constantly called down before congressional committees, when they should have been in their offices working. They were compelled to go down and give the same testimony over and over to every little committee who felt they had to get Chester Bowles down there or somebody like that, when they should have been serving you and me and the rest of the country.

We have got to have an OPA and we, consumer, labor, and business have to get behind it, have to get behind the regulations, have to get behind the enforcement of its regulations.

Mr. ROSEN. I would like to make a point here to Mr. Messing and the young lady who just spoke.

I am a small businessman, and I would like to ask a question of Mr. Messing and of this young lady. Have you ever stopped to look into the workings of OPA? I don't want you to take the assumption, young lady, that because people are gathered here and are pleading to keep the OPA, that they are wholeheartedly and 100 percent behind the workings of OPA.

I have nothing against the OPA. I think it is the finest thing that ever happened on our books, but if Mr. Messing, who is the head of a union and wants his full pay for his employees, members of his union, and you, as the wife of a man who works or is in business, and wants to get your food as honestly and as cheaply as possible without paying for it in the black market, had ever stopped once to look into the rules and regulations of the OPA, you would ask yourself a few questions. You would ask, could the small businessman survive under the mark-ups that were allowed by OPA. I am talking especially of the food industry and not the other industries. In the food industry they have allowed a gross profit of 1 percent in some instances, and in other instances they have forced a man to sell his merchandise at a loss, without his overhead, to operate, pay people full union scales. That is what you would discover we have been suffering under.

But we want the OPA because it is a lesser of two evils. If the OPA is wiped off the books, we will be gobbled up by big business who have the money to put us out of business, and then they will dictate to the OPA and the prices that you will pay. That is why we are here tonight to retain the OPA, the men in the OPA, but somewhere there is a nigger in the woodpile—if you will pardon my expression—and you will see what I mean. When you go down from New York to the OPA in Washington, you get driven around like that old song, "The Music Comes in Here and Goes Out There", and by the time you have received the answer to your question, you are sick and disgusted and don't give a damn what happens. That is how the OPA works.

Now, we should see that we keep the OPA, and all we ask is that they treat us fairly and we will police our own industry, and we don't need an OPA. We will be able to stay in business and you will be able to buy your merchandise a whole lot cheaper.

Mr. DISKO. I would like to offer just one little item where the speaker before the last came up and mentioned how the OPA was called up on the carpet. We must understand that the OPA is an infant and is just being brought up. It is just like one of our children playing in the street might throw a stone at a window, and the neighbor next door comes in and says, "Smitty threw a stone in the window," and then you say, "Smitty, did you throw a stone in the window?" and he answers, "I didn't mean to do that, daddy, it just slipped."

When the OPA is called up on the carpet, they say, "It is not our fault. I was doing what was right, but the businessmen claim it is our fault."

So what we are trying to do here, just as the last speaker says, is to retain the OPA but to have them give us a fair break. We are 100 percent for the OPA but we don't want them coming around with this childish play and blaming the other guy, the way Chester Bowles is blaming the meat shortage on us. It is his doing. We know there is no meat in this country, we know there is no lard in this country. We see nylon lines running blocks square, and we don't like it.

Must that be done in America, when we fed the world and gave everything

to the world? Must that happen in the United States? Why? There is only one reason.

If the OPA says that you are supposed to sell that for a dime and our big manufacturers say, "I need another penny for that and if I don't get that extra penny, I cannot produce it," that is one thing. But a little fellow on the corner can do it. He can say, "It costs me 11 cents, but I will be blamed if I sell it for a penny." He is entitled to that small profit.

But I say to you there is no black market in this country which can supply both this country and the whole world, if it is not the big packer, because he wants to be 100 percent OPA, and in order to be 100 percent OPA, he has to get the margin of profit that he is entitled to. If the OPA is not going to give it to him, he won't get it, and we will have inflation.

Either give him the fair margin of profit that he is entitled to, or don't give it to him and have inflation. You are going to have either inflation or an honest OPA doing an honest business.

I will give you one instance which I know is a fact, and I am not going to lie about it. There was one of our New Jersey districts that came up who had quite a few men on the OPA. They got hold of 10 live cattle. They had this OPA committee down there to weigh that cattle when it came in alive. They paid the ceiling price on it. They killed it, dressed it, put it in the freezer and put the lock on it. The next morning they came out and sold it at ceiling prices and they lost money, and when they reported it to Washington, Washington said, "You go back and do your business, we are running this," and every one of them resigned.

Now, that can't be done in this country. We are all Americans and America has been going on for so long and we are one of the richest countries and best countries in the whole world, because every one of us is accustomed to running our own business. If you had a dollar that was worth a dollar and a dime, because your dollar was shiny, you used to be entitled to get \$1.10 for it. If someone had an old dollar and wanted to sell it for 90 cents, they were able to do that too.

Whatever inflation we have in the country started in Europe. We did not want it. We sent our children over there and now, after we sent our boys and our money over there, we have to have lines for stockings and lines for food here. I think it is a rotten shame. For Easter did any of you have smoked ham? Your tongues were hanging out for a smoked ham. Why? Because the packers wouldn't sell it at the ceiling price, if they got a lousy 1 or 2 cents or more, they could have sold it and you could have had smoked ham.

The CHAIRMAN. I know that this meeting is a very changed one because we are discussing a very hot subject. I can feel with the consumer and I can feel with the businessman, but I say this to you, that the big fellow on the top is sitting and laughing while the small fellows that they are handling are fighting amongst themselves.

There is only one thing you can do here tonight. We are not going to go through an OPA regulation, take it apart and correct it. If we are, as a general situation, for the OPA, and you send committees from us as business people down there, this is one of the times they are going to listen, so far as rulings are concerned.

I would like now to call on someone who, I hope, will give us some action on procedure. I call now on Paul Trilling, representing the Independent Citizens Committee of the Arts, Sciences, and Professions.

MR. TRILLING. I don't know how important what I had in mind to say is going to be. I thought for a moment I had walked into the wrong place. I was not invited here, but I read that there was a group of people meeting who were trying to save the OPA, and I thought I would come and see what the score was. For a moment I got scared, because people seemed to be fighting one another, but I refuse to believe that everyone is fighting the next one. On second thought, I believe these are just problems that everyone has, problems that are normal in everyday living.

There is just a slight bit of confusion in attempting to solve the problem here, when actually this is the wrong place. The mere fact that all of you came here tonight is in itself a wonderful thing, because when you came here you committed yourselves to saving the OPA as it is, and working out all the other problems after you got it saved.

Not only did the meeting get started late tonight, but we are actually in the eleventh hour, in every sense of the word. We cannot afford to waste time. The

time for action is now. You cannot settle the causes of the war and you cannot be concerned about problems of sending our boys overseas. They are back. And we want to create the kind of America for them that they went overseas to fight for.

Now, the only way we can create the kind of America that they went overseas to fight for is by all of us, consumers, labor, and small businessmen—and none of us are angels, incidentally—fighting together. I have met people in the field of labor who participated wholeheartedly in the black market and wholeheartedly took advantage of what it could do for them, and I have seen plenty of consumers like that too. None of us is sprouting wings. But the one thing we can do is what we came here for tonight—stop arguing and get down to the business of deciding how we can cause Congress, how we can manage to make the Senate realize that the American people will not stand for crippling amendments to OPA, and how we can keep OPA as it is now.

I don't know what the resources of this group are, but I cannot help feeling that the group has sufficient resources to get a pretty good delegation down to Washington to do some personal lobbying. I cannot help but get the feeling that a little lobbying on the part of the consumer, the small businessman and labor, joined together arm in arm, would create a tremendous impression in Congress.

I don't know what the mechanics are of getting it out of this group, because, frankly, I know nothing about it, except that it represents small business, labor, and the consumer, and I think from what I have heard, lots more reasonably than any other group of this sort I have ever attended.

In the face of that, I think it is our job now to argue not against each other, but to argue about what the best, most effective techniques are of getting down to Washington and doing this lobbying that has to be done. Nothing less than that is going to carry any weight. The Congressmen and the Senators, so far as I can see, all know that the American people are dead against the emasculation of the Price Control Act. Letters, telegrams, and everything have gone down to them already. We have got to go down to see them now, so far as I can see it, and I should like to hear, for the rest of the evening, arguments for the most effective way of getting down there, instead of arguments against each other. We should pool our resources to get the mechanics done with.

Congress is going to be meeting on this thing beginning practically right now. Getting down to Washington, it seems to me, will take organization, and we have to start now to get it done.

The CHAIRMAN. Thank you very much, Mr. Trilling.

Mr. BRODIE. Ladies and gentlemen, I came here tonight for the purpose of listening, but, after listening to the last speaker, I just had to get up and say a very few words.

I am counsel for the New Jersey Retail Butchers Association, representing a very large group. We are interested primarily in obeying the law, doing everything that we can to comply with all of the rules and regulations of the OPA, and I will go a step further—we want to do everything we can to see them live, if they will let us live. So that if we were to be able to go down to Washington and ask them to permit us to be able to buy meats at ceiling prices, permit the slaughterers to slaughter at ceiling prices, I don't think we would have a problem at all.

We have this trouble, and you all know it, and anybody who is in the meat business knows it—that cattle cannot be slaughtered to sell at 21½ cents, so that if you are going to go to Washington, go down there and ask them to modify that, and then I don't think you will have any trouble at all in getting the OPA to live. That is your problem right now. That is what you are faced with, and the sooner you get them to realize that—they know it—you won't have any trouble at all in getting the OPA to live. That is what you have got to do.

Miss BODIN. I think there seems to be considerable misconception as to what the purpose of this meeting is. The last speaker said, "Go down there and tell them that if they will make certain modifications in OPA there will be no more difficulties in living under OPA, and the OPA will live."

Gentlemen, let me tell you that the southern Congressmen, who are the most bitterly anti-OPA, said, "Take your hands off of cotton, and you can have the OPA." Now, every interested group comes to the OPA and says, "Take your hands off my industry, and you can have the OPA."

Where are we? We are at a point where it comes down to "Take your hands off of cotton; take your hands off of meat; take your hands off of fruits and vegetables; take your hands off of citrus fruits; take your hands off of every commodity that I happen to represent, or that my client happens to produce."

That, ladies and gentlemen, is not the way to get the OPA. The way to get the OPA is to realize we are not here for the purpose of obtaining modifications in OPA now. We are not here for the purpose of arguing whether this regulation is wrong or that application of the OPA is wrong. The OPA might have its faults, but this is not the place to fight them. Our job here, as Mr. Trilling very wisely pointed out, is to find out how can we get the OPA extended. Can we get a delegation, a delegated body here of the consumer, labor, and businessmen to go down to Washington to lobby, to be a counterlobby against the big business interests that have done the dirty work of killing the OPA?

Do I hear a motion?

Will you entertain a motion, Mr. Kranis?

I move, then, that a delegation go from this body, made up of consumers, business, and labor, go to Washington to interview as many Representatives and Senators as possible to put across to them the idea that there is a unanimity of feeling amongst businessmen, consumers, and labor; that we must have the OPA; that it is their job to give it to us.

Mr. BRODIE. I would like to say this: That there ought to be a little more discussion before the motion is put.

The CHAIRMAN. The motion must be seconded and then discussed.

Mr. BRODIE. I think before the motion is made it should be tabled for a few minutes, so that more people can be heard. This is a very important matter.

The CHAIRMAN. The motion has to be seconded first.

Mr. ROTHBARD. I second the motion.

Mr. ROSEN. Mr. Chairman, before you entertain discussion on that, I think Mr. Brodie is right, in this way:

You sent out telegrams and messages inviting people down here to give their support for the retention of the OPA. As you yourself know, there are various people here who have their own axes to grind. Before any committee is appointed or elected or voted, I would like to have this entire body unanimous in their feeling, understanding, without having things shoved down their throats, what they are doing. I think we ought to have any misapprehension straightened out as to what the consumer wants, what the businessman wants, and what the unions want. I think you want to have your full expressions from all sides first. Let them get it off their chests: then the strength of your committee will be much greater because everybody will have an understanding of what we are here for.

People graciously accepted your invitation, because they feel that they are for the retention of the OPA, because it is the lesser of two evils. I want, before they leave this room, I want them to feel 100 percent for the retention of OPA, by the consumer group, the unions, and industry.

Therefore, I think if we took some more time and allowed the leaders of various phases of industry to have a chance to get it off their chests, as I have done and as Mr. Brodie has done, it will be clearer to them.

Mr. ROTHBARD. I withdraw my second to that motion then, Mr. Chairman.

The CHAIRMAN. Will you hold that withdrawal a while, please?

Mr. ROTHBARD. Yes.

The CHAIRMAN. I think you all know what type of telegram went out, and what this meeting is all about. If you ladies and gentlemen think you are going to come here and in an hour or two straighten out a regulation which has been in existence for 4½ years, or even correct or modify it, you are in the right church but in the wrong pew.

We are here tonight for only one purpose, as the telegrams announced, that we do not want to have the OPA emasculated, as the House of Representatives has proposed, because, if that is done, as I told you, within 3 months from June 30, 1946, you can forget about your small business, because you won't be in business.

If you stop and think for a moment, you will find out where the big fellow is pushing you around, into what corner and into what position, and exactly where he is going to give you the knock-out blow. Let me tell you something—you are going to go back one of these days and find yourselves in the position where you will admit that the expressions at this meeting were so correct, that some of you did not have the common sense to think clearly and find out what is what, and you are going to be mighty sorry.

We are talking about only one thing at this meeting. I am not trying to shove parliamentary procedures down anybody's throat, but if you do not proceed, and you insist on keeping on as you are doing now, you will have accomplished nothing, and I will be very sorry to have wasted your time.

I think if you adhere to the thought that you want OPA, and not "We want OPA if you leave cotton alone or vegetables alone," as Miss Boudin said, you will get some place.

I was on the House floor when this happened, and I know what some of these Congressmen stand for, and I know what they sold themselves down the river for. The question is, if you want to survive and remain in business, and if you are now just for the duration and 6 months thereafter, you want the OPA.

After you get the OPA, and you object to something, you can correct it, you can say that it was not right for 4½ years, but it is going to be different now.

The question now should be: Do we want to go to Washington, which I think is a good idea. I am sure there are people here who will go on their own time to Washington to see if they can help out. Do we want to go to Washington and solicit the Senators and tell some of them how we feel about the OPA, even though it is a bad child so far as our business is concerned? That is the question and that is what I would like to see action taken on. We should not be concerned with whether the meat is cut right or prices are right or wrong.

Mr. President, Mr. Chairman, ladies and gentlemen, I agree with Jack Kranis, but I can't think so much about what he said. I wonder if he remembers what we went through all these years. It is true, tonight we cannot talk business, to tell how we chop meat.

I say, in the name of my organization, that there is nothing better than the OPA. Without the OPA it would be worse. I could see that, too, but with the OPA is no good either, no good. Without the OPA it will be worse, but with the OPA is even no good, and whose fault is it? Only the OPA's fault, which they made a few mistakes, which they think is little mistakes, and they think this is their Nation, and it is our Nation, too, and I will give you facts.

I wouldn't talk about different industries, I wouldn't mention cotton and this and that, like the lady said. Of course, everybody threatens, "Give me this and give me this and it will be all right." That is understood, but I will talk about the meat business.

Who made the rules? OPA. And the same OPA said, "How could you exist with these rules?" Here are the facts. They say, "You should pay top price, 17 until 17.65 for top cattle." O. K. I don't think if the OPA brought one buyer on charges, which he paid over that price. I don't think so, if they did, but I know they brought on charges some businessmen under their rules and regulations, which they say, paid 17 to 17.65, and they did pay, and they brought them on charges. What are the charges? So, one way, they say, "Pay 17," and in the other way they say they must yield 60 percent, or they must grade choice.

O. K. We are buying them alive, we slaughter them, and who comes into the slaughterhouses? The same Government who is supposed to grade them, not a civilian man, a private man, but the Government. He goes in and says, "Commercial, commercial, good, one choice, five goods, two commercials, one choice." When the businessman says, "This is choice," he says, "No; it is not choice." The businessman says it is choice, but the OPA man, the Government man says no, and right away you are in a jam. You overpaid for the cattle. How did we overpay for the cattle? It didn't grade choice, it didn't grade good. Then you get the question of the yield. Cows must yield 54 percent. That's fine. We don't buy them in New York City. We have buyers and we have commissioners. The buyer buys them from the commissioner, the commissioner sells to the buyer, he sends them into New York. The cow has a little cow inside. I didn't see it, I don't know what it's all about, but the cow has a little cow inside. We slaughter it, and we get 70 to 90 pounds of waste, because there is no use for this. It dropped 2 points, and out you go from business, because you are violating again.

You go into the OPA office and say, "What is this?" They say, "We know that," and we say "If you know it, why don't you help us? Why don't you do the right thing?" And here is the fault, they know, like the gentleman from New Jersey says, "Nobody from the OPA thinks that we can produce meat for 21½ cents." More than anybody else, they say so themselves and we say to them, "So why don't you at least do something that we should be able to do the right thing?"

There is a lot of talk about the big packer; now we go back to the big packer, the millionaire, and we know he doesn't care. He goes out to buy cattle. If he can get it cheap, he takes away the cattle for the right price, and buys it. Otherwise he beats them up and doesn't buy it. He says, "I give you 17," and

he goes away. So if the farmers hear that, the next one wants to give 17.05 or 17.10, so the big man is always in the best shape. Then if he does buy cattle and slaughters it, he wouldn't give it to the retail butcher shops because he has another branch, and he sends it in to his own branch, from the big house to the small house, or else they fabricate the meat, or they have everything to sell now.

We are no longer wholesale butchers, we are in the butter and egg business, or we are dealers in food. Instead of a piece of meat we get a box of dog food, or else we get eggs. Thank God, this week being Pesach, we did get eggs, but the eggs also have little babies. The OPA knows this. There is a big investigation going on, but nothing happens with the big trusts, and whom do they grab? They grab the independents. The independent which slaughters a few cattle and gives it to the retail is the one they grab, the man who allocates it fairly, gives it to the little butcher who is trying to stay in business, so that everybody among the consumers should have a pound of meat to eat.

I can tell you, if it wasn't for the retailers, the independents, the consumers would be starving already.

Take a man like Cudahy of the Cudahy Packing Co.—didn't he shut down for 2 weeks? What is the OPA doing to force him to open up? Nothing.

Take the United, or Swift & Co., and what are they killing? Are they killing more than three or four hundred cows? Yes; 5 weeks ago when the prices were thick, that time they killed all the lambs in the thousands. Today they don't do that any more. They have got stocks of lambs out West, but they sell them to the individuals. For the last 2 weeks they didn't kill any more lambs. The city of New York doesn't have any more lamb, and hasn't had for the last 2 weeks. What is the OPA doing to that? Nothing.

Now, Mr. Chairman, you came, and I realize what it is all about. Well, you have the full sympathy of myself, but I want a guaranty from you, Mr. Chairman, or I will say to the people here, if you get a committee, go to Washington, see the people, at least let them have a talk with the big people there or with Chester Bowles or that man Porter, or the other one, and at least you should hear them promise that as soon as this comes up, and they are on the basis where they should exist, they should look into this matter.

At this time I am in full sympathy with you for support, but if you can't get at least a promise, and try to do something, so what is the use?

Like I said before, with the OPA is no good, and without the OPA will be worse yet. Now, it is up to you.

The CHAIRMAN. I will give you a guaranty of just exactly what you want. You know, barter is going on here tonight. If you were to give me full support, all of you, that a committee could go down to Washington and say to some of these Senators down there. "Look, we small business people want OPA, or else," and then go to Porter and say, "Look, you have a regulation here that is not so hot on meat, this, that, and the other thing is wrong, we are willing to support you in getting an OPA as you have it now, on the basis that you give us some action which will correct the situation," that would be fine. However, I don't think I can get that from all of you.

Mr. BRODIE. Ladies, and gentlemen, I am here tonight at the request of my good friend Kranis, and when I say good friend, I really mean it, because Jack is a rally good friend of mine, and there is nothing that he wouldn't do for me or that I wouldn't do for him, and he knows it. But, when he makes a statement like that, I think he has the cart before the horse.

Remember, I don't come in here with a chip on my shoulder. I have no grievances against anybody. All I want done is to have my independents in New Jersey given a square deal, so when Jack says, "We will go to them," and "we want you to support the continuance of OPA" I say, he has the cart before the horse.

I say that I would back him wholeheartedly with my entire group which, I don't hesitate to say, is very powerful in New Jersey, if he would go to Mr. Porter and say "Change this slaughtering regulation, change all the irregular regulations that are affecting the retail butcher and slaughterer, so that they can live and operate as honest businessmen, as they have in the past, and we will support the OPA." That is how to do it, and we will go behind him 100 percent on that.

I want to say one more thing, in answer to Miss Boudin, who says we want unanimity.

Yes; we can get unanimity if they will give it to us. If they let us live, we will fight like hell to let them live.

The CHAIRMAN. I am willing to put the horse before the cart.

I am not going to kid around about this. I am willing to go to Paul Porter and to Chester Bowles, and I think they will pay attention to me after tonight, perhaps, and I am willing to say to them, "It is the consensus of New York City business people as represented here tonight that OPA should continue. They concede that there are certain ills in the OPA" (and I think Joe Thornton will go along with me on that) "in the meat industry, but they will go along on OPA, on the basis that you will correct those ills."

Of course "correct" is a big word, because you have a very powerful group which dictates what you should and should not get done. Even though that goes on the record, I will stand behind it.

On that basis, through a committee from this group, we shall go to every Senator on the Senate Banking and Currency Committee and, if necessary, thereafter to the Senate floor, to see that the OPA law is passed without any crippling amendments.

On that specific point I should like to hear expressions, then we can reduce these expressions to resolutions, and do something about it.

Mr. Disko, before we go to bargaining, I think we should come to some concrete program that we want to bring up.

If I am not mistaken, we have been reading in the New York papers over in New Jersey that the CIO was bringing out a program here, where they were insisting upon the Government taking over the packers. Well, I as an individual, would go 100 percent for that, because if the Government would take over the packers it would guarantee the packers a certain percentage, whether according to the OPA or not. They are entitled to a profit, and let the Government earn it and give the small businessman his merchandise.

Then we had another one about the independent slaughterers. I think, as an individual, that that is fair. Let the Government take them over. I don't think any one of the small slaughterers would object if the Government walks in. They would say, "There is the plant, there are the taxes, take it. All I want is a small percentage." I am sure they all would be willing for that, as long as they can show themselves a profit and not a loss, so they would let the Government take it over.

If we bring a program like that up to Chester Bowles or to Mr. Porter, and say, "Why not contact the packer or the slaughterer and guarantee them a fair profit, and we will slaughter the meat and serve the butcher," I think we will be doing something. That is how we will have a 100 percent OPA, because that is what they are trying to do. They are trying to control the small businessman, the packer, and the consumer, because they are trying to tell the consumer how much to pay, the retailer how much to sell for, and the slaughterer how much to buy. At the same time they are telling the packer what the buying price and the selling price is.

The CHAIRMAN. So far as the program is concerned, and correcting the regulations—

Mr. DISKO. All I am bringing out is that you people in New York, according to the New Jersey papers, are for this thing.

The CHAIRMAN. I am not responsible for any statements by the CIO. I can assure you of that. However, I can tell you this: As some of the people here who have been in Washington with certain organizations know, we have submitted files that are bulging with recommendations. So, if it is a question of the OPA wanting a program or plans, they have plenty of them there. This is not the beginning. We are now on the road to recovery, so I think we should proceed.

Mr. DISKO. Don't contradict yourself. You said you would bring a plan—

The CHAIRMAN. I said we would ask them to do certain things.

What do you people think about it?

Mr. TRILLING. I think I would like one expression of opinion, or I would like to see a vote which I think is basic to this meeting. Are we for the OPA without amendment; or are we here tonight to discuss the manner in which OPA might be improved?

I don't want to go into the ramifications of what this means, but there are a lot of groups in New York, and there are a lot of groups over the country who are concerned with saving the OPA, without amendment. My own personal feeling is that if we are not going to take a firm stand on that position tonight, if we are going to argue tonight about the improvement of OPA, and never get around to that, I had better go see some of the other groups.

But if our position is clear, that we want the OPA without amendment, I would be willing to stay for the rest of the night after we decide that, to find out, after we fought for that, and find the method to fight for that in Washington, how to get it improved. But, unless you do that first you are not going to have anything, and there is no kidding yourselves about it. You won't have to worry about amendments or improvements or anything else, because you will have inflation itself and everything that flows from that.

If the other motion has been withdrawn, I would like to make this motion: I would like to move that this group here tonight support any program which is developed which will ask the Congress to save OPA, without amendments.

Miss Boudin. I second that motion.

The CHAIRMAN. Motion has been made and seconded.

Discussion on the motion is in order.

WILLIAM SACHTER (Butter and Egg Merchants Association). I was just listening to the gentleman who spoke a little while ago about the Government taking over the meat packers' association.

Well, I don't think he had anything there, because it seemed that everyone sitting here tonight representing industry would go over and tell the Government to do the same thing. In other words, the Government would practically own all industry in this country.

We are sitting here and talking all evening, and we can sit here and talk till tomorrow morning, and still get nowhere. We came here for a purpose. I was invited here to find out, Do we want the OPA, or don't we? This gentleman said, with the OPA it is bad, but without them, it is still worse. In other words, he favors the retention of OPA.

You cannot go to them and tell them to make any regulations before you settle one thing. As Mr. Trilling says, it seems we are all in favor of keeping the OPA. I have been in Washington, too; I think we also have had bad regulations in our industry, and we got nowhere over a period of 4½ years. All we got were promises.

I think you ought to take a vote on it without any further discussion, and get that done with. If we want to fight a little later on, we can appoint various committees and see if we cannot better our conditions, so that the thing uppermost in the minds of everybody is to get it over with.

I feel that we should have it and then take up further discussion.

Mr. FELDER (Veterans' Administration). As a disinterested party, I have been noticing what has gone on here for 10 minutes. Some people have made statements that they cannot back up. That is general to a lot of organizational meetings. Still other people are saying things because they get excited.

Perhaps I should tell you that I was in conference the other night with a Congressman from Washington. He voted on the OPA amendments in the final tally when they passed roughshod over it, and it went to the Senate. He pointed this out to me. That their object there was to get the thing over to the Senate as fast as they could, so as to give the people enough time to write to their Senators. You know very well that anything that goes through the House does not just become a law, and by you people writing to them, they are going to give some consideration to your wishes, because that will wind up in a committee, and when you look at it, the OPA will stand as it is with certain corrections made.

If you look at the situation from both sides of the fence, as a neutral, you will understand that in order to live you have to take account of the law of supply and demand. You know that this country is based on the principle of competition. Someone has said that there may be inflation if OPA lifts limitations on certain commodities. Well, the OPA most likely will retain control over food, farm products, and machinery responsible for the production of food itself. If you take the luxuries, radios, automobiles, and things like that, with your markets competing, at the beginning, your demand will be greater than your supply, and our country here has been based on the law of supply and demand, and competition, which is very important. When you take competition and keep battling it back and forth, the level is off, so I cannot see how anybody can say there will be inflation, because right now your American dollar is worth only 49 cents, so don't let us knock it down any further.

The CHAIRMAN. Let us get back to the motion before the Chair.

Mr. Shachter has said he is for it.

Are you for the motion or against it?

Mr. HOMNICK. Mr. Chairman and friends, I have heard a lot of talk here about prices and little personal gripes that each group has against the OPA.

Everybody has a big fat cigar in his pocket, none of us looks hungry, maybe it is a penny more or a penny less that we make, but we still have something to fight about, and we are thankful for the chance to come here and talk about it.

A great American once said, "A house divided against itself cannot stand." We are divided against ourselves. We are bickering back and forth about unimportant things. We fail to realize now that if we lose the OPA, within 3 months, with the money we have made, we won't be able to buy enough to sell the next day's merchandise to our prospective customers. We don't stop to realize the order in which we must consider these things, and it is obviously the first order of business to keep OPA alive or have inflation. That is the immediate peril, the peril that we dare not face in reality.

Our next complaint is, well, the OPA has not been functioning correctly.

That may be so. It may be that the OPA needs a little correction. Maybe some of those regulations do need revision. But if we don't have an OPA, we don't have any regulations or revisions, and that spiral will go up and up and up, with a great big crash at the end, and then what is going to happen?

A few fellows will get even more heavily stuffed pockets than they have now, and the rest of us will look on in envy and beg for apples to sell on the street corners.

I speak to you as a veteran. Think of all the fellows who have given up so much and are coming back now without jobs. What are they going to do? They don't have any reserves. Will they be able to pay \$30 for a meal? They can't get \$30 a week on a job now.

So I say to you, let us consider the order in which we are going to approach this subject. Let us remember that we must fight that old bogey of nazism—divide and conquer. Let us not be divided and let us not be conquered. Let us face the problem realistically, by saying, first, we must have no inflation, and the way to avoid that is to continue the OPA, and if you will pass on that resolution which was moved for a little while ago and approve that we should go on record to support it wholeheartedly, without reservation, on behalf of labor, small business, the consumer, and whoever else is represented here tonight, then we can go on to the next order of business and say, "We also ask that OPA be made to have more reasonable regulations." Perhaps some change in the organization of OPA is necessary. I am not prepared to give you facts on cotton, wheat, and everything else in this country, but let us constitute ourselves a representative body, prepared to say that we are all against inflation. That is item No. 1. And if we are all against inflation, we are going to say that we are for the continuance of OPA. Then we will be in order to consider the next motion, which will be, how to correct the administration and manipulation of OPA.

Mr. ROSEN. Mr. Chairman, I don't want to hog the floor, but I do want to correct one impression. That is to all these who are here outside of business people, mainly this gentleman who just spoke for the war veterans, the representatives of unions, different consumer leagues, I do want to say this: You see, the problem in the minds of the business people here on OPA is this: I dare say and I dare anyone to defy me, so far as the food industry that there is not one businessman who can live legitimately under the OPA rules and regulations. Hence, the thought in his mind today is that he is sentenced to die. The question is, should he go hungry or should he be shot or put in the gas chamber, because the problem now, with the present set-up of the OPA is a question of going to jail, because, and I don't care who the businessman is, in some manner or other he has violated the OPA regulations, knowingly or unknowingly, and therefore he stands to be brought to court, trebly fined, sent to jail, or be put out of business, if the OPA goes on.

Now, I daresay the 99⁹/₁₀ percent of your small businessmen have been the bulwark of the Nation, the stand-by of this country. The grocer, the butcher, the baker, to whom the housewife has always gone and has always respected, is today, in the eyes of the OPA, a crook. He finds himself between the devil and the deep blue sea. Should he go out of business, because he can't get goods; should he support the OPA and be put out of business by the chain store?

That is the problem which you people who are not in this business cannot seem to grasp. The OPA has forced us, by regulations made 4½ years ago, and which every businessman has tried to get corrected, to either go out of business or go to jail. The problem is not: Should we go out for the OPA, without amendments. Of course, we want to see the OPA continue, but there is another choice:

If the little businessman tries to do business legitimately, he loses money. If he does what he thinks is legitimate, the OPA catches him on a violation. If he

voted against the OPA, he is out of business; if he votes for it, he is out of business too. Whichever way he turns, he catches it. That is why you have these arguments today, that if OPA is to be retained, at least let us see to it that their regulations are made fair, so that the honest businessman, the butcher, the baker, and grocer, can stay in business as he has done for all these generations.

As the lesser of the two evils, I am for the OPA.

The CHAIRMAN. Don't qualify your answer. Are you for it or against it?

Mr. ROSEN. I am for the OPA.

A VOICE. Are you for the OPA as it is, or with amendments?

Mr. ROSEN. I am for the motion as it was presented.

Mr. DUNN. A lot of people here don't know what they are working on, I don't believe.

As a representative of the New Jersey butchers, we came over tonight, and I ask that we should not be listed as voting here tonight, because the men, when they came over here, were all against the OPA with all the amendments. We take that position because, regardless of whether they get it with the amendments or without the amendments, if it is to be suicide, they are all willing to go down with the ship. Therefore, I ask you not to put us on record as voting here with you people tonight.

Mr. WENDELL. Speaking for the New York State Association of Retail Meat Dealers, non-Kosher, I wish to state that the OPA has had 4½ years to try to correct conditions, and it is responsible for the inflation in the meat industry of today. We have inflation now, not only in meat, but in clothing and everything. We have inflation because of the OPA.

Manufacturers cannot produce a cheap merchandise. They can only produce expensive merchandise. The same thing is happening with meat. We have tried and tried and tried, from the inception of OPA, to make a living. I have been down in Congress to OPA meetings ever since they started, and we don't get to first base.

Going down to ask OPA for any concessions, amounts to this: What you ask for today and get promised will be withdrawn tomorrow. We will have a better distribution of foods and all other merchandise in this country if we get full production, and we won't get full production as long as we are stifled by these regulations.

Our association, speaking for our members, wish the OPA could be wiped off the books, and we wish to return to the American way of doing business in this country. [Applause.]

Mr. JOHN HARRISON (Brooklyn). For the past 4½ years my national association, which is no fly-by-night group, but which has been in business for 60 years, has tried everything possible to play with the OPA. We have spent thousands of dollars, just the same as you men from other organizations have, running to Washington.

I speak not alone now for the group in New York, but for the entire United States, so far as the other nonkosher national associations of retail meat dealers is concerned. We have definitely made up our minds that after 4½ years of promises, we are out-and-out for the elimination of OPA, and we are not afraid of inflation. [Applause.]

The CHAIRMAN. May I explain to the other people that the applause you hear is the applause of individuals who make up a few organizations.

Mr. PRESENT. I don't know how the other people are feeling, but I feel this way:

I say, in the name of my own group, representing the Federation of Kosher Butchers, which is pretty large also, but let us not go into how large the organization is—that we do grant that the OPA should stay, with an aus besserung, looking to things, Rome wasn't born in one day. It is true, they made a lot of mistakes, and they will make more, but let us look into the matter aright. Like the chairman said before, God forbid, if the OPA goes off, the same group that says this way, will have meetings and look for remedies how to stay in business, because the big trusts, the chains, the bankers, are going to chase us out of business, so it is better to have the OPA stay in business. Of course, it is a little trouble, but let us hope they will straighten out the troubles. My organization is for the OPA.

Mr. TRILLING. I don't like to talk about the recent experience of the past few years. I was in the Marines, and I was out in the Pacific during all of the time that you folks were suffering with the OPA, during the time the Butchers Association was suffering with the regulations of OPA, and I smelt

some of the stink, not of the rotten meat, but of dead, dying bodies, and I knew that we were fighting over there and not here, where we might have been.

I cannot but feel a deep sense of resentment against those of you people here tonight whose selfish interests are so obvious that you cannot understand the need for having the people who did the job of going there to fight to save your hides having a decent life now that they have come home. And, by God, if you don't help them to do it, they will find others to help them do it, and I can assure you of one thing: That we are not simply going to stand by and let you, in the name of regulation, call for the good old American way of doing things, which simply means your way of doing things, and keep quiet about it.

We have a pretty good understanding of what the good old American way of doing things is, too, and we don't think that the good old American way of doing things is to call for the destruction of a set of rules and regulations, however much they need improvement, which does not wipe out the possibility of competition within America, but which simply says, "You will compete below certain price levels."

And, ladies and gentlemen, if it takes a little sacrificing, if it takes a little sacrificing, and a little hard work now, I state that what has been done, in terms of the boys who have fought for your right to have these things, deserves just the least bit of consideration and the least bit of sacrifice from you now.

It is not high and mighty words about the American way of life we are looking for; it is good, honest-to-goodness American action, in terms of saving a decent standard of living for the American boys who have come home.

The CHAIRMAN. Thank you very much, Mr. Trilling.

Mr. WENDELL. Mr. Chairman, this speech was directed at me, but there will be no personalities exchanged.

I fought for the same things as this man did 26 years ago.

An accusation was made here. When I speak of the American way of life, I am speaking of something that we have had for 150 years. Many of my constituents have fought in this war and the last war. We want to run our business as American businessmen have done since the American Declaration of Independence was signed. I am not waving the flag, but an organization which stimulates a black market and deprives consumers of a tremendous amount of merchandise, when that merchandise is here in this country, is absolutely unworkable, and continuing that organization will only aggravate it.

You know yourselves that the amendments made a few weeks ago of the OPA have made the black market worse. Enforcement only sends it into another area. We were almost on the verge of a meat holiday a few weeks ago, and we may have to have another one if the OPA is continued.

The CHAIRMAN. So far, five organizations have voted, and no one is going to be represented or spoken for who does not wish to be spoken for. Three organizations have voted for the continuance of OPA as is; two have voted "no."

There are still other organizations in the room who have not expressed themselves, and I would like to hear what they have to say.

Miss BOUDIN. That is a peculiar way to take a vote.

Does each one make a speech with the vote, or do we just take a vote?

I thought there was discussion on the motion, and I wanted to make some arguments in answer to some economic misstatements which have been made here. There have been some economic statements made here which are completely fallacious, and no one has attempted to answer them.

The CHAIRMAN. These people have had 4½ years of a certain experience—

Miss BOUDIN. I think somebody should attempt to answer the economic arguments which have been made here.

The CHAIRMAN. Will you let me run the chair as I see fit, please?

Mr. RIVKIN (Independent Slaughterers of the State of New York). I have something to say here.

Miss BOUDIN. I think this is all a waste of time. I thought this was a meeting to save the OPA, but it is a meeting to kill it.

The CHAIRMAN. We have heard from six or eight organizations thus far, and only two have shouted certain things. Have patience.

Miss BOUDIN. No; I say they came here for the purpose of killing it, because they were invited to a "Save the OPA" meeting, and they should not have come if they were against it.

The CHAIRMAN. But you have not heard the voice of the organizations here represented. You have only heard two organizations against it.

Mr. RIVKIN. I said that I had something I wanted to say. I wish to read an editorial—

Miss BOUDIN (interrupting). Is everybody going to make a speech?

Mr. RIVKIN. Everybody else has had the floor, and I am going to take a minute or two. [Continues reading:] "205 Democratic Congressmen voted for the bill" (which we are talking about tonight) "ripping the heart out of OPA the other day, together with 148 Republicans and two minor-party Members. Only 9 Democratic Congressmen voted against the measure; 33 Republicans opposed it. In short, the administration program was killed by the administration's party.

"The OPA bill itself has not been killed by your Congress. It is still being continued with the amendments.

"OPA Administrator Paul Porter said that if the present bills were to be adopted, it would arrest price control.

"Chester Bowles, on the other hand, our Stabilization Director today, says it is the road to economic disaster. The truth is that this country already is well started on the road to a price level 25 to 30 percent higher than prewar and that nothing can stop it.

"Another fact is that with this country's great resources in materials and producing equipment, we can depend on supply and demand and competition to keep prices in line with income, provided, of course, production is not hampered.

"It is possible that many prices might rise sharply if the OPA controls are removed or curtailed, but, as production is increased, prices would return to the new level to be established after the war.

"The OPA wanted to continue the control until production did increase, but the situation was complicated by the fact that many articles could not be manufactured except at a loss, thus holding production back.

"The long jam had to be broken, and it is apparent that Congress is intent upon doing it. OPA has only itself to blame, for it would have avoided this situation if it had relaxed some of its ceiling earlier to line them up with the increased costs.

"Those who fear sharp inflation if OPA is dropped or emasculated can relax. Inflation is highly improbable in a nation with our production facilities, provided that the budget is balanced."

That is our settlement.

Miss BOUDIN. What paper did you get that from?

The CHAIRMAN. Are you for or against the continuance of the OPA?

Mr. RIVKIN. With amendments, as I just read.

The CHAIRMAN. As it was introduced by the House?

Mr. RIVKIN. With a reasonable profit.

The CHAIRMAN. How do you stand on the situation, Mr. Hausman?

Mr. HAUSMAN (Fruit and Vegetable Association). Mr. Chairman, Ladies, and gentlemen, I am beginning to wonder whether we came over here to help this small-business man, the consumer, the laboring class, or the A & P, the chain stores, or the millionaires.

You are certainly not helping the small-business man with this kind of talk. So far nobody has gotten up and said anything that would help the small-business man. I haven't heard anybody get up who is so much for the OPA and say, "Why did the A & P get away with 6,000,000 sugar points?" They go ahead and suspend a storekeeper who is short 200 points and never touch the A & P. Nobody brought that up; did they?

They didn't bring up anything about the price between 1941 and 1946, which went up 600 percent in profits; and if a retailer goes down to Washington and says, "Give me 10 percent," they say, "Nothing doing."

You can extend the OPA for 10 years before you can get any relief from them. I was down to Washington 6 weeks ago, spoke to them for a whole morning and afternoon, pleading with them to help the fruit and vegetable people of this city, whose products are blacker than the meat industry. Did that wall over there hear me? Well, that is how much they heard me there.

The man over there says to me, "You are against the OPA." I say, "Never in my life have I been against any Government regulation; but I do say this, 'Give them some relief.'" He says, "Why don't you go to Capitol Hill?" And I said, "I will."

I said to them, and I say it now, I will go out full strength for the OPA if they do something to help the small businessman.

The CHAIRMAN. Are you for or against the measure?

Mr. HAUSMAN. I cannot vote.

The CHAIRMAN. Are you for it with amendments?

Mr. HAUSMAN. They have to have the kind of an organization where you can go to them, man to man, and say, "This is our trouble, and bear with us."

Mr. DANIEL LIEBERMAN (Independent Milk Marketers). I came here to listen tonight. I got this invitation by telephone. I didn't know what it was about. I assumed it was a gathering that was disturbed about the amendments that the House had put on OPA and wanted OPA continued.

I see now that it is a group of businessmen, and a group of businessmen have always, ever since the inception of OPA, operated for their own personal interests.

Now, to go to Washington and ask Congress for OPA to continue, on your basis, is going to Washington with two strikes against you. You are not in a position to ask for anything. They are already telling you what they want to give you. What are you going to ask for?

Either you want the OPA and you are honest about it, or you don't want it. Now, we, in the fluid milk industry, have only—one of the industries who have no black market, and we did that ourselves, with the assistance of the OPA, because we wanted it that way. You cannot stop a thief from being a thief. We wanted to be honest, and we wanted to make our money in an honest way, and we wanted to live with OPA, and we are giving the consumer an honest milk dollar, and the consumer is not paying an over-the-ceiling price. We want the OPA continued and strengthened about tenfold, and we want you people in this room who are kicking about the OPA because you want a black market, to be stopped from black marketeering, and that is the only way we are going to prevent inflation.

That is all we have to say, and let me tell you this: That in my opinion this meeting is going to accomplish nothing, because the people here are not honest about it.

Voces. Right you are.

Mr. LIEBERMAN. Or, I would say, some of them.

The CHAIRMAN. So far we have only had two organizations voting against it. Who is here from the poultry industry?

(No response.)

The CHAIRMAN. Thus far, the butter and egg association; the Federation of Kosher Butchers; the League of Women Shoppers; American Business Congress; the Independent Milk Marketers have voted for it.

Mr. Hausman, are you going to vote for the OPA?

Mr. HAUSMAN. It makes no sense to vote for it, with or without amendments.

I suggest that we adjourn this meeting to a day when a representative body will go down to the OPA in Washington.

Mr. ROTHBARD. I told you the American Business Congress took one phase of this problem at the beginning, for one good reason. We don't know much about meat on the hoof or how to make garbage cans. We have diversified membership, largely on the metal manufacturing side, I will admit. Our members of the garment industry have more complaints for me than I want to dream of, but I want to forget about that for the moment. We did have one phase of the problem that affected everybody, and that was the whole question of commercial rents.

We put up a deal on that 2 years ago, and we got licked in Washington; we took a beating. We won a little bit in Albany; we did a little better on it there. I am telling you all this for one reason.

When we go down to Washington, as we will, whether this group does or not, if we go down to try to deal with the meat on the hoof, or this or that, we will lick ourselves on the whole fight, because that is taken up in OPA, and they can't bargain with you. It is up to those guys on the Hill who have to make OPA possible or not, and whatever deal is made with OPA won't mean anything. You have to fight it out on the Hill, get OPA to go through. It may be that OPA should kill itself as it goes along, but that is to be seen. There have been suggestions for that, but let us not go into conclusions just now by letting OPA fall apart, because you fellows will be in trouble; while the big packers, the big steel mills, the big yarn mills, the American Woolen Mills—in each industry you have your big fellow—they set the price that the consumer will pay, and that is how you will be squeezed.

That is why we are for the OPA.

Mr. ALKO (Cheese Products Association). I don't blame some of the groups who are here tonight for voting against the OPA.

Listening to a labor man before, I saw how he wants to police the OPA.

You know how it would be—he wants to police the business.

Another man who was a veteran, and another comrade veteran from the first war, also spoke. I, too, served in the First World War, but that doesn't help us get what we came here for.

This is a business meeting. I want to tell our butchers and grocers what we are up against.

We must be for the OPA now. We know what the big trusts are doing. Not only have they got wagons ready for you, and stores, but for everybody. They thought the OPA would be kicked out, and they would buy up everything. They don't need us as butchers, or as anything. They have everything all ready. Lo and behold, they extended the OPA, and they had to pull in their wagons and stop building their stores and everything else.

I tell you, friends, butchers, if we do away with the OPA, we small businessmen haven't got a chance to compete against the big trusts. There is no use kidding ourselves. Our only means of survival now, at this time—and I don't know what 6 or 9 months will bring—is to continue the OPA.

I know it is hard for us. I know we have difficulties in doing it, but the only way that we can continue—and I tell you that I have books and records and know they would have done it to us if not for the war—is through the OPA. Small business would have been out by now, if it were not for the war.

The trusts have their own subsidiaries—if not one subsidiary, they have another subsidiary—and that is how they would put us out of business.

So for that reason, let us look at it practically; for that reason alone, we must continue the OPA. Of course, we have to ask them for help in their regulations, and in that way we, as independents, can continue for awhile.

Mr. ROSEN. Ladies and gentlemen, let us look at it this way:

We all know that the House recommends a measure and then it goes to the Senate. We have quite a number of Representatives, and we only have 96 Senators. There is a reason for that. We know the make-up of our Senators, and we know that they are chosen with a little more care than our Representatives are chosen.

We know that the Senate—the House has given the Senate plenty of time. We know that some Senators are against it and some Senators are for it, and we have put our pressure behind it.

Forget your Senate for a minute and think of your OPA. They used to employ high-handed methods. At first they were arrogant, and they had a bunch of school kids there running the OPA, making rules and regulations—a bunch of theorists and economists; but little by little they changed, until we have beaten them about so much with our complaints, and so on, that they had to pull their horns in.

They may have listened, and they may not have listened, but with the House of Representatives coming along and administering a scare and a spanking, and with enough pressure on the Senate, the OPA, with our pressure, will be reined in by the Senate.

I think they will look at things in a different light and will realize, probably will see, that some experienced people are calling them to task, and the Senate may make it so that we can all exist.

We have gone through three and a half or four years of OPA. We wondered how long it would be with us. It is a necessary evil.

With all due respect to the OPA and to everybody else, even with Congress, it probably won't exist more than another year. The present pressure is for about 9 months. By that time we should be back to normalcy. We have ridden with the OPA so long and have become so accustomed to its headaches, what will we argue about after it is gone? We have borne the brunt so long, let us bear it some more. Let us not be hasty; let us bury our grievances. We have borne them so long that we wouldn't know what to do without them. So let us think it over.

Those of you who feel, as I do, about it, must yet recognize that it is a necessary evil. You have borne with it for so long, you can bear with it some more. Worse than it has been, it cannot be—better, it can be. We have seen the dark cloud, but it may have a silver lining.

If it does not get better, you have lost nothing.

Miss BOUNDIN. Mr. Chairman, this meeting was called for the purpose of organizing some method by which we could save the Price Control Act. Our

energies have been diverted into all kinds of digressions in arguing about regulations, and so forth.

We have now had a vote, which I think has cleared the atmosphere considerably and has shown us which of the organizations here really want to save the OPA and which do not.

I would like to suggest, Mr. Chairman, that you call a meeting of all of the organizations who have voted to support the OPA, without amendment, and that out of that meeting of members who already have their minds made up that they do want OPA to continue, perhaps we can get some constructive action. I suggest also that you call this meeting very shortly, since the question is going to the Senate immediately and is of the most pressing moment.

The CHAIRMAN. Let us hear from Mr. Louis Posnansky, secretary of the City-wide Poultry Association.

Mr. POSNANSKY. Ladies and gentlemen, I believe we must agree that the OPA has some faults; but, with all its faults, we would be much worse off if we did not have it.

Therefore we are in favor of the OPA.

The CHAIRMAN. Is the American Federation voting for or against the OPA? A VOICE. We are not voting at the moment.

The CHAIRMAN. I believe the people who have voted for the OPA here mean it. By calling any other meeting, I believe we would be wasting time.

When they voted for this motion, it was from the viewpoint of action, because I warned them that action would be taken thereafter. That action was that we would go to Washington, contact every Senator, House committee, and Senate Committee and form ourselves into a committee.

To call another meeting would be a waste of time. As a matter of fact, if you will allow the Chair to do so, he will call in a group of people to go with him to Washington this week.

We will choose the members of that group from among the people who voted for the motion tonight.

I will promise one thing to the people who voted against the motion: We shall not use your names or that of your organizations in our fight for the bill.

There has been no mention here of the National Meat Industry Council.

If there is no further discussion, I adjourn this meeting.

The CHAIRMAN. We will now take a recess until tomorrow morning at 10 o'clock.

(Whereupon, at 12:35 p. m., a recess was taken until tomorrow, Friday, April 26, 1946, at 10 a. m.)

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

FRIDAY, APRIL 26, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to recess on yesterday, in room 301, Senate Office Building, Senator John H. Bankhead II, presiding.

Present: Senators Barkley, Bankhead (presiding), Downey, Murdock, Mitchell, Carville, Tobey, Millikin, and Hickenlooper.

Also present: Senator Moore.

Senator BANKHEAD. The committee will come to order. Some members of the committee are detained a little, but they will be coming along. We have three witnesses here from the CIO. I am going to give these witnesses 5 minutes each and at the end of 15 minutes we are going to somebody else.

STATEMENT OF JOHN PROEDEHL, PHILADELPHIA, PA.

Senator BANKHEAD. How long do you want?

Mr. PROEDEHL. Three or four minutes at the most. I just want to say I am John ProedeHL; I live in Philadelphia, Pa., and I work at the Ford Motor Co. at Chester, Pa. I am married and I have five children.

During the war years my average wage was around \$80 a week. On the reclassification and elimination of overtime my present salary is \$46 for a 40-hour week, when we work a 40-hour week.

Senator BANKHEAD. Well, bring it down to a closer unit than a week. What is it a day?

Mr. PROEDEHL. Well, we will take it by the hour. \$1.15 an hour.

Senator BANKHEAD. You work 8 hours a day?

Mr. PROEDEHL. I work 8 hours a day, yes; but not always 40 hours a week. The past several weeks we have worked 3 days a week, which would bring me \$27 for a family of five.

Senator BANKHEAD. Why don't you work more than 3 days?

Mr. PROEDEHL. Well, the company says on account of part shortages.

Senator BANKHEAD. Due to strikes?

Mr. PROEDEHL. No; part shortages.

Senator BANKHEAD. I don't mean in your plant; I mean elsewhere.

Mr. PROEDEHL. I can't say whether strikes in those plants affect it or not.

Senator BANKHEAD. Well, we want to get the facts. That is a surprising statement. The CIO says there are more people working

and there is a bigger output today than there has ever been. Your statement is in conflict, in a way, with what they say.

Mr. PROEDEHL. I don't know, Senator. I just happen to be one of the fellows that work in the plant. All I know is when we work a 40-hour week at the rate of \$1.15 an hour, I have a wage of \$46.

Senator BANKHEAD. I didn't want to interrupt you, but I wanted to get my mind clear about that.

Mr. PROEDEHL. My wife is a very good manager and the closest budget we can figure out is \$50.20 a week because there is seven in the family.

Senator BANKHEAD. I don't know how she can manage that well.

Mr. PROEDEHL. She is very good, Senator. During the war naturally we saved our war bonds and accumulated something to fall back on. So with this \$46 a week and less at various times we have had to dig pretty deeply into that so that we have practically now hit the bottom of it.

When prices are as they are today we can just about make ends meet.

The Ford Motor Co. is supposed to be one of the highest paid in the industry and they advertise, "There is a Ford in every future," but for the Ford workers it looks like it is a very far distant and dim future, if living costs rise beyond the point where they are.

Senator BANKHEAD. Have living costs risen the last year or two?

Mr. PROEDEHL. I would say yes, Senator; but I couldn't say specifically on which bases. I go to market with my wife and I know a \$10 bill doesn't bring in the groceries it did about a year ago. I couldn't say, for example, that Quaker Oats were so many cents this year and so many cents last year or at any particular time, but I do know there is less brought in for the same amount of money.

My plea to the Senators and the committee is to leave OPA as is for at least another year because we feel as long as the manufacturers are asking for a lifting of the price ceilings surely they must have a motive behind asking for it. If price ceilings were lifted they would undoubtedly take advantage of it and raise their prices, and the average worker—I consider myself an average worker—would not be able to make a living because of our present salaries.

Senator BANKHEAD. Which is the heavier charge, food, or the products of industries?

Mr. PROEDEHL. I have a break-down here. Gas and electricity runs \$1.50 a week.

Senator BANKHEAD. That is a Government-fixed or municipally fixed rate, isn't it?

Mr. PROEDEHL. No, Senator.

Senator BANKHEAD. You mean there is no limitation on what they can charge?

Mr. PROEDEHL. Oh, no; the Pennsylvania Utilities Commission fixes the rates when they apply for a new rate. Milk, \$6.70 a week. That is 6 quarts a day. The phone costs \$1 a week. Eggs at the present time are around 50 cents a dozen, or \$1.50 a week. Of course, I could cut down here and there. I have an item of \$2 for music lessons for my children. I have a girl 6. She has been taking music for 2 years. I have a girl of 12 who has been taking music for the past 4 years. So that we could eliminate those, but children that are

growing should have as many opportunities as possible. So that we live within our budget rather than to deprive them of that.

Coal runs \$1.50 a week, because while we only use it in the winter-time it would run us too much if we were just to save for coal during the winter. So we save for that during the whole year.

I am very fortunate in the matter of rent. I only pay \$5 a week. I am buying my house and I was able to make a large down-payment and I have only a small mortgage, \$1,400, so I am more fortunate than the average worker in only paying \$5 a week in rent.

Insurance runs us \$6 a week. The table runs us \$20 a week, for groceries. We don't like to splurge, but we have to feed growing children. That runs us \$45 a week. For myself, for church and what-not, that runs \$5 a week. That is \$50. That doesn't take into consideration any clothing. It doesn't take into consideration medical expenses.

My daughter got her arm caught in the washing machine wringer last week and I had to take her to the hospital.

That doesn't take in school necessities. The children have to have 5 or 10 cents for a composition book or this or that for school and it all counts up.

Plus that there is a city wage tax of 1 percent, which somehow or other my wife has scraped up at the end of the year.

We are not complaining about prices so much now. They are high, yes, and we have to struggle to meet them, but if prices go up organized labor is going to knock business on the head for another nickel. Then business says it is still not making a profit and there is another rise in prices. So, there would be no end in sight to my way of thinking. I am just an ordinary fellow and that is the way my mind runs.

So that my plea to the committee is to leave the OPA as is with at least another year to run.

Senator BANKHEAD. I am fully in accord with your hope there won't be any increase in cost. You have had your 5 minutes.

Who is the next witness?

STATEMENT OF LLOYD ACHENBACH, CEDAR RAPIDS, IOWA

Mr. ACHENBACH. I have worked for Wilson & Co., Cedar Rapids, Iowa, for the past 15 years. I have a wife and two children. I am a veteran with 21 months' service in the Navy in this last war. Like many veterans I thought when we got out of the service our living conditions would be practically the same as before we went in, but due to the cut-back in the slaughtering of cattle this is not so.

Prior to going into the Navy I made on the average of around \$40 a week. Now, due to this cattle cut-back and having to take a cut in pay from \$1.11 to 88½ cents, I made approximately \$31 and some-odd-cents per week.

Due to the cost of living that has forced me in order to make ends meet to dig into my mustering-out pay. A common laborer in this plant, I don't understand how he even lives. He is making less than \$30 per week take-home pay.

The gang was cut down from approximately 72 men to 40 men. That laid off a great many veterans. A great many of the gang that is presently working is making—they take cuts in pay the same as I

did. The actual killing, we have cut from a normal rate of 56½ cattle an hour down to Tuesday of this week starting with 18 cattle per hour.

Our pay is based on a 36-hour national guaranty. That doesn't mean we have killed that many actual hours. For instance, we killed cattle only 17 hours last week. I understand that this condition is typical of the packing industry, from the few fellows I have talked to in different places.

The packers simply claim that they cannot buy cattle on the open market. By open market I mean in a livestock center. They have these livestock exchanges where the packers go in and buy all these cattle. That is not true in Cedar Rapids. They don't buy cattle that way. We don't have a livestock exchange. They go direct to the farmer and buy it. From what we can find out from the farmers—just hearsay, what the farmers we have talked with tell us—they are not even making an effort. They don't send their cattle buyers out to buy.

Senator MITCHELL. Has the union sent people out to the farms to talk to the farmers?

Mr. ACHENBACH. I couldn't say to my knowledge they have. We have some union members that live in small surrounding towns, that work in the plant, and they come in daily contact with the farmers. I couldn't offhand name you any of them. I am not familiar with them myself.

Senator MITCHELL. The cattle are produced in the neighborhood of their homes; is that right?

Mr. ACHENBACH. That is correct.

Senator BANKHEAD. Well, go ahead.

Mr. ACHENBACH. What we cannot understand is these small packing places seem to be able to slaughter cattle and still sell it at ceiling prices. I have a clipping here from the Kansas City Times of April 20. Milgram Bros. chain store advertises meat 3 to 5 cents under OPA ceilings. I understand that they run their own packing plant. It is a small plant in the city of Kansas City. I believe it is known as the Midwest Packing Co.

What we cannot understand is why if a small plant can do that, why can't a big one like Wilson? A small plant does not have the facilities to take care of byproducts like a big plant does.

Senator MITCHELL. Mr. Chairman, I wonder if we could have that advertisement in the record.

Senator BANKHEAD. If the witness will furnish it to you.

Mr. ACHENBACH. Yes, sir.

(The advertisement referred to is as follows:)

The CHAIRMAN. All right. Is there anything further?

Mr. ACHENBACH. That is about all I have to say, Mr. Chairman. I have a resolution that was drawn up by a delegation of packing-house workers that were in Chicago a few days ago; I also have a memorandum prepared from a bulletin issued by the Department of Agriculture. I would like to submit them for the record, if I may.

The CHAIRMAN. All right. That may be done.

(The documents are as follows:)

MILGRAM HAS THE "BESTES" MEATS //

EASTER GREETINGS

Go to your church—what
of us is best—
Follow its teachings—then
we will see—
A finer world—for you and
me.

Kansas City's Best Merchants
Who Appreciate Your Satisfaction

MILGRAM

Foods for Easter

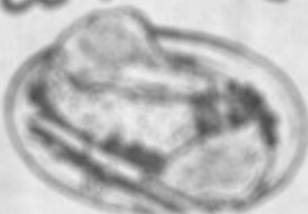
A Treat

STANDING

3c to 5c

RIB ROAST

29



*King of
Easter Roast
4 or 5 lb.
Best

T-BONE STEAKS

4 or 4.5 lb. **45c**

RIB STEAKS

1 lb. **31c**

PORTEHOUSE STEAK

43c

SIRLOIN STEAK

39c

LUNCHEON MEAT

49c

BOILING BEEF

18c

ASSORTED LOAVES

33c

BLEU CHEESE

49c

SKINLESS WIENERS

33c

BEEF LIVER or Tongues

33c

LARGE SHRIMP

excellent for salads and cocktails **50¢**

ROUND STEAK

Tender Grade A or A.1 Beef **38¢**

YOUNG SPRING FRYERS

Delicious Tender Dressed **44¢**

CRISPNESS WILL BEHOLD

CELERY 2 bunch 19¢

DEEP YELLOW BIRMINGHAM

Onions 3 lb. 29¢

BIRD GREEN, TENDER, GREEN SPEARS

Asparagus 2 bunch 33¢

GARDEN FRESH FRUITS & VEGETABLES

CALIFORNIA SUNSHINE, JUICY

ORANGES 2 Dozen 49c

CALIFORNIA TENDER, FULL BOD

PEAS 2 lb. 29c

GREEN BEANS . 2 lb. 39c

NEW POTATOES 5 lb. 29c

BIRD GREEN, LIGHT, BIRD

RADISHES . . . 4 bunch 10c

GREEN ONIONS 3 bunch 10c

LEAF LETTUCE . . 19c

UNITED PACKINGHOUSE WORKERS OF AMERICA
Chicago, Ill.

For immediate release.

APRIL 18, 1946.

RESOLUTION ON CURRENT MEAT CRISIS BY DELEGATION OF THE UNITED PACKINGHOUSE WORKERS OF AMERICA, CIO

A serious crisis exists today in the meat industry which threatens the welfare of the consuming public in the United States as well as the food supply for the destitute populations of war-torn countries abroad. Consumers are unable to buy adequate supplies of meat even in the largest packing centers in the country. Packing and processing of meat by the largest packing plants in the Nation, especially in the case of beef, has come to a virtual standstill. Over 20,000 packing-house workers, a large proportion of whom are war veterans, and men with many years of seniority, are being laid off by the big packing corporations throughout the country.

An objective examination of the meat crisis leads to the conclusion that the large packers themselves have deliberately stimulated the current shortage for the purpose of bringing pressure upon Congress and the people to abolish price controls by the simple expedient of failing to purchase cattle from the farmers.

The facts which substantiate this serious charge against the large packers may be summarized as follows:

1. The timing of the meat crisis to exactly coincide with the congressional discussion and action upon the question of continuation of price controls can hardly be considered accidental. A year ago, when the extension of OPA also was before Congress, reports of a similar, if less severe, meat crisis arose. This so-called crisis disappeared as suddenly as it came after final congressional action had been taken.

2. The production of stock by the farmer is near normal, and no claim is made by the packers that a shortage of livestock exists. Until a few weeks ago, purchases of meat by the big packers, under OPA controls, were taking place at the normal rate. There is no serious evidence to support a contention that there has been suddenly created a large-scale operation of black-market packing enterprises capable of driving out of business one of the most powerful and highly organized industries in America. This has been corroborated by Economic Stabilization Director Chester Bowles and officials of the Office of Price Administration.

3. Not only have the large corporations virtually stopped buying available cattle in the stockyards, but reports indicate that purchasing agents, who normally supply the large houses by direct contact with the stock-raising areas, are no longer buying from the livestock raisers. We have been advised by farmers that maximum price offers of big packer agents are far below ceiling prices.

4. In addition to curtailment of products dependent upon the supply of cattle, there has been a sharp drop in the production by the big packers of such nonmeat products as vegetable shortenings and salad oils.

5. "Losses" which the packers sustain through the curtailment of production, are subsidized through the "carry back and carry forward" provisions of the tax laws.

In view of the above facts, what is required to defend the public interest, and put an end to the meat crisis, is not the abolition of Government controls, of meat prices, as advocated by the large packers, but vigorous action by the Government to strengthen price controls. Wherefore be it resolved that this Congress shall undertake the following actions:

1. An immediate investigation of the operations of the big packers by Members of Congress devoted to the principle of price control.

2. Retention of OPA for a full year without crippling amendments and with appropriation of adequate funds.

3. The institution of rationing to guarantee that meat is available to people of moderate incomes at reasonable prices, and to enable this country to fulfill its foreign commitments.

4. The memorialization of OPA to put into immediate effect minimum slaughter quotas for the large packing houses, and to place qualified Government experts in the stockyards to grade beef on the hoof.

5. Since the seizure of the packing houses by the Government is still in effect, this Congress shall memorialize the Department of Agriculture to effectively ad-

minister packing houses by issuance of orders to resume purchase of cattle and other supplies and to immediately restore employment to the men who have been laid off.

6. While the above steps will bring immediate relief in the present crisis, the big packers have traditionally demonstrated callous disregard of the public interest. Therefore, Congress will undertake to prepare a long-range plan for the organization of the packing industry as a publicly owned utility.

UNITED PACKINGHOUSE WORKERS OF AMERICA
District I

MEMORANDUM PREPARED FROM BULLETINS ISSUED BY THE UNITED STATES DEPARTMENT OF AGRICULTURE, PRODUCTION AND MARKETING ADMINISTRATION, LIVESTOCK BRANCH, DATED APRIL 17, 1946, MARCH 13, 1946, APRIL 18, 1945, AND MARCH 14, 1945; ALSO ANNUAL BULLETIN FOR 1944

An examination of the present meat crisis in the light of the official United States Government statistics leads to the following conclusions:

1. There is no shortage of meat supply.

"* * * Meat production probably will be close to the high of 1945. * * * The number of cattle and calves on hand January 1, 1946, was only 3 percent below the peak of 1944, and the potential supply of cattle for slaughter in 1946 is large. * * * The number of beef cows and heifers 2 years old and over on hand January 1, 1946, was an all-time high, indicating the production of cattle for slaughter in the next 2 or 3 years will continue large. * * *" (bulletin April 17, 1946, p. 290).

2. The crisis is marked by a sharp decline in total cattle receipts in the public stock markets. Receipts for 12 middle western centers for the week ending April 13, 1946, showed a drop of approximately 16 percent as compared with a year ago.

3. There is a still more drastic decline in the proportion of cattle going to local slaughter houses in the principal midwestern centers, this drop being especially sharp between March and April. The proportion of shipments from the middle western markets to other areas showed a corresponding rise.

Local slaughter of cattle in Chicago stockyards for example, in the week ending April 13, 1946, was approximately one-third of the figure for the corresponding week in 1945 and one-half of the slaughter for the corresponding week in March 1946. The average local slaughter for 12 midwestern centers in 1944 represented 62 percent of the total receipts as compared with 31 percent for the week ending April 13, 1946.

4. There is a comparable sharp decline in the direct countryside cattle purchases by the major packing centers in the Middle West, as reflected in the critically low total figures for slaughter in federally inspected packing plants; for Chicago, for example, 11,282 for the week ending April 13, 1946, as compared with 23,416 for the corresponding week in 1945.

5. In contrast with the sharp decline in cattle slaughter in the Midwest packing plants under Federal inspection, there has been an increase in the plants under Federal inspection (representing the large packers) on both the east and west coasts. The cattle slaughter for California plants under Federal inspection for the week ending April 13, 1946, reached the high figure of 17,130, as compared with 16,109 for the corresponding period in 1945; the figures for New York and New Jersey plants reached the high of 12,274 for the same period in 1946, as compared with 12,002 for the year previous.

6. Despite the supposition that large-scale countryside buying is taking place by custom buyers and others supplying new fly-by-night slaughterers, there are no figures provided to substantiate this claim, or to indicate its extent.

7. While the price of cattle has shown a gradual increase since 1945, this rise in price is no greater than the rise between 1945 and 1944. There has been no sudden price increase in the last month to correspond with the sudden and drastic reduction in slaughter of cattle in the Midwest within the past month.

8. The decline in slaughter of cattle is not accompanied by a decline in the slaughter of sheep and hogs. Sheep slaughter is approximately the same as last year for the Midwest federally inspected plants, and hogs show a considerable increase over last year.

9. In conclusion, the official figures provide no substantiation for the explanation of the big packers that the decline in cattle slaughter is solely due to OPA

regulations. On the contrary, they confirm the supposition that the drastic curtailment of production is a deliberate policy of the big packers. If the OPA regulations and competition of black-market buyers has almost stopped slaughter of cattle in the Midwest Big Four plants, why have the plants on the west and east coasts, subject to the same regulations and conditions, shown an actual increase? Why has the slaughter of sheep and hogs, also subject to price regulation, also been normal, or above last year's figures? Where is the increase in prices paid by black-market buyers in the Midwest public markets, to explain the sudden drop in production in the last month?

It may be assumed that the packers are seeking still further increases in the price of meat. What the removal of price controls would cost the consumer is indicated by the following estimate of the United States Department of Agriculture:

"Without ceilings, the retail price of meat in the second half of the year probably would average 15 to 20 percent above present reported prices, with a somewhat greater rise taking place in the better grades and more desirable cuts" (bulletin, April 17, 1946, p. 290).

10. A summary of comparative figures, derived from the sources indicated above, are as follows:

Receipts and shipments of salable cattle for the Chicago stockyards

Week ended—	Receipts	Shipments	Local slaughter
Apr. 13, 1946	36,775	29,428	7,347
Mar. 9, 1946	40,550	25,581	14,969
Apr. 14, 1945	42,746	21,707	21,039
Mar. 10, 1945	50,523	21,215	29,308

Receipts and shipments of salable cattle for 12 midwestern centers

Week ended—	Receipts	Shipments	Local slaughter
Apr. 13, 1946	184,991	126,588	58,403
Mar. 9, 1946	196,959	109,764	87,195
Apr. 14, 1945	219,812	110,927	108,885
Mar. 10, 1945	225,121	94,834	130,287

Weekly slaughter of cattle under Federal inspection

Week ended—	Chicago	New York, New Jersey	California	Total for 32 centers
Apr. 13, 1946	11,282	12,274	17,130	109,322
Mar. 9, 1946	19,735	10,676	16,922	156,475
Apr. 14, 1945	23,416	12,002	16,109	176,209
Mar. 10, 1945	32,468	11,697	18,156	203,791

Weekly slaughter of hogs under Federal inspection

Week ended—	Chicago	Total for 32 centers
Apr. 13, 1946	68,825	620,774
Mar. 9, 1946	61,565	629,986
Apr. 14, 1945	50,712	509,491
Mar. 10, 1945	54,058	568,192

Comparative cattle prices: Chicago Stockyards
 [Weekly average of daily quotations in dollars per 100 pounds]

	Week ended—					
	Apr. 13, 1946	Mar. 9, 1946	Apr. 14, 1945	Mar. 10, 1945	Apr. 15, 1944	Mar. 11, 1944
Steers, Choice 900 to 1,100.....pounds..	\$17.48	\$17.52	\$17.24	\$16.75	\$16.50	\$16.63
Steers, Medium 700 to 1,100.....pounds..	14.85	14.52	14.05	13.90	13.50	13.50
Heifers, Choice 700 to 1,100.....pounds..	16.60	16.75	16.25	16.00	15.75	15.88
Cows, canners.....	7.62	7.92	7.65	7.95	6.70	7.00

The CHAIRMAN. All right. Thank you, Mr. Achenbach.
 Who is the third witness?

STATEMENT OF MRS. LOUISE GROH, RED BANK, N. J.

Mrs. GROH. My name is Louise Groh. I live in Red Bank, N. J., and I work as a power machine operator for the Sigmund Eixner Co. I am a member of the Amalgamated Clothing Workers of America, Local 293.

I recently married a veteran who returned from 31 months of active duty overseas, having taken part in five campaigns.

My husband is a truck driver and his salary averages about \$47 a week. At the present time we are living with my mother-in-law and father-in-law just because we haven't been able to find a place to live in; and second, because we would not be able to afford it on his salary. I have gone back to work so that we can save some money and have a home and a family.

The prices of everything, including food, clothing and housing, are high now, and if prices continue to rise, I don't know what we, or others like us, will do. For example, recently we bought a bedroom set for \$400 and I think a few years ago it would have cost about \$250.

Our hope now is that we will soon be able to have a place of our own and to raise a family. But if the OPA is not made even stronger than it is now my husband and I are afraid that it will be a long time before we can begin to be an American family. If this country goes into inflation because the OPA is continued without enough funds and employees to really hold prices down, then my husband and I and many other young married people like us may not be able to have a home and family for many years, because we could not afford it.

I do not want to continue to work at a power machine 40 hours a week any longer than is necessary. But if the lid is taken off the prices by crippling OPA I may be compelled to work for many more years. Little people like us are helpless. We can only voice our protest, and I am speaking for many of my fellow workers who feel like I do.

But gentlemen, it is up to you whether many young people like my husband and myself will be able to have a home and children. So I ask very earnestly, please continue the OPA. Don't weaken it. Strengthen it. I want to thank you for giving me a chance to be able to voice my opinion.

Senator BANKHEAD. All right. Thank you, Mrs. Groh.

Mr. PROEDEHL. That is all the CIO witnesses, Mr. Chairman.

Senator BANKHEAD. All right. Thank you for your cooperation.

**STATEMENT OF EDWARD A. O'NEAL, PRESIDENT, AMERICAN
FARM BUREAU FEDERATION, CHICAGO, ILL.**

Senator BANKHEAD. Mr. O'Neal, state your name for the record.

Mr. O'NEAL. My name is Edward A. O'Neal. I am president of the American Farm Bureau Federation, Chicago, Ill. I hope I didn't keep you waiting.

Senator BANKHEAD. Not long.

Mr. O'NEAL. I have a prepared statement. If you gentlemen will be patient when I read it I will try to cut it as short as possible. There may be some tables that I would like for you to refer to as I submit my brief, if you please.

Senator BANKHEAD. All right. Proceed.

Mr. O'NEAL. The American Farm Bureau Federation, of which I am president, represents approximately 1,000,000 farm families in 45 different States. Our organization was one of the first national organizations to support a program for the control of inflation.

Each year since 1941 our annual convention has gone on record for an aggressive program to control inflation. We have consistently supported the OPA in its price control program, in spite of many weaknesses in carrying out the program. Farmers fear inflation and the ravages of the inevitable deflation which follows. At our last meeting, which was held in December 1945, our organization passed the following resolution on price and wage control [reading]:

While the military battle is over, the inflationary battle is still with us. During the war the Nation was moderately successful in preventing extreme inflation. To have severe inflation at this time would be a catastrophe to the Nation. An immediate release of all price controls would subject the Nation to the danger of rapid price increases which have usually followed wars. History indicates that such inflationary price increases are followed by periods of price collapse, which result in long periods of maladjustment, with prices for farm products very low in relation to prices paid by farmers for the products of others.

The American Farm Bureau Federation was one of the first organizations representing a large segment of our society that insisted upon the control of inflation and has consistently supported measures for this purpose. We again reaffirm our position in favor of an aggressive program to control inflation. We believe that if we are going to have a price-control program, the situation must be faced realistically. Price control, where necessary, must apply equitably to all segments of our economy, including agriculture, labor, manufacturers, distributors, and all others.

The necessity of full production is no less now than at any time during the war. Present wage disputes are interfering with production in many important areas and are threatening to slow up or stop production in many others. The American Farm Bureau Federation insists that ways must be found immediately by Government action, if necessary, to continue speedy reconversion and to further full production in every major field at the earliest possible date. Commodity and industrial prices cannot be controlled successfully without necessary wage controls. We do not believe that the removal of wage controls in an indiscriminate manner is in the best interest of the Nation. Wage increases must not be such as to necessitate price increases. Care must also be exercised to see that the margins of distributors are not permitted to increase beyond that necessary to insure an orderly flow of goods. We insist that a monetary, fiscal, and tax policy be adopted which will contribute to correcting the basic causes of inflation. Over-all general tax reductions, continued deficit financing, and the elimination of millions from tax responsibility at a time when inflation threatens is inconsistent with a policy of inflation control. While we have recognized many weaknesses in the Office of Price Administration, we have supported it as a necessary avenue of inflation control. Experience has shown that its orders are often confusing and not equitable, especially for the producers of some products. We earnestly request that adjustments be made in cases of inequalities.

As a guaranty against run-away prices, we recommend that the purpose of price-control legislation be effectively administered until June 30, 1946, and then on only on those commodities for which the supply is not enough to meet the demand. It must be remembered that an adequate supply of goods is the best assurance against inflation in a supply-versus-demand market. Agriculture is at full production and insists that steps be taken immediately to get full production in other industries. All controls should be revoked as rapidly as supplies of individual commodities or classes of commodities come into a reasonably normal balance with demand, and the danger of inflation decreases.

We reaffirm our opposition to subsidies in lieu of fair prices in the market place. These subsidies should be removed as rapidly as possible, and price ceilings should be adjusted accordingly. Changes in subsidies or price ceilings should be announced sufficiently in advance that producers may adjust their operations accordingly.

Between the time of the passage of this resolution and the last meeting of our board of directors, which was held in March, many things happened. Wage controls were practically eliminated. We saw strike after strike, with labor demanding 30 percent wage increases and for the most part with Government approval, receiving an increase of 18 to 19 cents per hour. Taxes were reduced, very little attempt made to balance the Budget, and no real program to correct the basic causes of inflation. Our board of directors, which consists of 22 agricultural leaders who are close to the people in their respective areas, passed the following resolution at the March board meeting [reading]:

We reaffirm the position taken on price and wage control at our last annual convention. Consumer subsidies must be removed and price ceilings adjusted accordingly. The new Price Control Act must contain a definite schedule for the removal of consumer subsidies. It is utterly unjustifiable to subsidize the consumer's food bill by payments from the Treasury, which forces farmers to accept Federal payments in lieu of fair prices in the market place at a time when consumers' incomes are at a record level.

In extending the Price Control Act for 1 year, definite provisions should be made for the removal or suspension of ceilings whenever the supply and the demand for a product are in such balance as to prevent undue price increases.

Control of inflation must be made effective. The present governmental policy of encouraging and granting wage increases is incompatible with a sound price control program. One of the basic causes of inflation is the excess purchasing power in the hands of the consumer. If inflation is to be controlled, wages must also be controlled, and cannot be permitted to rise promiscuously. Steps must be taken to correct the basic causes of inflation so that we may eliminate the necessity of price control at the earliest possible date.

The officers and representatives of the American Farm Bureau Federation are given the authority to oppose the extension of the Price Control Act unless provisions for consumer subsidies are removed and price ceilings adjusted accordingly. Further, we authorize the executive committee to insist that extension of the Price Control Act be limited to 1 year and that definite provisions be made for the suspension of price controls on commodities when supplies come into reasonable balance with demand.

In line with the above resolution I appeared before the House Banking and Currency Committee on March 15 and stated that our organization could not support the OPA legislation unless the provisions for consumer subsidies are removed. The House committee did not see fit to eliminate the subsidy provisions. On April 17, when the price-control bill was being debated on the floor of the House, I sent the following telegram to each Member of the House of Representatives [reading]:

While we favor effective price and wage control until June 30, 1947, the pending price-control bill, H. R. 6042, as reported by the committee, is unsatisfactory to farmers. Unless provision is made for entire elimination of consumer subsidies

by December 31, 1946, and price ceilings adjusted accordingly, we must oppose the bill. We also insist that provisions be made for prompt elimination of price ceilings on any farm commodity whenever current supply of such commodity is in line with current requirements.

We feel that for the best welfare of the entire Nation the present bill to amend the Emergency Price Control Act of 1942, as amended, and the Stabilization Act of 1942, as amended, goes too far in eliminating price controls. At the same time, we feel that the OPA itself is responsible to a great degree for the attitude expressed by Congress in the amendments to the bill. The OPA along with other agencies of the Government, has sanctioned large wage increases for labor. Most of these increases have gone to a group of workers who are already among the highest paid workers in the country. An attempt has been made to mislead the public on the fallacy that wage increases could be granted without increases in prices. They have relied more and more upon consumer subsidy payments from the Federal Treasury as a means to cover up price increases. OPA has failed to realize that the end of the war necessitated a decontrol policy and one of reconversion, rather than maintaining the status quo. They have placed too much stress on holding an arbitrary price line, regardless of its consequences. They have been unwilling to adjust ceilings to offset increased costs and to bring about the production of items essential to reconversion.

On the other hand, the opponents of price control have been very vigorous in their attacks and have not given due consideration to the many problems involved in adjusting from a wartime to a peacetime economy. It is our hope that this new legislation, when finally enacted, will find a middle ground which will correct the basic mistakes of the price-control program, and at the same time will contain reasonable safeguards against undue price inflation.

Need for preventing inflation: Before discussing the amendments approved by the House, I would like to make it clear that the farmer has a very vital stake in the control on inflation. The farmers, perhaps more than any other group in our economy, know the consequences of inflation and the inevitable deflation which follows. They know that following the close of World War I their costs continued to increase after their prices fell. They know that the prices of commodities used in production remained high, and for 20 long years they were at a disparity with the rest of the economy. Between 1919 and 1921, when prices were nearly cut in half, farm expenses dropped only about one-sixth. From the peak of the inflation to the bottom of the collapse in 1920-21, the price of corn dropped from \$1.88 to 42 cents per bushel, cotton from 38½ to 9½ cents per pound, eggs from 70 cents to 19 cents per dozen, hogs from over \$20 to about \$6 per hundred-weight, wheat from \$2.56 to 93 cents per bushel, and butterfat dropped from 63 cents to 28 cents per pound.

In the interwar period over 2,000,000 American farmers lost their farms by forced sale. This is equivalent to one farm in three. They want a control program that will prevent a repetition of that experience. They want a program that will maintain balance between the various segments of our economy. They remember what happened between 1929 and 1933 when, due largely to an unbalanced price structure, our national income dropped from 86 to 42 billion dollars, while farm income dropped from about 8½ to 4 billion dollars, and we

had 12,000,000 unemployed. You will see that on page 1 of the statistical appendix which I hope you will look at.

We must not lose sight of the magnificent job of production done by the farmer during the war. With 5,000,000 fewer people on farms, total agricultural production increased about one-third. This was accomplished in spite of severe shortages of labor, machinery, and most items needed for production. The entire farm family has labored and is still laboring long and hard to produce the needed food and fiber.

The farmers haven't changed their basic philosophy regarding the necessity of price control and the maintenance of an equitable balance. They are very much concerned, however, by the manner in which price control has been administered. They have seen ruling after ruling issued by the OPA, with very feeble attempts at enforcement. They have witnessed the steady encroachment of the black markets upon those engaged in legitimate trade. They are convinced that if price control is to be continued, steps must be taken to prevent and to control these illegal operations. They feel that unless this is done, our democracy will suffer permanently from the growing disrespect for law. Any new price-control law must be one that can be enforced, and adequate means must be provided for the necessary enforcement.

Decontrols: On the floor of the House many amendments were made to the price-control legislation. It is our feeling that some of these amendments go too far or remove price controls too rapidly.

Section 2 of the Price Control Act was amended to provide that no maximum price shall be established or maintained for any commodity below a price which would reflect to the producers, processors, and distributors the sum of (1) the current costs of distributing and processing such commodity, and (2) a reasonable profit thereon. We look with disfavor upon this change. This amendment establishes the principle of cost-plus pricing for both agricultural and industrial commodities. It is a radical departure from the present principle of using the parity approach in agriculture rather than the cost-of-production approach. We do not believe that it is practicable to apply the principle of cost of production plus a profit in agriculture, and we seriously question its practicability as an over-all policy for industry. Such an approach would be very difficult to enforce and would involve much checking and hopeless bickering between industry and the administering agency.

It would be much better to approach this problem from the standpoint of a provision which is now in the act with respect to agricultural commodities, but which has not been fully used, namely, to require adjustments in price ceilings of any commodity, whether agricultural or industrial, whenever necessary to offset increased costs of any kind, whether by governmental action in raising wages or otherwise, and to require increases in ceiling prices whenever necessary to encourage needed production.

In section 4 we are in agreement with the provision which states that it is the policy of Congress that the control of prices and wages shall be terminated not later than June 30, 1947, and such necessary controls beyond that date shall be administered by regular departments of government. We believe it would be dangerous to our democracy to have a permanent price-control program. We must

take aggressive steps to correct the basic causes of inflation, thus bringing about conditions which make the continuation of price control unnecessary. Unless the basic causes of inflation are corrected, we are likely to find that this time next year we may still be faced with the necessity of again extending price control.

The manner of removing price control from individual commodities is a very complicated problem. One amendment to the present Price Control Act, as approved by the House, provides that in cases of nonagricultural commodities, maximum price controls shall be removed when production of a commodity or class of commodities for the preceding 12 months is equal to or exceeds by volume the production of such commodity for the period from July 1, 1940, to June 30, 1941. In the case of agricultural commodities ceiling prices must be removed whenever the Secretary of Agriculture determines and certifies that either of the following conditions exists: (1) When the Secretary determines the supply of a commodity is equal to the domestic consumption of such commodity; or (2) whenever he determines that the production of an agricultural commodity for the preceding 12 months equals or exceeds the production of this commodity during the 12-month period July 1, 1940, to June 30, 1941.

We fear that this procedure would result in controls being removed too rapidly. Such legislation would result in practically all controls being removed from agricultural products. A rough check shows that out of 27 major agricultural commodities controls would remain on only three or four items. Farmers realize that if we are going to have a price-control program, it must apply to all segments of our society, and no one segment, be it agriculture, labor, industry, distribution, or finance, should be exempt. We are fearful too, that the provision which eliminates controls from nonagricultural commodities whenever their production equals that of the 1940-41 period, would also result in an unwise removal of price control. A tremendous backlog of demand has been built up during the war for many nonagricultural products. The 1940-41 level of production certainly will not be high enough to meet the immediate demand for commodities such as automobiles, refrigerators, and many other items which have not been produced during the war. We could have skyrocketing prices if manufacturers charged all the traffic would bear.

The provision which eliminates controls on agricultural commodities when supply equals the domestic demand for a commodity would in our opinion remove controls too rapidly on those commodities which are exported. Our resolution states that controls should be removed whenever supplies come into reasonable balance with demand. This legislation should contain the over-all provision that it is the intent of Congress to remove controls before the expiration date of the act. This being the case, quite a bit of discretion will have to be given to the administrators on the best method to proceed to carry out the decontrol program.

Under the existing Price Control Act the authority vested in the Secretary of Agriculture has been circumvented by administrative rulings. We believe that the new legislation should be written in such a manner as to clarify the final authority of the Secretary of Agriculture. The Secretary of Agriculture should be given authority to certify to the Price Administrator whenever adjustments are

needed in ceiling prices for agricultural products in order to obtain the needed production. When such certification is made by the Secretary of Agriculture, adjustments in price ceilings should be mandatory.

Elimination of consumer subsidies

The American Farm Bureau has consistently opposed the use of consumer subsidies at a time when the consumer is better able to pay for his food than ever before and at a time when the drain upon the Federal Treasury has been the heaviest in history. We insist that the program for removing consumer subsidies, as outlined in sections 6 and 7 of the bill, be maintained and carried out in accordance with the provisions contained in this proposed legislation. The farmers of the Nation will not support the continuation of price control unless consumer subsidies are removed entirely by December 30, 1946.

There is absolutely no justification for the continuation of consumer subsidies. This unwarranted expenditure from the Federal Treasury must be stopped. If we are ever going to get rid of price control, one of the first steps necessary is to get rid of consumer subsidies. Supply will be very slow to come into balance with demand as long as prices are maintained artificially low by paying part of the consumer's bill from the Federal Treasury. Last fall the administration started out on a definite program to remove subsidies. However, they have reversed this policy and within the past month have actually expanded the subsidy program. Subsidies on milk and butter have been increased in spite of overwhelming opposition on the part of nearly all farmers. Consumer subsidies are like a rolling snowball that increases in size as it moves down the hill. According to my information in the fiscal year of 1944 consumer food subsidies cost about \$955,000,000; in 1945 about \$1,367,000,000; and for the fiscal year 1946 about \$1,798,000,000 was authorized. In addition, the administration found it necessary to come to Congress for additional funds for carrying the subsidy program until June 30 of this year. For the year beginning July 1, 1946, they have requested \$2,051,000,000 to continue the food-subsidy program. We feel the time has arrived to stop this unwarranted and ever-increasing governmental expenditure. Farmers are deeply concerned over the encouragement of a cheap food policy on the part of the Government. The elimination of subsidies would simply get rid of one unnecessary artificiality in the price-making mechanism for agricultural products. We may as well face the realistic fact that from the administration's viewpoint there will never be a good time to get rid of subsidies.

I do not see why we should be so unduly alarmed about an increase in consumer prices due to the removal of consumer subsidies, which are a direct payment from the Federal Treasury, when we can raise the price of steel in order to pay workers higher wages, or the price of meat to pay increased wages to packing-house workers. The farmers of the Nation are demanding that one of the conditions for wage increases be the requirement that the Government quit subsidizing the consumer's food bill and get out of the grocery business.

Food subsidies of nearly \$2,000,000,000 add that amount to the inflationary pressures. They increase the inflationary forces and tend to perpetuate the need for continuation of price control. They increase the demand for agricultural products in short supply. It is

a well-established fact that lowering the price of meat increases the volume demanded by the public. Surely it cannot be denied that subsidizing each family's meat bill from \$20 to \$25 per year increases the amount demanded and increases the difficulty of enforcing ceilings and preventing black markets.

Farmers fear what will happen to their prices if we wait for a period of declining prices and then remove consumer subsidies. History clearly indicates that farm prices fall rapidly enough in periods of decline, without artificial price-depressing factors imposed upon them by government. If we cannot remove consumer subsidies now when consumer purchasing power is at an extremely high level, how can they ever be removed when prices start to fall, as has been proposed by some? Certainly farmers are not going to be willing to absorb these subsidy costs in such a period. It is clearly evident that this would be the result if we wait until a period of declining prices. Now is the time to get rid of consumer subsidies.

I wonder if we realize that personal income taxes could be reduced by 17 percent if consumer food subsidies were eliminated and the savings passed on to the taxpayer. According to our estimates, a subsidy bill of \$1,798,000,000 is equivalent to 16.8 percent of the estimated amount of revenue from personal taxes in 1946. The average taxpayer's bill could be reduced by \$50 if consumer subsidies were eliminated. You will see the figures on pages 2 and 3 of the statistical appendix. These figures cannot be overlooked in this period when it is so essential to eliminate unnecessary Government expenditures and relieve the inflationary pressure of deficit financing.

The subsidy program has grown until today it is estimated that for an average urban family of four, consumer subsidies amount to over \$62 annually—page 4, statistical appendix. The records clearly indicate that the consumer is in a position to pay his grocery bill without subsidies from the Federal Treasury. According to the latest available figures, the weekly earnings of factory workers increased nearly 85 percent between the 1935-39 period and December 1945. During this same period the cost of living increased about 30 percent—page 5 of statistical appendix. Since January 1941, the base date of the Little Steel formula, weekly earnings in all manufacturing industries increased 55 percent, compared with an increase of about 29 percent in the cost of living—page 6 of statistical appendix. While it is true that the incomes of some individuals have not increased as much as the cost of living, this is not the case for the majority of our people. Why should we subsidize those who are able to pay their grocery bills, and spend millions of dollars, which in itself is inflationary, in order to take care of those whose incomes have not increased as much as the cost of living? Certainly there is a more direct way to take care of the needy.

We hear a lot of complaint about the fact that the price of food has gone up. Many delight in citing the increase since 1939. Very few point out that in 1939 farm prices were the lowest they had been for 35 years, except during the depression of the early thirties—page 7 of statistical appendix. In spite of this the price of food has not gone up as much as some of the other items in the cost of living index—page 8 of the statistical appendix. Even in 1945 the factory worker was able to buy more food for an hour's work than at any time in our

history. An hour's wages in the manufacturing industries in 1945 brought 6½ quarts of milk, compared to about 5 quarts in 1939, and 2½ quarts in 1914. Almost without exception an hour's wages in the manufacturing industries had more purchasing power in terms of food during the war than it had prior to the war—pages 9 and 10 of statistical appendix. Expenditures for food in relation to consumers' incomes are lower today than they were before the war—page 11 of statistical appendix.

The Government's wage policy has been definitely inflationary. If labor is to receive wage increases all across the board, there is no use of kidding ourselves, over a long period of time living costs will go up. It is estimated that approximately 80 percent of all costs are directly traceable to labor. Therefore, unless there is considerable improvement in the efficiency of labor, higher prices will result. Information released by the Bureau of Labor Statistics shows that for 23 civilian industries the output per man-hour increased about 6 percent between 1939 and 1944, compared with an increase of nearly 40 percent in labor cost per unit of output—pages 12 and 13 of statistical appendix. We are not against high wages, but we believe that high wages should be contingent upon an increase in output per worker. Many folks take great pains to show that high hourly earnings for factory workers mean high farm prices. The record does not bear this out. In 1935-39 period, hourly wages were nearly three times higher than in the prewar period of 1910-14, and yet farm prices were only 7 percent higher than in the earlier period—pages 14 and 15 of statistical appendix. In 1939 hourly wages were high, we had millions of unemployed, cheap food and fiber, and farm prices were only 77 percent of parity. It is total purchasing power and high employment that make good markets, not high hourly wage rates. I insist that any sound program to control inflation must give due recognition to the control of wages.

Farmers are concerned about the increased cost of distribution. They know that after World War I distribution costs increased and then remained high. They feel that a well-administered price control program must give consideration to holding distribution costs at reasonable levels.

Fiscal and monetary policies

If we are ever going to reach the stage when price controls can be removed safely, we must correct the basic causes of inflation. Too much attention has been given to attempting to control prices rather than correcting the basic inflationary factors. These basic factors center around our Federal taxation, fiscal and credit policies. Now, before price controls are removed, is the time to initiate anti-inflationary policies in these fields.

It has long been recognized that deficit financing is inflationary. With a national debt of approximately \$275,000,000,000, we must take drastic steps to eliminate deficit financing. Cash, bank deposits, and Government bonds held by the public are in excess of \$250,000,000,000, which is about three times prewar. An honest effort must be made to eliminate nonessential Government expenditures and to reduce the necessary expenditures to a minimum. There is no logic in the

Government undertaking vast subsidized housing projects and the like at a time when there are not enough raw materials to supply the demands of private individuals. Now that the war is over, in this period when inflation threatens, we must see to it that the Government does not become an added competitor for materials, either by subsidies or by undertaking construction projects that could be delayed. With inflation threatening, the budget should not only be balanced but payments should be also made on the national debt.

The excess purchasing power in the hands of consumers is one of the basic factors contributing to inflation, and yet last year we reduced taxes and eliminated millions from the tax rolls. As long as this inflationary pressure exists, there is no justification for reducing taxes except those necessary to encourage reconversion activities.

The importance of controlling credit expansion during inflationary periods is well recognized. Proper power should be delegated to the Board of Governors of the Federal Reserve System for adequately controlling the further expansion of bank credit. Present policies under an inflationary situation, with price controls removed, could lead to almost unlimited credit expansion.

Consideration and study should be given to the handling of the national debt in such a manner as to lend stability to prices instead of adding unnecessarily to the inflationary pressures. Such study should give consideration to the interest rate policy and to inducing the public to hold government securities rather than converting them to cash for use in bidding up prices. The proper coordination and direction of our taxation, credit and fiscal policies will remove much of the inflationary pressure on prices.

Summary

In closing, I would like to make an appeal for moderation on both sides. In my judgment the Office of Price Administration has not used good judgment in handling the price control problems. Likewise, it is my judgment that the price control bill as passed by the House of Representatives goes too far. There is certainly a more reasonable middle ground approach that can be found, which would be in the best interests of all the citizens of the Nation. The new price control legislation should contain provisions for decontrolling prices. Price ceilings should be maintained on items in short supply, and price ceilings must be adjusted in order to bring forth needed production. Consumer subsidies must be eliminated in the price control program. On the other hand, this Nation cannot afford to take a chance on the danger of wild inflation and the inevitable deflation that follows. We as citizens must be willing to adjust our economy and our daily lives in a manner that will enable our system of private enterprise and democracy to survive with the minimum amount of governmental regulation. We must take steps to correct the basic causes of inflation through Federal tax, budgetary and credit policies so that in the near future detailed controls will not be necessary.

I would like to submit for the record the statistical material in support of this brief:

(The statement referred to is as follows:)

654 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Various economic factors influencing our national economy for selected periods

Year	National income (in millions)	Net income from agriculture (persons on and off farms) (in millions)	Agricultural income as a percent of national income	Index of farm prices ¹	Parity ratio ¹	Index of weekly wages per factory worker ¹	Total labor force	Unemployed
1914.....	\$36,367	\$5,474	15.1	101	99	103	39,789,000	2,214,000
1919.....	66,136	11,809	17.9	215	109	207	42,029,000	(²)
1921.....	58,353	5,271	9.0	124	75	208	42,445,000	4,754,000
1929.....	85,954	8,416	9.8	149	89	235	48,354,000	429,000
1935.....	42,006	3,924	9.3	72	60	154	50,669,000	11,842,000
1939.....	71,515	6,355	8.9	95	77	208	53,779,000	8,786,000
1944.....	160,907	15,697	9.8	195	115	³ 418	63,308,000	(²)

¹ 1910-14=100.

² Negative unemployment.

³ Preliminary.

Year	Per capita net income of—		Population as of Jan. 1		Farm population as a percent of total population
	Persons on farms from farming	Persons not on farms	Total	Farm	
1914.....	\$140	\$484	98,172,000	32,320,000	32.9
1919.....	319	762	104,806,000	30,930,000	29.5
1921.....	119	720	107,504,000	31,763,000	29.5
1929.....	223	871	121,136,000	30,220,000	24.9
1933.....	93	419	125,223,000	32,033,000	25.6
1939.....	173	663	130,406,000	30,480,000	23.4
1944.....	534	1,317	137,368,000	25,521,000	18.6

Source: Bureau of Agricultural Economics, U. S. Department of Agriculture. Total labor force and number unemployed from the Economic Almanac, 1945-46, National Industrial Conference Board.

From American Farm Bureau Federation, Chicago, Ill., February 28, 1946.

Percent that Federal personal income taxes could be reduced in 1946 if consumer subsidies were eliminated and the savings passed back to the individual

Total amount of food subsidies July 1, 1945, to June 30, 1946 ¹	² \$1,798,000,000
Estimated amount of income from personal income taxes in 1946 ³	\$10,636,000,000
Percent consumer subsidies are of personal income taxes.....	16.8

¹ Iowa Farm Economist, September 1945, p. 15.

² Does not include any deficit appropriations necessary to carry on subsidy program.

³ The revenue bill of 1945, S. Rept. 655, 1st sess., 79th Cong., Oct. 23, 1945, p. 4.

Possible savings for the average Federal personal income taxpayer in 1946 if consumer subsidies were eliminated and the savings passed back to the individual income taxpayer

Total amount of food subsidies, July 1, 1945, to June 30, 1946 ¹	² \$1,798,000,000
Estimated number of individuals paying Federal income taxes in 1946 ³	36,302,048
Food subsidies for each Federal income taxpaying individual.....	\$49.63

¹ Iowa Farm Economist, September 1945, p. 15.

² Does not include any deficit appropriations necessary to carry on subsidy program.

³ The revenue bill of 1945, H. Rept. 1106, 1st sess., 79th Cong., Oct. 9, 1945, p. 27.

From American Farm Bureau Federation, Chicago, Ill., Feb. 28, 1946.

Possible savings for various groups of personal income taxpayers if consumer subsidies were eliminated and the savings passed on to the individual taxpayer

Net taxable income class	Average income taxes per taxpayer	Savings per taxpayer if consumer subsidies were eliminated	Net taxable income class	Average income taxes per taxpayer	Savings per taxpayer if consumer subsidies were eliminated
0 to \$1,000.....	\$52	\$9	\$50,000 to \$100,000.....	\$36, 481	\$6, 120
\$1,000 to \$2,000.....	127	21	\$100,000 to \$250,000.....	94, 423	15, 859
\$2,000 to \$3,000.....	204	34	\$250,000 to \$500,000.....	250, 995	42, 207
\$3,000 to \$4,000.....	374	63	\$500,000 to \$1,000,000.....	514, 181	86, 345
\$4,000 to \$5,000.....	580	98	\$1,000,000 and over.....	1, 393, 571	234, 841
\$5,000 to \$10,000.....	1, 132	191			
\$10,000 to \$25,000.....	3, 990	682	Average for all.....	295	50
\$25,000 to \$50,000.....	14, 286	2, 396			

NOTE.—Based on data from the revenue bill of 1945, H. Rept. No. 1106, 79th Cong., 1st sess., Oct. 9, 1945, and the revenue bill of 1945, S. Rept. No. 655, 79th Cong., 1st sess., Oct. 23, 1945. Data on subsidies from Iowa Farm Economist, September 1945, p. 15.

From American Farm Bureau Federation, Chicago, Ill., Feb. 28, 1946.

Elimination of consumer food subsidies and then passing the savings on to the personal income taxpayer would amount to about \$50 per taxpayer in 1946. Taxes on individuals with taxable incomes of around \$7,500 could be reduced \$191. An over-all reduction of about 17 percent in individual income taxes would be possible.

Amount of the grocery bill for an average urban family of 4 which is paid by the Government through the use of consumer food subsidies ¹

[1945-46 subsidy rates and 1945 food consumption levels ²]

Item	Subsidy per pound retail	Quantity consumed by a family of 4	Subsidy per family	Item	Subsidy per pound retail	Quantity consumed by a family of 4	Subsidy per family
	<i>Cents</i>	<i>Pounds</i>			<i>Cents</i>	<i>Pounds</i>	
Fluid milk.....	0.60+	1,788.0	\$10.81	Flour (including bakery products).....	.88	645.6	\$5.68
Butter.....	13.3	42.0	5.59	Sugar.....	1.4	292.8	4.10
Evaporated or condensed milk.....	1.6	72.8	1.16	Vegetables:			
Cheese.....	7.5	23.2	1.74	Canned.....	.9-2.2	³ 80.0	1.30
Pork.....	4.4	235.6	10.37	Frozen.....	1.25	6.4	.08
Veal.....	3.0	44.4	1.33	Dried fruit.....	5.0	26.0	1.30
Beef.....	4.9	218.0	10.68	Coffee.....	3.5	64.8	2.27
Beef, extra on top grade.....	1.0		.44	Total.....			62.43
Lamb and mutton.....	6.0	28.0	1.68				
Margarine, shortening, etc.....	5.0	78.0	3.90				

¹ Approximate—for some of the minor commodities it is difficult to estimate accurately, so there may be an error of a few cents either way.

² Subsidy rates January 1946.

³ Estimate of only canned vegetables on which subsidies are paid.

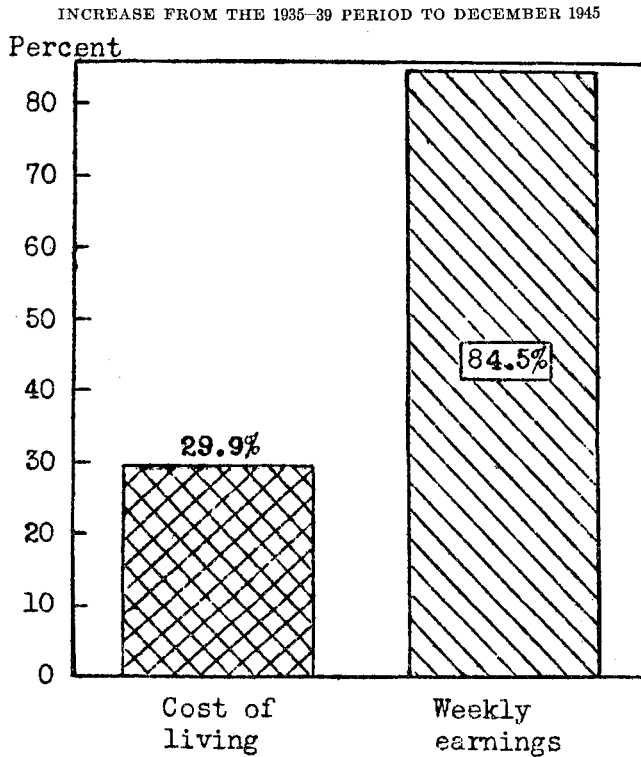
From American Farm Bureau Federation, Chicago, Ill., Feb. 28, 1946.

Consumer food subsidies paid from the Federal Treasury amount to about \$15.61 per person annually, or \$62.43 for an urban family of four. The Government subsidy to the consumer amounts to over 13 cents on each pound of butter, 7½ cents on a pound of cheese, 3 to 6 cents on a pound of meat, and 1.4 cents on a pound of sugar. For the Government to pay part of consumer grocery bills when consumer incomes are at a high level and when the Federal debt is still mounting, does not make sense to the farmer.

Not only do consumer subsidies force the Government to use funds from the Federal Treasury rather than allowing a price in the market place, but consumer subsidies discriminate against the farmer as a consumer. While the city family

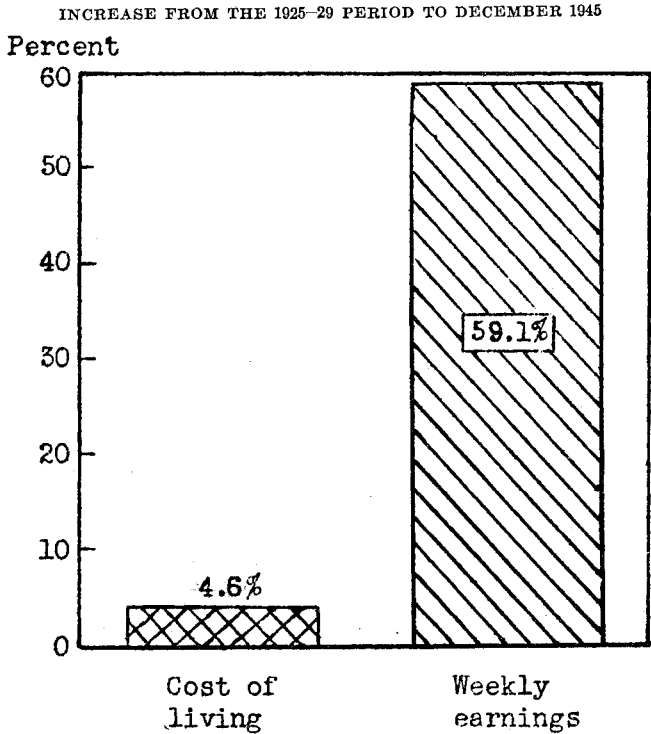
gets a subsidy of over \$60 annually on its food bill it is doubtful if the farm family gets more than half that amount. Since farmers produce much of their own food, they do not receive the Government payment in the form of lower food prices to the same extent as city consumers. Only those who purchase their food participate in consumer subsidies.

Comparison of changes in the cost of living and weekly earnings of factory workers¹



¹ From American Farm Bureau Federation, Chicago, Ill., April 24, 1946.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 657



Compared with the prewar period (1935-39) the cost of living has increased about 30 percent, while weekly earnings of factory workers have increased over 84 percent. Compared with the boom period of the late twenties, the cost of living in December 1945 was less than 5 percent higher, while weekly earnings of factory workers were up 59 percent.

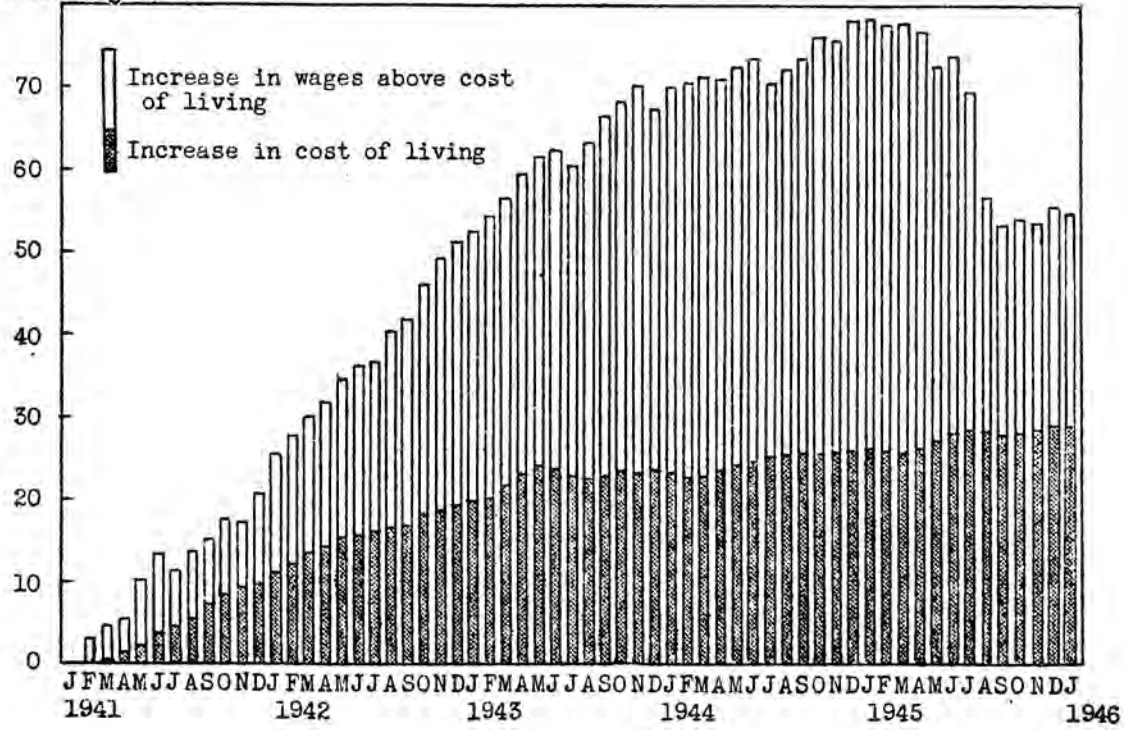
Percentage increase in average weekly earnings of workers in all manufacturing industries and in the cost of living since January 1941¹

Month	1941		1942		1943		1944		1945	
	Weekly earnings	Cost of living	Weekly earnings	Cost of living	Weekly earnings	Cost of living	Weekly earnings	Cost of living	Weekly earnings	Cost of living
January.....	0	0	25.4	11.1	52.5	19.7	70.0	23.2	78.3	26.1
February.....	3.1	0	27.8	12.0	54.4	20.0	70.7	22.8	77.8	25.9
March.....	4.7	0.4	30.0	13.4	56.7	21.8	71.3	22.8	77.9	25.8
April.....	5.4	1.4	31.8	14.2	59.5	23.1	71.0	23.6	76.9	26.1
May.....	10.1	2.1	34.5	15.1	61.7	24.1	72.7	24.1	72.7	27.1
June.....	13.5	3.8	36.1	15.5	62.3	23.8	73.6	24.4	73.9	28.0
July.....	11.2	4.5	36.7	16.1	60.5	22.9	70.5	25.1	69.4	28.4
August.....	13.6	5.4	40.3	16.6	63.4	22.4	72.2	25.4	56.6	28.3
September.....	15.1	7.2	41.9	16.9	66.6	22.9	73.6	25.5	53.3	27.9
October.....	17.7	8.4	46.0	18.1	68.4	23.4	76.2	25.5	54.0	27.9
November.....	17.2	9.3	49.3	18.8	70.1	23.2	75.9	25.6	53.5	28.3
December.....	20.8	9.6	51.2	19.4	67.3	23.4	78.1	26.0	55.5	28.9
January 1946.....									54.9	28.9

¹ Calculated from data compiled by the Department of Labor, Bureau of Labor Statistics.

From American Farm Bureau Federation, Chicago, Ill., Apr. 24, 1946.

Percentage change
between January 1941
and January 1946



According to the latest available figure weekly earnings of industrial workers have increased nearly twice as much as the cost of living since January 1941, the base date of the Little Steel formula. Charges have been made that the Bureau of Labor Statistics index does not measure the increase in living costs. Even if living costs had increased twice as much as shown by this index, the income would still be about the same as the increase in industrial wages.

Status of agriculture in 1939 compared with parity

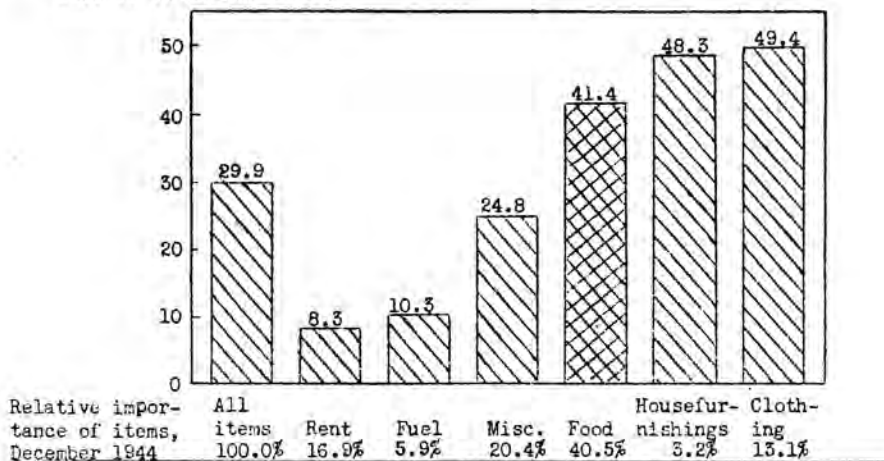
Product	Unit	Farm price 1939	Percent 1939 price is of parity
Hogs.....	Hundredweight.....	\$6.31	70
Milk.....	do.....	1.70	86
Butterfat.....	Pound.....	.242	74
Wool.....	do.....	.229	101
Cotton.....	do.....	.059	58
Wheat.....	Bushel.....	.64	58
Corn.....	do.....	.48	60
Index of prices received by farmers for all farm products.....		95	77

From American Farm Bureau Federation, Chicago, Ill., Feb. 28, 1946.

Many people are using farm prices in 1939 as a basis for comparing changes in farm income. It should be realized that in 1939 farm prices were the lowest they have been for 35 years except during the depression of the early thirties.

CHANGE IN THE COST OF LIVING FROM THE 1935-39 PERIOD TO DECEMBER 15, 1945¹

Percent increase from 1935-39 to December 1945



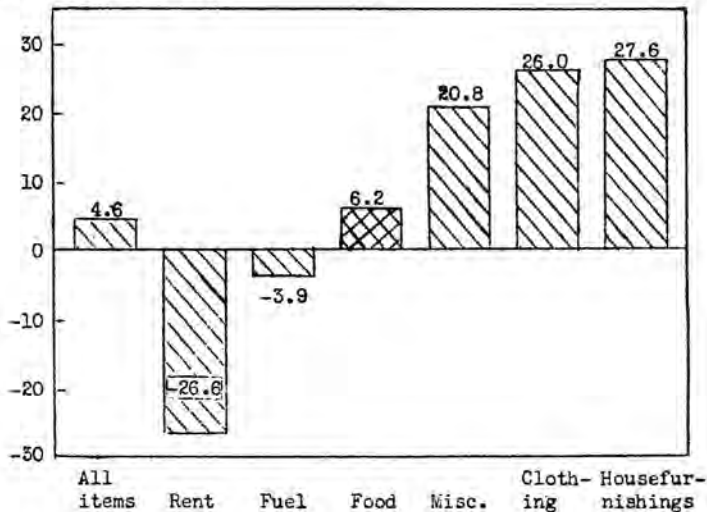
¹ From American Farm Bureau Federation, Chicago, Ill., Feb. 28, 1946.

All the major items entering into the cost of living have increased; however, housefurnishings and clothing have gone up more than the cost of food.

660 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

CHANGE IN THE COST OF LIVING FROM THE 1925-29 PERIOD TO DECEMBER 15, 1945

Percent increase or decrease
from 1925-29 to December 1945



The cost of living today is about 5 percent higher than during the boom period of the late twenties, while weekly earnings of factory workers are 57 percent higher. Food prices today are only 6 percent more than during the 1925-29 period.

Changes in amount of food that 1 hour's wages would buy, 1914-45¹

	Bread	Butter	Milk	Eggs	Sugar	Coffee	Pork chops	Bacon	Chuck boast	Corn	Oranges
	<i>Loaves</i>	<i>Pound</i>	<i>Quart</i>	<i>Dozen</i>	<i>Pound</i>	<i>Pound</i>	<i>Pound</i>	<i>Pound</i>	<i>Pound</i>	<i>Cans</i>	<i>Dozen</i>
1914.....	3.5	.6	2.5	.6	3.8	.8	1.0	.8	1.3		
1919.....	4.8	.7	3.1	.8	4.2	1.1	1.1	.9	1.8	2.5	.9
1924.....	6.1	1.0	4.1	1.1	6.1	1.3	1.8	1.4	2.5	3.4	1.2
1929.....	6.4	1.0	3.9	1.1	8.8	1.2	1.5	1.3	1.8	3.6	1.3
1934.....	6.4	1.7	4.8	1.6	9.7	2.0	2.1	1.8	3.0	4.6	1.6
1939.....	7.9	1.9	5.1	1.9	11.7	2.8	2.1	2.0	2.7	6.0	2.3
1944.....	11.6	2.0	6.5	1.9	15.0	3.4	2.7	2.5	3.5	7.0	2.2
1945 ²	11.7	2.1	6.6	1.8	15.4	3.4	2.8	2.5	3.7	7.0	2.1

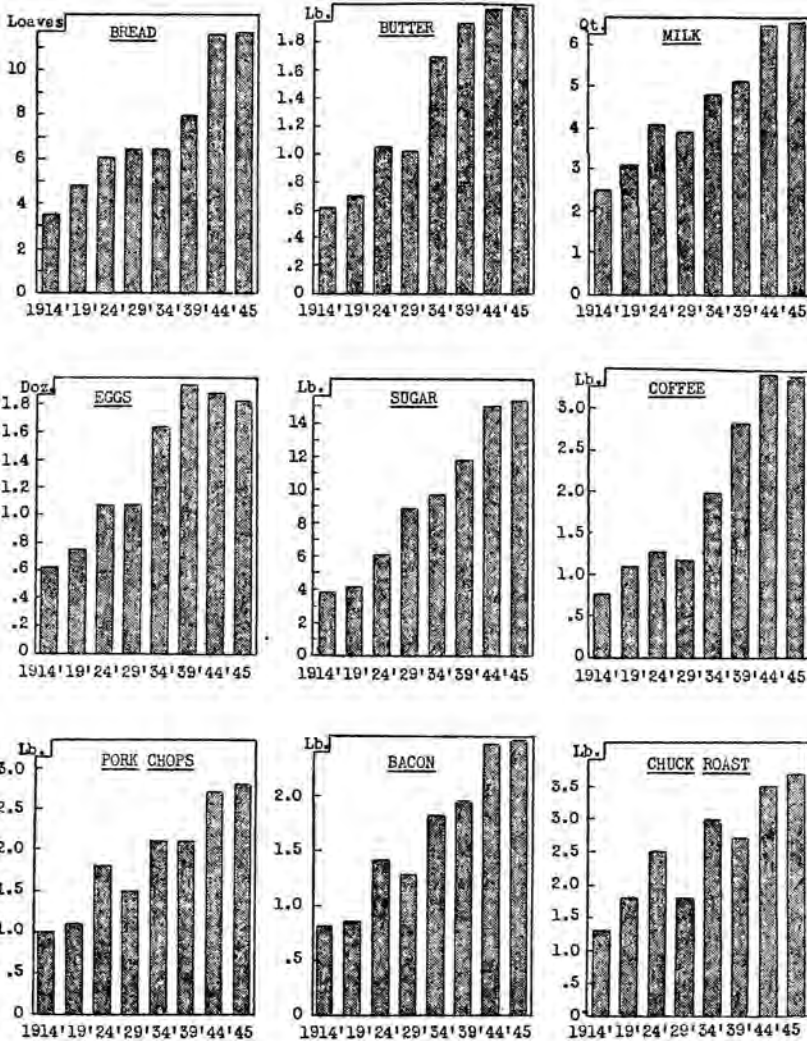
¹ Average hourly earnings in all manufacturing industries divided by the retail prices of the respective foods.

² Average of first ten months.

Source: Calculated from data of the Bureau of Labor Statistics, United States Department of Labor. From American Farm Bureau Federation, Chicago, Ill., Jan. 29, 1946.

CHANGES IN AMOUNT OF FOOD THAT 1 HOUR'S WAGES BOUGHT, 1914-45¹

[Average hourly earnings in all manufacturing industries divided by the retail prices for the respective foods]



¹ From American Farm Bureau Federation, Chicago, Ill., Jan. 29, 1946.

In 1945 the factory worker was able to buy more food for an hour's work than at any time in our history. In 1914 an hour's wages in the manufacturing industries bought 3½ loaves of bread. By 1939 the purchasing power of wages had increased to nearly 8 loaves of bread for an hour's work and, by 1945, 1 hour of factory wages would buy nearly 12 loaves of bread. The same is true for most other agricultural products. An hour's wages in the manufacturing industries in 1945 bought over 6½ quarts of milk, compared to about 5 quarts in 1939, and 2½ quarts in 1914. Almost without exception an hour's wages in the manufacturing industries had more purchasing power in terms of food during the war

662 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

than it had prior to the war. In 1945 more bread, more butter, more milk, more pork chops, more bacon, more coffee, more sugar, and more roast beef could be purchased for an hour's work than during the prewar period.

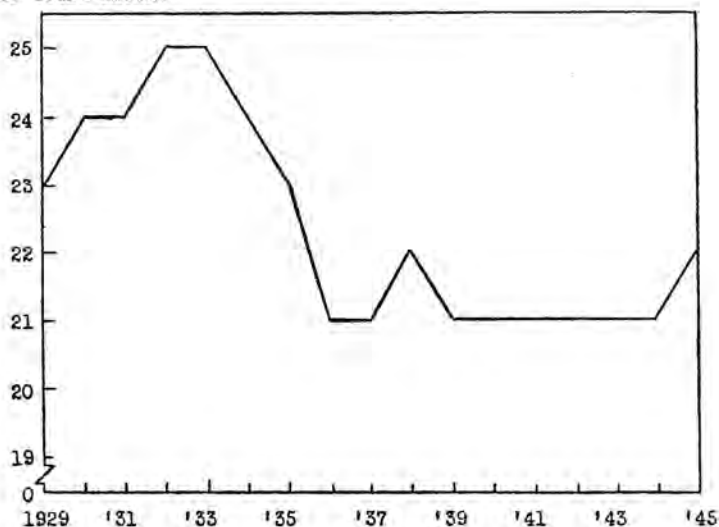
*Expenditures of consumers for food expressed as a percent of total income, 1929-45*¹

Year	Food expenditures as a percent of total income	Year	Food expenditures as a percent of total income
1929.....	23	1938.....	22
1930.....	24	1939.....	21
1931.....	24	1940.....	21
1932.....	25	1941.....	21
1933.....	25	1942.....	21
1934.....	24	1943.....	21
1935.....	23	1944.....	21
1936.....	21	1945.....	22
1937.....	21		

¹ The data in this table and the following chart take into account the fact that many consumers are buying more and better quality foods, eating at restaurants more frequently, and the like, than they did when their incomes were lower.

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics, The Marketing and Transportation Situation, April-May 1943 and February 1946.
 From American Farm Bureau Federation, Chicago, Ill., Apr. 24, 1946.

Food expenditures as a percent of total income



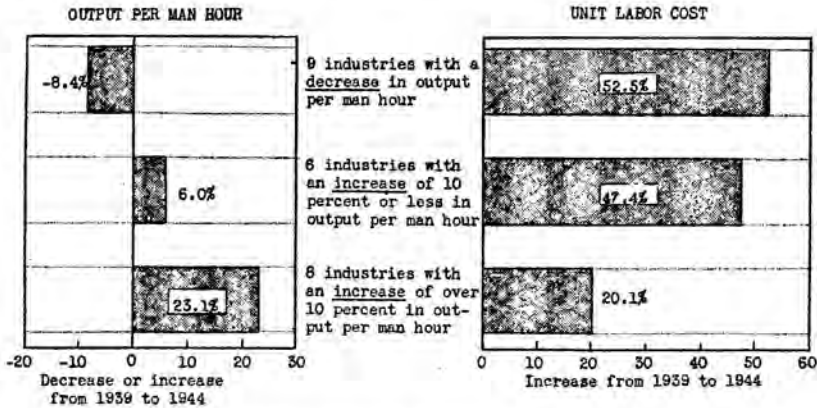
Expenditures for food in relation to consumer's income are lower today than they were before the war. In 1945, only 22 percent of the average consumer's income was required to purchase food, compared with 21 to 23 percent in the prewar years and 25 percent during the depression of 1932-33. If consumers were now buying the same quantity of food as they did during the prewar years of 1935-39, their expenditures for food would amount to only 15 percent of their income.

Relation of output per man-hour to unit labor cost in civilian industries

	Percentage increase or decrease from 1939 to 1944 in—	
	Output per man-hour ¹	Unit labor cost ¹
Average of 9 industries with a decrease in output per man-hour.....	Percent -8.4	Percent +52.5
Average of 6 industries with an increase of 10 percent or less in output per man-hour.....	+6.0	+47.4
Average of 8 industries with an increase of over 10 percent in output per man-hour.....	+23.1	+20.1
Average of 23 industries.....	+6.3	+39.9

¹ Simple, unweighted averages of the various industries classified by percent increase or decrease in output per man-hour, 1944 over 1939.

Source: Basic data from "Productivity and Unit Labor Cost in Selected Manufacturing Industries, 1939-44," May 1945, Bureau of Labor Statistics, U. S. Department of Labor. From American Farm Bureau Federation, Chicago, Ill., Jan 29, 1946.



Change in output per man-hour and unit labor cost in civilian industries from 1939 to 1944

Industry	Percentage increase or decrease from 1939 to 1944 in—	
	Output per man-hour	Unit labor cost
Flour and other grain-mill products.....	Percent -16.0	Percent +68.7
Cement.....	-15.5	+52.2
Chewing and smoking tobacco.....	-14.9	+51.7
Newspaper and periodical printing and publishing.....	-12.5	+35.9
Paper and pulp group.....	-7.3	+52.3
Cane-sugar refining.....	-4.0	+38.2
Nonferrous metals.....	-3.4	+52.6
Lumber and timber products.....	-1.0	+69.7
Fish (canning).....	- .7	+51.5
Cotton goods.....	+ .3	+61.2
Meat packing and slaughtering.....	+2.3	+32.7
Boots and shoes.....	+5.2	+47.8
Fertilizers.....	+9.0	+58.4
Confectionery.....	+9.3	+36.0
Cigars.....	+10.0	+48.2
Bread and other bakery products.....	+11.2	+26.9
Cigarettes.....	+12.6	+18.4
Paints and varnishes.....	+14.1	+17.2
Leather.....	+14.2	+27.9

Change in output per man-hour and unit labor cost in civilian industries from 1939 to 1944—Continued

Industry	Percentage increase or decrease from 1939 to 1944 in—	
	Output per man-hour	Unit labor cost
Woolens.....	Percent +18.9	Percent +39.9
Fruits and vegetables (canning).....	+24.6	+41.9
Rayons.....	+41.5	-.3
Ice cream.....	+49.4	-6.9

Source: Basic data from Productivity and Unit Labor Cost in Selected Manufacturing Industries, 1929-44, May 1945, Bureau of Labor Statistics, U. S. Department of Labor.
From American Farm Bureau Federation, Chicago, Ill., Jan. 29, 1946.

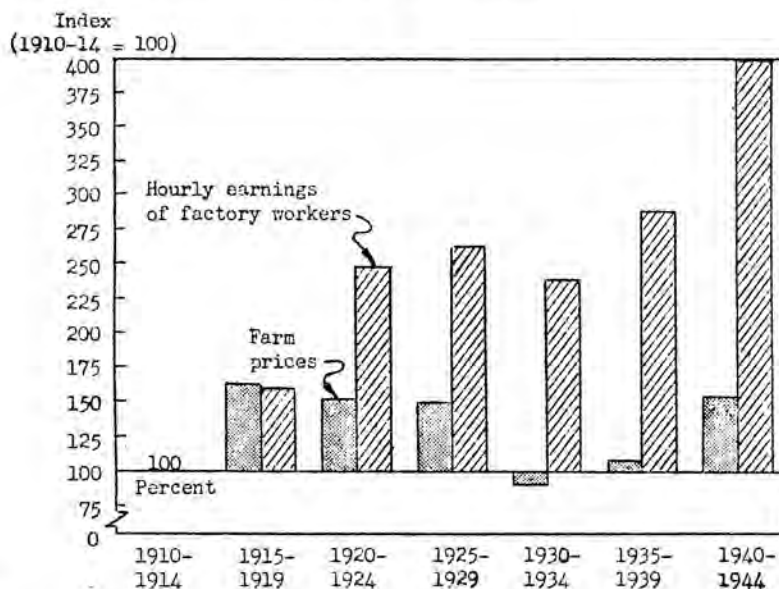
Comparison of farm prices and hourly earnings of factory workers, by 5-year periods, 1910-44

[1910-14=100]

Period	Prices received by farmers	Hourly earnings of factory workers
1910-14.....	100	100
1915-19.....	163	159
1920-24.....	151	247
1925-29.....	149	262
1930-34.....	90	238
1935-39.....	107	286
1940-44.....	154	399

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics, Agricultural Outlook Charts, 1946.

From American Farm Bureau Federation, Chicago, Ill., Feb. 28, 1946.



High hourly rates of pay for factory workers do not guarantee high farm prices.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 665

Comparison of wages, cost of living, food costs, and farm prices, 1910 to date

[Index numbers 1910-14=100]

Year	Hourly earnings, factory workers	Weekly wages per factory worker	Cost of living	Retail cost of foods	Prices received by farmers
1910-14.....	100	100	100	100	100
1914.....	105	103	104	106	101
1915.....	108	107	105	104	99
1916.....	123	121	113	117	118
1917.....	147	143	133	151	175
1918.....	193	183	156	173	204
1919.....	225	207	179	193	215
1920.....	273	247	208	218	211
1921.....	239	208	185	166	124
1922.....	219	202	173	155	132
1923.....	246	224	177	160	143
1924.....	257	225	177	158	143
1925.....	257	229	182	171	156
1926.....	259	231	183	177	146
1927.....	261	232	180	171	142
1928.....	254	234	178	169	151
1929.....	267	235	178	171	149
1930.....	261	218	173	163	128
1931.....	244	196	158	134	90
1932.....	216	159	141	112	68
1933.....	215	154	134	109	72
1934.....	255	170	139	121	90
1935.....	264	183	142	130	109
1936.....	266	196	144	131	114
1937.....	299	213	149	136	122
1938.....	302	195	146	126	97
1939.....	299	208	144	123	95
1940.....	312	222	145	125	100
1941.....	344	264	152	136	124
1942.....	403	331	169	160	159
1943.....	454	391	179	178	192
1944.....	481	418	182	176	194
Latest month available.....	1 475	2 369	3 188	4 180	4 209

1 Preliminary, 1945.

2 December 1945.

3 February 1946.

4 March 1946.

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics, From American Farm Bureau Federation, Chicago, Ill., Apr. 24, 1946.

Mr. O'NEAL. I appreciate your patience, Senator.

Senator BANKHEAD. Gentlemen, are there any questions?

Senator TOBEY. Mr. O'Neal, you made a very fair presentation. You know that we have a measure of inflation now. We have a controlled inflation now.

Now, with this surplus of funds and the tremendous line of credit we are very apprehensive about the danger of gross inflation. You have taken a very judicial attitude about price control. Your principal criticism seemed to be in regard to consumer subsidies. Assuming we do away with consumer subsidies what, in your judgment, would be the effect of that on farm prices, such staple commodities as milk and butter, what percentage increase would accrue to the farmers over existing prices with subsidies off? Have you figured that out?

Mr. O'NEAL. I have the figures here, I think, on that. Of course, Mr. Bowles, of the Economic Stabilization Administration, has figured it out. I think I have those figures on page 4. That is a geography of the economy of the United States from a statistical point of view. It shows you there the exact figures—it breaks it down on milk, butter, and so on.

Senator BANKHEAD. Are you looking at those figures, Mr. O'Neal?

Mr. O'NEAL. Yes, sir.

Senator BANKHEAD. I think butter was the last thing you mentioned. They are paying 13.3 cents a pound subsidy on butter.

Mr. O'NEAL. That is right.

Senator BANKHEAD. If you took the subsidy off, does that mean that the price of butter would be increased 13.3 cents a pound?

Mr. O'NEAL. Yes, sir.

Senator TOBEY. It would be more, would it not?

Mr. O'NEAL. It might be a little more.

Senator TOBEY. It probably would.

Mr. O'NEAL. It probably would.

Senator TOBEY. In other words, the differential is not going to be just the amount of the subsidy. You will get some further increase in prices in handling?

Mr. O'NEAL. Yes.

Senator TOBEY. And even now we don't get butter.

Mr. O'NEAL. We don't get butter. That is true.

Senator BANKHEAD. You figure that would amount to \$5.59 per family per year?

Mr. O'NEAL. That is right.

Senator BANKHEAD. In other words, if the subsidy is removed it is about 50 cents per month in addition to what they are paying now?

Mr. O'NEAL. That is right. I also have a table in here showing the amount consumed of each commodity by the average family. It is a pretty good line of grub there.

Senator BANKHEAD. That is on page 4?

Mr. O'NEAL. Yes.

Senator BANKHEAD. An average family of four you estimate would consume about 42 pounds of butter a year?

Mr. O'NEAL. That is right.

Senator BANKHEAD. Where did you get those figures?

Mr. O'NEAL. They were gotten up by my research department. They are from the BAE.

Senator BANKHEAD. They are based on official figures?

Mr. O'NEAL. Yes, sir.

Senator BANKHEAD. A compilation of official figures?

Mr. O'NEAL. Yes, sir.

Senator TOBEY. How much do you figure that milk for an individual family would go up a quart?

Mr. O'NEAL. It is about 60 cents a hundred. For the quantity consumed by a family of four, the subsidy for the family is \$10.81 a year.

Senator TOBEY. Per hundred?

Mr. O'NEAL. No. This is for the four in family.

Senator HICKENLOOPER. Mr. Chairman.

Senator BANKHEAD. Senator Hickenlooper.

Senator HICKENLOOPER. I would like to ask Mr. O'Neal—I understand it is your contention also, which you have attempted to prove by these statistics, the fact is it is costing the public through tax money the same amount?

Mr. O'NEAL. They are paying it, sure. That is, the fellow that pays taxes. Of course, as I say, everybody ought to pay some taxes and let them be conscious that they are citizens of the United States. That is our policy.

Senator BANKHEAD. Do you know what number don't pay any taxes at all?

Mr. O'NEAL. I have forgotten how many they have moved off the tax rolls. I think about 8 or 10 million.

Senator BANKHEAD. My vague recollection is that it is 12,000,000.

Mr. O'NEAL. Twelve million; something like that.

Senator BANKHEAD. Does anybody here know?

Mr. O'NEAL. There are a lot of folks that were taken off.

Senator MILLIKIN. I think your figure is about right, Senator Bankhead.

Senator MITCHELL. Mr. Chairman, I would like to ask Mr. O'Neal if the prices adjusted as you recommend in your statement would bring about a better distribution of milk to the various markets?

Mr. O'NEAL. I think you need some further adjustments on that.

Senator MITCHELL. In other words, it takes more than just a readjustment of prices and readjustment of subsidies to accomplish the distribution?

Mr. O'NEAL. That is right. With the livestock business the figures show we are consuming more meat than ever before in our history.

Senator MITCHELL. Well, you are glad of that, are you not?

Mr. O'NEAL. We are certainly delighted with that, but the distribution is bad. It is going to black markets and so on.

Senator MITCHELL. You recommend in your statement that the subsidy be taken off and the ceiling price be raised to the amount of the subsidy?

Mr. O'NEAL. That is right.

Senator MITCHELL. That would bring to the farmer no more for his crop, would it?

Mr. O'NEAL. That would not bring him any more.

Senator MITCHELL. So it would not change his production?

Mr. O'NEAL. No.

Senator MITCHELL. On page 8 of your compilation I note that you state food has gone up 41.4 percent over the 1935-39 period. In the National Association of Manufacturers compilation they said that food had gone up 54 percent and that farm products had gone up 101 percent. I wonder if you can tell us anything about the disparity in those figures?

Mr. O'NEAL. They have probably used a different base period. If you turn to that dictionary I gave you there on page 8 you will see the change in the cost of living in the 1935-39 period.

Senator MITCHELL. Theirs is over 1935-39 apparently.

Mr. O'NEAL. Then right below it you see the 1925-29 period.

Senator BANKHEAD. Did they file a compilation like this?

Senator MITCHELL. No; not exactly the same.

Senator BANKHEAD. I was wondering where you got your figures.

Senator MITCHELL. It is here. They filed it. They gave it to us at that time.

Mr. O'NEAL. You see down below there, change in cost of living from the 1925-29 period to December 15, 1945. Food is the lowest increase. We farmers are getting awfully tired of the workingmen in America and a lot of propagandists in the administration blaming the farmer. We are all pretty mad about it.

Senator MITCHELL. How about the National Association of Manufacturers? Their compilation shows that the farmer is getting more out of the increase, a greater increase, than anybody else.

Mr. O'NEAL. Well, my figures show that is not true. If you look at those charts——

Senator MITCHELL. I am glad to see them.

Mr. O'NEAL. It shows food 6.2 against miscellaneous products 20.8.

Senator BANKHEAD. What page is that?

Mr. O'NEAL. Page 8 of the dictionary. They base it on the 1939 period. I will tell you, Senator, the farmers resent that for this reason: In 1939 the prices of farm commodities were way below sea level. On page 7 you will see the level of agricultural products in 1939. We were way down.

Senator MITCHELL. Does using the 1935-39 figures—the average there—bring the prices down below 1939?

Mr. O'NEAL. No.

Senator MITCHELL. 1939 was higher than the other years of that period?

Mr. O'NEAL. 1939 was the low period. It begins to go up there.

Senator MITCHELL. You have answered this question, but I would like to emphasize a little bit, when Mr. Wason, president of the National Association of Manufacturers was here, he recommended that price controls be taken off of manufactured products and I asked him whether he recommended they be taken off any other products. He inferred he didn't recommend it.

You very definitely feel that no one segment of the economy should be taken out from under price control?

Mr. O'NEAL. That is right. I think it should be applied all across the board. The weakness of this administration is that they have not done that. As I point out in my brief, it has not been done. Whether it could or not—of course, it is a whale of a job. We all realize that. I was just reading, in the days of Andrew Jackson—I have a quotation here of what Andrew said about inflation a way back yonder. I will find it in a minute.

But we are saying, so far as price control is concerned, let's apply it right across the board.

Senator MITCHELL. From your statement I take it you would recommend sufficient additional funds for enforcement of the price control we have?

Mr. O'NEAL. Yes, sir; I am for literal enforcement.

Senator TOBEY. You just said the weakness of this administration. Were you referring to price administration or the Democratic administration?

Mr. O'NEAL. Well, Republicans and the Democrats are all in the administration.

Senator TOBEY. Well, not very many Republicans.

Mr. O'NEAL. I notice that a good many of you gentlemen vote on principle. That is, above party. We are very greatly delighted with it, we farmers.

Senator TOBEY. I thought you would be.

Mr. O'NEAL. We really are. When big issues come before Congress, party lines break down.

Senator TOBEY. Were you referring to the Price Administration when you said, "this Administration"?

Mr. O'NEAL. No, it is broader than that. I have told the President that, himself. I am very fond of him. I certainly am sorry for him. I think he has the toughest job in the world today. I think it is the duty of every individual to be above party to help him out.

Senator TOBEY. I do, too.

Mr. O'NEAL. I am saying it is all across the board. I blame the Treasury; I blame the Federal Reserve; I blame Congress for lack of foresight in tax policy. I am expressing the sentiment of the farmers I represent in this connection.

Senator TOBEY. On page 6 of your statement you say:

We believe it would be dangerous to our democracy to have a permanent price-control program.

Do you think anybody in Price Administration or in the national administration contemplates putting over this country the pall of permanent price control? Do you have that fear?

Mr. O'NEAL. Well, I have that fear; yes. I think that all of us have it, really.

Senator TOBEY. Where do you think that springs from?

Mr. O'NEAL. I don't know. Of course, during the war, when we all got together to fight the greatest war in history, a lot of us felt you would want to continue those policies afterwards. Some of them are sound. Some of them got marvelous results. On the other hand, we don't want too much bureaucracy.

Senator BANKHEAD. Farmers as a class have no sympathy with national socialistic states?

Mr. O'NEAL. No.

Senator BANKHEAD. That means, of course, price fixing.

Mr. O'NEAL. That is right. After all, the farmers represent the largest group of capital invested in this country. After all, they are the hardest-working people in this country. They work longer hours. After all, they are the smallest segment of the working group in the country.

Senator BANKHEAD. And take more chances, and have to, than any others.

Mr. O'NEAL. They understand the capitalistic and the labor side, both, and as I have said to labor leaders, I would like to speak with them on the public platform. I have said this again and again. I worked with old Sam Gompers in the early days of the Federation of Labor, in the Wilson administration, and I said:

Fine. Let's get higher hourly wages. It is going to help the farmers all right.

We are driving for higher prices, anything to get our economy balanced. Well, what good did it do? If you look at the first page that I hand you here, there is a history of America from 1914 through 1944. Any child 10 or 12 years old could take those figures and study them.

As I said the other day in a speech in Winston-Salem, N. C., I spoke with Mr. Carey, secretary of the CIO, a very able man——

Senator BANKHEAD. He was here yesterday before us.

Mr. O'NEAL. I noticed in the papers he was. I said this:

Now, Jim, let's be frank. You want a higher hourly wage and we want a higher farm price, but I am saying to you that in that 1929 period we were all in a boom. There was no unemployment. Farm prices had gone down because of lack of markets and lack of purchasing power and from then on until 1933, more unemployment. Down went farm prices. You still had the hourly wage. What good was it? We still had the parity formula. What good was it?

We were all out of balance. Our whole economy was distorted. We had gone over to Europe, and we sat down in London, and each nation went on its own way. Each nation figured its own economy.

Our export markets were shut off. The hourly wage was marvelous, sure, but what the hell good is it when you don't work? Twelve million unemployed. Parity is fine. Hogs, 3½ cents a pound. Burning corn and wheat—I saw it in the West—cheaper than coal. Each nation went out for its own, and all went to hell. Finally went to war. That is what I am trying to say, gentlemen. As part of this whole picture I believe in price control properly administered during this period, and it is up to you gentlemen.

You in Congress are the voice of the people. I am saying to you it is your responsibility to save the Nation; and it is not only price control, but I am saying that the Treasury and the Federal Reserve and the banking system and taxes and the whole thing enters into it.

Senator BANKHEAD. Looking at page 1, let me ask you a question.

Mr. O'NEAL. Yes.

Senator BANKHEAD. You have an index of farm prices in various years from 1914 to 1944. In 1914 it was 101.

Mr. O'NEAL. That is right.

Senator BANKHEAD. In 1944, 195. That is about 2 to 1?

Mr. O'NEAL. That is right.

Senator BANKHEAD. Now, look on the index, weekly wages for factories: 103 in 1914 and 418 in 1944; 4 to 1?

Mr. O'NEAL. That is right.

Senator BANKHEAD. So that the weekly wage has increased since 1914 about 400 percent and agriculture nearly 200 percent; is that correct?

Mr. O'NEAL. Yes, sir. Senator, if you will look on the back page—

Senator BANKHEAD. Is that the basis of your statement? It is all out of balance.

Mr. O'NEAL. All you have to do now is to look on the back page of the index I gave you. These indexes run from 1910. It is on the last page. You will see there is the whole story through the years.

Senator BANKHEAD. Well, that first page is about the same thing?

Mr. O'NEAL. Same thing, but there you get the whole picture from 1910 on.

Senator BARKLEY. In answer to Senator Bankhead, you said that the farmers of this country are against all trends that look like socialization of our institutions?

Mr. O'NEAL. That is right.

Senator BARKLEY. I am not quite satisfied to condemn a thing by calling it a name. When I first ran for Congress I advocated Federal aid in the construction of highways throughout the United States. I was accused of being a Socialist and accused of wanting to tear down State lines in order to build up a great Federal bureau. Well, we have been building highways. At that time there were not six States in the Union which had a highway department. My own State did not have one. They said I was a Socialist because I wanted to build roads for the farmers.

When we began to advocate social security in this country, which we have now adopted as a national policy, we were accused of being Socialists. Now, what I want to know is, When does something cease to be democratic and become socialistic? I would like to have somebody draw that line of distinction. I have great respect for your ability and your patriotism and your honesty and sincerity before this

committee, or any other committee, but when you say the farmers are against something that somebody might call socialistic, I would like to have the line drawn of what is and what is not.

Mr. O'NEAL. Well, Jefferson and Madison and the boys that wrote the Constitution of the United States, as you recall—they sweated a good while, as you remember.

Senator BARKLEY. Yes; and Jefferson was denounced in his day.

Mr. O'NEAL. That is right.

Senator BARKLEY. He was denounced as being an anarchist. The word "socialist" had not crept into our nomenclature, but he was denounced by those who did not agree with him as the most dangerous man in the whole revolutionary and postrevolutionary period, because he advocated something that everybody thinks is democratic today.

Mr. O'NEAL. Well, as we go along through the years we do become more centralized in our economic system. We have great areas of production of industrial commodities. We have a concentration of wealth. Each area contributes to that centralized area where you have got to have a Federal tax system; you have these so-called socialistic trends, like you say, highways. You might have it for various things. That line I don't think the United States has gone too far with.

Senator BARKLEY. I don't either, yet it was only a few years ago when one of the men who was a candidate for Congress in that same contest, who had previously served a term here, was advocating that the good old spade and ax and hoe were good enough to build roads with, because that was the way his grandfather built them. We cannot adopt that philosophy.

Mr. O'NEAL. No.

Senator BARKLEY. The Constitution provides that Congress should have the right to regulate commerce among States and with foreign nations. That was written into the Constitution in 1787, but it was 100 years before Congress ever passed a law implementing it. That was in 1887.

Mr. O'NEAL. That is right.

Senator BARKLEY. We have become more centralized, more complicated, more interdependent on one another. It is utterly impossible to operate this country on the simple pastoral theory which existed when Jefferson was alive.

Mr. O'NEAL. I still believe, Senator Barkley, in the pastoral theory.

Senator BARKLEY. It is a good theory, but we don't operate under it, and we cannot.

Mr. O'NEAL. It still works, Yes; it does. We have 48 States. We have got respective counties in our States. I watched every great Federal law that was written for the benefit of the people; but when Congress and the administration who has recognized the authority and the right of the people in a community, in a county, or in a State, to regulate their affairs, sets up a bureau here in Washington that comes down to your home county—you see what I mean—

Senator BARKLEY. You cannot sell a piece of beef across a State line that is not inspected by the Government of the United States.

Mr. O'NEAL. That is true.

Senator BARKLEY. It has got to be that way.

Mr. O'NEAL. Well, you have to check it; but, on the other hand, I am saying this—

Senator BARKLEY. No. The Government actually inspects it. You cannot sell drugs without Federal regulation. All these things are irksome. If we could live in a simple society where there was no interdependence among different sections of the country, we could come back to that theory which many people quote Jefferson as having advocated, that that Government is best that governs least. I have never been able to find where he ever said any such thing, but that statement is attributed to him by a lot of people. If he said it, he meant in a state of human perfection where everybody recognized the right of everybody else. It would be a lovely thing to have Government institutions that didn't have to do anything and just let things run themselves.

Mr. O'NEAL. No. I think you have gone a little too far back with Jefferson.

Senator BARKLEY. Well, you mentioned him.

Mr. O'NEAL. I was going to say—the point I am making is this: That people like you go just so far and no further.

Senator BARKLEY. I probably have gone too far myself.

Mr. O'NEAL. Well, Senator—

Senator BANKHEAD. Senator Barkley, let me say this: Before you came in we were discussing the question of subsidies and price control and Mr. O'Neal's fear that it would be adopted as a permanent form of government. I asked him a question which brought about this discussion about national socialism. We were discussing primarily the direct contribution of the Federal Treasury to support the people, but we got off the subject on internal improvements like roads. That is an entirely different question.

Mr. O'NEAL. I was just wondering, Senator—did any of you Senators ever ask union labor—I wish you would get them back on the stand and ask them this question: How would they like to have a straight subsidy on hourly wages?

Senator BANKHEAD. Well, I asked that here one time when the CIO was fighting a subsidy that I favored. I favor some and oppose others. It depends on what they are for. I have always opposed consumer subsidies, but we brought that in. Well, the answer, I think the record will show, was that they would take it if necessary. They didn't want to take it. So, let's go ahead. We have Mr. Goss here and some others, and we have got to get through.

Senator MILLIKIN. Mr. Chairman, a while ago we guessed that the last revenue act took 10,000,000 people off the rolls. My secretary sends me the information that it was 12,000,000.

Senator BANKHEAD. That is what I thought; 12,000,000.

Are there any other questions of Mr. O'Neal?

Senator BARKLEY. I am sorry I didn't get to hear your full statement.

Mr. O'NEAL. I would like to put in Andrew Jackson's statement in the record. I know you don't want to waste any time. You have so much to do, but I would like to see you read this book, *The Period of Andrew Jackson*. It doesn't talk about Andrew at all. It talks about Webster and the great leaders of that day, where they had problems very similar, to a great degree, with those we have got right now. Here is what he said about inflation—he was in the United States Senate at the time:

I am one of those who do not believe that a national debt is a national blessing, but rather a curse to a republic, inasmuch as it is calculated to raise around the administration a moneyed aristocracy dangerous to the liberty of the country.

He said that on the floor of the Senate April 26, 1824.

Senator CARVILLE. You realize that our national debt is over \$200,000,000,000, while the States—I don't believe there is any question but what every State in the Nation is liquid. Their budgets are balanced.

What would your reaction be to the States taking over some of those burdens and carrying on with their own funds?

Mr. O'NEAL. I think some of them have offered to do it. I live temporarily in Illinois, and I notice the Legislature of Illinois is assuming a great many of these big projects with their funds.

Senator CARVILLE. Can't there be cooperation there some way?

Mr. O'NEAL. There may be cooperation. I think a number of them are doing that.

Senator BANKHEAD. Well, Mr. O'Neal, I want to thank you for your statement. It was very candid and liberal and fair, not partisan and not for any special group.

Mr. O'NEAL. Thank you very much, gentlemen, for your patience.

Senator BANKHEAD. Mr. Albert S. Goss.

STATEMENT OF ALBERT S. GOSS, MASTER, NATIONAL GRANGE

Mr. Goss. Mr. Chairman and gentlemen of the committee, my name is Albert S. Goss, master of the National Grange. I would like to present my statement and then answer questions afterward, if I might, Mr. Chairman.

Senator BANKHEAD. That depends upon the attitude of the members of the committee. Sometimes we leave it to them.

Senator BARKLEY. I move that Mr. Goss be permitted to do that.

Senator BANKHEAD. Is there a second to that motion?

Senator MITCHELL. I second it.

Senator BANKHEAD. The motion is carried.

Mr. Goss. There is no need to discuss the danger of inflation. On that issue there is no disagreement. However, there is wide disagreement as to what should be done about it. In recent weeks the contentions have become sharper and noisier. Supporters of the OPA policies have not contributed to the solution of a difficult economic problem by carrying on an unprecedented propaganda campaign to the effect that everyone who does not approve of their policies are inflationists and lack in patriotism.

We are among those who disagree with some of OPA's basic policies. We have commended them for the good they have done, but we are convinced that some of their basic policies have been a major factor in causing the inflation we have. If these policies are continued we can see nothing but disaster ahead. If these policies which lead to inflation can be corrected, we want to see the OPA continued until we are through with the emergency resulting from many inescapable shortages, and we want to see it amply financed to do the kind of job it should do. If, however, OPA insists on continuing certain policies which have contributed to our shortages and have fed the fires of inflation, we believe the lesser of the two evils would be to abolish it now and accept the temporary upsurge of prices which would follow,

in the expectation that the law of supply and demand would eventually restore sound economic balance.

On the other hand, if the law can be written to compel OPA to pursue sound policies, it can do much to prevent any such violent upsurge while at the same time begin to curb the causes of inflation instead of contributing to them as it has done throughout most of its existence. The problem therefore, is twofold. First, to lay down sound principles, and second, to compel the OPA to obey the law when it is passed. The latter is the more difficult of the two problems. Since May of 1942 the OPA has ignored the law, and openly violated it.

Unless a way can be found to correct this situation, we believe the OPA should be abolished. If Congress can devise ways to assure itself that the law will be obeyed, we believe the provisions of section 3 of the October 2, 1942, Price Control Act should be restated so clearly that no one can misunderstand them. Then Congress should provide safeguards to assure observance, and the timely discontinuing of the agency. Then, and only then, its life should be extended for another year.

We must face the fact that we are still suffering from a shortage of goods, and that any such shortage, in the face of high purchasing power, presents an opportunity for profiteering on the part of those having access to consumer goods. It would appear to be a legitimate function of government to protect its citizens from such profiteering made possible by war conditions. As long as there are substantial shortages of needed goods, we need a price-control agency to protect our people from such profiteering. That was the purpose of the OPA, and if it would stick to that purpose we believe it should be continued as long as needed. We favor extending its life for 1 year if it can be made to stick to that purpose.

Something more is needed, however, than simply writing a mandate into the law. For 4 years the OPA has thumbed its nose at Congress, has violated the basic law under which it was created, and has pursued an illegal but politically expedient course which has fed the fires of inflation and then tried to control the fire by stopping up the chimney. We will suggest more drastic remedy in our recommendations. The whole basic policy of trying to control inflation by price ceilings alone must be changed to hitting at the cause of inflation rather than the effect. Unless steps are taken to put an end to policies which are retarding production, there will be no improvement and there will be further requests for extension year after year. The section of the law to which I refer is section 3 of the Price Control Act of October 2, 1942, which provides that—

Modification shall be made in maximum prices—in any case where it appears that such modification is necessary to increase the production of such commodity for war purposes, or where by reason of increased labor or other costs to the producer of such agricultural commodity incurred since January 1, 1941, the maximum prices so established will not reflect such increased costs.

This provision of law is clear and understandable, but has been ignored.

There are a number of factors which have led us to the conclusion which I have stated.

First, the policies toward agriculture will either lead to a permanent subsidy program, or will augment the danger of inflation when abandoned. We will go into this in greater detail later.

Second, the activities of the OPA have not been nearly as effective as claimed, and the methods used are becoming less and less effective for reasons which we have pointed out to this committee several times before, but which we will also discuss later. Measuring the effectiveness of OPA operations by a "cost-of-living index" is almost meaningless when so many of the items making up the index are unobtainable and consumers have to pay two or three times as much for substitutes; when inferior qualities double the consumption; and when the actual prices paid by consumers for so many products are made in unrecorded black markets, too often the only place where necessities have been available. General Bradley is authority for a recent statement that between the time an appropriation was requested for twenty-odd veteran hospitals, and the passing of the appropriation, the estimated construction cost had doubled. This was less than a year and indicates what is actually going on. An excellent job has been done of selling the public that the operations of OPA have been an outstanding success. There has been much good, but there has been much bad—very bad.

Third, ceiling prices held below production cost, have driven from the market many much needed products and actually resulted in raising the cost of living. For example, we all know that moderate priced shirts have been almost unobtainable for months, and consumers have had to pay two or three times as much for fancier shirts, when a relaxation of a few cents in the regulations would have permitted the cheaper shirts to reach the market. The general policy of OPA has been to hold the ceilings on low priced shirts below cost, and relax on higher priced products; then, by innumerable regulations and controls over operations and sales, to try to force the manufacturer to produce an adequate supply of cheap shirts and make up his loss by profits on other items. This, of course, involves a completeness and complexity of control over industry impossible to enforce without an enormous organization with almost complete dictatorial powers. The item of shirts is used to illustrate a general policy being pursued with reference to a great many items under OPA control. Inflation control should not be used as an excuse for general control of industry.

Fourth, recovery has been retarded by refusal to recognize rising production costs. Until very recently ceiling prices on common brick have been held so low that 85 percent of the brick yards were closed down in spite of the fact that brick has been one of the greatest bottlenecks in the construction industry. Contractors were forced to use faced brick in solid construction at a cost of three or four times that of common brick, with the result that we held the "cost-of-living index" level, but actual construction cost was materially increased, and much needed construction was stopped. Brick is but one example of many similar items.

Fifth, efficiency in production has been penalized. For example, a factory which may have kept running through the 1939 period, though unprofitably, has its prices restricted to its 1939 performance, while a new factory is allowed substantially higher ceilings on an identical product, or even an inferior product.

Sixth, we have developed black markets and law violation on an unprecedented scale. It is inevitable that some black market operations would result from rationing because some greedy citizens will

always try to get more than their share. However, when you add to this group the pressure from producers who would be forced to go out of production or go bankrupt, because of ceilings, maintained below production cost, the pressure becomes irresistible. When producers, by edict of the OPA, are denied the protection of the law which requires ceilings to be adjusted to meet increased costs, too many of them feel justified in taking the law into their own hands as a means of avoiding bankruptcy. Without attempting to condone such law violation we merely observe that lawlessness at the top breeds lawlessness throughout our economy.

The basic trouble with OPA has been that they have put almost their sole reliance on price ceilings which would hold their "cost-of-living index" steady, and too frequently have ignored the basic fact that production is the only real cure for that type of inflation caused by shortages. Too many officials in responsible positions have had no concern about supply, and have promulgated regulations designed solely to affect price. Such short-sighted policies have merely served to aggravate the situation, but they have existed in the face of provisions of law expressly designed to prevent them, and emphasize the fact that in extending the life of OPA, effective means must be found for securing a complete reversal of some of the policies heretofore followed. With the power to hold ceiling prices below production cost in the name of preventing price rises, OPA would perpetuate its operations if it pursued present policies, for we would never produce a supply to meet the demand.

The study of the causes and effect of inflation is not new to the National Grange. We warned of its dangers years ago, and before Pearl Harbor sent a letter to every member of the Congress, calling attention to the seriousness of the threat, and urging a number of definite steps to meet the problem. For those who may wish to review it I am submitting for the record a copy of what was sent at that time, which is as follows:

(The following resolution was submitted for the record:)

RESOLUTION OF THE NATIONAL GRANGE ON INFLATION ADOPTED AT SEVENTY-FIFTH ANNUAL SESSION, AT WORCESTER, MASS., NOVEMBER 13, 1941

INFLATION

The right to store up the results of skill and labor in the form of property is fundamental to the preservation of the American way of life. One of the greatest dangers this country faces is from inflation, which, unless controlled, may destroy the foundations of our democracy. There are two methods of control. First is the use of economic devices designed to lessen the pressure of surplus income on inadequate supplies. Second is the arbitrary control of prices, labor, rents, commissions, etc.

Among the economic devices are—

1. Encouraging savings and building individual reserves, to meet the shock of postwar adjustments.
2. Increase in income taxation, coupled with efficient and economical administration of government, which will serve to retard inflation and prevent the passing of an unnecessary debt burden to future generations.
3. Encouraging investment (by individuals in preference to banks) in Government securities which finance the borrowing from which employment and excess income are derived.
4. Maximum production of all consumer goods, which can be produced without hampering production of needed defense materials.
5. Restricting credit to productive purposes and sound investments in order to discourage speculation.

6. Voluntary reduction of selling prices, when increased volume results in lower costs and increased profits. This will promote the benefits of a cycle of plenty by reducing living costs, reversing the trend of the evils leading to inflation, and laying a firm foundation for postwar adjustments.

If these measures do not serve to prevent prices advancing unreasonably, it may be necessary to resort to measures of arbitrary price control. In that event, certain definite principles should be borne in mind:

First, some advance in price is a natural accompaniment of the great destruction of wealth as a result of war. This advance is not inflation. It is an unavoidable cost which all must bear. Any adjustments of prices, wages, rents or commissions which relieve any group of bearing its share of the cost will result in increasing the burden of others, and are unsound.

Second, any effort to increase profits because of the increased demand is inflationary. If arbitrary control is necessary, it should be limited to profiteering.

Third, if control is necessary, further than well-defined cases of profiteering, all should be subject to control, so that equity among all groups will be assured. The administration of any price-control legislation should be vested in a board with a chairman appointed by the President and any authority so granted should be terminated as of a specified date.

Fourth, Congress should not allow the authority to fix prices to be vested in any agency which is not constantly subject to congressional control. Congress should require prompt reports on all actions of any price-control body and should retain to itself (1) the right to review and revoke by joint resolution any order issued by such agency, and (2) the right to revoke by joint resolution any powers thus granted to such agency. The unlimited right to control prices is tantamount to the right to legislate.

Fifth, Congress should establish standards for the guidance of any price-control agency and provide a court of appeals. The purpose should be to attain equitable income and equitable relationships between groups. No group should receive more or less than an equitable and just share of the national income. In the consideration of farm prices, farmers should not ask more nor agree to accept less than actual parity, but it is essential that a just rule be provided for determining parity. Some flexibility in administration will be necessary to assure actual parity.

Three facts bearing upon agriculture's place in this problem should be kept in mind:

First, not once in 20 years has agriculture's income reached parity. On the contrary, the farmer's proportionate share of the national income has declined alarmingly, and substantial increase in prices are necessary to bring farm purchasing power back to normal.

Second, with farmers receiving substantially less than half of the consumer's dollar, there is no justification for passing on to the consumer any increase further than the increase received by the farmer, unless justified by some other valid cause.

Third, agriculture, with its 6½ million individual producing units, is the least likely of all industries to exact monopolistic prices from consumers. If farmers can get equitable prices for their products, they can and will produce in abundance. If they cannot get adequate prices, exhortation to raise food to win the war and write the peace will not suffice, not because of lack of will to serve but because of financial inability to carry on.

The Grange, therefore—

1. Favors application of economic devices as the best means for holding down inflationary tendencies.
2. Opposes arbitrary price fixing unless necessary.
3. If arbitrary price fixing becomes necessary, demands—
 - (a) That all groups be included to assure equity.
 - (b) That the activities be devoted to preventing profiteering.
 - (c) That standards be provided, as far as possible, to assure equity for all.
 - (d) That Congress retain control.

The Grange will oppose arbitrary price fixing if these principles are not complied with.

Mr. Goss. Inflation can be controlled if we have the will to do it.

If inflation is to be controlled, some steps will be necessary outside the province of the OPA. If these are not recognized, and the whole burden is placed on OPA to stem the tide, that agency will have been

assigned an impossible task. In such circumstances they will probably go right on trying to treat the effects of the disease instead of the cause. Inflation already has a good start. If the tide is to be turned, and disaster avoided, it will be necessary for every branch of Government concerned with the problem to do its part in providing the remedy. The OPA cannot do the whole job. We, therefore, feel it advisable to review some of the basic principles involved, and the steps necessary to effect a cure, so that there may be assigned to OPA only those tasks which it can logically handle, while pointing out what else needs to be done outside the province of the OPA.

Basically inflation is caused by the pressure of an oversupply of money on a shortage of goods. The remedy must be applied from both ends.

From the money end, hold increase in volume of immediately expendable money in check as far as possible by—

A. Increasing the income tax.

B. Directing surplus funds into long-time savings.

C. Holding Government issues of money and securities at a minimum.

D. Balancing the budget.

From the standpoint of meeting the shortage of supplies, the remedy should be:

E. To secure maximum production. Inflation cannot exist where supply equals demand unless a nation deliberately refuses to balance its budget and depresses the value of its currency.

F. Where it is not possible to maintain a supply equal to the demand, the demand should be adjusted to fit the supply through rationing.

G. Profiteering made possible by shortages should be controlled by price ceilings; but if ceilings are used, two precautions are necessary:

(1) Equity demands that all be treated alike.

(2) Ceilings must be kept above cost, else production will be strangled.

This may seem like a complicated program, but there is no simple way to control inflation in a complicated economy when war creates shortages.

Let us see how closely these related principles have been followed, and measure the results.*

A. Increase the income tax: The income tax was increased, exemptions lowered, and escapes greatly reduced through the "pay as you go" policy. Unfortunately political pressure has caused relaxation of this effective but disagreeable remedy when it is most needed. This responsibility lies in another committee. But I think your committee could call their attention to it.

B. Direct surplus to savings: A commendable record has been set in diverting a substantial portion of our national income to long-time savings. Regrettably, an overlarge number of those who bought war bonds through wage deductions or bond drives cashed them in without delay, so the number of those who still hold them is smaller than desired. Part of this arose through necessity, but more because of selfishness and lack of personal responsibility or interest in the public welfare. On the whole, however, the savings job has been commendable. This responsibility lies with the Treasury.

C. Restrict Government debt: Little attempt has been made to hold Government expenditures to a minimum, resulting in unnecessary and unprecedented increases in Government debt. The evidence is so overwhelming on every hand that no further comment is necessary. This responsibility lies with all of us.

This committee has had a lot of measures before it which we feel failed to consider the seriousness of increasing the public debt in connection with this whole problem of inflation.

D. Balance the budget: The budget has not been balanced for 15 years, and no serious effort has been made to balance it. On the contrary, tax income is being reduced, while Government expenditures are being increased by many billions for hitherto undreamed of luxuries such as (a) subsidies to pay part of the food bill of people better able to feed themselves than any people in history; (b) social benefits in an ever-increasing stream; (c) world-wide charities on a scale to stagger the imagination; (d) veteran benefits and pensions which will inevitably increase for at least another 50 years; (e) public works of various kinds; and (f) military and a host of other expenditures. Some are necessary, others not; but the amount expended is measured more by our desires than by our ability to pay the bill. As long as we fail to balance the budget, so long will we continue to increase the dollars in circulation, and so long will inflation grow, expand, and strengthen the upward spiral which may lead to complete economic collapse. While this responsibility also lies with all of us, some phases of it lie directly with this committee.

E. Secure maximum production: Instead of pursuing a price policy designed to secure maximum production, we have tried to hold down inflation by a price-ceiling method which too often has strangled production, as pointed out in paragraphs 10, 11, and 12. This is a responsibility lying directly with this committee.

F. Adjust demand to fit the supply by rationing: Rationing was conducted quite successfully for a while, and not only prevented want, but had a wholesome effect on price. However, coupled with a policy of holding ceilings below cost, black markets developed to such an extent that rationing has been almost abandoned. A producer who found ceilings below cost, was confronted with the alternative of going broke or selling in a black market as pointed out in paragraph 13. Rationing could have been preserved by complying with the law which required price adjustments to recognize increased costs and the maintenance of maximum production. This phase of the problem lies directly with this committee.

G. Confine price ceilings to control profiteering: Price ceilings have not been confined to prevent profiteering as has been outlined under paragraphs 10, 11, and 12. This phase of the problem is the responsibility of this committee.

(1) Treat all alike: Neither have all been treated alike. From the outset a policy was adopted to freeze everything except labor, and the Price Administrator fought every effort to control increases in labor, until the rapidly rising cost structure finally forced him to abandon this ridiculous position. On the other hand, many prices on farm commodities were rolled back to less than cost, and in some instances to less than the prewar average. This is an OPA responsibility and, therefore, falls within the province of this committee.

(2) Keep ceilings above cost: Instead of keeping ceilings above production cost to encourage production, the standard used has been to hold ceilings to preserve a meaningless "cost-of-living index." To the extent that this has occurred inflation has been fostered rather than controlled as pointed out in paragraph 11. This is a responsibility of this committee.

Subsidies: In the case of agriculture, it soon became apparent that the fixed ceiling price was threatening our food supply, so subsidies have been paid to keep farmers in production, in spite of the fact that the law expressly provides that in such circumstances "modification in maximum prices shall be made" to secure necessary production. The result is strongly inflationary.

(a) Although we are enjoying the greatest income in history and paying the lowest percent of that income for food, and though one of our greatest causes of inflation is surplus spending power, we are deliberately increasing that spending power by more than a billion and a half dollars a year by paying that part of the Nation's food bill in subsidies, and at the same time we are encouraging the maximum consumption of food which is so desperately needed in a starving world. In other words, we are making it possible for people to buy food at a billion and a half dollars below cost, leaving them that much more money to buy other items which are in short supply. If present policies are continued we can look for a sharp increase in subsidies.

We have already had an increase in the past week or two of an amount which comes to \$33,000,000 a month, and with the promise of a similar increase very soon amounting to \$66,000,000 a month.

Senator BANKHEAD. What is that on?

Mr. Goss. On milk. So that the figure of a billion and a half will have to be boosted to something over two billion.

(b) We are increasing the public debt by an extra billion and a half a year, and increasing the failure to balance the Budget by a like amount.

This is now at a rate of over \$2,000,000,000.

(c) We are unnecessarily increasing the money in circulation by over a billion dollars annually; possibly as much as two billion.

(d) To the extent that subsidies have failed to meet production costs, like in butter and some meats, we have either curtailed production or forced the product into black markets where the consumers have paid far more than they would have paid if there had been no ceilings at all.

Summarizing the subsidy situation:

(a) We are short of food. We further reduce production and encourage excessive consumption by holding food prices below cost.

(b) We are suffering from excess spending power. We increase this spending power by reducing prices and creating billions of new money through our subsidy program.

(c) We have a dangerously high Federal debt. We increase this debt by billions and increase the amount by which we fail to balance the Budget.

(d) Our supply and demand economy is badly out of balance. We throw it more out of line every day as long as we refuse to adjust prices to production costs, and thereby increase the probability that it cannot be brought into balance without an economic collapse. We do all this in the name of controlling inflation.

Let it be said right here that farmers would not gain a nickel by abandoning subsidies and adjusting price ceilings to compensate. Our sole interest and concern in the problem lies in the effect of such an unsound program upon our economy. We can see no program for getting rid of them, and believe that their inflationary effect will sooner or later prove truly disastrous.

Instead of directing its policies toward curing the basic causes of inflation, the OPA has built its major program around trying to change the effects of inflation by regulation. It can be done for a little while, but if the basic cause is not soon cured, the mounting unbalance reaches uncontrollable proportions, and the whole effort breaks down. We believe that our price-control efforts are now approaching such a situation.

Let us look at the facts.

- (a) We set out to control inflation by price ceilings.
- (b) There have been inevitable and increasing break-throughs.
- (c) Labor's demands for a substantial break-through have recently been granted and a general wage increase of from 15 to 20 percent seems to be a certainty, with the hope that such increases will hold for a year.
- (d) When necessary to maintain profits, a corresponding increase in prices will be allowed.
- (e) Farmers are asked to support the OPA as is, under promise that subsidies will be abandoned and prices adjusted to compensate for them at the end of a year.

What does such a course hold for the future?

(a) A general upping of all production costs and prices. There may be some absorption by industry, but this will probably be offset to a considerable extent by the compounding of increases as products move through the channels of trade.

(b) Farm costs will increase sharply both because of increased cost of supplies, and heavy increased labor costs. Labor is as difficult to obtain on farms today as at any time during the past 5 years. Workers won't go to farms when they can get more money for shorter hours of easier work in industry, with Social Security benefits, and with higher pay for unemployment than they can get for farm work. Either farmers must get enough money to pay wages which compete with industrial labor, or there will be a sharp reduction in food production.

(c) If food costs are held down, sharply increased subsidies will be necessary to secure production.

(d) At the end of a year of rising costs, when these new labor contracts expire, the removal of subsidies and the adjustment of prices upward to maintain production would be just the springboard labor would need to demand another general wage increase and add an irresistible boost to the whole upward swing. It could all be most conveniently blamed on the farmers.

Right here I would like to call attention to exactly what has happened. Not until Mr. Carey testified before this committee yesterday were we at liberty to say some of the things which were told to us in confidence; but Mr. Carey gave information which I think justifies my comment right here.

Earlier in the year the farm organizations were asked to meet with the OPA officials and we were asked to support the OPA Act without

any amendments, with the continuation of subsidies, with the promise that at the end of the year subsidies would be abandoned and prices advanced.

Senator BANKHEAD. The fiscal, or the calendar year?

Mr. Goss. The end of the fiscal year it was at the time. We tried to point out the fallacy of that and were told that all the labor settlements would depend upon maintaining the price level of food products at the present level; in other words, that all other items would be allowed to rise, but farm products were to be held down. That was the price of settlement.

We pointed out that if that policy were pursued, this is exactly what would happen. Wage contracts were being extended for a year. Under the proposal which was made, subsidies would be abandoned at the end of the year and prices adjusted upward, just at the time when labor contracts were about to expire. If there is any more inflationary move which could have been put up to us, I do not know what it could be, because inevitably labor would make demands at the expiration of their contracts that there be another upping of wages and another upping all down the line. We have said this, that somewhere we have got to take a stand, and we feel that this time is the time to take the stand that we will not continue in this inflationary program. If we do not take a stand, we are going to be faced with greater demands a year from now than those demands which we yielded to in the earlier months of this year; and as I have said, subsidies will not make the farmer a nickel; in fact, they will cost him money if they are taken off, but we are sincerely of the opinion that unless we make a stand somewhere we are headed for a spiraling inflation.

(e) The result of any uncompromising attitude on this issue would be that the promises would be forgotten again when the pinch came. The demand would be for bigger and better subsidies to prevent inflation, although subsidies have constituted one of the most inflationary influences in our whole price-control program. We all know what the result would be.

Somewhere we must take a stand. Now is the time, or it may be too late.

Labor, which has been the dominant group in demanding food below cost through subsidies, has just had an unprecedented boost in wages, and is now better able to pay its food bill than ever before.

The OPA has shown itself completely void of practical ideas on how to get rid of subsidies. The only proposals are to maintain them until surplus production forces prices below present ceilings, which are now admittedly below cost (otherwise there would be no need for the subsidies). With farmers' costs rising by leaps and bounds, this policy means a deflation drive on agriculture, just as was done following the last war with such disastrous results to the whole Nation.

Very definitely the whole question of subsidies is the responsibility of this committee, and in its consideration of them, the committee should recognize that some practical plan must be worked out to get rid of them or we are almost sure to have them with us in increasing amounts until our whole economy breaks down from the unnecessary burden.

This brings us down to the remedy. We have a number of definite recommendations, some of them directed at the provisions of both S. 2028 and H. R. 6042.

We recommend the extension of the life of the OPA for 1 year, provided ways can be devised to write definite safeguards into the bill with adequate penalties to assure that the purpose of Congress is carried out. Our reason for recommending 1 year is to avoid uncertainty on the part of producers, dealers, the public, and the employees of OPA. H. R. 6042 provides extension in part for 1 year and in part for 9 months. Either would be acceptable, although we see nothing to be gained by the shorter term if Congress will provide adequate safeguards to put an end to OPA's illegal practices. If this cannot be done, we favor no extension. We suggest the following safeguards for your consideration:

A. We recommend writing into the law a section setting forth the policies which OPA should employ to control inflation. These policies should be designed to secure maximum production. No ceilings should be maintained below cost in the expectation that the producers will make up his loss on other more profitable items. Sound and reasonable administration of the law would not necessitate any restrictions on this point, but the practices followed have created such shortages that we believe it necessary to do something about it.

Under the "cost absorption" theory the OPA has held ceilings at unprofitable levels on many low-cost products and tried to compel manufacturers to produce them at no profit, or at a loss, and make up for the loss on other more profitable items. The result has been that the manufacturer has taken advantage of the unlimited demand and quit making the low-priced item and concentrated on the items on which he could make the most profit. Cost absorption is fine in theory but in practice has proved impractical unless the control takes over almost complete management of industry.

I think this criticism applies particularly to the manufacturing and not so much to the distribution industry.

Section 2 of H. R. 6042 is an attempt to prevent the abuses which have arisen under this policy. The OPA contends that it is unworkable because it would necessitate an examination into the costs of each party concerned, individually—practically an impossibility.

If OPA is to be continued, it must not be given orders impossible to carry out. We, therefore, recommend adding the word "average" after the word "the" in line 2, page 2 of H. R. 6042. We recognize that even then the amendment would be difficult to administer, for the allocation of costs to different items must be a matter of more or less arbitrary determination, and these costs may be excessive on first models. It would be quite possible that the OPA would find its hands tied by suits and injunctions by the thousands compelling them to prove that ceilings were above costs. Frankly, we do not know of any way to compel reasonably sound decisions on such matters on the part of an agency which has openly defied the purpose of Congress for 4 years. Had the record been one of endeavoring to follow the law, we would recommend that section 2 be confined to a simple statement, "It shall be the policy of the OPA so to adjust maximum prices that such prices will return to the average producer, processor or distributor the sum of the average cost as determined by the established commercial accounting practice of the industry plus a reasonable profit thereon." However, in the light of the complete ignoring of the mandate of section 3 of the Price Control Act of October 2, 1942, we

are inclined to feel that section 2 of H. R. 6042, amended as we have suggested, provides the lesser of two evils.

B. All ceiling prices should be abandoned when it becomes apparent that the supply of any commodity under price control equals or exceeds the demand, with reasonable prospect that ample supply will continue to be available. As far as foodstuffs are concerned, this decision should be made by the Secretary of Agriculture, who is in the best position to know the facts. We believe section 4, paragraph (b) (4) (A), line 22, page 4 to line 5, page 5, and paragraph (c) lines 16 to 22, page 5, cover this very well.

C. When the supply of any commodity is unequal to the demand, and it appears that such shortage may continue for 90 days or more, and that consumers may be seriously inconvenienced by reason of such shortage, it shall be the general policy of the OPA to invoke rationing in order to spread the short supply as equitably as possible. This should be set forth in the statement of policy we recommended in paragraph 52. H. R. 6042 provides in paragraph (d) (1) and (2) pages 5 and 6, a method of restoring price controls if shortages appear. This would give sanction to treating the symptoms only, and we doubt the necessity for, or the wisdom of, such additions. If the committee desires to use them, however, they can be made to serve the purpose we suggest by adding the words "establish rationing" after the word "may" in line 12, page 6, and by adding at the end of the paragraph the words: "It shall be the policy to use rationing, rather than maximum prices, or in conjunction with maximum prices, wherever deemed practical."

D. In the case of agricultural commodities upon which subsidies are or shall be paid, a plan for the progressive abandonment of such subsidies beginning within 30 days after the passage of this measure and ending not later than December 31, 1946, should be formulated and put into operation. Such a plan should provide for the concurrent adjustments in ceiling prices sufficient to compensate for all subsidies thus removed. We believe section 7 of H. R. 6042 covers this situation adequately although we suggest two small amendments as follows: Page 10, line 4, strike the second word "of" and insert "reduction in". Page 11, line 1, add a comma after the word "products" and insert "and such other commodities as the Secretary of Agriculture shall request." We understand that the OPA contends that the figures to carry out the provisions of paragraph (b) are not available. If true, this is certainly an indictment of the administration of that agency, for the paragraph is merely a restatement of a provision of the Price Control Act of October 2, 1942, with the added clarification of the "regional basis." If the committee finds that after all these years the OPA has not assembled the figures necessary to administer the law, it may be necessary to qualify the "regional basis" provision by a clause "as far as practicable." However, I feel I should repeat that the mandate under discussion is the one which the OPA has completely ignored to date, and the main problem is to determine how to get it to pay attention to the law as it stands.

E. We favor a section which would provide that no ceilings may be established or maintained on any agricultural product, without the approval of the Secretary of Agriculture. At least once every 90 days he should review the case of all food items under ceilings to determine the merits of the case, because of constantly changing conditions.

In case of appeal to the Director of Stabilization, if the decision of the Director is adverse to the decision of the Secretary, the Secretary should have the right to appeal to the Director of War Mobilization and Reconversion, and said appeal should stay the decision of the Director of Stabilization. Either that, or the decision of the Secretary should be final.

We do not believe it is wise to set up an arbitrary standard by saying that price controls shall be eliminated when production reaches a level of 1940-41. Our consumptive demand may be either greater or less than it was 5 years ago. The war has brought too many changes to warrant adopting such prewar standards. Except those paragraphs which we have approved above, we would not favor section 4 of H. R. 6042.

We have no recommendation to make with reference to section 5 of H. R. 6042.

We believe that our recommendation with reference to subsidies takes care of the provisions of section 6 of H. R. 6042 and section 3 of S. 2028.

We see no objection to section 8 of H. R. 6042.

We do not care to comment upon section 9 of H. R. 6042, for frankly, we do not understand fully what the effects would be upon the maximum average price regulations of the OPA.

Section 10 of H. R. 6042 appears to do for the wool and cotton industry what section 2 would do for all industry. If section 2 is enacted, we see no reason for section 10. If section 2 is not enacted, we believe section 10 justified.

We have asked the OPA from time to time to outline its plan for the removal of food subsidies, and for general decontrol. So far no plan has been submitted which seemed to us workable. Putting it another way, all we could see would be the indefinite extension of controls and subsidies. We believe that progress might be made if the measure contained a provision requiring the OPA to submit to the Congress definite recommendations for a program for winding up its operations.

The whole question of inflation and price control is so complex, dealing as it does with scores of thousands of items, that it is impossible to write detailed instructions into the law. General principles must be outlined and much left to administrative discretion. Because this has not proved satisfactory in the past, some new method of compelling the administrators to heed the will of Congress should be devised. We believe that either the bill should contain a policy section in which the basic principles for controlling inflation are set forth, or that the report of the committee should set them forth in terms which could not be misunderstood. We would then limit the appropriations to amounts sufficient to carry on the work for 90 days at a time, clearly setting forth the intent and purpose of Congress to continue to provide ample funds if the policies of Congress are carried out, but to cut off the funds if the policies are ignored or openly violated. In case Congress might not be in session, the approval might stand until Congress convened. It seems that if some way were provided to cut off the funds when the law is violated, we might expect that the provisions of law designed to carry out the will of the Congress would be observed.

Senator MURDOCK. On that last part, that "we might expect that the provisions of law designed to carry out the will of the Congress

would be observed," is it your position that Congress should begin any interpretation of its own laws and determine whether or not they are violated? I have always thought that under our system that was a judicial function.

Mr. Goss. This particular provision was written into the law with the express purpose of preventing the use of subsidies, as will be revealed by a study of the reports of the committee.

Senator MURDOCK. I mean, your theory that funds shall be cut off whenever the OPA violates the law. Who would determine when the law had been violated?

Mr. Goss. I think that the statement is so clear that Congress itself, when it got to the determination of whether or not it felt that the OPA was carrying out its purposes fully, if it felt it were not carrying them out, it could curtail the funds. I believe it would have a very wholesome effect.

Senator MURDOCK. I am afraid that the suggestion of a 90-day proposition of that kind would so impede and hamper the program of price control that it just could not possibly work out.

Mr. Goss. I do not believe, Senator, that it would impede it if they stay by the simple provisions which Congress might enact. I think Congress would back them up unless they openly violated the will of Congress.

Senator RADCLIFFE. Do you think this period of 90 days which you suggest, from time to time, would have any tendency to encourage hoarding?

Mr. Goss. It might, Senator. I had not thought of it from that approach.

Senator RADCLIFFE. That is, of course, a certain quantum of menace that we have to consider whenever we are contemplating a material change in the law.

Mr. Goss. If the OPA would adjust its prices to recognize costs, as is the clear intent, I do not think there would be any threat in the 90 days. I will be frank with the committee. This is born of some experience. We tried in the spring of 1942 to get certain farm prices raised to comply with the express provisions of the January 30 act. Mr. Henderson said he would blister the ceilings a little bit, but he would never puncture them. We made many visits there and finally the heads of the Farmers Union, the Farm Bureau, the Cooperative Council, and the National Grange called on him and presented very definite information that the berry crop of the Pacific Northwest had fallen on the ground, over half of it, because the prices were below cost and that they did not comply with the law. Then, he made this proposition to us:

If you will show us that all the margin between the producer and the consumer is squeezed out, and still you do not get parity, we will puncture the ceilings.

We told him we could not assure that; that that was his job; it was not ours. He wanted to know what we were going to do about it. We said:

The only thing we can do to get you to comply with the law is to cut off your supplemental appropriation funds.

Mr. O'Neal and I went before the committee, and those funds were cut off. They gave them 60 days in which to comply with the law, and that 60 days expired on October 5, and then is when Congress

was reassembled to meet the emergency of October 1, and then we got the adjustment. But we could not do a thing until we tackled it through the funds; and it was effective. That is the reason we have suggested that we might employ something similar in the bill.

Senator RADCLIFFE. Do you feel that hoarding has had any material effect upon the operation of the law? If any, it is probably a deterrent one?

Mr. Goss. Yes; I think it has, Senator Radcliffe. I have had many reports, which I have reason to believe are authentic, that certain factories have manufactured goods and have found that the goods could not be sold except at a loss, and they said:

We will hold these goods rather than sell them at a loss, until we get some relief.

Senator RADCLIFFE. Have you any suggestions which might tend to combat hoarding?

Mr. Goss. I have the very simple suggestion that average costs must be recognized, and that would cure the whole thing. That would cure the subsidy problem. We would not have to have any subsidies. It would mean that we would get production up, and I think that is the answer.

Senator BANKHEAD. You mean, average cost for some preceding period?

Mr. Goss. No. The producer cannot produce below cost.

I would like to answer Senator Mitchell with reference to one question he asked of Mr. O'Neal regarding the effect of removing subsidies in connection with increasing production. Removing subsidies would not affect the farmers' income now, but a farmer who contemplates going into the dairy business, if he knows that his income may be cut off at any time by an act of Congress removing subsidies, or without adjusting price ceilings the failure to make an appropriation, is going to think a long time before he goes into that production; and agriculture generally has to plan its production years in advance, Senator.

Senator MITCHELL. Would you say that it is driving herds out of production today?

Mr. Goss. I think in this way many herds are going out of production. As you know, there has been a great reduction of milk cows, the greatest we have had for years and years, and the number of milk cows is now below the number in 1933.

Senator BANKHEAD. Have you finished with your statement, or were there any additional statements you wanted to make?

Mr. Goss. I would like to complete my answer to that one question. I have no further statement, unless you have further questions.

Senator BANKHEAD. Proceed.

Mr. Goss. The people who ordinarily would buy those cows do not buy them because the future of the dairy industry is so uncertain on the basis of our present ceilings and subsidies that there is no certainty about it at all.

Senator MURDOCK. What is the answer to this? I find in my own State a tremendous siphoning of our dairy cattle from the Utah area into southern California. The dairymen in my State attribute that to the disparity of prices between the southern California market, or the Los Angeles market, and the Utah market. They are coming

into the Utah market and paying as high as \$250 to \$300 for dairy cattle and transporting them into the Los Angeles market.

Mr. Goss. I think I can give you somewhat of the background of that, Senator.

Senator MILLIKIN. I would like to intervene with the statement that we have the same complaint in Colorado.

Senator MURDOCK. We are bombarded every day with the suggestion that if you raise generally the prices of dairy products in the Rocky Mountain section and the California section you do not remedy that situation at all; that we will continue to see our dairy herds siphoned off into the southern California area, and that the only way that situation can be remedied is by adjusting the prices with respect to each other so that it will not be profitable to buy our cows and take them down into the Los Angeles area.

Mr. Goss. It is a complicated situation, but I think you will find that this is one of the major factors. We have, as you know, a ceiling price on butter, very far below cost of production. The prices on cream make it profitable to divert the milk into sweet cream. The Payette creamery in Idaho, one of the largest producers, is producing only 10 percent of their normal capacity of butter. They are selling the cream, which goes East because of an unbalanced price structure as the result of edicts of the OPA. The result is that Los Angeles has no butter at all, and Los Angeles is finding it profitable to pay higher prices for cows and sell the milk as milk, and a good deal of it is actually churned in Los Angeles so they can have butter. That is a trend which is due entirely to a maladjustment of prices. If we only had a recognition of cost so that we would not try to hold ceilings below cost in order to prevent inflation, those things would straighten out.

Senator MITCHELL. Can you tell us what your estimate of the price would be on the open market, so that we would get the butter we need at the present time?

Mr. Goss. I do not believe I would want to venture an estimate on that. I have not tried to make one. We have not tried to make any estimate of it, and anything that I would say would be just a wild guess. We could make such an estimate.

Senator MITCHELL. If you could, I think the committee would like to have it.

Mr. Goss. Mr. Bailey tells me that the dairy people have estimated 85 cents a pound on butter.

Senator MITCHELL. What would it do to cream on an open market? Would the price of fluid milk go up to meet it?

Mr. Goss. If you are buying cream in Washington and churning it, which many are doing, it is costing you anywhere from \$1.20 to \$1.50 a pound and if you could buy butter at 85 to 90 cents, I do not think you would use so much cream.

Senator MITCHELL. You mean, the demand is for cream so that the individual can make butter?

Mr. Goss. Yes, sir.

Senator Mitchell. Is not part of the cream going into ice cream?

Mr. Goss. A good deal of it is, but there is an enormous amount going into butter. I saw figures just the other day of the enormous number of small family churns which were being sold in the large cities. I know you have got friends who make butter. You just

look around, and you will find all kinds of it. It is a great big factor in the cream market.

Senator MURDOCK. Referring to your statement, page 8, under (c), where you say "world-wide charities on a scale to stagger the imagination," I wonder if you include the British loan in that statement. As I recall it, you were quite an enthusiastic supporter of the British loan. Am I right in that?

Mr. Goss. No, Senator. The National Grange has not taken a stand or testified on the British loan.

Senator MURDOCK. I beg your pardon.

Mr. Goss. We believe that there is some merit in it but we believe that the inflationary effect of throwing three and three-quarter billions of dollars of excess purchasing power on a short market, added to the buying pressure on our short supplies that these funds would create; would be an offsetting danger that we have not been able to measure with any degree of satisfaction to us. In the circumstances we do not think we ought to tell you what to do about it.

Senator RADCLIFFE. Maybe the Senator's question assumed two questions in one—assuming it is a charity.

Senator MURDOCK. I do not mean to say that I assume anything. I asked what I thought was a pertinent question on a very important subject now before the Senate. I wanted to draw the witness out as to what he thought, without implying what my own thoughts were one way or the other. I thought his statement would be beneficial. I am glad to know that the Grange is in the position of not having its mind made up definitely as to whether the benefits of the loan outweigh the demerits of it or the dangers of it.

Mr. Goss. We have not testified for that reason. While you have mentioned charity, do not let this be understood as condemning the efforts of the Federal Government to furnish food to a starving world at this time. We are contributing everything we can to those efforts, and I concur in what Mr. O'Neal has said as to the necessity for all of us bending every effort to help the President meet these troubled conditions.

Senator MURDOCK. May I call your attention to paragraph 28 of your statement, where you say, "Confine price ceilings to control profiteering." Is it your position that our price control should have the dual function of controlling prices and also controlling profits?

Mr. Goss. In that statement and in the statement which I filed in the record we felt that ceilings should be confined to preventing profiteering, that other methods should be employed, and that ceilings were rather a last resort. We have felt that they have not been confined to profiteering, but have been used to drive prices below costs; our classic example again being butter.

Senator MITCHELL. Are you not charging in the same breath that the OPA is fostering profiteering and bankruptcy?

Mr. Goss. No. I do not mean that they are fostering profiteering, but I say they are using ceilings beyond their intent and purpose.

Senator MITCHELL. But on page 5 you say that factories are closing down because their prices have been restricted to the 1939 performance. Of course that has been denied by the OPA. In one place you say the prices are held down unwarrantably, and in another place you say there is profiteering.

Mr. Goss. I think they have done an excellent job in preventing profiteering. We have commended them time and again where they have established ceilings on commodities which were in short supply to prevent the price going through the roof. That is what the purpose was. Our objection is largely centered around that one point, where they hold the prices down so low that they are below cost, and have discouraged production. Our belief is that the basic problem is to get our production up, and then we will meet the inflationary problem. But we think they have made some bad mistakes over there.

Senator MITCHELL. Of course you are not saying that production is not going up?

Mr. Goss. Oh, yes; it is going up, but there are many places where it has been retarded and is still retarded.

Senator MITCHELL. Some of the testimony before the committee indicates that it is labor that is holding down the production of brick.

Mr. Goss. When they did raise the price about 50 percent of the brick production opened up. It was strangled almost to death.

Senator MITCHELL. It was closed down during the war. There was no need for brick.

Mr. Goss. But the change came when they raised the ceiling, Senator.

Senator MITCHELL. Fifty percent of them went into production because they could get labor under the ceiling. The others did not go into production because labor was not available—not because of the ceiling.

Mr. Goss. No; I disagree with you on that.

Senator MITCHELL. I am just repeating some of the testimony. I have no personal knowledge of it.

Mr. Goss. We went into that in some detail in the Advisory Board and it was our belief that they could not afford to pay labor at the ceilings, and the Advisory Board recommended that the ceilings be raised, and they were raised, and about 50 percent of the yards immediately opened up and we began to get brick. I contend that the reason we did not have brick was that the ceilings were so low that the manufacturers could not pay labor to produce the commodity.

Senator MITCHELL. You disagree with Mr. O'Neal on the decontrol measures in the House bill, do you not?

Mr. Goss. No; I do not know that we do. On section 2 we have some difference, but I think not on the rest of them. I did not follow his testimony too carefully so that I could check it section by section, but we think that a great many of the things that are in the House bill are so drastic that they would practically put the OPA out of business, and that is not our purpose. We want to see it serve in a way that will control inflation most efficiently.

Senator RADCLIFFE. Have you any further statement?

Mr. Goss. I have none, Senator.

Senator RADCLIFFE (presiding). This afternoon we will hear Mr. James Patton, president of the National Farmers Union; Mr. Richard A. Colgan, Jr., executive vice president, National Lumber Manufacturers Association; and Mr. Charles W. Holman, secretary, National Cooperative Milk Producers Federation.

We will stand in recess until 2:30 this afternoon.

(Whereupon, at 12:25 p. m., a recess was taken until 2:30 p. m. of the same day.)

AFTERNOON SESSION

The committee reconvened at 2:30 p. m., upon the expiration of the recess.

Senator BANKHEAD (presiding). The committee will come to order. The next man on the list is Mr. Patton. Will you proceed, Mr. Patton, and state your name and whom you represent?

STATEMENT OF JAMES G. PATTON, PRESIDENT, NATIONAL FARMERS UNION, DENVER, COLO.

Mr. PATTON. Mr. Chairman, my name is James G. Patton. I am president of the Farmers Educational and Cooperative Union of America, commonly known as the National Farmers Union. My place of residence is Denver, Colo.

The national headquarters of the organization is at Denver.

Many harsh words have been bandied about during the current discussion of the battle against inflation. It is not my intention today to add to the already overlarge volume of adjectives and bad names, for the position of the National Farmers Union with relation to inflation during the war period is clear, simple, and generally well understood.

In brief, we are convinced now as we have been throughout the war, that the greatest peacetime disaster that could occur for farmers would be a repetition of the postwar boom and bust of the 1920's. That catastrophe cost literally hundreds of thousands of farmers their homes. We do not want to see the Nation take any chances whatever of it happening over again.

The present situation is, of course, a grave one. I think nearly all Senators agree that the potential danger of inflation is as serious now as at any time in the past, except that the time when we can anticipate full peacetime production is now fairly close at hand. Consequently, we believe that the House of Representatives, in passing H. R. 6042, in the shape in which it did pass it, was taking an awful risk with the future of all of us and with the future of farm people in particular.

We urge this committee to restore the bill to the approximate form in which it was reported from the House committee, to extend OPA for another year, to give it sufficient operating funds to insure against black marketing, to make possible a return of rationing of those commodities which are in such short supply as to threaten our aid to the suffering abroad, to continue the subsidy program as long as may be necessary, and to insure the continuance of price controls until we are well into the period of full production.

My views on this question are not so very different from those of a great organization of business leaders. I refer to the Committee for Economic Development, which only a few days ago issued a report called *The End of Price Control—How and When?* In summary, the conclusions of these business leaders were as follows—

Senator BANKHEAD. Have they been before this committee?

Mr. PATTON. I haven't seen the list of those appearing before the committee.

Senator BANKHEAD. Well, I have been here most of the time, but I don't know.

Mr. PATTON. I don't know either, Senator. I have this report here. Their conclusions were as follows:

"1. Price control has no permanent place in the peacetime American economy. The restoration of an economy of free prices in the near future must be a primary objective. Long continued price control is a threat to all our freedoms.

"2. The abandonment of price control on June 30, 1946, would, we have reluctantly concluded, leave us unprotected against a dangerous rise in prices.

"3. A quick and orderly termination of price control can only be assured by a positive program embracing both bold measures of decontrol and courageous fiscal and monetary policies to combat inflation.

"4. During the limited period of its extension, the inequities and obstacles to production which result from price control must be reduced by streamlining present procedures and liberalizing existing standards."

It is quite true that I do not wholly agree with some of the additional material in the report of the Committee on Economic Development, and that I might disagree with it as to the exact time when, for instance, it would be safe to do away with subsidies or to adjust this or that ceiling. But in the main, I think the principles set forth in that statement are pretty sound principles. I think all of us are "reluctant" to live in an economy where it is necessary to have price control, where it is necessary to have rationing, where we can't do exactly as we please in every respect. But it was also unpleasant to have to pay big taxes in order to win the war, and to have to stop driving our automobiles for pleasure, and to do all of the other things required to defeat our enemies. But the alternative was even more unpleasant. It seems to me the situation is the same right now.

Furthermore, our people time and again have endorsed this position and endorsed it without qualification. Twice our convention has elected me president, without a dissenting vote, after I had campaigned vigorously for a real hold-the-line program. Our farmers understand perfectly well that they cannot demand price control for the other fellow and no price control for themselves. They understand that a price control bill cannot be written like most tariff bills used to be written, with various private interests agreeing to support this and that special privilege for themselves. Fundamentally, the reason they are willing to see the price line held on their commodities is because they are convinced they will gain in the long run from such a policy.

But I do not mean to say that we approve of everything that has been done under price control, particularly in recent months. On the contrary, we dislike very much some of the actions that have been taken. By this I do not mean various local inequities that may have irritated our members here and there. We understand and expect some such difficulties in the administration of any great national program. What I am talking about is the gradual yielding on the principles of price control itself which has invited many of the difficulties in which OPA now finds itself.

For example, there is the matter of the steel settlement reached in February. At that time I issued a statement from which I should like to quote as follows:

Despite what amounts to a \$250,000,000 bribe to the steel industry, President Truman's new wage-price policy affords hope that the Nation's economy may be held on an even keel.

But bribery once used is hard to stop. It encourages others to seek similar bribes. That's why the administration will have to be far more vigorous than it has been to put the new policy into effect.

The course followed in steel cannot be followed in other industries if this is to be achieved. Officials responsible for administering the policy must be relentless in adhering to the balance-sheet facts of industry. The evidence is clear that earnings of most of the major industries in this country can absorb wage increases without breaking price ceilings and without jeopardizing the level of profits for the ensuing 12 months which President Truman's policy aims to maintain—the level of the prewar years, 1936–39.

Farmers and wage earners alike will bear the burden of the \$250,000,000 bribe the steel industry will receive above what it will pay out to its workers. Pressures will be strong to increase the price of every farm tractor, every hoe, every steel post—all the machinery and instruments involving steel used in farming operations. Such a price rise would add to the parity index of farm prices. It would boost that index to a new all-time high and would push against existing food ceilings. It would raise the level of loans and support prices based on parity.

Yet neither the farmer nor the wage earner would gain from these increases. The farmers' boost in income would be canceled by increased costs, as would the wage earners' through increased food and clothing prices.

Another cost is involved, the cost to the prestige of the United States Government. Seizure of the plants was an alternative to the surrender to United States Steel. Why should the meat packing plants be taken over and not the steel plants? The public had a right to expect that action in steel.

Notwithstanding these conditions of ill omen there is nothing to do but carry forward the fight against inflation with redoubled determination. Only in that way can the damage already done to a part of our economy be kept from spreading to a majority of the economy. Only in that way can an economic Munich be prevented.

I would like to add, Senator, that since I prepared this I prepared some additional information which does not appear in the mimeographed copy, feeling that this steel situation is an example of something which has a much bigger background.

In considering the need for renewing OPA, it is worth while to look back for a moment to see how we got into the present dangerous situation.

I have here the schedule of planned planlessness put over on the American people and their Congress by the forces of concentrated economic power that today are planning—conspiring—to stampede the Nation back to normalcy, back to the same cycle of short boom and big bust that lost the peace 20 years ago.

Perhaps we can learn from experience—learn in time, without going through the same wringer twice.

Here is the timetable that has brought us to this moment, when this committee and the Senate are the American people's last hope for saving our economy from a smash-up worse than we have ever seen:

Summer, 1940: Big industry wins a 6-week sit-down strike against national defense by getting the standard 5-year amortization provision written into war contracts.

1941: While public attention is focused on war production, the National Resources Planning Board is put to death—for the so-called crime of planning. A Nation-wide propaganda campaign against "planning" continued throughout the war, at the same time that industry was doing its postwar planning early and often, frequently subordinating the interests of the war effort to postwar considerations, as was done in holding down food production, for example.

1942-1943: The Kilgore-Pepper-Tolan bill is killed, 26 progressive Senators voting for it—

Senator BANKHEAD. What bill was that? I don't recall it.

Mr. PATTON. The Kilgore-Pepper-Tolan bill.

Senator BANKHEAD. What was that?

Mr. PATTON. A bill to set up a postwar and a wartime over-all opportunity for coordinating the war effort, Senator. [Continuing statement:] against the opposition of a powerful Army-Navy lobby, and Bernard M. Baruch, who was later to propose a reconversion program based on the trickle-down theory of prosperity. This bill would have improved war production and, equally important, would have set up machinery for the smooth change-over from full employment and production for war to full employment and production for peace.

1944: The Kilgore-Murray bill for reconversion is killed, while the generous Contract Termination Act and the watery George Act setting up the inadequate OWMR are passed. Provision for the "human side of reconversion" is promised, but the pledge is never kept.

1945: Tax relief, amounting to 5.6 billion dollars is given, in addition to the mischief-making carry-back and carry-forward provisions, and the excess-profits tax is repealed—on the excuse that industry, already swollen with more profits than can be invested in productive plant (more than \$50,000,000 in liquid assets) needed this additional "incentive" to go all out in the reconversion period.

At the same time, the full employment bill was fought and delayed in the House and, today, the three-man council which can give it meaning, has not yet been appointed and confirmed.

Throughout the war, the National Association of Manufacturers was conducting a multimillion dollar campaign—tax deductible and about 85 percent of it paid with money that otherwise would have gone to the Treasury to hold down our national debt—to instill in the American people a fear and distrust of their own Government, to prepare them for the postwar stampede "back to normalcy," to use the word used by Congressman Knutson, the ranking minority member of the House Ways and Means Committee. The NAM put its propaganda into our tax-supported schools, our churches, into women's clubs, the press, radio, every medium of communication. It even started an agricultural committee to "energize" the farmers.

As part of the NAM's postwar plan to recapture America for special privilege, it spark-plugged a coalition of special interests that were supposed secretly to formulate postwar economic policies for the Nation. The National Farmers Union was invited to join this attempt to gang up on our Government. Our national board of directors took this move pretty seriously. It adopted a resolution authorizing me to turn down the invitation. It's just possible that our refusal and the denunciation of the conference's purposes and methods had something to do with the fact that it died on the vine.

But it did serve to kid some fine organizations and some very fine people along with the idea that the NAM had changed its spots during the war and that the spots would not reappear after the war was over. Our unpreparedness for peace did not just happen. The NAM planned it that way all through the war.

I have here, and I should like to read briefly from them, the statement the National Farmers Union then made in turning down that

invitation, and a letter I received from Walter D. Fuller, a past president of the NAM and the chairman of the NAM's secret "clambakes" at Atlantic City and elsewhere. This is a letter I sent to every Member of Congress under date of May 2, 1944, enclosing copies of the correspondence exchanged between Mr. Walter D. Fuller, chairman of the national postwar conference, and myself, as president of the National Farmers Union. [Reading:]

I am sending you herewith copies of correspondence exchanged between Mr. Walter D. Fuller, chairman of the national postwar conference, and myself, as president of the National Farmers Union.

I am calling this correspondence to your personal attention because of our very deep feeling that the national postwar conference constitutes part of an effort to impose the designs of a combination of private pressure groups, including a few encircled people's organizations, on the Congress of the United States, which, in our democracy, should reflect the will of the whole people as the final policy-making body. Congress should be informed of this well-financed, Nation-wide effort to subvert that will. The National Farmers Union will continue to express the view of its members, cooperating with other people's organizations in formulating and presenting proposals in the public interest.

Late last year, the National Association of Manufacturers announced that it would carry on a tremendous public-relations and publicity program "to make the economic philosophy you have heard (that of the NAM) so popular, that adherence to it would prove a political advantage to the majority of Congressmen * * *."

Discussing the people, the NAM announcement said: "They tend to think in blurs. They read while they run. They are moved by simple, emotional ideas. NIIC (National Industrial Information Committee) will capitalize upon this fact with an aggressive program designed to inspire a crusade that will sweep free enterprise into public favor."

You, as a Congressman, are consequently confronted with a pincers movement by the NAM to control the Government. The multimillion-dollar publicity campaign is being carried on in nearly every congressional district in the United States to intimidate or ruin you. The national postwar conference has been created to put pressure directly on you and the Government in Washington.

If a coalition of private interests of economic power succeeds in dominating the Government of the United States, we will no longer have a democracy, nor a Government, of, for, and by the people. We will have fascism.

The letter which I received from Mr. Fuller reads as follows:

APRIL 7, 1944.

Mr. JAMES G. PATTON,
President, National Farmers Union, Denver, Colo.

DEAR MR. PATTON: Several months ago I had the privilege of acting as chairman of a group of men who met in Atlantic City at a conference which was called the national postwar conference. This meeting was the result of an invitation upon the part of the National Association of Manufacturers which went to the following organizations:

- Aeronautical Chamber of Commerce.
- American Bankers Association.
- American Farm Bureau Federation.
- American Federation of Labor.
- American Legion.
- Association of American Railroads.
- Chamber of Commerce of the United States of America.
- Committee for Economic Development.
- Congress of Industrial Organizations.
- Investment Bankers Association of America.
- Kiwanis International.
- National Association of Manufacturers.
- National Council of Farmers Cooperatives.
- National Foreign Trade Council.
- The National Grange.
- Rotary International.

Representatives of all these groups met in Atlantic City. There were from one to five representatives of each group and they included top executives in each case. For example, we had the president of both the National Grange and the Farm Bureau Federation; we had vice presidents of the A. F. of L. and of the CIO, and we had similar executives from the other groups. We spent 2 days in conference. The meeting was called and held with the understanding that we would try to find our points of agreement and that we would refrain from discussing our points of disagreement. The theory at least was that other conferences often broke because people started immediately to talk of their disagreements, and that we would reverse the process in this case and try to find the things that we did agree upon. Everyone felt that the meeting was a substantial success and there was a wide agreement that we should have further conferences.

There was also a feeling that the group should be somewhat enlarged, but that at the same time the number should be kept at a minimum so that the discussions would have an across-the-table character. I was elected chairman of a temporary organization committee and at a more recent meeting of that committee, I was elected as chairman for this year. Mr. Noel Sargent, secretary of the NAM, was elected Secretary. I want to make it very clear that this is not in any sense an NAM project. It is a project of all the organizations and there is complete equality on the part of each group in the proceedings.

We have had many requests by economic and social groups who would like to join in the conference, but it is the feeling of the organization committee that we must confine the representation to the major social and economic groups and that we must keep the number from each group at a minimum. The National Grange, the Farm Bureau Federation, and the National Council of Farmer Cooperatives have urged that the Farmers Union be one of the groups represented at the conference, and the organization committee is in complete agreement on this score. To make this possible, the three agricultural groups have agreed to give up certain of their representation and thus I am able to invite the National Farmers Union to join in the conference and to appoint not more than three representatives, one of whom should be named to sit upon the organization committee. (An alternate, who is one of the three, also should be named.)

Each group pays the cost of its own representatives at the conference. Other conference expenses will be slight, consisting perhaps of a small amount of office expense, incidental costs of the conferences, including necessary committee luncheons, etc., but there will be no salaries paid and under any circumstance the expense of the individual groups will, I am sure, be very small. For the time being at least, the NAM will pay the bills and split the cost periodically among the representative groups and send them a statement.

The next meeting is called for May 19 and 20, and will be held in New York City. No decision has been completed concerning further meetings, but from the discussions, I imagine, there may be one at some convenient location in mid-summer, probably one in the early fall and very possibly another later in the fall.

I have been authorized to bring together a small group to determine the agenda for the next meeting and I have already written the different groups, asking for their suggestions. If your organization decides to come along with us, I shall write you similarly and send you the information of what has transpired so far.

May I point out in closing that it is understood that no action on the part of the representatives will bind their member bodies. The whole move is an experiment, but from the results of the first meeting, it seems to many of us that it is a very hopeful exploration.

Sincerely,

WALTER D. FULLER,

Chairman, Organization Committee, National Postwar Conference.

This is my reply to Mr. Fuller under date of April 29, 1944:

FARMERS EDUCATIONAL AND COOPERATIVE UNION OF AMERICA,
OFFICE OF THE PRESIDENT,
Denver, Colo., April 29, 1944.

MR. WALTER D. FULLER,
President, Curtis Publishing Co., Philadelphia, Pa.

DEAR MR. FULLER: The National Farmers Union is quite appreciative that the Grange, the Council of Farmer Cooperatives, and the Farm Bureau have offered to give up one-fourth of their votes in the national postwar conference to permit our organization to be taken in.

Pursuant to a policy decision by our national board of directors at a meeting in Chicago, April 4, 1944, we must decline the invitation which you extended in your letter dated April 7, 1944. A copy of that resolution is attached.

In addition, we have no official knowledge of what the national postwar conference has done at meetings to which we were not invited. Press dispatches indicate that the conference has already committed itself against such great public works as the Tennessee Valley Authority. We are for the TVA yardstick and integrated regional development idea wherever and whenever it is needed.

The National Farmers Union would not join a cartel of "major economic and social groups," established to mold national policy apart from the constitutional, democratic processes. The method of selection, organization, and conduct of some members of your group indicate that it is such a cabal.

You limit the membership to major economic and social groups. Yet business and capital appear in a number of uniforms and faces, while labor has two organizational representatives and real dirt farmers are offered a single place.

The make-up of the national postwar conference predetermines its policies.

We note that your letter does not state the purpose of the conference, but, from other sources, we learn that the conference statement issued February 19, 1944, states an intent to "assist in solution of the many serious problems which confront the Nation now and later."

We recall that the National Association of Manufacturers, of which you are a past president, and which employs the national postwar conference secretary, Mr. Noel Sargent, supported the successful campaign to abolish the National Resources Planning Board last year.

We detect a threat of consistency between that campaign and the recent letter from Robert M. Gaylord, president of the National Association of Manufacturers, to Donald M. Nelson, Chairman of the War Production Board, declining membership in the WPB's Advisory Committee on Civilian Policy.

In going on strike against the Federal Government's effort to plan resumption of civilian production in the public interest, President Gaylord gave emphasis to the NAM's publicly announced campaign to "change the climate" of the U. S. A. The NAM's support of abolition of the National Resources Planning Board and the NAM's president's refusal to serve on a governmental committee on postwar plans, together with the NAM's initiative in the organization of the national postwar conference, suggest that a stacked private planning group, cunningly including but submerging some people's organizations, is being promoted as a substitute for free public debate and responsible action by the people's representatives after full examination of "points in disagreement" as well as "points of agreement." Such a course, if persisted in, can quickly become a conspiracy against the public interest.

Since the establishment of machinery for democratic government more than 150 years ago, many have advocated its overthrow or subversion, but in vain. This will continue to be true, I believe, but vigilance is required.

At present, the greatest danger to our democracy is within, from among groups that seek to control and dictate to the people's representatives. Should such a group as you plan succeed in obtaining domination of public policy, we would have rule by a combination of special interests. That, of course, is fascism.

I know of nothing potentially more dangerous to democracy in the United States today than the organization you are forming. To me, and to the elected and responsible officials of the National and State farmers unions, it is a potential supergovernment. People's organizations are invited to participate, but are so outnumbered and outvoted as to guarantee domination, direction, and control by the philosophy and schemes of the group which conceived, initiated, and staffs it, after destroying one governmental agency, and declining to participate in another.

Sincerely yours,

JAMES G. PATTON,
President, National Farmers Union.

The resolutions attached to that letter are as follows:

RESOLUTION ON POSTWAR PLANNING, ADOPTED BY THE BOARD OF DIRECTORS OF THE NATIONAL FARMERS UNION, MEETING IN CHICAGO, ILL., APRIL 4, 1944

Special interests in America which demanded and obtained the abolition of the National Resources Planning Board are now making their own postwar plans for America. They are assembling a hand-picked coterie of special interests, so

organized that people's organizations may be invited but submerged within the group, and so powerful that the people's government may be intimidated to accept their dictation.

If their effort succeeds, the democratic form of government in the United States will be set aside, and the foundations of our Government will be undermined.

Exaltation of special interest above public interest has brought upon humanity this most destructive of all wars. In the nations we are accustomed to call the most enlightened—those with the greatest technological developments—this exaltation has come to permeate the thinking of almost all leadership and is ingrained in almost all educational patterns.

It is inherent in the great monopoly corporations which find their final, logical fulfillment in international cartels. Through all means of communication, the mind of the individual is subjected to an unending succession of artful appeals glorifying the immediate value for himself and his family of this, that, or the other special interest.

He is constantly indoctrinated with the thesis that taking advantage of his fellowman is the natural and good way of life—the only sure road to success. This thesis is more often than not skillfully disguised as patriotism or worthy personal ambition, thus making its effect more insidious.

Our struggle to achieve the democratic way of life is doomed to fail—and the sacrifice of our boys' lives will be in vain—unless we arrive at action through constitutional democratic processes, rather than action conceived and imposed by coalitions of powerful special interest groups.

Application of the Christian ethic—and its counterpart in other religions—remains the only course by which men's yearning for decent human relationships in a society freed from want can be answered.

Action of the National Farmers Union shall be in accord with the policy and position hereto set forth.

That is some of the background going into the statements I just made.

I think events since that time have borne out the prediction made in that statement. The collapse we have just witnessed in the House debate and action on this bill flows directly from the encouragement given every special interest in the country by the yielding on steel. All up and down the line, virtually all industries have sought to break down controls.

As an example of what has happened I only need to cite the farcical "seizure" of the meat-packing plants by the Federal Government. If there is a tremendous black market in meat, why does not Secretary of Agriculture Anderson do something about it? Theoretically, he is operating the plants. Yet in actual fact, Secretary Anderson's "operation" has been only a token operation, and has been a boon to the packers.

When I was invited to appear before this committee, I telegraphed and asked for information from our Farmers Union Livestock Commission Co. at South St. Paul about the operations of the Big Four packers, and received the following telegram [reading]:

On the terminal markets we operate at few noncompliance cattle sold. Bulk butcher cattle move through legitimate compliance channels. Major packers have same opportunity to purchase as other slaughterers. Market prices South St. Paul practically same as year ago. Major packers then took greater percentage of available supplies at compliance rates. Removal of meat controls would be disastrous to livestock industry. Record after World War I indicates that. Livestock and meat-price increases would be faster and breaks more severe this time. Farmers Union livestock producers and feeders do not want that.

The Iowa Union Farmer, in the lead story of its April 13, 1946, issue, says, in part:

The antics of the Meat Trust to cripple "the operation of OPA and then criticize the agency for not doing an effective job follows the same pattern as other big

business lobbies. It seems quite obvious that packers are exaggerating reports of black-market shortage of cattle in order to defeat the extension of the Price Control Act. The packers' refusal to buy livestock is resulting in lay-offs of thousands of packinghouse workers. * * * Anderson, Armstrong (referring to Gayle Armstrong, placed in charge of the plants by Secretary Anderson) & Co. should be reminded of their public responsibility in maintaining normal operation of the plants."

I suggest to the committee that it inquire into the reason why the Big Four packers are not buying cattle at this particular time when, as our livestock commission people indicate, they have just as good an opportunity as any others to buy. A genuine investigation of the actions of the Big Four, the way those actions coincide with the consideration by Congress of price control, and the operations of the Big Four under the cloak afforded by Secretary Anderson—such an investigation might well prove highly illuminating.

It would be a pitiful confession for this Government, which has just won the greatest war in all history, to throw up its hands and say that black marketers, in an industry where the Government itself has taken over control, have defeated it, and that in deference to these racketeers we must now emasculate the Price Control Act.

Rather, Congress should say both to the executive branch of government and to the people [reading]:

We do not propose to let this country be put through the ghastly wringer of inflation and deflation that it was put through once before. We are going to spend whatever is necessary to fight inflation and to beat down black markets wherever they appear. We are going to ration wherever necessary in order to prove to the people of the world that democracy can function effectively in normal times as well as in crisis, and that it is the best system of government yet devised. We believe the interests of the whole people are superior to those of any vested interest, or any collection of vested interests, and we are going to see to it that the executive branch has the funds and authority to protect the public interest and then we are going to hold the executive branch accountable for doing exactly that.

I urge the committee to adopt a bill at least as strong as that reported by the House Banking and Currency Committee, and to write a report on the bill that will show the unmistakable intent of Congress to hold the line. We have just about met that test. It will be only a few months until the greatest danger of inflation will be past, production will be at an all-time peak, so far as peacetime is concerned, and then we can safely relax controls. Until then, let us not play with the fires that could consume us if they got out of hand.

Senator BANKHEAD. All right, Mr. Patton. We thank you, sir. Is Mr. Colgan here?

STATEMENT OF RICHARD A. COLGAN, JR., EXECUTIVE VICE PRESIDENT, NATIONAL LUMBER MANUFACTURERS ASSOCIATION

Senator BANKHEAD. State your name and place of business and whom you represent.

Mr. COLGAN. My name is Richard A. Colgan, Jr. I represent the National Lumber Manufacturers Association.

The National Lumber Manufacturers Association is a federation of the 16 regional, species, and product associations of the lumber-manufacturing industry which in turn represent a large proportion of the production and manufacture of lumber throughout the United States.

We have been telling the story of our problems for a long time now before this and other committees of the Congress, and in meetings with Government agencies. We still have those same problems.

We want housing for veterans—lots of it. The lumber manufacturers are ready, willing, and anxious to go out and produce more lumber than they did in their record war year. But they cannot do it unless some fundamental changes are made in the methods by which the Office of Price Administration sets lumber prices—and we believe that you should make those changes mandatory in your extension of their franchise.

Before I list the changes we recommend, I should like to call to your attention the present lumber situation. It really is serious. Production totals for all commodities may be way up, but production of lumber is down—drastically—from last year, continuing the down-war trend which began in 1943. Obviously, other problems besides price interfered, but all of these have now been eased or eliminated, and production is still down.

I cannot predict this year's total, but it obviously will not approach the goal needed for the housing program—36,000,000,000 board feet. That was our record production of recent years, reached in 1942. We could produce that much and much more—the capacity is available. But the present rate is only at a little more than 24,000,000,000 feet, or two-thirds of what we need. It may rise somewhat, but under present conditions we cannot possibly attain the production goal set for us—and the housing program will inevitably fail by that much.

Frankly, one of our biggest worries right now is that someone will be looking for scalps and will blame us for insufficient lumber production, when it is not our fault. In the judgment of lumbermen throughout the country, there will be only one reason for that failure—the refusal of OPA to recognize our increased costs. Inadequate price ceilings alone are responsible for most of our decreased production today.

Before describing our specific complaints against OPA practices, I would like to make one general observation about price ceilings on lumber. Regimenting prices in the lumber industry is an absolutely impossible problem. Looking at a tree and a sawmill, both rather simple in their details, you might think it one of the easiest of all industries on which to impose price controls. Actually, it is one of the most complex. We have 40,000 sawmills with widely differing techniques, many species of lumber, dozens of grades, and thousands of types and sizes of products.

When you add to this obvious complexity the always-present option to do any one of a number of things with each log, you have a price-setting problem which even Solomon in all his wisdom could not solve. There are dozens of silly examples from the present schedules, which are no reflection on OPA but which merely point up the absurdity of trying to fix rigid lumber prices.

Some of the examples, unfortunately, are more tragic than silly. Lumber manufacturers are forced to sell green lumber of an unwanted size—the ceilings will not permit a profit when they dry and cut to the specifications the dealer wants. The dealer, then, must have that work done at custom plants and at custom prices—and when the lumber finally gets into the house it has cost far more than would the

moderate increase needed by the lumber manufacturer to supply it right in the first place.

Many low-priced houses are being built with \$24 doors—the OPA would not raise the ceilings on the \$5 doors which these houses should have by the \$1 asked by the manufacturers, so the cheaper doors are not being made. Windows are being shipped unglazed and cost \$2 to \$3 apiece extra for glazing on the job. The OPA refused a request for 6 cents more.

Sure, OPA is holding the line, in spots—and very successfully increasing the cost of houses.

Personally, I get awfully, awfully bitter when I hear about some of the things this price regimentation is forcing the lumberman to do. No lumberman in his right mind wants to sell green lumber. No lumberman wants to have anything to do with the black market. Every lumberman knows that as an industry we face a future in which competition is going to make us fight for our lives. At least, we assume that Government controls will be removed some day. Such practices as are going on today will bring inevitable repercussions in the future, and they are the direct opposite of the normal methods of doing business under private enterprise and the pressure of competition in a free economy.

We believe that a series of changes in the act, making certain things mandatory upon the management of OPA, will bring a substantial increase in lumber production, even though they would not provide the complete economic freedom which is the only way to obtain all-out production.

These recommended changes—there are five of them—all derive from our long and troubled experiences with price regulation during the past 5 years; and, in the considered opinion of the lumber manufacturing industry, they are the minimum needed to cure our many ills. The record is full of examples proving the justice of our case, but I will not have time here to document them in any detail.

I therefore request permission at this point to supplement my testimony by inserting in the record several statements giving the evidence in detail. These statements reflect the experience of several of our federated associations and of individual lumbermen, and I believe they are a significant bill of particulars against the present practices of the OPA.

I ask leave to present statements by C. J. Warren, of Southwest Lumber Mills, an acting member of the western pine industry advisory committee; C. D. Dosker, of Gamble Bros., wood fabricators; Abbott Fox, for the Northern Hemlock Association; H. V. Simpson, for the West Coast Lumbermen's Association; and a brief of the Southern Pine Association.

Based upon all of this evidence, we strongly urge that you require the Office of Price Administration to do these five things:

1. Set price ceilings so that at least 90 percent of production can at least break even.
2. Consider lumber production costs only in setting lumber prices, not the over-all profit position of a company which might also be in the railroad business, the feed business, the oil business, or what not.
3. Figure the cost of our raw materials assets—the standing timber we cut—at its current market value.

4. Make decisions within a reasonable time.
5. Use current costs in determining price ceilings.

Senator MILLIKIN. As your No. 2 you say, "Consider lumber production costs only in setting lumber prices." Do you mean item by item or over all?

Mr. COLGAN. Over all; that is, don't take the sales of a coal mine or an oil well in with the profits that you should have made from the lumber.

Senator BANKHEAD. As I get that statement, he doesn't want to include anything but the cost of the lumber itself and eliminate the side lines; is that right?

Mr. COLGAN. Yes. The unit pricing system, I think the economists call it.

Senator MILLIKIN. I misinterpreted point 2, so I guess my question was off point.

Mr. COLGAN. These are not radical changes. I think you will agree that they are all reasonable requests seeking to change OPA practices, which, on the face of them, are absurd and untenable.

One of the amendments which has come to you from the House of Representatives—that which spells out a method for setting commodity prices—would accomplish some of our recommendations, although of course it goes somewhat further than we have asked.

Also, it is extremely questionable whether that amendment would cover one of our principal problems—the rapidly rising cost of standing timber—stumpage—which is not reflected in the present pricing methods of the OPA.

Without loading you down with a mass of detail, I would like to present briefly the reasons why the lumber industry requests the five changes I have just listed.

First. OPA, by its own admission, has imposed price ceilings which will permit only 75 percent of the industry to break even, or make a profit. This unholy policy, called their "bulk line" theory, is based in part on the absurd contention that 25 percent of production never did make a profit and never will. Here is one branch of the Government calmly cutting off 25 percent of the production—because, of course, they do go out of business—when other branches of the Government are exhorting us to produce and produce some more. That is simply ridiculous.

Actually, not even 75 percent of production is profitable if you include the nonoperating capacity which already has been forced out of business. And the theory is pernicious and progressive. Every time a new cost study is made, the effect of the mills no longer operating is lost, and new large segments of the industry would have to fall into the group that is now allowed to break even.

Now, I ask you, how in heaven's name can you get all-out production of lumber with a pricing philosophy like that?

We recommend that OPA be forced to adopt a policy which will allow at least 90 percent of production to break even. You will never get small sawmills, or the marginal operations of the large mills, back into production unless you do.

Second. OPA in recent months seems to have been devoting an ever-larger part of its time to the reduction of profits and not the regulation of prices. When this practice is extended to the point, as it is in the lumber industry, where over-all profits on many different

types of operations are used to color decisions on the prices of one operation, they unquestionably are going too far, and I am sure the Congress did not intend any such assumption of power in its delegation of authority.

The worst aspect of this practice is not that it treats unfairly the individual company which has more than one business interest—although that is bad enough—but that these over-all profits of one large company are used in cost studies to offset the losses being suffered by large numbers of small companies which are only in the lumber business. We strongly urge that you prohibit OPA from any such practices in the future.

Third. OPA refuses to recognize the current market value of our raw material. The price of stumpage has been mounting steadily through the war until it is 2, 3, or even 10 times its prewar price. In many areas this price is set by the Government through its timber sales. A number of operators, it is true, purchased large reserves years ago at depression prices. But the vast majority of small operators today are forced to buy new stumpage at high market prices.

Senator MILLIKIN. Mr. Chairman, may I ask, please what then do you make out of stumpage?

Mr. COLGAN. Lumber.

Senator MITCHELL. That is the raw material.

Mr. COLGAN. It is standing timber before it is cut; that is, before the first saw goes into it.

Senator MILLIKIN. I see.

Mr. COLGAN. In its cost studies OPA averages the low book value of the depression-bought stumpage of the large producers—allowing them no appreciation of their investment nor any credit for years of tax payments and caretaking costs—with the much smaller quantity of stumpage bought by the small operators at today's high market.

The effect of the current market price is thereby almost obscured, making it impossible for many small operators to stay in business. Naturally, no operator can possibly go in and buy timber if his prices are not based on the actual cost. And even for those producers who have the advantage of low-cost stumpage, there is certainly nothing foreign to proper pricing to recognize its value as the replacement cost of new timber, not its book value.

Any extension of the Price Control Act should definitely recognize this very real problem which is holding down production, and we recommend that you study it particularly in connection with the House amendment which I mentioned earlier. We do not believe that that amendment will meet this serious situation in the lumber industry.

Senator MITCHELL. What percentage of the stumpage would be sold at the present price? What percentage was bought at the low point of the market which is now available for cutting?

Mr. COLGAN. I don't have those figures. I don't think they are available.

Senator MITCHELL. They are not available? It is too big a deal to cover?

Mr. COLGAN. I would make an offhand guess of over 50 percent—that over 50 percent was being bought at the present time.

Senator MITCHELL. Then, if you raised prices to give the producers who are using high-cost stumpage, you would give a considerable margin to anybody who bought his stumpage at a lower price, would you not?

Mr. COLGAN. Yes, sir.

Senator MITCHELL. Do you feel that should be the program followed, even though you give a decided advantage to the large operators, for instance, who has stumpage which he may have bought 20 or 30 or even 50 years ago?

Mr. COLGAN. Yes, sir; because that operator has spent tax money, fire-protection money, and other care-taking money on that stumpage which he has held all these years.

Senator BANKHEAD. And interest on his investment?

Mr. COLGAN. Interest on his investment; thank you, Senator.

Senator BANKHEAD. Would that apply just simply to the big ones, or little ones?

Mr. COLGAN. It doesn't necessarily go by size. It goes by the long-time viewpoint of the operator.

Senator BANKHEAD. Much of the timber is owned by farmers or those who live on the land itself?

Mr. COLGAN. There is one small operator in Maryland that has been operating on a timber stand that has been operating on a timber stand that has been held, for, I think, 180 years. He is a very small operator.

Senator MITCHELL. Well, in the Pacific Northwest the holdings of timber are in the hands of the larger operators.

Mr. COLGAN. Well, not all of them, Senator.

Senator MITCHELL. No, not all of them; but I mean the bulk of the privately owned timber is owned by the bigger mill operators.

Mr. COLGAN. If I remember the figure, Senator, I think there are 30,000 small timber holders in the State of Washington. That is, less than a thousand acres.

Senator MITCHELL. Considerably less than a thousand acres.

Mr. COLGAN. That is, there are 30,000 who own tracts of less than a thousand acres.

Senator MITCHELL. But the bulk of your timber still would be owned by the big operators in the State of Washington?

Mr. COLGAN. It might be in the State of Washington, but not in the Nation as a whole.

Senator MITCHELL. Oh, if you look at the ownership map you will see that most of the acreage is owned by the big companies. You feel that the added price would not give the man who owns that timber and bought it at the low point in the market an unfair price increase, because we have a seller's market at the present time?

Mr. COLGAN. Looking at the production that you want to get out for housing, it would encourage this man who bought his timber years ago to cut more of it, if he didn't have to use up his capital by cutting it—if he could get that back as a profit he would cut more of it.

Senator BANKHEAD. Let me ask you this: If the cost of operation should be accepted as a basis then what difference would it make whether it was owned by a big concern or a little concern? You want to get out the output now to supply material for this housing program. Do they take into consideration how long the man has

owned the timber, or what the timber originally cost him when he got it, in the ceiling prices on his present operations?

Mr. COLGAN. They take the book value of the stumpage. If you bought it today they let it go in as part of your cost.

Senator BANKHEAD. That is the result of the new formula of the OPA which they call net worth?

Mr. COLGAN. No, sir.

Senator BANKHEAD. Well, how do they take the value of the stuff into consideration in determining the cost of production?

Mr. COLGAN. Well, your stumpage is on your books at a certain value per thousand. The fellows that have had it a long time may have bought it for a dollar. So it goes into your cost at \$1.

Senator MITCHELL. And they pay taxes on that value?

Mr. COLGAN. Sometimes. The fellows that bought it today pay \$10 for it, of which \$9 is built up in carrying charges. This fellow with the dollar stumpage would not sell it to you for less than \$10, but he has to put it in his cost at \$1. That is the average over the whole industry—the regional industry.

Senator BANKHEAD. So, under the formula of the OPA which gives everybody the same price, the people who own big tracts of timber could not afford to sell, according to your theory?

Mr. COLGAN. No, sir.

Senator BANKHEAD. That reduces the production accordingly?

Mr. COLGAN. Yes, sir.

Senator BANKHEAD. Well, go ahead.

Mr. COLGAN. Fourth: The utterly inexcusable slowness of OPA in making decisions in critical price emergencies is a habit which has been damned by every industry witness I have heard or read. It seems to be almost a chronic ailment which is not susceptible to any cure except the most extreme pressure from many official quarters—or the temporary shot in the arm which comes about this time every year when they are working for a renewal of their contract.

True, in the last month, we have had a large number of actions on lumber prices. Mr. Porter listed some of them for you last week. Many of the lumbermen interested have assured us that the increases were not nearly enough to accomplish the purpose of increased production, but at least Mr. Porter is right—there was some action.

Senator MITCHELL. You could not give us any definite figures on the price increases in lumber which would be sufficient to increase production?

Mr. COLGAN. I can only repeat what the advisory committees have told OPA in the last couple of weeks.

Senator MITCHELL. On specific items.

Mr. COLGAN. Your western pine was given \$4.60 which they say is not enough. Southern pine has been given within the last 6 months \$5. They are back this week asking for \$10 more. Redwood is asking for something and the west coast is asking for something.

Senator BANKHEAD. What do they give now for western pine?

Mr. COLGAN. Increase?

Senator BANKHEAD. No; what is the ceiling price?

Mr. COLGAN. I think it averages, with the \$4.60, about \$39.

Senator BANKHEAD. What does southern pine average?

Mr. COLGAN. I don't know that, sir.

Senator BANKHEAD. Well, you mentioned about giving one more than the other. I was wondering if southern pine started at very much lower than western pine in price.

Mr. COLGAN. Well, the stumpage has a lot to do with the top price and the cost of production has a lot to do with it.

Senator BANKHEAD. Southern pine is in stumpage very much lower than the western?

Mr. COLGAN. Yes. We are not permitted on account of the anti-trust laws to do much with prices, so I am not very familiar with the over-all picture of it.

Senator BANKHEAD. Go ahead with your statement.

Mr. COLGAN. Mr. Porter neglected to add that most of these had been pending for many months, and that the inexcusable delays by OPA had seriously hampered lumber production.

And, to us, it is not enough that OPA finally has been aroused to what may be only a temporary flare-up after months and months of inaction.

Senator MITCHELL. May I ask a question there on that?

For instance, the pressure of lumber for building has brought into the picture a Housing Expediter. Do you think that is the reason for the movement on building prices now? If that is the reason it will continue, will it not, until the production program is obtained?

Mr. COLGAN. You mean the Expediter has urged OPA to make the new prices?

Senator MITCHELL. I am asking you whether you think——

Mr. COLGAN. Is that what you are asking me?

Senator MITCHELL. Yes.

Mr. COLGAN. No, I don't. I think it is pressure from a group here in Congress.

Senator MITCHELL. Well, the Expediter has been and is recommending increases on certain building materials.

Mr. COLGAN. I wouldn't know about that.

Senator MITCHELL. He testified here that some 64 increases on building materials have been obtained and that he has been working on them. You don't think as far as your experience is concerned that that has had any appreciable effect on the price of OPA?

Mr. COLGAN. Senator, I wouldn't know what the Expediter might have said to OPA.

Senator MITCHELL. As far as you know that has not had any appreciable effect, then, on prices?

Mr. COLGAN. It may have had. I wouldn't know.

The barrage of complaints from the lumber industry, the official and unofficial hearings before this and other congressional committees, undoubtedly account for much of the pleasantly surprising heat right now. Fooled as we have been in the past—some of us fatally—when we tried to thaw out our frozen industrial problems at the cold, cold stoves of OPA, I don't think you can blame us if we look skeptically at this new fire, and wonder how soon it is going to go out again.

We believe that you should insure a continuous fire in that agency, by requiring it to make prompt decisions whenever duly constituted industry committees call attention to price difficulties.

Fifth: And the most obvious defect of all in OPA pricing, its decisions almost always are based upon cost studies which are out-of-date long

before the decisions are reached. Cost factors in every industry, and particularly in ours, where labor costs range from 50 to 75 percent, have been changing so quickly during the past year, and right now are accelerating so rapidly, that no prices figured on the basis of costs even 6 months old are any good in meeting present problems.

Mr. Porter and others from OPA many times have stated recently that the selling price of lumber has advanced steadily since the beginning of the war, and that production has not kept pace. He neglects to mention the equally significant fact that production costs have risen just as rapidly, in many cases more rapidly, than the selling price.

This fact is clearly demonstrated in the attached chart of the changes, since 1938, in selling price and production costs in one of the major lumber species.

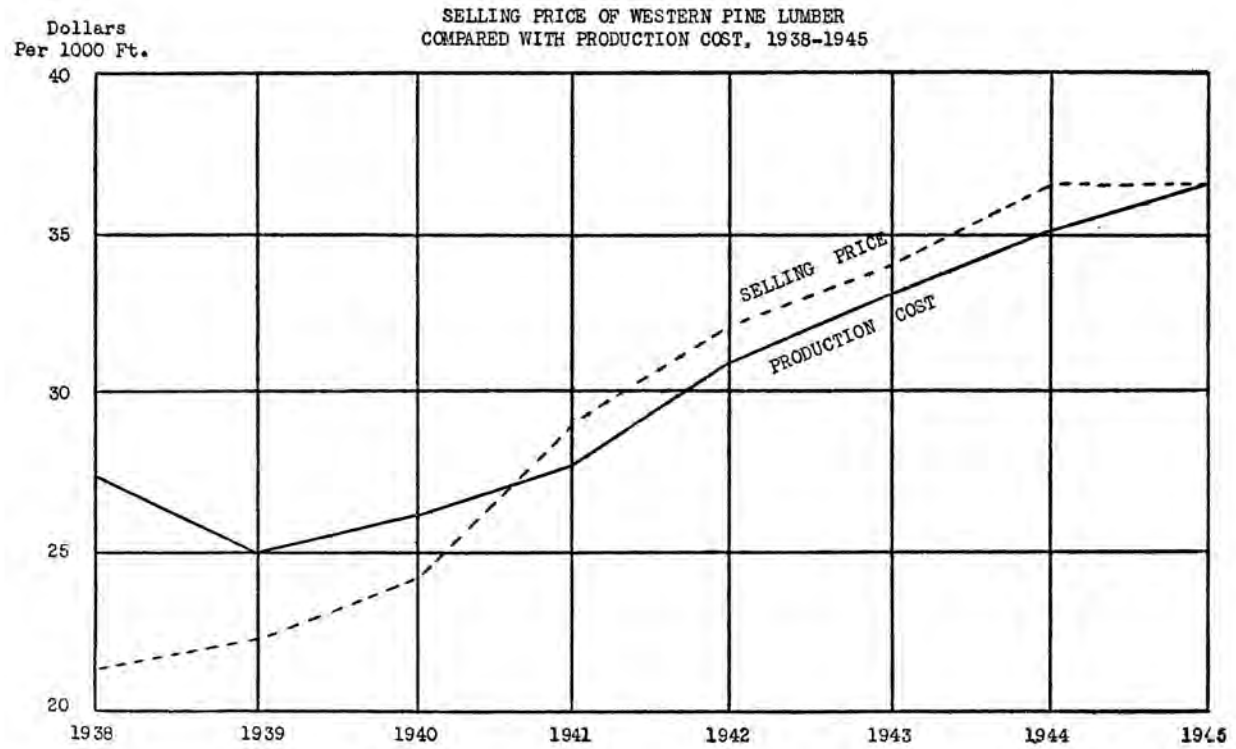
The necessity to base prices on current costs needs no further elaboration, I believe. And since many of these changing cost factors are matters of public record as soon as they occur, and could readily be used by OPA if they would do it, we recommend that you require that they be used in determining price ceilings.

I repeat, these are not radical changes. The lumber production goals cannot be achieved without them. In passing, let me say, that we know of no other way in which lumber production can be increased. Subsidies are not in question here; but should you believe that they might take the place of price changes, I can assure you that the lumber industry steadfastly opposes subsidies and is convinced that they cannot help lumber production.

In closing, may I comment just for a moment about price control and inflation. I am not an economist, of course. But listening to the people in our industry, and to the people I meet, I am more than ever convinced that one of the most inflationary factors we have today is the organized propaganda for the continuation of price control. That propaganda is creating a steadily rising fear of inflation, that type of fear which is always the silent partner of inflation.

In behalf of the lumber industry, in behalf of the housing program, I strongly urge that you consider our recommendations carefully. We in the lumber industry don't want inflation. But we do not believe that the stifling controls which hamstring our production can possibly be the answer. We would like to go out and cut some lumber. The capacity to do it is there. The mills are ready, and the manpower and equipment can be made available. We know how to do it. Remove the brakes and let us get back to work.

(The chart referred to and submitted by the witness is as follows:)



NOTE: Data from Western Pine Association's Statistical Department.

Senator MITCHELL. If the situation is as bad as you outline, why are we cutting 24 billion feet of lumber a year now?

Mr. COLGAN. In many operations, Senator, it is cheaper to keep on operating at a slow production schedule than it is to shut down and pay taxes, pay watchmen, and keep fire protection and other necessary going costs.

Senator MITCHELL. Do you have any figures on that?

Mr. COLGAN. There is also the reason that the low-cost operators can continue to operate at a profit on some of these prices.

Senator MITCHELL. The lumber industry always has shut down at certain periods during the year, and they shut down in the past whenever there was a slump in the market.

Mr. COLGAN. The lumber industry is very sensitive to the market. If complete brakes were off you would see a great rise in production and you would soon see an over supply of lumber.

Senator MITCHELL. Conversely, I do not see why we are getting such good production, which is higher than in any of the prewar years, if the price is so bad as you outline it here.

Mr. COLGAN. The price is bad on the top layer of production which is needed now. It has not been so bad on the lower-cost production.

Senator MITCHELL. Will you elaborate that a little bit?

Mr. COLGAN. There will always be operators who can produce lumber at a low figure and compete in any market.

Senator MITCHELL. There must be quite a few of them, if they can produce 24 billion feet a year.

Mr. COLGAN. Some of them are on a break-even basis, or just below, and would rather operate than shut down and take the loss of having their machinery idle and rusting and nobody protecting their fields.

Senator MITCHELL. What percentage of the 24 billion feet of lumber is going into lumber products which are not suitable for building?

Mr. COLGAN. CPA requires in the softwoods that 40 percent of it go into the building program. They estimate that that is about all that can be cut into that type of lumber.

Senator MITCHELL. Is it correct that you have hang-over prices from the war which would make it more profitable for the mills to cut certain heavy types of timber?

Mr. COLGAN. That is so to some extent, in the west coast district.

Senator MITCHELL. Does that cut down the production of building materials to a considerable extent?

Mr. COLGAN. It has forced the retailers to do some custom sawing, that I mentioned earlier in my statement, and it also probably has cut down the building of residences to some extent, although CPA 33 has taken care of most of that.

Senator MITCHELL. That has been corrected?

Mr. COLGAN. Yes. Mr. Chairman, do I have permission to put these in the record?

Senator BANKHEAD. What are they?

Mr. COLGAN. I mentioned in my talk some detailed statements.

Senator BANKHEAD. Very well.

(The documents referred to and submitted by the witness from Mr. Abbott Fox are as follows:)

FEBRUARY 23, 1946.

FEDERAL PRICE ADMINISTRATION IN WISCONSIN AND MICHIGAN—PROPOSED AMENDMENTS TO THE PRICE CONTROL LAW

Lumber production in Wisconsin and Michigan in 1945 was 23 percent under 1944. Mills producing more than 5,000,000 feet annually and supplying the bulk of the lumber from this area which goes into interstate commerce, are making only 44 percent of the lumber which mills of this class made in 1941. The manufacture of hemlock lumber which has been a primary factor in residential building in Wisconsin and Michigan, has fallen off out of all proportion to other lumber production. The chief factor causing this loss of residential construction lumber is certainly due to the artificial diversion of hemlock logs into other channels of use through OPA pricing methods. An important factor in the over-all decline in the output of lumber in the Lake States is the lack of a method which measures changing production costs with reasonable accuracy, and the inability of Federal agencies to make prompt ceiling price adjustments to cover wage increases as determined by Government agencies, and to take care of creeping production costs. We emphasize that the OPA cost-accounting methods which may be applicable and reasonable elsewhere, have greater factors of error when applied to conditions in the Lake States than the production cost differences which the method undertakes to detect.

EXAMPLES OF THE EFFECT OF OPA CONTROLS

Retail lumber dealers in Michigan and Wisconsin have long placed much dependence upon quick, local shipments of hemlock construction lumber. Currently, the quantity available is unreasonably and artificially reduced by pricing. In 1939 and 1940 the sawmills were taking 89 percent of the hemlock logs, but the price ceilings on hemlock lumber and on other commodities in industries which could well afford to buy hemlock logs, have resulted in the diversion of the logs from the sawmills into other uses, so that since 1943 less than half of the hemlock logs have gone into lumber. The record of the winter log input of hemlock during the past 5 years has shown other industries than lumber manufacture taking the following percentages of the winter seasonal output of hemlock logs.

Winter season:	Percent diverted from lumber
1939-40-----	11
1940-41-----	17
1942-43-----	28
1944-45-----	53

In 1945 less than half of the hemlock produced in 1941 went through the sawmills, while the over-all production of lumber was about 79 percent of the 1941 figure. Last fall this situation was further aggravated by an increase of \$4 in the ceiling price of hemlock logs, while the average hemlock lumber ceiling price was increased \$2. This followed wage increases by the WLB which raised the production costs of lumber between \$4.25 and \$6.50 per thousand feet. This came at a time when residential construction lumber production needed to be stimulated. The reverse action was taken. One of the medium-sized producers, whose situation is like that of many others, on February 7, 1946, wrote:

"I can truthfully state that we lost at least 1,500,000 feet of production during 1945 for the reason that we declined to take in hemlock logs, and this was entirely due to the price set-up, as we had no manpower or equipment problem."

On February 14 the president of one of the larger operating companies testified: "Hemlock lumber production has dropped to a small fraction of what it formerly was and hemlock logs are being shipped to the paper mills instead of being manufactured into lumber. Our firm has manufactured and shipped hemlock lumber for years to customers who at this time are desperately in need of it and now have to go without it because of OPA price situation. I know of a retail yard operator who formerly purchased a good deal of hemlock lumber from a sawmill. This retail yardman is unable to buy hemlock lumber from this sawmill and is forced to purchase hemlock logs and ship the logs in on cars—unload the cars—load these logs on trucks and haul them to a small mill in order to obtain lumber which he formerly purchased from the same operator that is selling him the logs. This seems to me to be going a long way around the bush and this ridiculous situation is caused by OPA price controls and is a good example of the

results of the failure of OPA to live up its responsibility to be fair in dealing with the industry."

On October 8, 1945, the War Labor Board awarded a wage increase of 10 cents per hour retroactive to April 26, 1945. The effect of this on certain producers is shown by a report from one of the companies on January 18, 1946. They write:

"What this whole situation means can be stated in a nutshell. We employ about 400 men on a 48-hour week, meaning 52 hours pay. The 10-cent-per-hour increase means \$5.20 per week to each man, or \$270.40 per man per year, so that for 400 men our wage increase amounts to \$108,160. We produce about 14,000,000 feet of lumber per year, so that the \$2 per thousand increase means \$28,000. Consequently, the wage increase means a net loss of \$80,000 per year, and we need hardly point out that there is no such money available from the profits of a company of our size in the lumber business. Unless we get some relief we are bound to go badly into the red while this situation lasts or we will have to shut down. It is manifest that we cannot continue to pay a net increase of \$80,000 in wages per year and continue on."

OPA COST ACCOUNTING

The cost accounting methods which the Lumber Branch of the OPA is currently required to use, are not reasonably applicable to the conditions which prevail in the Lake States. It is possible to obtain detailed OPA cost reports from less than 20 operators, chiefly in the larger production classifications. These may not be representative with respect to timber holdings, related operations, and mixture of species. The smaller operators do not have comparable cost figures in the books.

The cost reports from 12 to 18 mills have to be taken as representing the costs in Wisconsin-Michigan, for example, of 2,475 mills producing less than 1,000,000 feet annually, but making 38 percent of the lumber; and 119 mills producing between 1,000,000 and 5,000,000 feet annually, and making 26 percent of the lumber, and 32 mills cutting over 5,000,000 feet annually, and making 36 percent of the lumber.

These 15 or 20 cost reports are presumed to cover the following variations in the cost problems of more than 2,000 sawmill men.

1. Firms consuming timber purchased many years ago and carried on the books at low values.
2. Firms which must purchase logs or timber on the current market.
3. Firms with equipment well depreciated, and firms using normal equipment costs.
4. Firms having a heavy percentage of valuable maple and birch, and firms normally having a high percentage of hemlock or aspen.
5. Firms cutting many species, and also handling various percentages of ties, poles, fuelwood, small dimension products, and other items which are averaged into their costs and realizations. The operating profit or loss on the OPA reporting forms shows variations from a loss report of \$16.64 per thousand feet, to a profit of \$13.98 per thousand feet.

Certainly the reports from 15 to 20 sawmills cannot be averaged and applied as a fair measure of cost to the hundreds of firms in the region which deal with entirely different complexities.

The operating profit or loss per thousand feet of some of the companies which reported to the OPA in the last cost survey for the first 9 months of 1944 and which furnished the bulk of the production coverage showed the following variations:

Loss.....	\$0. 27	Profit.....	\$4. 74
Loss.....	3. 45	Loss.....	16. 64
Profit.....	9. 78	Profit.....	3. 48
Profit.....	13. 98	Profit.....	5. 01
Loss.....	3. 64	Profit.....	5. 05
Loss.....	1. 02		

Obviously, where there is such variation in profit and loss in the sample, it is unreasonable to attempt to apply an analysis to these reports which would determine the break-even costs of 75 percent of the production. The addition or elimination of one firm changes the ceiling-price figure which will be set for the entire regional industry.

A method which has seemed to prove that the industry was more profitable as wages and costs increased is *prima facie* in marked error. Each time a new survey is made under the conditions outlined above, but with different firms reporting, the final analysis under the OPA method cannot be fairly applied to operators working under so many different conditions. The most feasible method would be to take a base period determined by the original cost reports and to use comparable cost reports of identical firms to determine the changes which are taking place so that prompt adjustments in average ceilings may be made on the basis of the actual cost increases in the region.

SOUTHERN PINE CASE

The case of the southern pine industry stands out in bold relief as an example of how control, as administered, has resulted in widespread plant shut-down and consequent serious curtailment of production. Southern pine is produced chiefly in 12 Southern States by some 15,000 units, the bulk of the production coming from mills with an annual out-turn of less than 5,000,000 feet, these being commonly designated as small mills. Normally, southern pine is responsible for about 30 percent of all lumber (softwoods and hardwoods) produced in the United States.

In the 4 years, 1936-39 inclusive, the annual production of this species, in round figures, was 7,000,000,000 feet. As our country geared up for defense in 1940, production that year rose to 10,000,000,000 feet. About the same volume, slightly increased, was produced in 1941, and in 1942 southern pine production reached the staggering total of nearly 12,000,000,000 feet, the largest output since 1925. It was in 1942 that the Price Control Act was imposed as a war measure, and it was during that year that OPA set up an Industry Advisory Committee to counsel with its Lumber Branch in matters dealing with the price angle of the industry's production for war needs.

This advisory committee to OPA, composed of practical lumbermen either engaged in the manufacture of southern pine lumber, or thoroughly acquainted with the make-up of the industry and its operating conditions, did advise OPA on many occasions but its advice was rarely considered by OPA, or considered too late and too lightly to be of any practical use. The industry, through the Southern Pine War Committee and its duly accredited representatives, exhausted every effort in its power to provide factual evidence to OPA and to facilitate and expedite the work of the OPA staff. Comprehensive cost studies were made by the industry and checked by public accountants to vouchsafe their accuracy and accounting reliability. These were submitted to OPA in toto and were used by OPA, in combination with its own theoretical formula, in making ceiling price determinations based on the years 1942 and 1943.

When the industry completed its 1944 cost study, under the same methods and conditions followed for all previous studies, it, too, was submitted to OPA. But OPA, for some reason never made clear to the industry, had elected to make its own direct cost study applicable to the year 1944, using methods that departed sharply from the customary accounting procedures followed generally by the industry. OPA was unable to complete its study and, as a last resort, was compelled to draft some two-thirds of its returns from the industry's study.

Cost studies made by the industry are confined strictly to the lumber manufacturing operations, excluding any subsidiary operations not directly associated with lumber production and distribution. The figures reported on lumber cost and sales realization agree with the lumber books and are submitted on reports signed by an official of the company. Notwithstanding these procedures, OPA assumed unwarranted liberties in treating reported figures for previous ceiling adjustments and for income derived from nonlumber operations in instances where it was able to obtain such information from profit-and-loss statements submitted by mills reporting directly to it. Of the 180 mills included in the OPA "adjusted array" of southern pine operations, year 1944 (61 mills on direct reports to OPA and 119 mills taken from the industry's study), 94 had reported to the Southern Pine War Committee they were able to recover their costs in 1944, some by a bare break-even or by a few cents, while 79 had reported losses. No cross check was available on seven of the 180 mills. When the OPA economists had completed their maze of theoretical adjustments, more than four-fifths of the gainful mills had been made to appear more gainful, and more than two-thirds of the ungainful mills less ungainful. Some of the reported gains, it would appear, had been so substantially increased by OPA tampering that had these mills ac-

tually obtained such a spread between their cost and sales realization, they would have had to sell above ceiling and in violation of OPA controls. Yet OPA could transcend its own law in its effort to produce evidence showing the industry not to be in need of a ceiling-price increase.

Is OPA a commodity price control agency, or an agency to control or confiscate profits? It is chiefly the larger southern pine operations who have subsidiary sources of income—those having the largest production, operating mainly in owned timber reported at depreciated book values—and when these, who are the most likely to show a spread because of their low valued stumpage, have their gains from lumber arbitrarily increased by the inclusion of other income, there is little hope for the rank and file of the industry to be adequately protected under OPA procedures. Many of the larger mills, in 1944, were unable to recover even the cost of their devalued stumpage, and it is a rank discrimination against them and against the industry for OPA to inflate their gains and disguise facts that should be revealed in the public interest. The larger reporting mills, those profiting mainly from the sacrifice of undervalued stumpage, were responsible for nearly two-thirds of the production reported in the industry cost study for 1944. As a segment of the industry, this class of mills account for less than one-third of the total normal production, their reverse weight in cost studies causing mills responsible for the bulk of the industry's production to be left unprotected under methods employed by OPA in examining the industry for price adjustments.

Few southern pine producers, representing perhaps less than 20 percent of the total production, have other considerable means of income. Most depend exclusively on their lumber operations. No income, therefore, that is not common to the majority of operators should be applied to a minority. When so used, it distorts facts and deals unfairly with the industry as a unit. Even those few mills who have other sources of income have it only spasmodically, and notably at times when they are failing to profit from the profit-making enterprise. It more often involves some sacrifice of capital to keep the main utility alive, than any deliberate effort to enhance income. Of the group of larger pine mills included in the industry cost study for 1944, 51 percent of their number and 38 percent of their production recorded losses in their lumber operations. Is it any wonder that some few should look for other available sources of income, when OPA ceilings would not permit them to get this income in lumber? As though conditions were not bad enough, OPA must credit this income to lumber sales and make the lumber operations show income it did not receive. There is no authority in accounting annals to condone such treatment. Only OPA could do this and attempt to justify it under the requirements of law. A law so handily appropriated by OPA to defend its theories is scarcely a law that OPA could invoke if it were similarly appropriated to defend lumber producers against OPA abuses.

Let it be known, further, that OPA could find scant excuse for increasing reported costs, although it did increase reported realization by any and every device it could conjure. In spite of a continuing sharp upward spiral in costs (southern pine cost at reporting mills increased \$5.56 per thousand, or 14.1 percent, in 1944 over 1943) OPA allowed only a 50 cent per thousand increase in cost to account for increased wages between the year 1944 and the latest available date prior to its examination of the case in 1945. The increase in southern pine lumber cost, in 1944 over 1943, amounted to \$2.75 per thousand, or 17.5 percent—5½ times the allowance permitted by OPA to compensate for its unequal additions to reported lumber sales realization. The industry has contended, and rightfully, that no adjustments should be made in reported realization unless proper adjustments be made also in reported cost. Having no reported data to sustain the full actual increase in cost, it was manifestly a discrimination against the industry for OPA to distort earnings. If costs had been available, the increase in cost undoubtedly would have offset the increment arbitrarily pyramided on realization, because OPA controls served as a stopgap to lumber realization and there was nothing to check the upward trend in costs.

It was only in 1945, in dealing with 1944 costs, that OPA saw fit to depart radically from its past practices. Previously, OPA had dealt with reported lumber cost and sales realization, and its application of extraordinary adjustments to reported book data was made effective only in 1945, based on its consideration of the 1944 costs. OPA's only stated reason for this sudden departure from a former custom was that it "had made a mistake" formerly and was trying to rectify that mistake (at the expense of the industry) in its present study. This, however, does not seem to justify OPA's retrieval of its old mistake, for it con-

sidered incomplete cost and sales realization it gathered for the first half of 1945 without making the adjustments it applied to the 1944 record. Industry accounting methods have remained uniform and comparable throughout, but OPA changes its methods at will and makes mistakes to excuse mistakes without end. No Federal agency charged with the control of a major industry should ever make a mistake. Such mistakes involve millions of dollars and huge volumes of lost production, and are a blight on the Nation.

So far as mistakes are concerned, every decision made by OPA involving southern pine ceilings has been a mistake, as witness the progressive decline in percentage return on sales recorded by reporting mills—from 12.7 percent in 1941, to 9.2 percent in 1942, to 5.5 percent in 1943, and thence to a bare 2.7 percent in 1944. The average spread, all reporting mills, dropped from \$4.19 per thousand in 1941, to \$1.26 per thousand in 1944, a decline of \$2.93 per thousand, or 70 percent, in 3 years. OPA made mistakes, to be sure, but these were not mistakes which helped the industry. It must, therefore, make the grand mistake in 1945 of changing its computing methods to make an already distressed industry more distressed. Instead of tightening its tentacles, these should have been relaxed to insure the industry some recovery from the less damaging mistakes previously made by OPA.

The 1944 cost study made by the Southern Pine War Committee, from information taken directly from the lumber manufacturing books, showed 52 percent of the reporting mills and 40 percent of the reported production as having sustained operating losses that year. Had the study been less heavily weighted with large mill production, as aforementioned, these results would have been still more disappointing. When OPA had completed its "adjusted array" for 1944, and had made its decision based on a 75 percent cut-off in reported production, it was able to declare the southern pine industry not to be in need of price relief based on OPA's accounting methods and the "minimum requirements" of OPA law. In fact, notwithstanding OPA's questionable adjustments, the OPA adjusted array for 1944 showed 29 percent of the production to have been obtained at losses. This brought from OPA the startling declaration that some 25 percent of the total production of southern pine is always produced at a loss and is expected to continue being produced at a loss; therefore, OPA is under no obligation to protect it. How and where OPA got this information, nobody knows. Certainly, if any substantial part of the production is obtained at a loss in any year, due to economic conditions beyond the control of the operators, these operators expect to recover their losses in a subsequent period. Nobody engages in business for the avowed purpose of losing money consistently. Under the inflexible OPA ceilings, there would be no opportunity for subsequent recovery, and this 25 percent would continue to revolve until nearly all of the producers had shut down or gone broke. What, then, can be expected of a control agency whose thinking is so lacking in common sense that it would sit by waiting for production to dry up without ever seeing the need for any action on its part?

The southern pine industry contends that price adjustments, under methods employed by OPA, where the past year's cost is involved, should be made on a 95-percent cut-off in reported production, leaving roughly 5 percent as the unprotected marginal fringe. In its determination, effective March 16, 1944, based on 1943 costs and realization, OPA remarked in its statement of considerations: "The next point is that the increase is the minimum required by law. Figures supporting this statement are set out in detail in the statement. In brief, the reason lies in the fact that the essential demand for lumber is considerably greater than the supply, so that it could be said that 100 percent of production is needed. However, since it is obvious that practical principles of price control would not permit the price so high as to cover the entire cost to the most inefficient producer, the present increase has been designed to support approximately 85 to 90 percent of production by volume."

If protection afforded an estimated 85 to 90 percent of reported 1943 production, unadjusted for nonlumber income or other factors, resulted in more than one-half the reporting mills and 40 percent of the reported production showing losses in 1944, then by no stretch of the imagination could a 75-percent cut-off in an adjusted array for 1944 protect as much as one-half of the 1945 production. OPA made no adjustment based on 1944 costs, and allowed only \$2.25 per thousand, effective November 29, 1945, to account for partial increase in costs in the first half of 1945 over the year 1944, amounting roughly to \$1.50 per thousand at a 75-percent cut-off in production, plus an additional 75 cents per thousand to convert the schedules from a wartime to a peacetime basis. The industry had petitioned for an increase of \$5.31 per thousand, based on a 95-percent cut-off in its

reported 1944 production (amounting to \$5.10 per thousand at a 95-percent cut-off in the adjusted OPA array), which should have supplemented the increase granted in November of \$2.25 per thousand, making a total increase of roundly \$7.75 per thousand, the amount actually needed to keep some 85 to 90 percent of the industry's production alive.

OPA's failure to heed the industry's need for relief caused 859, or 51 percent, of a total of 1,676 mills recently surveyed to shut down, resulting in a loss of production aggregating 1,140,000,000 feet, or 44 percent of a probable production in 1945 of 2,564,000,000 feet. This condition is directly attributable to OPA and its blundering and procrastinating administration of a law that is gradually exterminating the hitherto most stable and efficient segment of a vital American industry.

While there may have been need of price control in war, there is no way to make it work equitably and practically in peacetimes. Representatives of OPA have admitted that, in their opinion, more than one-half of the 1945 production of southern pine was being black-marketed, rough, green, and ungraded, at prices far in excess of those established for the finished and properly graded product. OPA has no effective control over black-market practices, and has made no vigorous effort to check violations. Consequently, its efforts to prevent sound inflation have resulted in unsound inflation on a huge scale. Consumers are paying extortionate prices for inferior lumber because there is not enough good lumber being produced to supply the demand. That is inflation of a vicious type—inordinately high prices on one hand, and failure of the product in use on the other. Yet, OPA, fully aware of this condition, does nothing to stop it and continues to sit tight on the law-abiding producer, who is the only medium through whom unlawful practices can be checked by being assured a price for his quality produce that will enable him to produce it without loss and in quantities that will limit or dissipate the demand for black-market lumber.

No industry made up of thousands of diverse operations with varying degrees of financial and managerial stability can adjust itself bodily to uniform controls. Some must fare worse than others under these controls, yet all should survive if lumber production is to be the keystone of the gigantic housing program planned for our country. All cannot survive with OPA at the helm. Each individual operation is a world to itself, depending for its life and fate on such natural forces as location, climate, human relations, and a host of circumstances peculiar to its own being. Subsidies would not succeed, because they would be contingent on the ability of each and every operator in the industry to produce accurate statements of cost and income, and it is doubtful if as many as 5 percent of all southern-pine mills do any real cost accounting. They may keep records of a sort, but these are not the orthodox cost records, for few, indeed, could afford the talent needed to install and operate cost accounts. Furthermore, any attempt to subsidize mills would cause interminable delays in the already interminably delayed procedures of OPA, and competitive discriminations resulting from such delays and from OPA deficiencies would only force more lumber onto black markets. Subsidy is no cure for southern-pine disabilities, nor is subsidy a palliative for any ill resulting from conflicts with the inevitable forces of nature. There is no place for subsidy in our young, vigorous, and growing America. OPA would have to be the biggest business in America—a monopoly control—if it hoped to administer subsidies fairly and properly.

The facts in the southern-pine case have been laid before all authorities having power to redress industry grievances. They are recited briefly in this presentation to illustrate the hopelessness of any effort to improve our national economy while OPA holds the reins. OPA is politically sensitive, swayed more by political sentiment than by allegiance to its duties. For example, in the southern-pine industry's appeal to Congress for relief from distress caused by OPA, the manufacturers of rough green lumber who customarily sell their product to concentration plants for drying, dressing, grading, and marketing were granted a \$5 per thousand advance in ceiling by OPA, while the advance allotted by OPA to the concentrators and other manufacturers of finished lumber was restricted to \$2.25 per thousand. This meant that the concentrator must pay \$5 per thousand more for his rough green purchases, refine the lumber, and sell it for a \$2.25 per thousand advance on his list, thereby losing, roundly, \$2.75 on every thousand feet of such lumber he handled. This was plainly a case of putting the cart before the horse, because it was politically expedient for OPA to do this. In reality, the larger increase should have been accorded the manufacturer of the finished product. Failure of OPA to do this stripped many of the rough green independent producers of a legitimate market and either shut them down for

want of a normal outlet or compelled them to route their production to black markets. Another mistake made by OPA, but one OPA made no direct attempt to correct.

Southern-pine costs, average for all reporting mills, between 1941 and 1944, increased \$16.41 per thousand or 57.1 percent, while sales realization in that period increased \$13.39 per thousand or 40.9 percent. OPA did not, therefore, adjust ceiling prices comparable to the increase sustained in cost, causing the spread between cost and sales realization, at these reporting operations, to decline \$2.93 per thousand, or 70 percent, in this 3-year period. Here, again, as previously remarked, this showing would be even more alarming if the cost study had been contingent on industry weights rather than reporting mill weights, being biased abnormally by the 61 percent of production reported by large mills operating chiefly on low-book-value owned stumpage, whereas these mills as a class yield less than one-third of the industry's total production. OPA has done nothing to rectify this condition, knowing full well that it resulted in discriminatory and inadequate treatment being accorded the industry.

Then, there is the problem of coordinating prices between regions and between trade groups, to preserve the normal differentials in competition and avoid serious supply and demand distortions. OPA has given little attention to these problems. On the contrary, OPA has evaded these responsibilities and, through its cost absorption theory, has endeavored to compel one branch of trade or industry to underwrite the grants extended another. Such treatment does not keep business healthy, nor is it likely to encourage the volume of employment, production, and distribution that would exist normally in a free economy. OPA, or no other standardized and streamlined control can be depended upon to iron out all of the difficulties that must arise when synthetic directives are applied to uncontrollable natural forces. If progress must be hindered or prohibited, there is no better way of achieving this disaster than to let OPA plow ahead with its sails untrimmed.

The Office of War Mobilization and Reconversion has recently directed that southern pine ceilings be increased \$3.25 per thousand, as an incentive for increased production. The industry has demonstrated its need for an even greater adjustment to cover its actual increase in costs. This incentive, therefore, is primarily a necessity, rather than a premium for extra effort on the part of producers who are failing to recover their costs from adjustments made hitherto by OPA. Its uneven allocation by OPA to items and grades entering mainly into housing construction will not enable all producers to realize the full amount of this incentive. As applied to the total production, it will yield less than the declared \$3.25 per thousand, and will not be an incentive for producers of exempt items to increase their outputs. All items enter into the total production, and production goals based on total output should be predicated on uniform treatment being accorded all producers under any incentive granted for the purpose of increasing total production. Failure to do this distorts price relationships and discourages production by mills equipped to supply a demand for industrial users whose need for lumber must be met if the housing program is not to suffer from their lack of full participation in it.

The southern pine industry made an all-out effort, regardless of cost or sacrifice, to supply the war demand for lumber. It may point with justifiable pride to its wartime production record. It will not be neglectful of its peacetime obligations, and will exert every possible effort to discharge its responsibilities. Hampered with confusing and restricting directives, progress will not be so rapid as it could be if the industry were left to its own resources. OPA interventions result in distortions and bottlenecks, and these will prevail as long as OPA has authority to subordinate varying industry customs and practices to its price-control theory.

The longer these abuses are permitted to accumulate under OPA price controls, the greater will be the chaos and the economic displacements when the controls are finally relinquished. If OPA law could be fairly and equitably administered and rigidly enforced it might have some psychological if not needful merit. There seems, however, no way to accomplish this, for even the uniform price adjustments that are made by OPA do not apply equitably to all operators. When these adjustments are prorated to specific items and grades, some producers realize more or less than others, depending on the class of timber they cut and its item and grade yield, and on the circumstances under which they operate. The whole thing, therefore, is impractical and unenforceable and cannot be made to work effectively in a competitive peacetime economy. The vast expenditures of tax money budgeted for the maintenance of OPA are more of an inflation threat to consumer than would be the higher prices obtained for an adequate and better quality of production without price controls.

OPA cannot transcend natural causes and effects, and as long as these must prevail and thwart all efforts to control our economy synthetically, the sooner these artificial obstructions are removed, the quicker will our country regain its equilibrium and be alertly on its way to a bigger and better future.

IDENTIFICATION

My name is C. J. Warren. I live in McNary, Ariz., a sawmill town. I am production manager of Southwest Lumber Mills, Inc., and I am an acting member of the Western Pine Industry Advisory Committee.

I. INTRODUCTION

This committee, I understand, is conducting these hearings to permit the people of the country to state reasons for and against the extension of the Emergency Price Control Act. It seems to me that to be most helpful I should give you examples from real life showing what the act has done to my company, and to the lumber industry of which we are a part.

While I am telling you about the experiences of my own company, I would like to have you bear in mind that we are only one of several hundred large and small lumber producers in the western pine industry. The price regulations apply to all of us.

Also, as you know, there are about 40,000 lumber producers of all kinds and sizes in this country and the pains of one producer are generally visited upon all producers.

II. PRODUCTION

In 1944 my company reached its peak of production, with 105,000,000 board feet of lumber. That is enough lumber if it were all devoted to housing, to build about 13,000 homes. Our three main plants, running long hours, produced about 80 percent of that. The rest of the production was accounted for by the operation of seven smaller mills which we owned, controlled, or operated.

In 1945, we operated the three main plants, but our marginal mills began to go out of production. One we dismantled, two were sold, and one we let lay idle. One other quit producing, about midyear 1945, so by the year-end we had only five producing mills.

We produced about 75,000,000 feet of lumber in 1945, a drop of about 30,000,000 feet under 1944, our peak year.

This year we had hoped to run five mills. I cannot tell you now what our production will be. That will depend upon the level of prices. If the price is high and offers us a chance to make a fair profit, we could probably produce 85 or 90 million feet, even with this late start. But prices would have to increase enough to make it really profitable. And the increase would have to come quickly, because time flies in the logging business. We have to make hay while the sun shines. It takes several weeks to round up the men, the trucks, and the other pieces of equipment and tools necessary to get even a small mill to producing lumber. It takes time to dry lumber.

My guess is that we will reach a total this year of about 65 or 70 million feet. This represents a production loss of about 40 percent. That is enough lumber for 5,000 houses.

When the country is crying for all-out lumber production, what is the reason for this loss of production? The Emergency Price Control Act and its administration must bear the full blame.

III. MOLDINGS

I would like to give you some examples of the effect of the Price Control Act on certain branches of the lumber industry.

Moldings are a very necessary item in the building of a home. You need moldings around doors and windows, and you need moldings of one kind or another in every room in every house.

As a part of our business we have a molding department making principally house moldings for screens, window and door stops, lattice, and many other patterns.

In prewar years we were generally considered the largest single producers of western pine moldings in the United States. Our production before the Price Control Act became effective was about 300 carloads of moldings a year. A

carload contains about one-half million lineal feet. That would be enough to finish the interior of 75,000 to 100,000 houses.

A few months after the imposition of ceiling prices at our March 1942 ceiling, we made a substantial wage increase. This increased our costs, of course. Toward the end of 1942 our production declined to a few carloads a month. In 1943 additional wage increases were made, though we were still under the same price ceiling. Cost at this point overtook price. We shut that factory down, and it is still idle. Price control in this instance not only stopped production from this large plant, but destroyed the jobs of over 200 of our employees.

What is the situation today? Here you have a modern molding plant, with the very finest high-speed, up-to-date equipment. It would take us months, even if we had no price control today, to restore this plant to its full peacetime production rate. Our skilled workers have scattered far and wide. Most of these specially trained men are no longer in this trade.

What has the OPA done to encourage reopening of molding plants like ours? Last November, long after VJ-day, they published for the first time, a specific price regulation (MPR 601). You would naturally expect OPA would put the price of these products at a level somewhere above our March 1942 figures to reflect increased costs. They did not do this. The actual effect of the new regulation was to reduce our FOB mill price. It took OPA more than 4 years to get this price list into print. Judging by our experiences in trying to get corrections in other critical situations, I haven't the slightest hope or expectation that any relief can be obtained. Furthermore, I predict that even if OPA does unexpectedly grant relief quickly on this important building item, the amount of any increase they give will certainly be too little, if not too late.

IV. VENETIAN BLIND MATERIAL

We formerly made large quantities of venetian blind material. Price control kept the price so low that we shut that plant down about 1943. We used to make 6,000,000 lineal feet of venetian blind slats each month. That's enough material for about 60,000 windows.

It would take us a minimum of 6 months to get that department back into production. If the Price Control Act expires June 30, 1946, the best we could do is begin producing these slats early in 1947. Here you have another example of the strangling effect of price control on the very things that are most needed to build new houses the people need.

V. RAILROAD CROSS TIES

Another item of importance in our operations in the past was railroad cross ties. Price control has entirely cut off our production of that item.

VI. INTERIOR TRIM

We used to make considerable quantities of cut-to-length or ready-cut interior trim used in house building. We are making none now. Price control on cut-to-length door casings includes lengths up to 7 feet 2 inches. If a buyer wants a piece longer than 7 feet 2 inches, the lumber manufacturer must sell the longer piece, even if it may be only 2 inches longer, at the same price per thousand as though it were a full length piece of lumber not cut to length. The hitch here is that if the piece is longer than 7 feet 2 inches, let us say 7 feet 6 inches, for example, the maximum price on the longer piece of \$25 to \$30 per thousand lower than the price established for the short piece in the cut-to-length price regulation. Here you have another example of the difficulty that OPA has when it imposes price ceilings on this very complicated lumber industry.

VII. "INTERNAL ADJUSTMENTS"

Under price control, the OPA has from time to time applied a formula known as internal adjustments or compensating adjustments in fixing and rearranging prices on various grades, sizes, and species of lumber. To illustrate: About the middle of 1944 War Production Board requested OPA to do something to stimulate the production of 1-inch lumber in the western pine region. There was a shortage of this lumber needed for ammunition boxes. The industry advisory committee urged an increase of \$4.75 per thousand to compensate the manufacturer for the extra cost of producing 1-inch lumber. Nothing was done about the recommendation in 1944. But a year later, nearly a month after VJ-day,

when ammunition boxes were no longer being made, and the original need for adjustment no longer applied, OPA increased the prices on certain grades of 1-inch lumber \$1 per thousand. But, to "hold the line," they had to offset this increase by some compensating reductions. They made reductions in the very items that some of the marginal mills and especially the smaller mills, have to manufacture as their stock in trade. That not only hurt the little mills, however, but also hurt those areas where the quality of the lumber and the character of the operations made it impracticable to manufacture their logs into 1-inch lumber. Now here is exactly what the internal adjustment did to my own company. We applied the new prices to our shipments on September 10 (the last day of the old prices). The actual reduction in our prices on that adjustment amounts to \$2.72 per thousand. This reduced our realization from sales on that day by \$1,500.

This is not an isolated example. If you had the time to hear them, there would be literally thousands of witnesses from the lumber industry all over the country who could give you similar and perhaps even worse examples.

VIII. EFFECT ON SMALL AND MARGINAL PRODUCERS

One of the most astonishing and disturbing aspects of this internal adjustment business is the way it is applied regardless of its effect upon the smaller producer. He is the fellow least able to make himself heard, least able to drop his work and come to Washington to appeal for relief.

Mr. Peter Stone, lumber price executive, testified before Senator Knowland's lumber subcommittee of the Senate Agriculture Committee last Friday. In explaining a recent example of internal adjustments or compensating adjustments, as it is sometimes called, and in outlining the steps he had taken in negotiating the question with the industry advisory committee, he used this significant language—and I am quoting only that portion which refers to the small mills, as that is the only part of his testimony that particularly bears on this point:

"In order to make a compensating increase and decrease something had to be cut. There was a very delicate problem of how far you could cut without hurting some of those mills that could not gain from the increase on the housing items. We couldn't come to an agreement at that meeting. * * * I went back in January and worked out a slightly different adjustment *which would not hurt the smaller mills as much* by taking the cuts out of the higher grades that were still not housing items, that is, thick clears, etc. * * *" [Emphasis supplied by witness.]

Here you have in the words of the lumber price executive himself the evidence that it is the little fellow or the marginal producer who is most likely to be hurt in the application of price control.

IX. CONCLUSIONS AND RECOMMENDATIONS

Lumber, you know, is the basic low cost material most needed to build houses. You might have other materials in great abundance, but you have to come back to the lumber dealer for lumber before you can really build a house within the means of the ordinary American citizen.

The retail lumber yard bins today are practically empty. Everybody has either tried or has had some friend tell him of his difficulties in obtaining lumber to build even the simplest little house. America will not have lumber in the abundant quantities necessary to break the building bottleneck as long as you retain the Emergency Price Control Act. It just isn't possible to administer such a far-reaching law without somebody somewhere along the line in the administrative branch of the Government gumming up the machinery, or throwing a monkey wrench in it, and slowing down or stopping the wheels of production.

It is possible that if price control could have been administered with more emphasis on production and less emphasis on profit control, the lumber industry today would not be in its present chaotic condition. I believe a great majority of lumber men in all branches of the industry from the producer to the distributor and the builder will agree with me when I say to you that it is too late now to attempt to mend the situation; there are too many leaks in the dam. Too many producers have folded up or reduced the scale of their operations. Lumber distribution channels are too badly disorganized, and nothing short of elimination of price control will cure the problem.

The effect of price control, I believe I have shown, has been to restrict and reduce production of lumber. It seems to me there should be no argument

about this basic fact. Lumber production is low and going lower because lumber prices are too low to encourage production.

Respectfully submitted,

C. J. WARREN.

THE OPA AND THE PROBLEM OF THE WOOD FABRICATOR

My name is C. D. Dosker, president of Gamble Bros. of Louisville, Ky. I am here as a wood fabricator. The company of which I am the head has been in the business of producing wood parts for the consuming industries for many years. We are as a matter of fact in our fiftieth year in this business. We make wood parts largely from hardwood for the furniture, cabinet, piano, display fixtures, machine tool, and textile trades. These parts which we manufacture are made to customers' specifications. We make no items for stock.

There is no industry in which the current situation is more confused than in the lumber and timber products industry and those industries depending upon them for raw materials. To say that the situation is chaotic is but a mild description.

Lumber, both hardwood and softwood, is needed in order that finished products may move into consumer markets. Because of the unrealistic pricing policy of the OPA lumber production today is being stifled. In the north central region, in which our company is located, practically all of the large mills are shut down. The Wood-Mosaic Co. is operating its sawmills at about 40 percent of normal. This company operates several mills. Its Louisville mill has been shut down for 2 years. The Amos Thompson mill at Edinburg, Ind., I understand, is also shut down, and has been for 6 months. The Malley-Wertz mill at Evansville, Ind. has been shut down for 6 months. We recently received written notice from the Chicago Mill & Lumber Co., from whom we purchase quantities of lumber, that they regret the necessity of having to shut down their mill.

The large manufacturers can no longer operate. The restricted production of other mills is seriously affecting those industries who are dependent upon them for raw material. Nothing but the unrealistic approach of the OPA to the problem of lumber production can be blamed for this condition. Unless this situation is rectified a wave of unemployment is bound to follow as plants shut down for lack of lumber.

The wood fabricator—and that is what I am—is most sympathetic with the problem of the sawmill. The sawmill problem is our problem, for without the product of the sawmill our plant must become idle. It has already been necessary for us to curtail production to the extent of approximately 35 percent because of lack of raw material. The fabricator knows that the sawmill man must have a fair average realization for his lumber or he cannot survive. This applies equally to any other product from the tree, whether it be veneer, last block bolts, shuttle block bolts, handle blanks, cooperage stock, or pulpwood. The composite dollar yield of all of the products of the tree is necessary for the survival of the logger-lumberman. These products of the tree vary as to the type of operation, area, and species of timber. Furthermore, they all vary within an area.

The economic fabric of industry in this country is woven in such a complex pattern that no individual, or group of individuals, has sufficient comprehension to adequately understand its complex structure and thus be able to establish price controls that are fair and equitable. Great harm is being done to American industry and particularly to small American industries, and a desperate struggle of survival has now begun.

As processors we, in our industry, have been able to observe the great shifting of production, wherever it is possible, that is taking place in an effort on the part of manufacturers to come under a price ceiling sufficiently favorable to permit the manufacturer to stay in business. Years of manufacturing experience, special equipment, established markets, are all being discarded. All of this has the effect of making scarce goods scarcer. It is not serving the best interests of the people of this country and will inevitably result in business recession and lack of job opportunity for returning veterans.

Our company had plans for postwar expansion. Because of the situation which began to develop early after VJ-day our board of directors hesitated and in December tabled these plans.

We know the machinery manufacturers need increased prices for machinery. Orders placed for machinery last August are still unfilled. This machinery we are told can only be made at a loss. The machinery manufacturer will not pro-

ceed until price relief is granted. Our plans and those of others whom we serve are stagnating; reconversion is getting moss-covered. The capital with which postwar expansion was to take place is being dissipated in business losses. Our company is but one of hundreds in this same position. During the war our company was occupied in the manufacturing of war materials to the extent of 90 percent of our plant capacity. Our company has lost money constantly every month since VJ-day, and we have at the present an appeal for relief before the OPA.

In our industry we operate, because of the nature of our products, under many different ceilings. Our particular company operates under a price formula—MPR 501. At the time of its formulation this price regulation was fairly adequate. It is no longer adequate. It is out of date because we and all other fabricators have had to absorb many of the problems of the material suppliers from whom we receive materials. Our problem is the same as the plywood manufacturer, furniture manufacturer, casket manufacturer, or any other branch of industry converting lumber.

The processor formerly bought his lumber by specific grades, thickness and species as required in his finished product. If he is to get lumber at all today he takes the full product of the log, which includes all grades and thicknesses. Furthermore, he takes it unseasoned and green from the saw. What is the cause of this? Nothing but the ceiling prices on lumber which are so low that if the sawmill man is to break even he must ship his lumber in this condition because he cannot afford the expense to properly handle his product. There are, of course, a few manufacturers who may take advantage of this situation to move their product by compelling the consumer to take something which he knows the customer does not want.

The effect of this is to cause rehandling on the fabricator's yard. As an illustration of what this can amount to we recently unloaded a carload of 17,000 feet of lumber that contained 18 items and 5 species, all of which had to be separated by grade, species, and thickness. This is not a record, however. A more recent carload of 12,600 feet contained 44 items and 13 species. This lumber must all be held for air-seasoning and it means that the fabricator must assume the shrinkage and degrade due to seasoning. This will amount to 10 percent of the money value of the lumber and this added cost must be borne by the processor.

Ceiling prices of lumber are on an f. o. b. mill basis. The fabricator must pay the extra freight on green lumber, but under the provision of MPR 501 he can expect no relief. I quote from this regulation—"material costs for the particular item of hardwood small dimension shall not be higher than the current f. o. b. mill ceiling price, plus the average in bound freight for the cost of the particular material during the 6 months period from May to October 1943."

I have explained to you that the sawmill operator is shipping his lumber green today. He says he must. And I believe him, because I have had some experience in sawmilling.

Under the regulation just quoted we, as fabricators, may only include in our cost freight based on dry lumber, because that is the kind of lumber we received during the 6 months period from May to October 1943. Inch air-dried hardwood lumber will average about 3,200 pounds per thousand feet. Green from the saw this same lumber will average 4,400 pounds. This means that we, as a fabricator, must absorb an average of \$3.25 per thousand feet of additional freight on rough lumber, which is equivalent to approximately \$5 per thousand feet on our net product after waste. When a company is already on a profitless basis this represents and additional loss.

The great demand in the fabricating industry is for 1-inch lumber. Most products require this thickness and normally the law of supply and demand regulate the production of other thicknesses of hardwood lumber. OPA ceiling prices have changed this picture. Inch No. 1 common Appalachian poplar has a ceiling price of \$62 per thousand feet. Three-inch No. 1 common poplar from the same region has a ceiling price of \$97 per thousand feet. Gentlemen, if you were running a sawmill and tried to save your capital investment you would naturally try to produce the item that brought you the greatest return. Under the artificial market thus created the fabricator buys the 3-inch lumber and resaws it into three 1-inch boards. The fabricator must absorb the extra cost. As a result of the operation of OPA pricing policies, artificial markets are being created without any relationship to the normal requirements of industry. Such a procedure is destructive of the timber resources and the utilization values of the lumber produced, and retards reconversion.

The country needs consumer goods. It needs furniture, pianos, plumbers woodwork, radios, refrigerators, and the myriad of products of which lumber is a part. It does no good to talk of housing shortages for returning veterans with no furniture to put in them. It must be remembered that no log produces a predetermined proportion of any product. The grade outturn of every log varies. Only a free economy can properly price and merchandise these products.

Our company has been compelled to discontinue the manufacture of many items. It was recently necessary for us to advise a customer whom we have served for over 30 years that because of a price situation over which we had no control we could no longer serve him. Our company has never been fortunate enough to make exorbitant profits. Our industry is highly competitive. We have been able to weather the lean depression years, but today we cannot properly price our product to recover costs of manufacture under an unrealistic pricing program. Under this same MPR 501 we cannot add any increase in wages that have been necessary since September 30, 1943.

Under MPR 501 all costs other than material and labor are frozen as of March 1942. This means that all indirect labor, clerical wages, such services as legal and accounting, and all other costs must be figured in 1946 as though we were still living in 1942.

But if you did not happen to be in the business of manufacturing wood parts in 1942, but began operations after VJ-day in 1945, you would be able to currently establish costs; at least that is my understanding. Driving old established people out of business for the benefit of newcomers is not progress nor will it increase production. It will not add 1 foot of lumber to the finished goods which the markets so badly need. Gentlemen, does this make horse sense; is it realism or asininity?

We feel that every manufacturer in an established business is entitled to the same realistic consideration that is given a newcomer in the industry. We ask only one thing—let management compute into cost those items that belong in cost. Let management price lumber products as they must be priced. Trees are a unique raw material and one tree may go into many different types of products such as lumber, veneer bolts, and pulpwood. Trees are a variable raw product. The time has come to stop trying to operate the industrial capacity of this Nation from Washington. The time has come to return this Nation to a free profit and loss economy; to a free competitive system. Industry is too conscious of the dangers of inflation to permit run-away markets.

I belong to that group of American manufacturers who are members of the GIACC. This alphabetical organization of industry is known as the God, I am Confused Club, and, gentlemen, I and hundreds like me are confused. Let us do away with a policy of profit control which, if continued, will destroy small industry in America and realize that the urge in business today is not for profit but for survival.

STATEMENT OF H. V. SIMPSON, EXECUTIVE VICE PRESIDENT, WEST COAST LUMBERMEN'S ASSOCIATION, BEFORE THE HOUSE BANKING AND CURRENCY COMMITTEE, WITH RESPECT TO EXTENSION OF THE PRICE CONTROL ACT OF 1942

My name is H. V. Simpson. I am the executive vice president of the West Coast Lumbermen's Association, Seattle, Wash. The Douglas fir mills located in the western half of Oregon and Washington produce about 30 percent of the softwood lumber manufactured in the United States.

In 1942 mills in this area produced 8,800,000 M feet of lumber. In the 3 succeeding years production decreased to 8,085,000 M feet and in 1945 dropped to approximately 5,908,000 M feet. In the first 9 weeks of this year production is at the rate of about 5,500,000 M feet per year.

In the fall of 1945 our industry was partially tied up by strikes at the end of which wages were increased 15 cents per hour for all operations. In response to requests made to OPA the industry was told that no price adjustments could be made until 6 months had expired during which time we must submit cost statements for the year 1944 and 9 months of 1945. We were told that at the end of the 6 months waiting period the OPA would make a further survey and if more than 25 percent of the industry was in a loss position a price increase would be granted. The industry properly interpreted this to mean that 9 months or a year would elapse before any price relief would be granted. The operators also fully appreciated that OPA would require operators to include stumpage at cost in their determination of the profit position of each operator even if this stumpage

might have been held by the company for many years. The operators understood also that profits for any other enterprise conducted by that company, such as retail yards, docks, stores, plywood plants, etc. would also be included in the OPA calculations before any company would be considered in a loss position. There was no enthusiastic response to OPA's request for cost statements—very few were sent in.

Later OPA announced that the waiting period of 6 months could be waived. Meantime OPA had twice increased the price of logs, once \$1.50 per M and again an average of \$1.25. No corresponding increase was made in lumber prices. OPA also released on March 1, a price adjustment on lumber intended to channel production into housing items and which, all during the course of negotiations with the industry, was declared to be an internal adjustment and not a price increase but which was declared a price advance of \$1.10 when issued and so released to the press. Many hundreds of items were affected by this amendment and I vigorously state that OPA could under no circumstance determine the effect of this amendment with any degree of exactness and that their release to the press was a breach of faith with the industry; and is so branded by the industry.

A few weeks ago OPA released a further amendment permitting buyers to pay wholesalers and commission men a buying commission for purchasing lumber. No change of any prices in the manufacturers ceiling was made. Possibly occasional commissions previously paid by the manufacturers may now be paid by buyers. Possibly this might be a saving of one-half of 1 percent for the industry.

Neither amendment recognizes the increase in wage nor the increase in log costs. Neither amendment provides any incentive to increase production.

The Civilian Production Administration has asked our industry to produce 8,000,000 M feet of lumber during 1946. This agency further requested the Office of Economic Stabilization to grant the industry \$3 per M price increase as necessary to get this production. Without consulting the industry, the Office of Economic Stabilization has denied this increase, stating in part that the two recent amendments referred to above made any increase now unnecessary. This letter of denial was signed by Mr. Bowles.

Our mills are now caught in the squeeze between advanced costs and fixed OPA ceilings. Many of these mills must economize on every operating expense—less planing, less drying, less sorting—while at the same time they must carefully select the most profitable items to sell regardless of the end use. Even so many are losing money. And this process of manufacture does not suit the national economy.

If our output is to be increased it will be because our operators log difficult timber stands, work during adverse weather, work overtime, and exert extra effort in many directions, all very costly. If we are to produce 8,000,000 M feet all our efficient plants must give extra effort to the job and all of our marginal mills must be allowed to operate. Any substantial increase in our production can be had in no other way.

Our Government, our people demand increased lumber production; the OPA denies us the necessary price relief to accomplish this production.

Our industry strongly supported OPA during the war. Our industry has now lost confidence in OPA. It is rapidly losing confidence in other Government agencies. Our operators have been and are strong supporters of inflation control. But they now wonder whether it is better to have inflation with OPA or inflation without it. Reluctantly we have concluded we prefer full production without OPA than limited production and doubtful inflation control with OPA.

Senator BANKHEAD. Come around, Mr. Holman.

STATEMENT OF CHARLES W. HOLMAN, SECRETARY, THE NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION, WASHINGTON, D. C.

Mr. HOLMAN. My name is Charles W. Holman. I am secretary of the National Cooperative Milk Producers Federation, with an office address at 1731 I Street, in this city.

Senator BANKHEAD. Is that a large organization?

Mr. HOLMAN. Senator, we have 76 regional voting members representing three-hundred-and-sixty-odd-thousand dairy-farm families. That is about 1,500,000 people who derive most of their income from the sale of milk or its products through the associations that our federation represents. These farm families reside in 45 States. The only States in which we do not have membership are South Carolina, Arkansas, and New Mexico.

I am appearing in opposition to continuation of the Government's price-control and subsidy program with respect to milk and its products as provided for in S. 2028. My authority is based on a resolution passed by the last annual meeting of our federation in Chicago, December 4, 5, and 6, 1945, and a resolution adopted by a special delegates' meeting of the organization held in Washington, D. C., February 18 and 19, 1946. I ask permission to file copies of these resolutions together with a list of our officers, directors, and voting member associations.

Our federation asks you to terminate price control on milk and its products June 30, 1946, and to put a specific ban against any further use of subsidies after that date.

We are asking that price control on milk and its products be ended now because that is the only remedy for a viciously snarled price-ceiling structure that is wrecking dairy production and dooming American consumers to a milk famine.

Senator MILLIKIN. What is the high production months in milk?

Mr. HOLMAN. Usually May and June, those 2 months.

Senator MILLIKIN. Thank you.

Mr. HOLMAN. The National Cooperative Milk Producers Federation at other times has asked for amendments to the Price Control Act which we believed would achieve maximum production with minimum present or future damage to the dairy industry. Had these amendments been adopted and faithfully administered, we would not be in our present predicament.

In the early days of the war we fought for a stabilization program that would give farmers treatment equal to that accorded to labor. Instead, the administration favored labor, and industrial wages increased substantially. Agriculture was handicapped by unattractive farm incomes as compared with urban incomes. Five million people left the farms.

Since we did not get a closer tie-in of industrial wage and farm price policies—

Senator BANKHEAD. Let me interrupt you there, if it does not disturb you.

Mr. HOLMAN. It does not disturb me at all.

Senator BANKHEAD. You mentioned 5,000,000 people having left the farms. What is the trend with reference to going back to the farms?

Mr. HOLMAN. The reports coming to us from all over the country are that an incredibly small number of the younger men either in industry or returning from the war are going back, at least to our dairy farms. We are having situations reported continuously where young fellows are taking their vacation after the war and they will come in and report for their unemployment insurance pay, and more than three times the normal number of farmers come in and register with the county agents offering as high as \$100 a month with board

in an effort to get these boys to come back to work, and they cannot get the labor. I do not blame them for not coming back for a while, because they are tired—just like the older men on our farms are tired. But that is the situation that we have to face.

Senator MILLIKIN. Pursuing that a little further, were you referring to boys who went to the war from the farms?

Mr. HOLMAN. Yes, sir; only farm boys, as we get these reports.

Since we did not get a closer tie-in of industrial wage and farm price policies and revision of parity as minimum protections against heedless administration of price control, we asked for and obtained legislation requiring the Price Administrator to modify price ceilings to reflect cost increases. With the assent of certain other Government officials, the Price Administrator construed the requirements of this law to have been met when the increases of price cover only the increase in "cash costs." Such an interpretation we believe narrowed too greatly the intention of the law.

According to the Cornell University figures, 58 percent, approximately, is the share of dairy farm costs which are cash costs. Total costs of dairy farming in the Washington, D. C., milkshed increased 96 percent from January 1941 to January 1946. The average price received by Washington producers, including subsidies, increased 65 percent—it did not cover the increase in total costs. The OPA, using the cash cost theory, would claim that the cost increase was only 56 percent (96 percent by 58 percent), which is more than covered by the increase of price.

We contend that Congress never meant a distinction to be made between cash cost and fixed-cost increases as a basis for raising ceilings. But even if Congress had sanctioned it, the exclusion of noncash costs would be sound only on the premises that prices which cover cash costs will tend to maintain production for a short time. Five years is not a short time. And the foolhardiness of applying to the long run price policies valid only for the short run reflects itself in the greatest decline of dairy production in history now facing us. Thus, the administration stands accused of thwarting the intent of Congress in the first instance, and of incompetent application of its own principles in the second instance.

Senator MITCHELL. Could you give us some figures on milk production before the war and during the war, and what you mean by "the greatest decline of dairy production in history, now facing us"?

Mr. HOLMAN. I will be very glad to, if you will wait just a minute. I have figures here going back as far as 1924. Is there any period that you wish me to start with, Senator?

Senator MITCHELL. I do not know. I would just like to have some representative figures.

Senator BANKHEAD. Start down nearer the war.

Mr. HOLMAN. All right. Let us start with 1938, which was the year in which we were beginning to climb a little bit out of the depression; not much. Our total production of milk at the farms was 105,807,000,000 pounds; in 1939 it was 106,792,000,000 pounds; in 1940 it was 109,510,000,000 pounds; in 1941 it was 115,498,000,000 pounds; in 1942 it was 119,240,000,000 pounds; in 1943 it was 118,140,000,000 pounds; in 1944 it was 118,555,000,000 pounds; in 1945 it was 122,219,000,000 pounds.

Beginning with the latter part of 1945, production began to decrease, and production is on the verge of very notable decreases from now on, under the present price program of the administration.

Senator MITCHELL. There was an increase of 16,000,000,000 pounds from 1938 to 1945?

Mr. HOLMAN. Yes.

Senator MITCHELL. I wonder if there is any factor in there of the desire of farmers to get rid of marginal cows at the end of the war.

Mr. HOLMAN. The way I account for the notable increase between 1941 and 1945 is the unparalleled patriotism of our dairy farmers.

Senator MITCHELL. They have been doing a tremendously effective job with decreased labor.

Mr. HOLMAN. Yes, with increasing costs of production. In your own State, Washington, Senator, as you know, we are paying as high as \$125 to \$150 or \$200 a month for dairy hands. Down in Senator Downey's State we are paying as high as \$300 a month for American Federation of Labor organized milkers who work 8 hours a day for the \$300 return. Under those conditions it is a natural thing for farmers to move their old cows into the slaughterhouses. But a much worse condition is coming on. Farmers tell me that they are planning to carry younger cows only through this production season, and then beginning in July the auctions will begin again, and under the present prices for beef it is naturally possible for a good Holstein cow to bring \$175 just for the slaughterhouse. That is a picture that we can see coming on, facing us with increasing seriousness.

Senator BANKHEAD. Is that likely to reduce your milk production?

Mr. HOLMAN. Oh, very much so.

Another factor in reducing milk production is the astonishingly inferior quality of mixed dairy feeds that we are now having to buy at considerably higher prices. Of course, good feed produces more milk, but poor feed does not produce as much milk.

Senator MITCHELL. On that point, when Mr. Porter was before the committee he cited the difficulty of getting feed as one of the reasons for keeping price control on meat, and said that if the prices of meat were allowed to go up it would make it all the harder for the dairy farmer to get feed. If price control were taken off, both dairy products and meat, where would the feed go?

Mr. HOLMAN. We would be delighted if that were done—to take controls off both meat and milk and its products, and we would take our chances on getting the feed. We do not object to the ceilings being taken off of all feeds, so long as they are taken off of the products we are selling.

Senator MITCHELL. You think you would have as good a chance as anybody else in the market?

Mr. HOLMAN. We know we would. To begin with, a very large percentage of our own roughage is grown on our own dairy farms. Even in the East a large percentage is grown. In the East they will buy it, and practically all of their concentrates, which may come from the South and from the Middle West. In the Middle West, of course, most of the farmers grow a very large percentage of their own concentrates. So, therefore, I do not think that would be a very serious economic problem for us if we are allowed to get back to a normal price relationship, which I will endeavor to outline as briefly as I can in this short paper.

Senator MITCHELL. Would it be useful to have the figure of production in January 1945, as compared with 1946? Is the 1946 figure available yet?

Mr. HOLMAN. I think we have that, Senator. I have some astonishing figures to give you on butter.

The Department's figures for January 1946, for total milk at the farm, show 8,615,000,000 pounds, or a decrease of 3 percent over the comparable months in 1945.

Senator MILLIKIN. That would not be a fair month on which to measure the whole year.

Mr. HOLMAN. It would be fair to compare it with the same period. In our monthly price statement to our members, with other statistics we have outlined some rather interesting figures showing the trend of milk production in the whole-milk States as contrasted with the trend in what we call the butter States. The trend has gone up somewhat in the whole-milk States, but has declined most notably in the butter States. Without giving you the exact calculations on that, the Senators can see from the way these trend lines go [exhibiting] that there is a problem involved there which blends into some other problems connected with the processing of milk, such as the problem of condenseries and cheese factories, and so on.

Adoption and competent administration of policies which we advocated in the past would have vastly improved the functioning of price control.

However, price control must break down in time because it is impossible for any human institution to supplant the operation of free market mechanisms for long. Nowhere is this more clearly demonstrated than in the complex dairy industry. Manufactured dairy products are produced in thousands of independent dairy plants. The managements of these plants are sensitive to the slightest changes in price or demand or production costs on a Nation-wide basis. A price structure that does not adjust itself freely eventually wrecks all semblance of balance in production.

Milk for consumption in fresh, fluid form is mostly produced in the locality where it is consumed and prices are governed by local conditions. Of course, they have a historical relationship to each other.

Fluid milk prices in these local markets continually get out of balance—sometimes because of cost and demand changes peculiar to the local market and again because of a close relation between the local fluid milk market and the national market for dairy products.

OPA has demonstrated its inability to adjust price relationships fairly within the dairy industry. Under price control dairy farmers in one part of the country have been treated exactly like dairymen in another, even though their needs were different.

OPA ceilings have frozen price relationships among dairy products which are driving production of some products downward to zero. Finally, OPA price ceilings have completely obliterated the free market price mechanism which evened out supplies of dairy products between the seasonal peaks and valleys of production.

Maladjustments of dairy prices between areas are exceedingly numerous, but I will cite only a few cases as illustrations. Within New England a fairly substantial increase in returns occurred in Vermont, which is part of the Boston milkshed. In southern New

England, on the other hand, OPA ceilings did not permit prices to increase in proportion to the increases in northern New England. As a result, on January 1, 1946, cow numbers in Vermont were unchanged from a year earlier, while in Massachusetts and Connecticut cow numbers were 2 percent lower, and in Rhode Island 4 percent lower this year.

Let me cross the continent for another illustration of indefensible price-ceiling administration in a local area. In the Seattle, Wash., market OPA ceiling prices for fluid milk were frozen 3 years ago, while prices of milk for manufactured dairy products increased. Many producers found themselves receiving a smaller check for their milk delivered to Seattle than they would have gotten for milk delivered to a country manufacturing plant, such as Snohomish, or anywhere in that general neighborhood.

Last February producers arranged to shift on a large scale from the Seattle market to country manufacturing plants. Only then did OPA grant an adjustment which gives fluid milk a small premium over manufacturing milk, but which still is inadequate to cover increased costs of production in that area.

Finally, there is a broad area—including fluid milk markets of the Southern States particularly—where vast quantities of milk are being imported. Our member associations report that in Washington, D. C., 20 percent of the market's requirements are being imported; Memphis, 30 percent; Atlanta, 30 percent; Houston, 40 percent; and Knoxville, 55 percent. There are transportation costs of 3 and 4 cents a quart or more on most of this milk.

Senator MILLIKIN. Are those milk sheds which should be self-sustaining?

Mr. HOLMAN. They are milk sheds which can easily be made self-sustaining, and would be, if the producers were allowed a price which would equal what they are now getting, plus transportation cost of bringing the milk in from the Middle West.

Out of this, the producer gets nothing. If the OPA would permit local producers to be paid a price approaching the cost of imported milk, there would be more milk produced locally. Conceivably, the cost of the total milk supply f. o. b. the point of its final distribution might be smaller than it now is.

Everyone knows what price ceilings on manufactured dairy products have done. To refresh your recollections, here are up-to-the-minute butter-production figures from the Bureau of Agricultural Economics:

Creamery-butter production

Week ended Apr. 11,	<i>Pounds</i>	First 15 weeks of 1946—	<i>Pounds</i>
1946-----	18, 400, 000	-----	246, 900, 000
Corresponding week:		Corresponding period:	
1945-----	27, 800, 000	1945-----	354, 400, 000
1944-----	30, 000, 000	1944-----	392, 700, 000
1943-----	34, 400, 000	1943-----	456, 600, 000

Senator MILLIKIN. What is the theory of OPA in producing a result of that kind?

Mr. HOLMAN. Butter is the most regulated of any commodity.

Senator BANKHEAD. Except oleomargarine.

Mr. HOLMAN. Even more so, Senator.

Senator BANKHEAD. If it is, it is not your fault.

Mr. HOLMAN. Well, I am perfectly willing for the consumer to buy all the colored oleomargarine in the world, just so the 10-cent tax stays on.

Senator BANKHEAD. I cannot find any in the whole city of Washington, not even in the Senate restaurant; neither butter nor oleomargarine.

Mr. HOLMAN. The allocation order of the United States Department of Agriculture, due to the scarcity of basic commercial fats, is responsible for your inability to get oleomargarine.

Senator BANKHEAD. What is that order? I want to send for it.

Mr. HOLMAN. It is an allocation order applicable to all of the basic oils, such as cottonseed oil, peanut oil, lard, and so on. It is figured out on the industry needs and is divided up, as I recall. It is about 5 percent less than you got in 1944.

Senator BANKHEAD. You just cannot get it.

Mr. HOLMAN. That is because the oil is not available yet. We are short 211,000,000 pounds of production.

Senator MILLIKIN. We were on the question, What is OPA's theory for producing a result of this kind?

Mr. HOLMAN. All I can answer to that, Senator, is that butter was selling normally at 46.5 cents a pound when, in May of 1943, I believe it was, the President directed that the price of butter to the consumer be rolled back 5 cents a pound, making the market quotation on butter, 92 score, at Chicago, 41½ cents.

Senator BANKHEAD. What do you mean by "rolled back"?

Mr. HOLMAN. The wholesale price was reduced and the retail price was reduced 5 cents a pound.

Senator BANKHEAD. Was that much subsidy allowed on butter?

Mr. HOLMAN. Then the RFC was directed to pay a 5-cent subsidy to the creameries handling butter which, in turn, was to be paid back to the farmers. The theory there was consumer protection of some kind. The OPA has carried out that policy and has allowed this thing to get out of joint, as I will show you in just a minute.

Senator MILLIKIN. I did not intend to anticipate you.

Mr. HOLMAN. We are short 211,000,000 pounds of production so far this year compared with 1943, and even in 1943 we didn't have enough butter to go around.

Prices have been fixed so that anyone who wants milk in any form besides butter can take over the butterfat before it gets to the churn. For example, our member association at Lima, Ohio, is equipped to produce a variety of dairy products and to sell fluid milk and cream. If it makes butter and turns the skim milk into powder, it can return to producers about \$2.55 per hundredweight of milk. But if it makes skimmed milk powder and sells the butterfat as fluid cream, it can return to producers about \$3.60 per hundredweight. Now the OPA would like and probably intends to roll back cream prices to price levels of last September.

There has been a terrific battle on between the head of the OPA and the Secretary of Agriculture over these pricing regulations, which has run since last September; and the position, as I last got it—and I think I have it from pretty verifiable sources—is that OPA is still insisting on rolling the price of cream back to September levels.

Senator BANKHEAD. Is that the cause of the telegrams that I am getting from ice-cream people?

Mr. HOLMAN. That is an entirely different one. The ice-cream people would not object to the roll-back in price, but they are objecting to the cutting down of the volume which is provided for in what is called old limitation order No. 8.

That unnecessary action in rolling back cream prices would penalize producers about 75 cents per hundredweight in terms of milk but would still leave cream prices high enough to divert the fat into these channels. And that is away from butter. Not an ounce more of butter would result from this intended move. This price fixing has left farm-separated cream prices so low that increasing numbers of producers have reduced or dispersed their dairy herds in favor of more profitable livestock enterprises.

Every effort should have been made since the end of the war to restore a normal balance of production among the various dairy products. Instead, the perverted structure of dairy price ceilings has been left unchecked to demonstrate fully its tragic misalignment.

In order to meet suddenly released demands, the supply areas of eastern fluid milk and cream markets have been expanded astonishingly. For four consecutive months of this last fall and winter Boston imported large amounts of fluid milk from Minnesota. Cream sales blossomed out to record volumes, practically all of the increase being drawn from the Midwest. Ice-cream production in the last 3 months of 1945 increased about 50 percent over the corresponding months of 1944.

Westward expansion of fluid markets and increased ice-cream production has caused declines in butter production unlike anything the industry has ever experienced.

The butter market situation has deteriorated to the point where legitimate butter distributors are completely frustrated. Creamery-butter production in March of this year was about 50 percent of production in March 1941. Bear in mind this supply figure—50 percent of 1941—while I cite some facts on distribution.

One of our member associations on the west coast reports that retail stores in that area are selling only 10 percent, or less, as much butter as in 1941. Half of that is purchased in black-market transactions.

Another west coast organization reports that they and other legitimate distributors are entirely out of butter, receiving none from their usual sources of supply. As a result distributing plants are idle and employees laid off.

Butter receipts this month of one of the largest of our members will be 20 percent of 1941. And that organization has national distribution.

Another distributing association reports its opinion that 75 percent of butter is moving in black-market channels.

We have been told that one Nation-wide retail store organization has been handling only 17 percent as much butter as in 1941.

And this chain, along with others, owns a great many creameries of its own. So, if you take in the creameries that it operates, plus the supply it is able to buy on the outside, this 17 percent is an astonishing picture that the butter that is being manufactured is not getting into legitimate channels.

Senator MITCHELL. I wonder how you tell that. You said that 75 percent of the butter of this one distributing association was going into the black market, according to a distributing association. How do they know that?

Mr. HOLMAN. We take 1941 as a base there, and suppose that a store handled a thousand pounds of butter in a month. In the same month in 1946 we are only producing 50 percent as much butter through the creameries as we produced in 1941. The store should be handling 500 pounds. Let us say they are handling only 20 percent of what they handled during that month in 1941. We then relate that 20 percent to the 50 percent and make the mathematical calculation to arrive at the figure of how much is diverted from legitimate channels.

On that point I would recommend to this committee that if in its judgment it thinks wise, it make an inquiry of its own as to the extent to which the legitimate stores are not being able to get their supplies; and I think the committee can obtain this information in less than 2 weeks' time by asking just two organizations to furnish it. One is the National Association of Food Chains, which has about 33,000 stores in its membership, and the other is the Atlantic & Pacific Grocery Co. which has, I think, about 12,000 stores. Those stores can gather in 1 week's time from their branches the information that this committee would need; and I predict from our small check-up, plus another more elaborate check-up that will be laid before this committee later, this committee will come to the conclusion that from 70 to 80 percent of the butter that is being manufactured today nationally is now going into the black market.

Senator BANKHEAD. How is that black-market butter distributed?

Mr. HOLMAN. Senator, there are different ways in which it is done. There is the custom churning. A man will take his own tank truck and go to a good creamery and buy a tankload of good fresh cream. He pays the market price for it. There is no ceiling on cream. He disappears down the road and pays another creamery 2½ to 3 cents a pound to churn that cream into butter, furnishing his own cartons and his own paper wrappers. The truck disappears down the road and nobody knows what became of the butter, except that it does not get into the stores. We know that the stores which ought to be handling their proportion are not getting it, even with the short production in 1946.

Senator BANKHEAD. Does not anybody know what happens to it? I do not mean in detail whether John Smith or Bill Jones got it. Is he peddling it around?

Mr. HOLMAN. A great many individuals get it. Probably some grocery stores purchase it above ceiling price in order to please their customers, or probably a great many restaurants and hotels pay high prices in order to satisfy the demands of their customers. I make no charges, but—

Senator BANKHEAD. It comes in the back door?

Mr. HOLMAN. Yes. We know that you can buy black-market butter for 90 cents to \$1 a pound.

Senator MILLIKIN. It is obviously a farce to talk about a "line" under circumstances of that kind, is it not?

Mr. HOLMAN. It is a farce to talk about maintaining price regulation on a commodity that has completely eluded regulation. It has gone far beyond it.

Some of the large retail store organizations have intensified a practice begun several years ago of purchasing creameries outright in order to protect their butter supplies.

What excuse is there for continuing a price structure that fosters such dislocations? If these shifts are not stopped now, the road back to normality will be littered with the debris of bankrupt dairy farmers and marketing agencies.

The price adjustments which we expect to occur if ceilings are removed from dairy products will not be inflationary. Consumers who pay retail prices for cream to be churned into butter are already victims of a condition which OPA ceilings aggravate rather than prevent. Washington, D. C., consumers are buying cream and churning it and paying about \$1.42 a pound for the home-made butter that they are making. It will run around \$1.60 to \$1.68 in New York City.

This is a condition which fattens on such effects of price ceilings as last year's million-cow liquidation of dairy herds.

We are asking that all subsidies be discontinued on dairy products. Subsidies are being used to conceal the faults of price control. We believe that they are fundamentally a dishonest governmental device. They do not diminish the real basis of inflation and their use threatens agriculture with bondage to the Government.

Food subsidies delude people by the illusion that the cost of food is being kept down. The cost of food is the prices of things farmers must buy for use in food production, and the wages of farm laborers. If consumers pay a lower price for food at the store it is only because they are paying, or will pay, more at the tax window. The subsidy bill will be bigger than an honest grocery bill because it will include the cost of administering subsidies, and the interest cost of a swollen national debt.

We desire an end to this delusion that food can and should be sold to all comers at a subsidized price which is less than enough to afford the farmer a living approximating that of urban labor.

Food subsidies have been imposed on us under the guise of preventing inflation. We were told that rising food costs would touch off wage demands, higher wages, higher costs, higher prices—the much-abused patter about the inflationary spiral.

By now we should be disillusioned regarding this notion that food subsidies could buy off labor leadership. Labor refused subsidized wages, knowing full well the loss of freedom which subsidized wages would entail. When it could, it bargained for higher basic wage rates, ignoring increases in take-home pay. Lately, we have seen the argument switch to take-home pay, and a further rise in basic wage rates to offset declines in weekly hours of work.

No doubt there will be clamorous cost-of-living propaganda for further wage increases when we awaken and find that current food prices must be raised by the amount of the present subsidies, or more, in order to maintain farm incomes comparable with the incomes of ordinary factory workers.

In fact, gentlemen, the propaganda has already been started by OPA. There has come into my hands an official document issued by the Office of Price Administration entitled "The Farmer's Stake in Price Control." It says:

Here are your tools:
 General suggestions.
 Fact sheet.
 Suggested speech.
 Radio materials.
 Newspaper materials.
 Farm study groups.
 Protecting the farmer's dollars.

On the first page of this mass of very interestingly produced propaganda it is addressed to "All Regional and District Price Board Executives."

From James C. Scully, assistant to the Administrator in Charge of Price Boards.

And it states, in describing the "kit":

The DIE will review this kit of material with the Board Supervisor at the meeting for period IX April 25-30 and board supervisors should complete the assignment during May.

And, again, it says:

Get an OPA speaker scheduled before each farm organization during May.

Senator BANKHEAD. Is that this year?

Mr. HOLMAN. Yes, sir; April 2, 1946.

In directive No. 4 it says:

Get 10-minute radio script or two 5-minute radio scripts used by the farm representative in May.

And then it directs that if they have not got a farm representative, they must get one.

Some reference was made here while some other witness was talking as to how much money OPA has been spending, but I do know that it must be up in the millions, because they cannot operate this tremendous propaganda machine that they are operating in a very efficient way, without spending a great deal of the Government's money.

I will be glad to file this with the committee as a part of my testimony.

Senator BANKHEAD. Are they sending this entire document out?

Mr. HOLMAN. Yes, sir. This entire kit has gone out.

Senator BANKHEAD. You can put it into the record.

(The document referred to is as follows:)

OFFICE OF PRICE ADMINISTRATION,
 Washington, D. C., April 2, 1946.

Memorandum.

To: All regional and district price board executives.

From: James C. Scully, Assistant to the Administrator, in Charge of Price Boards.

Subject: Suggestions for Training the Farm Representative on the Information Panel of the Price Control Board on The Farmer's Stake in Price Control—Duties of Board Supervisor—Field Bulletin No. 112.

We now have at all of our Board sites an excellent kit of materials for use by the farm representative of the Price Control Board. This kit is called The Farmer's Stake in Price Control. It contains suggestions for speeches, radio programs, newspaper stories, special bulletins for schools, colleges and farm study groups, and drop-in ads. The DIE will review this kit of material with the Board Supervisor at the meeting for period IX, April 25-30, and board supervisors should complete the assignment during May.

In boards which serve farming areas, where there is no farm representative on the information panel, the first job of the board supervisor is to see that a farm representative is appointed. The following duties must be stressed by the board supervisor in his conference with the information panel chairman, the information clerk, and the farm representative:

1. Go over the kit The Farmer's Stake in Price Control, with the group.
2. Ask farm representative to present the kit to county farm leaders, explaining the necessity for getting complete coverage of every farm group in the area.
3. Get an OPA speaker scheduled before each farm organization during May.
4. Get 10-minute radio script or two 5-minute radio scripts used by the farm representative in May.
5. Ask farm representative to visit editors of local farm publications and explain the kit of materials to them. Present to the editor The Farmer's Stake in Price Control and a news story on farm speeches given in the area.
6. Encourage rural retail merchants to use drop-in ad copy in their regular newspaper advertisements. The messages also can be used by retailers to prepare display signs in stores and store windows.

THE FARMER'S STAKE IN PRICE CONTROL

Here are your tools:

- General suggestions.
- Fact sheet.
- Suggested speech.
- Radio materials.
- Newspaper materials.
- Farm study groups.
- Protecting the farmer's dollars.

GENERAL SUGGESTIONS

THE FARMER'S STAKE IN PRICE CONTROL

After World War I we had inflation. All prices went up. Prices went so high that most farm families could not buy the things they needed. The costs of operating a farm went way up. Inflation destroyed the value of farmers' earnings and savings.

The prices of farm land, buildings, equipment, and fertilizer soared. Millions of farmers had to go into debt to stay in business. But soon the inflated prices of farm products crashed and farm income went down. Then these debts were hard to pay. Many farmers simply could not pay them. As a result 453,000 farmers lost their farms because mortgages were foreclosed.

No one wants this to be the result of World War II.

Here is a farm information kit which will enable all of your folks to help prevent such a thing from happening this time. It contains farm radio, press, and speech suggestions in package form. It gives you the materials you will need to tell your folks what they need to know about price control. These materials are designed especially for farm groups, farm organizations, farm women's clubs, 4-H Clubs, etc.

We doubt if any group in the Nation has as great a stake in price control as do our farmers. After laying aside financial reserves during 4 years of war for future development of their farms and homes, they are now anxious to buy a great many products that they could not get during the war. Surveys indicate that—

(1) Over 3,000,000 rural homes need extensive repair or replacement immediately. This means that they need building materials—lumber, soil pipe, bricks, roofing, etc.

(2) More than 500,000 rural homes will buy many types of electrical machinery, equipment, and household appliances during 1946.

(3) Over 55 percent of farm families intend to buy one or more types of consumer durables—one in every four farmers needs a new automobile, while millions of others want washing machines, radios, refrigerators, and the like.

However, any farmer who has been shopping for the goods he couldn't buy during the war has discovered that most of these things are still scarce and that many other people are also waiting a chance to buy them. Further, many items will be scarce for some time to come.

This big demand and short supply make the danger of inflation bigger than ever at this time. If prices were uncontrolled they would be bid up to record heights by all of these anxious buyers—so high they would be out of reach of most farmers. It is buying and selling at ceiling prices that will enable the farmer to buy the things he needs at prices he can afford. In other words, ceiling prices keep each dollar of his earnings and his lay-by money buying a full dollar's worth of goods.

Surveys prove that farmers realize the value and importance of price control. A recent poll in the Mansfield, Ohio, area showed that 96 out of every 100 farmers

wanted price control. Other polls show that most farmers think they suffer from overcharges. But, in spite of the fact that dealers in farming areas are more willing than others to correct overcharges, most farmers do not want to report overcharges to their price-control boards.

The problem is clear—while farmers are in favor of price control, and while more and more farm organizations are endorsing the Nation's price and rent control program, many farmers do not yet realize the importance of helping price control work by refusing to pay overcharges and by reporting overcharges to their price-control boards. Informing the farmers of the dangers of inflation and about what they can do to make price control work is the job of the farm volunteers in rural areas.

That is why we are enclosing a farm information kit. It will help you with your farm information campaign. It includes:

Fact sheet.—This is a factual summary of the farmer's stake in the prices of things he buys.

Newspaper materials.—These include news-story suggestions, an editorial suggestion, feature story, and drop-in advertisements which can be used in merchants' current ads without requiring any additional space or expense. In addition, they can be used almost anywhere in a newspaper—the classified section, the editorial page, etc. They can be used as an ad in themselves as part of the merchant's half- or full-page advertisement, or the message can be used to prepare display signs in stores and store windows, etc.

Suggested speech.—An outline of a talk which can be given before farm groups and organizations.

Radio material.—Two scripts for radio programs. Most radio stations are very cooperative in using radio materials on anti-inflation programs.

Protecting the farmer's dollars.—Quick, factual, graphic presentation on the salient facts of the farmer's stake in price control.

Special bulletin for schools, colleges, and farm study groups.—A study outline on inflation and price control, in brief and simple question-and-answer form.

NOTE.—All of these materials are of a general nature. You can adapt them to fit the needs and opportunities you find in your community. In this way your folks will be best able to understand them.

You should wind up your talks to farm audiences by pointing out their responsibilities as citizens in this battle—then spell out 1, 2, 3, 4—here's what you can do. All of the enclosed materials are set up to help you do this: To show the farmer how much the success of price control and the chances for a sound, lasting prosperity depend on his efforts.

Special effort should be made to reach the large Negro farm population, for a successful OPA program is one that reaches all the people. Our failure to reach any part of the public with the story of individual responsibility for compliance results in violations which push up prices and the consumers' price index in that community. These higher prices draw more scarce goods into the community. Areas which abide by ceiling prices are penalized by reduced supplies. Thus local violations cut down the effectiveness of our program in the entire community. This large minority group can best be reached through established organizations and the Negro press.

The Department of Agriculture is interested in this program and has cooperated with us in the preparation of the farm information kit. Copies will be sent to State offices of Extension Service. In planning your program, it would be helpful if you consult your local Extension agents.

FACT SHEET

THE FARMERS' STAKE IN PRICES OF THINGS THEY BUY

In the year ahead more factories will be able to produce the reconversion products farmers want, such as trucks, tractors, machinery, building supplies, electrical appliances, tools, and automobiles.

The question is what will the prices of these new products be. OPA has set policies which will bring most of them back to farmers at about their 1942 prices.

OPA clears way for big production of things farmers buy at prices farmers can afford to pay

The best way to put out the fires of inflation is to smother them under an avalanche of goods. That's why OPA's reconversion pricing policies are set up to

clear the way for the rapid production of farm equipment, refrigerators, and other goods at prices farmers can afford to pay.

Holding prices—that farmers can afford to pay

It will take time to get back into full-swing production of farm equipment and appliances. For a long time there will be many buyers for each cultivator and each truck that is made. So long as demand is bigger than supply you know that prices of these goods would rise rapidly unless they have ceilings on them.

The costs of farm machinery, tools, appliances, and equipment, and building supplies make up about 16 percent of the average farmer's operating costs. If OPA's price ceilings can keep the prices of these things down farm operating costs will also be kept down. That is why OPA's reconversion pricing program is important to farmers.

What happened to the prices of things farmers buy after World War I?

After the last war prices dropped a little for a few months. Then as people rushed to buy limited supplies they shot up more rapidly than during the war.

Rising prices forced up living costs and the costs of operating farms and businesses. Rising costs made prices still higher. Soon the prices of most things rose so high that people could not buy what was produced.

That's when the trouble for farmers, businesses, and workers began.

When people couldn't buy, orders stopped.

Factories closed.

Five and one-half million city workers lost their jobs.

Unemployed people can't buy many farm products.

Beginning in June 1920 farm prices crashed. In 1 year they dropped 51 percent.

Cash farm incomes dropped from 14.6 billion dollars in 1919 to 8.2 billion dollars in 1921. The average net farm income dropped from \$1,360 in 1919 to \$460 in 1921.

Four hundred fifty-three thousand farmers lost their farms.

The value of crops and farm stocks on hand dropped \$600,000,000 in 1921.

What shall we do this time?

This time, as once again we begin our return to peacetime production, we must not let runaway prices repeat this disaster.

1. *We must keep prices at levels which will help make large-scale production, large-scale buying, and well-paid jobs possible.* Our war-production record shows what great quantities of goods we Americans can produce and how good our markets can be when everyone who is able and willing is at work. But workers cannot be employed making goods that cannot be sold. If we should let prices get so high that people, neither city workers nor farmers, could pay them, jobs would disappear. If that happened the markets for farm products would shrink.

Our job now is to keep as many price ceilings as possible at their present levels. This will keep living costs and operating costs down.

2. *If goods which have been out of production during the war need new ceiling prices OPA sets the new ceilings rapidly.* As war production goes down it is very important that every manufacturer who wants to make a peacetime product be able to do so quickly. No one must be slowed up because of uncertainty about what his ceiling prices are. It is the production of plenty of goods that will give us the quickest victory over inflation.

OPA has already set ceiling prices based on 1942 which have returned good profits to most industries. If any industry or firm which has been in war production and wants to resume making civilian goods thinks it needs a different ceiling OPA will review its case quickly.

3. *Price controls must be dropped as soon as peacetime supply again equals demand.* Gradually, workers and materials can be shifted from war work to the production of peacetime goods. As soon as the supplies of peacetime goods approach the demand for them price controls must be dropped.

Opportunities ahead

If we begin now to work toward the objective of this program, we will have laid an important part of the foundation for—

1. Large amounts of goods at prices farmers and others can afford to pay.
2. Steady and profitable markets for farmers and businesses.
3. Steady jobs and good wages for workers.
4. Security for everybody.

What can you do?

Tell your neighbors and friends how price ceilings protect their pocketbook and their standard of living.

Buy only your share of what is available.

Be sure that you know the ceiling prices of every purchase.

Refuse to pay more than the ceiling price.

Report all overcharges to the price-control boards.

Volunteer for service on price-control boards.

SUGGESTED SPEECH

American farmers helped win the war. Production of food and agricultural war goods was increased 28 percent over 1939 figures, with 7 percent fewer workers available and a real shortage of machinery. They did this in spite of help shortages, machinery shortages, etc.

But they did make money—more money than ever before. On an average, farmers' incomes rose about twice as high as they were in prewar years.

Now they have their eyes on what's ahead. There are a lot of things good farmers want—improved homes, better barns, new machinery, equipment for the house, and, in general, a better and more secure living in the future.

Farmers can get better living for the future if inflation doesn't destroy their chances as it did after the last war. To have the security they want, farmers need two things: (1) The goods they need must be priced at prices they can afford to pay; (2) they must have markets for their products that will return steady incomes to them.

After the last war inflation made both of these things impossible. All prices rose rapidly. The prices of building materials, machinery, clothes, fertilizer, and foods that farmers paid went out of sight. This meant that their earnings and savings bought less and less. Land prices went up. Millions of farmers had to borrow money to keep their farms running. At the same time, these rapidly rising prices made it impossible for city people to buy as much food as farmers were growing. The markets for food slumped and prices crashed. Then farm families had a hard time paying off their debts. Many of them simply could not do so. As a result, 453,000 farms were lost because mortgages were foreclosed.

Nobody wants this to happen again. If we had runaway inflation now farmers' savings, farm markets, and the land itself would again be put in jeopardy.

That's why every farmer has a big stake in keeping prices and costs stable at this time. We've got to keep the prices of things farmers buy at levels farmers can pay. We've got to keep the value of money steady so city folks can continue to buy large amounts of farm goods.

Of course, there are a lot of people who say that if there were no price control, businesses and farmers would make more. More what? More paper profits. Everyone of these profits would result in still more of an increase in prices. We'd have more paper money but we'd be able to buy less. We'd have more paper money for a while but pretty soon fewer people would be able to buy our stuff. On the way up inflation would destroy the value of our earnings and savings. On the way down it would destroy the markets upon which our incomes depend.

What can we do to head off inflation and prevent recurrence of the financial disaster that followed World War I?

First, we must keep in mind that the mere existence of ceiling prices will not do the job. The price control law was passed by Congress to protect the living standards of American people and to prevent a boom. Therefore, it's up to the American people to make price control work. We must point out to our neighbors and friends that maintenance of the balanced picture of good incomes and markets depends upon the cooperation and understanding of every one of us. We must point out that every sale or purchase made in violation of ceiling prices—no matter how small the transaction—is illegal and an attack on their program.

We must tell again and again what happened after World War I when the few existing controls were removed, and show the importance of making price control work now so that we don't have another boom and bust.

Second, know the ceiling prices of the things you buy. Many of the things you buy, such as most work and dress clothes, new household equipment and

appliances, will be marked with ceiling-price tags. If you do not find a ceiling-price tag on the items you want to buy, ask the storekeeper if the selling price is in accordance with OPA ceilings. Also be sure that you pay no more than ceiling prices for hay, feed, fertilizer, seeds, and other things you buy. If you have been overcharged on an item, or cannot verify the legal ceiling price for an item or commodity, get in touch with your local OPA board or your OPA district office. They will be glad to cooperate with you.

Third, we must have more farm people to volunteer to serve as representatives of OPA price-control boards. Price panels are expanding, for our job is growing greater, and more volunteers are needed to help carry the extra load. We now have about 8,000 farmers serving on price-control boards. Their work during the war was of tremendous value not only in explaining OPA regulations to farm people, but also in giving OPA a better understanding of farm problems and by pointing out how regulations could be improved. The more farm people we have serving on OPA price-control boards, the easier will be the job of protecting the farmer's stake in price control.

Fourth, be sure to report all overcharges to your OPA price-control board. Every time you pay even a penny over a ceiling price you not only rob your neighbors of their hard-earned dollars, but also encourage black marketing and profiteering—at the farmer's expense.

In closing, let me congratulate all of you on the splendid job the American farmers did in helping to win the war. Remember that next to winning the war, your most important job is to win financial security. Certainly the most important part of that job is just ahead of us, and it can be done only by protecting the farmer's stake in price control. This is not a selfish goal, for the whole economy of this Nation hinges on the success or failure of its farmers. Farming is the country's oldest, and most basic industry.

RADIO MATERIAL

FARM RADIO BROADCAST A

(10-minute interview for OPA agricultural adviser or CSM on farm radio program)

1. ANNCR: We hear a good bit these days about the threat of inflation, Mr. (AA). And farmers don't like the sound of it. They're in a pretty good position right now. They have more savings in the bank—they've paid off more mortgages—than any time in history. They have a good start, and they don't want anything to knock it for a loop. Just what do you figure the inflation dangers are—how do they fit into the present picture?

2. AA: They don't fit in, Mr. (ANNCR.) Inflation doesn't fit into any picture—any more than an atomic bomb fits in. Because if we have inflation—there won't be a picture. Yes, farmers are in a good position. For one thing, farm production is 28 percent higher than before the war. But it takes more than good production. No crop is big enough—if farm costs, the prices of things farmers buy—shoot sky high.

3. ANNCR: You mean we aren't any further ahead when our wheat prices double—if clothing prices and a few other farm costs triple?

4. AA: That's it exactly. You know, inflation is a pretty abstract word. It's hard to visualize what it can do to you and me and everyone whose livelihood is making things grow. Just the other day I was talking to a farmer about how he pulled through the inflation after World War I—or rather, how he didn't pull through. In 1913, he told me, he'd sell 225 bushels of corn, and have enough to keep his family in clothing for a year. In 1921, he had to sell 439 bushels of corn to buy that much clothing.

5. ANNCR: Whew—twice as big a crop—to buy the same goods.

6. AA: That's right. By that time, you see, prices had hit a peak, and were skidding down. By 1921, the price of clothing had dropped—but the price of corn had dropped a lot more. The boom had blown up—right in our faces. Every month saw more businesses going bankrupt—more veterans polished apples in the streets. But the man who was hit hardest was the farmer. Because farm prices fell first—and they fell farthest, and stayed down longest.

7. ANNCR: Yes, some farmers I know never really pulled out of it until this war came along.

8. AA: You know, there's an old Chinese proverb that says—I fool you once, shame on me. I fool you twice—shame on you. Inflation fools us—because we think the rising prices look good. We don't see the precipice on the other side.

But now that we've been over it once we know the precipice is there—we'd better not be fooled again.

9. ANNCR: You think we can lick inflation this time?

10. AA: You bet a team of horses we can. This time, we've got the machinery set up to check it—that's what price control is for. If all of us work together to use that machinery, you bet we'll succeed.

11. ANNCR: Can you tell us a little more about the sign posts, Mr. (AA), that say, "Inflation ahead"?

12. AA: Look at it this way. You probably know a lot of families who've been wanting a new radio—just waiting till they're on the market again. Well, listen to this figure—the demand for radios is six times as great as it was in 1939. There are six times as many people waiting to buy—because they couldn't get a radio all through the war. Production is speeding up now—but even in the first 12 months, not enough sets can be made to take care of the customers. And they'll all be clamoring for the first sets to come out. What do you think would happen to the price of radios—if we didn't have ceilings on them?

13. ANNCR: I begin to see your point, Mr. (AA), and radios are just one of the things that have been out of supply.

14. AA: Yes; there are plenty more. How many people do you know who are planning to put up new farm buildings or remodel their homes? Estimates show that nearly five million farmers plan to build or repair.

15. ANNCR: And building materials are certainly scarce.

16. AA: Same thing with farm machinery—and all kinds of electrical appliances. We've all been "making do" and saving up our money. And we're ready to make a grab for the first tractors and cultivators we can lay our hands on. Thanks to price control—that first tractor, with a hundred people trying to buy it, won't cost any more than if there were just one customer.

17. ANNCR: Hasn't farm machinery gone up some through the war, Mr. (AA)?

18. AA: About 7 percent is the over-all figure. But don't forget a good part of that is due to the fact that new materials have been developed. More cultivators and sulky plows, and so on, are being made of rust-proof metals instead of cast iron. They'll give a lot longer service—and take less upkeep. So we're getting a good bit more for our money.

19. ANNCR: What about things like deep freezers and vacuum cleaners, and so on—things that weren't made at all through the war?

20. AA: Prices on all of them are set just as close as possible to what they were in 1942. And OPA requires each manufacturer to make as many low-priced models, in proportion to his high-priced ones, as he made prewar. So you won't see just the high-priced models when you go to buy. And each appliance will be tagged with the OPA price, so buyers will know they aren't paying more than the ceiling.

21. ANNCR: That certainly sounds good. Now, here's a point I'd like to get your slant on, Mr. (AA). Suppose prices are kept under controls, so that farm savings will buy as much a year from now as they buy right now. Won't farm prices drop anyway—the prices on the receiving end, I mean—with production so much higher?

22. AA: That's a good question, Mr. (ANNCR). Farm production is up—but don't forget that demand is up a lot, too. We're eating 50 more eggs a year apiece than the prewar average—as civilians, mind you—that's not the military figure. And we're eating almost 50 pounds more of meat a year. Multiply that by 130,000,000 people—and you have a powerful lot of eggs and meat.

The fact is, the great mass of our people ate better during the war than they ever have. They had more money to spend, and they spent a lot of it on food. Millions of people moved into better-paid jobs. And that extra buying power helped give our farmers the biggest market in history.

23. ANNCR: So if wages continue to be good, people will go on eating better. Is that it?

24. AA: Exactly. One-third of our people, the food experts say, suffered from lack of proper food before the war. A lot of them knew about balanced diets, but they couldn't afford more milk and fresh fruits and vegetables and eggs. And here's an interesting figure—people in the top income groups actually buy in a year twice as many groceries—pound for pound—as people in the lowest income group. That's how important good wages are if we're to have big markets for the things farmers produce.

25. ANNCR: Well, everybody eats—and it certainly looks as if with good wages, everyone eats more.

26. AA: Yes; farmers have a really vital interest in full employment and good wages for everyone because it means a lot more money spent on food. But good wages and full employment are a goal we can't reach unless we have a stable economy, with prices everyone can pay.

27. ANNCR: You're bringing us right back to price control again, Mr. (AA), aren't you?

28. AA: Yes; I am—because right now, it takes price control to keep prices down. But we have to remember, Mr. (ANNCR), that price controls are an emergency measure—they're here to pinch-hit until supply and demand get back into balance. When that happens we won't need the emergency brake any longer. But we do need it now.

It's encouraging, too, that every day more and more farm groups are putting their back into this price-control job. Nearly 8,000 farmers right now serve on local OPA boards throughout the country. They're doing the active job of seeing that price ceilings work in their community. More and more farmers, and farmers' wives, are watching price ceilings on the things they buy—and letting their local boards know when an overcharge occurs. That's one big reason why price control is so successful in keeping the brake on—our citizens are helping.

29. ANNCR: You mean it's up to all of us to help make price control work?

30. AA: Exactly. If we forget about checking prices, we're actually casting a vote for inflation. That emergency brake will work for us only if we all throw our weight on the same side.

31. ANNCR: Well, certainly the farmers—and the whole country—have a big stake in the fight against inflation.

32. AA: Yes; we have. We can't build prosperity on the kind of boom that winds up in collapse. Our first step toward the postwar world, we all hope for, is to head off inflation. If we lick it, we'll have gone a long way to wipe out poverty and malnutrition—we'll have gone a long way toward keeping prosperity at our front door.

33. ANNCR: Thank you, Mr. (AA).

RADIO INTERVIEW B-1

(Five-minute interview for agricultural relations adviser or CSM on farm radio program)

(This information is in the 10-minute radio interview. It is intended for use, along with B-2, when it is possible to get two 5-minute spots instead of one 10-minute spot.)

1. ANNCR: We hear a good bit these days about the threat of inflation, Mr. (AA), and farmers don't like the sound of it. They're in a pretty good position right now. They have more savings in the bank—they've paid off more mortgages—than any time in history. It's a good start, and they don't want anything to knock it for a loop. Just what do you figure the inflation dangers are—how do they fit into the present picture?

2. AA: They don't fit in, Mr. (ANNCR). Inflation doesn't fit into any picture, any more than an atomic bomb fits in. Because, if we have inflation, there won't be a picture! Yes; farmers are in a good position. For one thing, farm production is 30 percent higher than before the war. But it takes more than good production. No crop is big enough—if farm costs, the prices of things farmers buy—shoot sky high.

3. ANNCR: You mean we aren't any further ahead when our wheat prices double—if clothing prices and a few other farm costs triple?

4. AA: That's it exactly. You know, inflation is a pretty abstract word. It's hard to visualize what it can do to you and me and everyone whose livelihood is making things grow. Just the other day I was talking to a farmer about how he pulled through the inflation after World War I; or, rather how he didn't pull through. In 1913, he told me, he'd sell 225 bushels of corn and have enough to keep his family in clothing for a year. In 1921 he had to sell 439 bushels of corn to buy that much clothing!

5. ANNCR: Whew—twice as big a crop—to buy the same goods!

6. AA: That's right. By that time, you see, prices had hit a peak and were skidding down. By 1921 the price of clothing had dropped, but the price of corn had dropped a lot more. The boom had blown up—right in our faces. Every month saw more businesses going bankrupt; more veterans polished apples in

the streets. But the man who was hit hardest was the farmer. Because farm prices fell first, and they fell farthest and stayed down longest.

7. ANNCR: Yes; some farmers I know never really pulled out of it until this war came along.

8. AA: You know, there's an old Chinese proverb that says: "I fool you once, shame on me. I fool you twice, shame on you!" Inflation fools us, because we think the rising prices look good. We don't see the precipice on the other side. But now that we've been over it once we know the precipice is there—we'd better not be fooled again!

9. ANNCR: You think we can lick inflation this time?

10. AA: You bet a team of horses we can! This time, we've got the machinery set up to check it—that's what price control is for. If all of us work together to use that machinery, you bet we'll succeed!

11. ANNCR: Can you tell us a little more about the signposts, Mr. (AA), that say, "Inflation ahead?"

12. AA: Look at it this way. You probably know a lot of families who've been wanting a new radio—just waiting till they're on the market again. Well, listen to this figure—the demand for radios is six times as great as it was in 1939! There are six times as many people waiting to buy, because they couldn't get a radio all through the war. Production is speeding up now; but even in the first 12 months, not enough sets can be made to take care of the customers. And they'll all be clamoring for the first sets to come out. What do you think would happen to the price of radios if we didn't have ceilings on them?

13. ANNCR: I begin to see your point, Mr. (AA)! And radios are just one of the things that have been out of supply.

14. AA: Yes; there are plenty more. How many people do you know who are planning to put up new farm buildings or remodel their homes? Estimates show that nearly 5,000,000 farmers plan to build or repair.

15. ANNCR: And building materials are certainly scarce!

16. AA: Same thing with farm machinery and all kinds of electrical appliances. We've all been "making do" and saving up our money. And we're ready to make a grab for the first tractors and cultivators we can lay our hands on. Thanks to price control, that first tractor, with a hundred people trying to buy it, won't cost any more than if there were just one customer.

17. ANNCR: So it really looks as if all of us had a pretty big stake in price control—and farmers especially.

18. AA: We certainly have, Mr. (ANNCR)! But don't forget, price control will work for us only if we all throw our weight on the same side. If we forget to check price ceilings we're actually casting a vote for inflation. It's up to all of us—farmers and everyone else—to put our back into this job and really see it through.

19. ANNCR: Thank you, Mr. (AA), for coming here today.

RADIO INTERVIEW B-2

(Five-minute interview for agricultural relations adviser or CSM on farm radio program—to follow interview B-1)

(This information is in the 10-minute radio interview. It is intended for use, along with B-1, when it is possible to get two 5-minute spots instead of one 10-minute spot.)

1. ANNCR: Mr. (AA), you told us a little bit yesterday about how much farmers' continuing prosperity depends on keeping prices down from here on in, so that prices of the things the farmer buys will be in line with what he gets for the things he sells. I have another question now I'd like to put to you. Suppose we do succeed in keeping prices down, so farm savings will buy as much a year from now as they buy today. Won't farm prices drop anyway—the prices we get on the receiving end, I mean—because production is so much higher?

2. AA: That's a very good question, Mr. (ANNCR)! Farm production is up—but don't forget that demand is up a lot, too! We're eating 50 more eggs a year apiece than the prewar average—as civilians, mind you; that's not the military figure. And we're eating almost 50 pounds more of meat a year. Multiply that by 130,000,000 people, and you have a powerful lot of eggs and meat!

3. ANNCR: It's a fact all right—people did eat well during the war.

4. AA: Yes; the great mass of our people ate better than they ever have before. They had more money to spend, and they spend a lot of it on food. Millions of people moved into better-paid jobs. And that extra buying power helped give our farmers the biggest market in history.

5. ANNCR: So if wages continue to be good, people will go on eating better. Is that it?

6. AA: Exactly. One third of our people, the food experts say, suffered from lack of proper food before the war. A lot of them knew about balanced diets, but they couldn't afford more milk and fresh fruits and vegetables and eggs. And here's an interesting figure—people in the top income groups actually buy in a year twice as many groceries—pound for pound—as people in the lowest income group. That's how important good wages are, if we're to have big markets for the things farmers produce!

7. ANNCR: Well, everybody eats; and it certainly looks as if, with good wages, everyone eats more!

8. AA: Yes; farmers have a really vital interest in full employment and good wages for everyone, because it means a lot more money spent on food. But good wages and full employment are a goal we can't reach unless we have a stable economy, with prices everyone can pay.

9. ANNCR: You're bringing us right back to price control again, Mr. (AA), aren't you?

10. AA: Yes; I am—because, right now, it takes price control to keep prices down. But we have to remember Mr. (ANNCR) that price controls are an emergency measure—they're here to pinch-hit until supply and demand get back into balance. When that happens we won't need the emergency brake any longer. But we do need it now. To farmers, that brake is particularly important on things like fertilizer and farm machinery and household appliances—

11. ANNCR: If I may break in, Mr. (AA), hasn't farm machinery gone up some through the war?

12. AA: About 7 percent is the over-all figure. But don't forget a good part of that is due to the fact that new materials have been developed. More cultivators and sulky rakes, and so on, are being made of rustproof metals instead of cast iron. They'll give a lot longer service and take less upkeep. So we're getting a good bit more for our money.

13. ANNCR: That's right. Fertilizer, I know, has gone up very little.

14. AA: Less than 1 percent since 1943.

15. ANNCR: What about things like deep freezers and vacuum cleaners, and so on—things that weren't made at all through the war?

16. AA: Prices on all of them are set just as close as possible to what they were in 1942. And OPA requires each manufacturer to make as many low-priced models, in proportion to his high-priced ones, as he made prewar. So you won't see just high-priced models when you go to buy. And each appliance will be tagged with the OPA price, so buyers will know they aren't paying more than the ceiling.

17. ANNCR: That certainly sounds good.

18. AA: You know, Mr. (ANNCR), it's mighty encouraging to us that every day more and more farm groups are putting their back into this price control job. Nearly 8,000 farmers right now serve on local price control boards throughout the country. They're doing the active job of seeking that price ceilings work in their community. More and more farmers and farmers' wives are watching price ceilings on the things they buy—and letting their local boards know when an overcharge occurs. That's one big reason why price control is so successful in keeping the brake on—our citizens are helping.

19. ANNCR: How about it, Mr. (AA), do you need more volunteers down at the price-control board?

20. AA: Yes; we need them urgently. If you know anyone who has a few hours a week he or she can spare, afternoon or evening, tell them to call us at (phone No.). The board does need more assistants—as the job of price control goes into the most critical period we have yet faced. You'll be doing a real community service!

21. ANNCR: It is a community service—helping to see that our cost of living right here in ----- stays on the level.

22. AA: Yes; and it's more than our cost of living! It's our security as farmers—and the security of our country, as well. We cannot build prosperity on the kind of boom that winds up in collapse. Our first step toward the postwar world we all hope for is to head off inflation. If we lick it, we'll have gone a long way to wipe out poverty and malnutrition—we'll have gone a long way on the road to prosperity.

23. ANNCR: Thank you, Mr. (AA).

NEWSPAPER MATERIALS

SUGGESTED PRESS RELEASE FOLLOWING SPEECH

What farm prices fall first and fastest and stay down longest when inflation collapses was the keynote of a talk presented by _____ at a meeting on the farmer's stake in price control held in _____.

High-lighted in the talk was a review of the disastrous inflation that followed World War I, coupled with the importance of price control in heading off recurrence of that period of wild inflation followed by crashing markets and land foreclosures.

Mr. _____ congratulated farmers on the important part they played in winning the war. He pointed out how peacetime production of foodstuffs and agricultural war goods was increased by 28 percent—all accomplished with 7 percent less available workers and a real shortage of farm equipment.

Mr. _____ also stated that, on an average, farmers' incomes had risen to about double what they were before the war. He then explained to the group that only through the cooperation of everyone could price control be successful in heading off inflation.

"Maintenance of the balanced picture of good incomes and good markets depends on every one of us," Mr. _____ said. "Every purchase or sale that is made at prices higher than legal ceilings—no matter how small the transaction—is a wedge that helps open the gates of inflation," the speaker added.

Mr. _____ closed his talk with the statement that the farmer's stake in price control is vital to the economic welfare of the entire Nation, since the country's economic health is hinged on the welfare of its farmers.

SUGGESTED EDITORIAL

THE FARMER'S STAKE IN PRICE CONTROL

Perhaps no other single group of American people has more at stake in firm price control than does the farmer.

Most of us remember what happened after the last war, when the few wartime controls were dropped. Prices for our crops—as for all goods and commodities—skyrocketed for a short time. A lot of money was changing hands, and some of us probably thought the condition would last.

Sadly enough, it proved to be false prosperity, and when the resulting crash came many farmers lost their land. Business people, too, were in the same boat, and many of them lost out.

Now this war is over, and at present we have a fairly well-balanced condition of good incomes and good markets for the farmer. Surely we cannot afford to let prices get out of hand and bring about another period of wild inflation followed by the inevitable "hard times."

We can all do our part by abiding by OPA ceiling prices that have been established for the protection of all of us.

The farmer's stake in price control is too vital to ignore.

DROP-INS

After World War I inflation made prices so high that farmers could not pay them. We are helping farmers keep operating costs stable. We sell all our goods at ceiling prices or less.

We are fighting the kind of inflation that bankrupted farmers after World War I. All of our goods are priced at, or below, ceilings.

Inflation forced 453,000 farmers into bankruptcy after World War I. _____ (name of store) casts its vote for the prosperity cycle. All of our goods are priced at, or below, ceilings.

_____ (name of store) is helping fight the kind of inflation that bankrupted farmers after World War I. We are helping keep farm operating-costs stable. All of our goods are priced at, or below, ceilings.

FEATURE NEWS STORY

You know, human nature's a funny thing. Folks'll take a trip to see part of the country, and what do they do? Well, they spend the whole trip saying, "Look, there's an oak just like ours in the front yard at home"; or, Look at that house—just like the Jones' back in Centerville." Or sometimes they forget that storm cellars were built just because the old saw about lightning never striking twice in the same place isn't always true.

Here's the point we're getting to: Suppose you looked at your market prices one day and saw that beef cattle had gone up 19 percent; hogs, 25 percent; cotton, 32 percent; wheat, 25 percent; corn, 36 percent. Dollars to doughnuts you'd start thinking about building that new barn or calling up Jenkins to tell him you'd take that 36 acres of bottom land he's been trying to sell you. Sure, anybody would, unless they remembered that those prices actually existed after the last war—and what happened later.

Back in 1918, farmers were getting 118 percent of parity. Farm prices were rising to record highs, farm land values were booming. Farmers made plans to expand their holdings. But what they didn't notice was that while they were getting high prices for their products, they were paying even more for the things they were buying. And just 18 months later, those same farmers had to look at a few plain, hard facts.

In 1920 farm prices began to fall. They fell fast, and they fell far. By 1921 farmers were getting only 75 percent of parity. In other words, farm prices were falling faster than farm costs—that meant very little profit margin for farmers. Every farm price rise back in 1914-20 had meant a rise in farm costs. The more money you made in those days the more it cost you to live.

It didn't take long to figure out that with such a small margin, you'd have to buy fewer commodities if you wanted to stay in business. And it didn't take the city folks long to discover that soaring prices meant they'd have to take a notch or two in their belts, buy fewer commodities, including farm products, if they wanted to keep their heads above water.

Well, what started out to be a dream ended up as a nightmare to the 453,000 farmers who lost their farms, to the thousands of farmers who lost their savings and inventories, and to the meat and poultry producers who had fed their stock on sky-high-priced feed only to have to sell at a loss.

And now, here's why we've been building our own storm cellar, so to speak, to be sure lightning doesn't strike twice in the same place. Today, farmers are again living in a time of high prices. Farm prices in 1944 had increased about 105 percent since 1939, bank deposits held by farmers are up over 5,000,000,000 since 1940, the farm real-estate debt is the lowest since 1916, and farm foreclosures are almost unheard of. The question is: Should we get ready to take in our belts again? And the answer: Probably not. In the first place, the spread between what the farmer sells and what he buys is greater than it was after the last war. That rise of 105 percent in farm prices has been associated with a rise of only 79 percent in farm costs. The spread has been held stable since the end of the war. From 1918 to 1919 farm costs rose 12 percent, while farm prices rose only 5 percent. That's the key to the false farm prosperity of World War I.

One key to today's farm prosperity is price control. A farmer knows he is protected from sudden, speedy, and unpredictable increases in farm and living costs. He can buy his seed, machinery, tools, and daily living needs without worrying about price jumps. He can plan for the next season knowing he won't have to bid against his neighbors for scarce commodities. And he knows, too, that under price control, farm production has increased 30 percent over prewar levels.

His wife has learned, too, the value of price controls. The egg money she's been saving for a new washing machine or vacuum cleaner or refrigerator will buy those household appliances now that they are coming back at or near 1942 prices.

Yes; things look good, just like they did back in 1918. But unlike the period after World War I, today's farm prosperity is backed with solid, indisputable figures. We learned during the war the benefits of full employment—good incomes for workers so they can buy more and better food; good prices for farmers so they can buy goods produced in our factories; good profits for businessmen so that they can buy more of the food and fiber products of agriculture.

But we still are face to face with terrific inflationary dangers. They are even greater now than during the war. While we have money in our pockets, the things we want to buy are still scarce. If just a part of that huge purchasing

power were unleashed we would be on the road to another period of dizzy inflation, collapse, and low farm prices. But protecting us against this is price control. That's our storm cellar right now, to see us through reconversion and on our way to full employment and full production.

But that storm cellar won't build itself—we've all got to help dig the ground and carry the stones and mortar. That takes work and cooperation. Farmers and their families are needed as representatives of OPA price control boards. Their cooperation is vital in refusing to pay more than ceiling price, in reporting overcharges to price control boards.

It's just like Bill Whigham, who lived through the last war on his 200 acres out in the Middle West, was saying to his sons the other day: "You know, this puts me in mind of the time after the first war, back in 1918. Things looked mighty good for us farmers then * * * we just couldn't have asked for anything better. But it didn't last. We didn't have any price controls, and prices and operating costs went sky high. Things got plenty bad, but I believe it's going to be better this time. Looks like people are real concerned about not letting prices go up now. Yes, sir; I'd sure think we've all got to help hold prices steady so we can all get our farms fixed up just like we want them. I sometimes think what kind of farm I would've had by now if we'd had some way of controlling prices after the first war. Things would've been mighty different * * * and I hope they are for you boys."

And with price control to hold prices down until all danger of inflation is past, it does look like things are going to be different for the Whigham sons and sons-in-law than they were for bill.

FARM-STUDY GROUPS

(Special bulletin for schools, colleges, and farm-study groups)

STUDY OUTLINE ON "THE FARMER'S STAKE IN PRICE CONTROL"

Farmers and everyone else are looking ahead to a prosperous future. We can have that kind of future if—we are all able to buy the big amounts of things our workers and machines can produce.

After World War I, inflation caused prices to go so high that most people had to buy less. Then there were fewer customers for farm products. Farm incomes went down and farmers had to buy less of the things factory workers make.

Everybody suffered. Millions of young farm people had to get along on fewer clothes, less education. Their spending money bought less and less.

At the same time their parents were having even bigger trouble. The costs of machinery, building materials, fertilizer, kept going higher. Millions of farmers went into debt to expand their farm operations.

But by June 1920 prices had gone so high that almost everybody was buying less. City workers bought less food. The prices of farm products went down. That meant that farm incomes went down—by 1921 net farm income was only about one-third what it had been in 1919. This made it very difficult for farmers to pay their debts. That meant going without still more things. Many of them could not pay those debts. As a result 453,000 farms were lost because mortgages were foreclosed between 1922 and 1926.

No one wants that to happen again.

Young people can help keep it from happening.

This time we have a price-control program and ceiling prices. Young people can help make those ceiling prices work.

During the present reconversion to peacetime production, the prosperity of farmers and the prosperity of factory workers, white-collar workers, and other gainfully employed groups are interdependent. And the prosperity of all these groups is directly dependent upon three main factors: (1) Stable prices, (2) large production, and (3) a fair and reasonable balance among the shares of the total national income going to each group.

It is important that both farm and city people understand the importance of these three factors, particularly as they are related to the Nation-wide effort to prevent a disastrous cycle of inflation and deflation like that which occurred after World War I. To help develop such understanding is the purpose of this study outline.

The study outline which follows will help you understand the problem of keeping prices stable. It can be used by schools and colleges, and by study groups in farm and other organizations in a number of ways. It can serve as the basis for

class discussions in high school and college courses, in agriculture, in economics and other social studies, in home economics, and in business education, for example; and as the basis for talks and other assembly programs. It can also serve as the basis for study and discussion at meetings of homemaker clubs and farm groups.

QUESTIONS AND ANSWERS ON PRICE CONTROL AND FARM PROSPERITY

1. In the present postwar period, how are farm prices and other prices related?
 - (a) Stable farm prices mean steady markets and steady incomes for farmers because these prices enable city people to buy large quantities of farm products or of goods made from farm products.
 - (b) Keeping all prices stable means steady incomes for city workers because these prices enable farmers to buy large quantities of the things city workers make (farm machinery, fertilizer, building materials, etc.) and of consumer goods (food, clothing, refrigerators, etc.).
2. During World War II what happened to production in the United States?
 - (a) Between 1939 and 1945 farm production went up 28 percent.
 - (b) Between 1939 and 1945 industrial production went up 90 percent.
 - (c) Due to the superb work of farmers, labor, and management, total production of both war and civilian goods and services reached a record high.
3. During the war just ended, how much did prices go up?

	<i>Since August 1939 (outbreak of war to October 1945)</i>	<i>Since May 1943 (hold-the-line order to October 1945)</i>
(a) Prices received by farmers for all commodities.	up 121 percent	up 3 percent
(b) Prices of industrial commodities.	up 25 percent	up 4 percent
(c) Consumer prices in cities.	up 31 percent	up 3 percent

4. Were farmers better off in 1945 than they were before the war?
 - (a) An important measure of farm prosperity is the parity ratio. The ratio of prices received by farmers to prices paid, interest, and taxes.
 - (b) The average parity ratio for the prewar years (1935-39) was 84; for January through October 1945, 116—up 38 percent.
 - (c) Since the hold-the-line order of May 1943, this parity ratio has averaged about 116.
 - (d) If America were to have runaway inflation, the prices farmers pay would go up more than the prices they receive. If our Nation had depression, the prices farmers pay would go down less than the prices they receive. In either case, farmers would be worse off than they are with all prices stable.
5. What happened to farm prices, farmers, and other groups during and after World War I?
 - (a) Farm prices skyrocketed between 1914 and 1920.
 - (1) In 1919 the prices of farm commodities were 113 percent higher than they were in 1914. Wheat jumped to an average of \$2.16, corn to an average of \$1.51, and hogs to an average of \$16.39.
 - (b) Farm prices collapsed during and after 1920.
 - (1) Farm income dropped 66 percent by 1921.
 - (2) Wheat fell to \$1, corn to 50 cents, and hogs to \$7.50.
 - (3) Four hundred and fifty-three thousand farmers lost their farms from 1922 to 1926.
 - (c) Other prices also fell off sharply.
 - (1) Five million five hundred thousand lost their jobs, and factory pay rolls dropped 44 percent.
 - (2) One hundred and six thousand business firms went bankrupt in 5 years.
 - (3) Thousands of home owners lost their property.
 - (d) In the cycle of inflation and depression after World War I, we went up fast and came down hard. As a result, nearly everybody was worse off. Farmers could not sell at cost-of-production prices and workers could not buy—factories could not produce—and depression lay on the land.
 6. How does price control benefit farmers and other groups?
 - (a) Although price control has limited the prices received by farmers, it has kept down the prices they have to pay. For example, the prices of the things farmers raised and sold went up about 105 percent (1939-44) but the prices of the things they bought went up only 37 percent. This allowed farm prices, which had been depressed for so many years, to catch up with other prices.

(b) In World War I and afterward, with little or no price control, farm prices and farm costs went up together. In and after World War II, with price control, farm prices went up much more than farm costs. Production expenses per farm (including hired labor) about doubled, while net income tripled.

7. Is there still need for price control? If so, how can farmers and others help make it fully effective?

(a) There is a huge backlog of savings (estimated at \$145,000,000,000) in the hands of individuals. If people were to try to spend this money within a short time and if there were no controls over prices, they would bid prices skyward especially of such scarce goods as tractors, washing machines, and building materials.

(b) During 1945 income of individuals after taxes (demand) is estimated from \$136,000,000,000 to \$139,000,000,000, but the total value of goods and services produced and used (supply) is estimated to total only from \$101,000,000,000 to \$104,000,000,000. In 1946 demand is expected to continue to be larger than supply—a situation which could bring inflation if price controls were removed too soon.

(c) If prices are held steady and in balance, it will be possible for America to go ahead toward reaching the all-important goal of full production, full employment, and full consumption. This will mean prosperity for farmers and for all other groups.

(d) If citizens will always refuse to pay or charge more than ceiling prices, if they will always report overcharges to their price-control boards, if they will continue to volunteer to serve on or with these boards and the price panels, then our Nation can have price control which is fully effective everywhere. And the stable prices thus maintained will help bring about an era of prosperity which surpasses even the best we have had in our Nation's history.

PROTECTING THE FARMERS' DOLLARS

TRUCKS, TRACTORS, CARS, RADIOS, ETC.—WHAT WILL THEY COST?

We have won the war. Now we face the tough job of getting back into the large-scale production of peacetime goods that farmers and others need.

We all want to maintain the high output and high employment we had during the war. We all want plenty of good food and good clothing. Most of us want better homes. Farmers need the trucks, tractors, cars, radios, and labor-saving devices which we know we can produce.

All of the things farmers buy are beginning to flow again from our factories. Farmers are asking themselves, "How much can we buy with our earnings and savings?" Some of them are wondering if there will be the same kind of inflation, and crash, that came after the last war.

WHAT HAPPENED TO PRICES FARMERS PAID AFTER WORLD WAR I?

For a few months after the armistice prices went down a little. This fooled almost everyone. People thought the dangers of inflation were over. But then prices shot up faster than during the war. Farm operating costs and living costs rose rapidly. The value of farm earnings and savings went down.

By mid-1920 prices were so high that people could not buy as much as could be produced. Factories closed. People had less to spend for the things the farmers sell.

Farm prices crashed.

Cash farm incomes dropped from 14.6 billion dollars in 1919 to 8.2 billion dollars in 1921. The earnings of the average farm operator dropped from \$1,430 in 1919 to \$554 in 1921.

Four hundred and fifty-three thousand farmers lost their farms between 1922 and 1926. Thousands of others lost their savings.

WHAT SHALL WE DO THIS TIME?

Now, as once again we begin our return to peace, shall we let run-away prices repeat this disaster? or Shall we keep prices at levels which will protect the value of our dollars and help clear the way for large-scale production and big markets for the things we all need?

HOLDING THE PRICE LINE ON THE THINGS YOU BUY PROTECTS THE VALUE OF YOUR SAVINGS AND HELPS KEEP YOUR OPERATING COSTS DOWN

OPA helps clear the way for big production of farm equipment at fair prices

As long as farm supplies and equipment are scarce, there will be a serious danger that their prices will go up. We need a lot of goods to meet the big demand and make prices stable. This means that OPA has a double job:

1. It must make whatever price adjustments are needed to clear the way for a quick return to big production. Manufacturers, like farmers, must make a fair profit to stay in business.

2. At the same time, OPA must keep prices at levels which will enable farmers to buy large quantities of the things they need.

Getting both parts of this job done will provide fairly priced equipment for farmers and make better markets for the products of industry. OPA's policy is to lift price controls as soon as any commodity supply is near enough to demand to eliminate the danger of runaway pricing.

Ceiling prices for things farmers buy

The costs of farm machinery, equipment, supplies, and building materials make up about 40 percent of the average farmer's operating expenses. OPA's ceiling-price program is set up to keep fair prices on these things. OPA is keeping its regular ceiling prices on most of the other things farmers buy until they are no longer needed.

These price ceilings keep up the buying power of farmers' earnings and savings. Price control also enables other people to buy large amounts of goods. This helps make steady jobs for factory workers. Factory workers with steady jobs buy more food and clothes. This makes better markets for the things farmers sell.

That's why OPA's program is important to farmers.

What you can do

1. Tell your friends and neighbors how price control protects the value of farmers' earnings and savings and how it can prevent a disaster like the one that ruined so many farmers after the last war.

2. Know the ceiling price of the things you buy. Look for the ceiling price tags that will be on most of the work clothes, new household equipment, and appliances in your stores.

3. Don't pay more than ceiling prices. People who pay extra bid up the prices others must pay. They are paying extra to buy the kind of disaster that destroyed so many farms after the last war.

4. Report any overcharges to your OPA Board.

Senator MILLIKIN. Mr. Holman, I think you take a very cynical view of that. That is supposed to be instructional material; that is not propaganda.

Mr. HOLMAN. Senator, I grew up as a newspaperman and was a farm journal editor before I became a farmer's hired man. I know a little bit about propaganda myself. I wish we had that much money.

Senator MILLIKIN. I do not like to see you get cynical that way.

Mr. HOLMAN. I presume it is "educational" material; yes.

Senator MILLIKIN. Mr. Porter and Mr. Bowles held up their hands in holy horror, when they were before the committee, at the suggestion that they were indulging in propaganda.

Mr. HOLMAN. Only the other night I listened to a radio broadcast by Mr. Bowles, and while he did not exactly ask the people to send in telegrams and letters, I am quite sure that that was the implication of his remarks. One Senator advised me recently that following one of those broadcasts he received three mail sacks of mail from New York City alone.

Senator BANKHEAD. I got a large number of telegrams from New York City that found their way into my wastebasket. I pay atten-

tion to them when they come from Alabama. I don't know how they ever got my name.

Mr. HOLMAN. No one should think that increased wages will not be asked merely because there has been a spurious stabilization of the cost of living. The country must face the facts about food costs.

This drummed-up hysteria over living costs and wage stability is the only argument which can be advanced for food subsidies. Actually, the spending of subsidy money is more inflationary than the spending of an equal amount by consumers. The billion and a half dollars which the Government has spent on dairy subsidies added a billion and a half dollars to the public debt. This was a net increase of the Nation's purchasing power, and inescapably inflationary. If consumers had spent one and a half billion dollars, it would have been spent out of their incomes, an expenditure in lieu of additional savings or frantic bids for scarce consumer goods.

Removal of subsidies and resultant price increases would be of some concern to a few people in this country whose individual incomes did not increase from 1939 to 1945 as did the incomes of most industrial workers. The average annual income of industrial workers increased \$1,100 per worker from 1939 to 1945. For this small segment of our population—smaller now than at any time in our history—adequate protection can be afforded by Government aid on an individual basis. The National Cooperative Milk Producers Federation has endorsed the food-allotment plan, now before Congress. This program is planned mainly to alleviate the suffering of mass unemployment. If immediately enacted, however, it will cushion the adjustment of milk prices to a sound economic level. There would be an end to the Government's contributing as much to the grocery bill of the multi-millionaire as to the poorest victim of economic mischance.

Senator MILLIKIN. What is the theory of that food-allotment plan?

Mr. HOLMAN. A bill was introduced in the Senate by Senators Aiken and La Follette which was based on the theory that we will always have with us a certain small percentage of the population who, through physical disability or old age or otherwise, cannot earn or do not have a guaranteed income sufficient for them to live in comfort; and this plan provides that at least temporarily the Federal Government might assist them through the stamp plan or some plan of that kind so they can purchase their supplemental requirements from grocery stores.

Senator MILLIKIN. Is that similar to the plan we had during the depression?

Mr. HOLMAN. Yes; but there is a more definite limit on it.

The effect of subsidies on inflation was illusory. But subsidies have an effect on agriculture which is not illusory; they have the effect of enmeshing agriculture in a tightening web of bureaucratic fetters.

The dairy subsidy program put a Government paymaster in every county seat in the Nation. Before long, if this is permitted to continue, the individual dairyman will be unable to move without fear that innocent transgression of some bureaucratic edict will subject him to economic ruin.

There have been serious suggestions to the effect that all farm production be subsidized, but that production subsidies be withheld where the farmer does not cooperate in soil conservation or other

Government programs. This shows how enormous penalties can be imposed to enforce bureaucratic invasions of individual rights.

We do not believe that the present price-control authorities will voluntarily end subsidies. Last fall, we were told that a schedule for subsidy removal had been agreed upon within the administration. Under that program butter and cheese subsidies were ended. Then the administration took fright and abandoned its schedule. Now we have only bigger and better subsidies offered. The subsidies that were taken off were being paid through manufacturers. The new subsidies are added to those being paid to farmers directly via the county seat.

In substantiation of that I refer to the official press release by Mr. Bowles as Economic Stabilizer, under date of April 15.

The Office of Price Administration talks about removing subsidies when there is elbow room in the cost-of-living index. Gentlemen, by then it will be too late. When elbow room appears in the cost-of-living index the farmer stands to lose both subsidy and price together. The subsidized farm products—dairy products, meat, flour, oil seeds, sugar, and so forth—accounted for at least 52.3 percent of agriculture's cash income in 1944. Where could the remaining 47.7 percent possibly make elbow room to replace \$2,000,000,000 of subsidies?

Two years ago we proposed to Congress a schedule for ending subsidies. The war was still on and peace seemed in the distant future, so we recommended legislation requiring gradual periodic reductions. Had this policy been adopted all subsidies would have been ended before June 30 of this year. As a second choice, we favor a program such as the Wolcott amendments to H. R. 5270, wherein there is provision for terminating subsidies by 25-percent reductions at 45-day intervals with corresponding increases in price ceilings until all subsidies are removed by December 31, 1946, and price ceilings themselves are completely removed by March 31, 1947.

The criticism of that amendment at the present time—and we supported it—lies primarily in the fact that under the 45-day intervals there would be some holding back of butter and possibly of cheese because of the fact that it only costs about a half cent a month to store butter, whereas we now have to cope with a problem that involves at least 17 cents a pound in terms of butter. That is about where the subsidies are now, or will be on May 1; and to remove this in four strikes, 4 cents at a time, will give some opportunity for speculation. To offset that, however, we recommend that should the Wolcott amendment be approved by this committee, or by the Senate, at the same time there be a prohibitory clause inserted to prohibit any dealings for 9 months in cheese and butter futures. We do not believe that legitimate distributors, and certainly not the cooperatives, would attempt any runaway markets under those conditions.

Senator BANKHEAD. Do they have an active commodity market for cheese and butter?

Mr. HOLMAN. They have a very active one on butter, one in New York and one in Chicago, and there are exchanges on the Pacific coast. Of course, as the Senator knows, futures have been suspended as a war measure.

Senator BANKHEAD. They are not in operation now?

Mr. HOLMAN. No; but we want to provide here that in case anything should happen, futures be not renewed for 9 months after the termination of price ceilings, should they all terminate at once.

Senator MILLIKIN. What is the normal range of butter prices in normal times, from January to January?

Mr. HOLMAN. Well, Senator, I can look that up for you in just a minute.

Senator MILLIKIN. I mean, roughly, how many cents?

Mr. HOLMAN. It will run 6 to 8 cents; sometimes a little more, sometimes a little less. Butter going in storage in April and taken out in November would have added to it a storage cost of one-half cent a pound. So that would be the answer to that.

Senator MILLIKIN. Are the results similar in cheese and allied products?

Mr. HOLMAN. Cheese normally follows butter at half the price; and of course cheese should go into storage and should not come out of storage under 5 or 6 months, although a very large percentage of it is sold when it is several weeks old.

Senator MILLIKIN. It seems to me you have a place for a speculative spot there unless it is guarded very carefully.

Mr. HOLMAN. It should be guarded to the extent that it can be guarded. I do not see how any administrative regulation can control the situation, since the present dairy subsidies are not paid through handlers; they are now being paid through the AAA organization.

We are fearful that retention of the smallest vestige of a subsidy may blossom anew to a full-blown program with all its evil implications. On April 15 Mr. Bowles announced a new dairy policy beginning May 1. It provided for (1) a half-cent per quart increase in dairy production payments to be followed by an additional half-cent per quart increase July 1, (2) a restoration of the wartime ban on whipping cream and curtailment of ice cream, and (3) a further extension of price controls to cover manufacturers' sales of cream.

That announcement amazed us, although we might have known that from Mr. Bowles we could not expect sympathetic understanding or treatment of our needs. In passionate pursuit of his bulge-the-line program on the eve of a chastisement by the House of Representatives he made quite clear his blind determination not to increase dairy prices but to continue to enlarge subsidies as long as he continues in office.

Mr. Bowles was not unaware that his subsidy policy was destroying farm morals and confidence. He knew that maladjusted prices were forcing downward dairy production, for on a number of occasions, in person and by written communication—and I refer to personal conversations with the gentleman—we have discussed this problem with him.

From its inception to date the history of price control reveals little relief except minor price adjustments in local areas to alleviate hardship and to make inadequate adjustments of prices of products such as butter, which were already scarce, and with supply diminishing, due to the Bowles policy.

A policy of adjustments in terms of price would have protected the long-run interests of consumers by expanding production and satisfying the major needs of the people. The uncertainty of income under the subsidy was one cause inducing dairy farmers to cull their herds down by 3 percent during 1945. In some States the cut-back in milk-cow numbers was as much as 9 and 10 percent. Administration witnesses before this committee have admitted that milk production

this year may be only 118,000,000,000 pounds. The drop from last year's 122,000,000,000 pounds would be the biggest drop in our history. The drop will be a result of fewer cows. Dairymen are keeping fewer cows, contracting their output, partly from fear that subsidies would be ended at a bad time. The bigger subsidies get, the more dairymen are afraid of subsidies, and the more rapidly they send their cows to slaughter. Yet more subsidy is all we are offered.

This proposed subsidy increase is a flat increase, across-the-board, country-wide, irrespective of products. Yet the problem is one of adjusting individual situations.

Senator MILLIKIN. The dairymen in my State tell me that the whole thing has no relation whatever to their actual cost situation.

Mr. HOLMAN. That is true, sir. There are only two rules that the OPA have ever told us we might have in making a price adjustment in dairy products. One is that it is half of the cost of production. We battled with them on trying to get a full calculation of cost increases. The other is whether the price of milk, we will say, in Cleveland, is a little higher than in Canton, Ohio—so much so as to draw a little bit of Canton milk into Cleveland. Then they might make an adjustment upward in Canton to balance the direction of the flow of the milk?

Senator MILLIKIN. They split the difference?

Mr. HOLMAN. Yes, sir. And they are quite frank. There are gentlemen from OPA here who would admit to you that that is correct, that that is their policy. At least, that is what they have told me.

We believe that Mr. Bowles' action demonstrates our contention that dairy price problems are complex beyond the ability of OPA to solve. There is not even a pretense at corrective adjustments in this action. It is born of panic. It is an abandonment of all reason. It is the ultimate folly of price control.

The bans on whipping cream and ice cream are desperate measures to bolster up a broken-down price-ceiling structure. It is doubtful whether any degree of success will be achieved, it is certain that broad evasions will occur, and there will be hurtful economic repercussions on dairymen.

The ban on whipping cream will have a negligible effect on cream sales. New York City has had a ban on whipping cream for months, but New York sales of fluid cream in February were 70 percent greater than a year earlier. Light-cream sales will replace heavy cream. Butter made from light cream tastes just as good as butter made from heavy cream.

Light cream will run 18 to 20 percent fat and heavy cream will run 35 to 40 percent fat.

From such retail cream at a cost of a dollar and a half a pound when you can't get any of that creamery butter that Mr. Bowles so successfully held the line on, you can make good butter in your homes.

The limitation on ice-cream sales will put a strain on Government control that may well destroy all respect for Government economic regulation. Mr. Bowles cannot expect people long to respect regulations whose only purpose is to camouflage the futility of his method of administering price control of dairy products.

Appearing before this committee, Mr. Bowles said that he contemplated establishing cream ceilings at the September 1945 price

level. Any limitation on sale of cream at this time will more than offset the half-cent per quart increase in dairy-production payments.

So, here he hands it to us with one hand and takes it away from us with the other.

Senator MILLIKIN. Was there ever a time before these controls came into existence that a housewife could not go into a grocery store and buy butter or cheese if the store customarily handled butter and cheese?

Mr. HOLMAN. I have never heard of it; certainly not in my life. And I say this to the committee, now, with conservatism. First, no amount of re-regulation can settle this mess; secondly, the removal of price controls will provide butter—not immediately—because we have always provided butter in the past.

Senator MILLIKIN. That is what I am driving at. Within your knowledge there has never been a time until now that a person could not walk into a place that customarily sold those products and buy them?

Mr. HOLMAN. That is correct, sir.

Fluid cream is now bringing to the dairy farmer an income of 75 to 85 cents per pound for butterfat or from \$3 to \$3.40 per hundred pounds of 4 percent milk. To establish price ceilings for cream manufacturers at the September 1945 levels would cause the same cream to return only 50 to 55 cents per pound of fat or \$1 to \$1.20 less per hundred pounds of milk. So the order, instead of increasing dairy income, will reduce it fourfold for hundreds of thousands of farmers.

It is not too late to save the dairy industry. Last year's downturn in cow numbers can still be reversed. Enough dairy heifers are left to do that. The calves now being born will either be the milk cows of 1948 or the veal on tomorrow's dinner table. The answer lies in what action Congress at this time may take. Such action should recognize the interrelationship of all dairy products. It should also recognize the patent fact that controls administered by Washington officials have brought about this plight and no amount of new control orders can bring dairy prices into balance with regard to commodities and with regard to historic price differentials between communities.

It is our considered judgment that the best interests of all the people would be conserved by terminating both subsidies and price controls together with the so-called limitation orders on June 30 of this year. Only by that method can relief be afforded to butter-famished consumers and black markets be abolished for butter and cheese.

If Congress for any length of time continues price ceilings beyond the present fiscal year it should provide directives guaranteeing dairy farmers against rises in total costs of production and also a fair profit. Finally, termination of subsidies at the end of this fiscal year will be a saving for the public purse and a retarding influence against impending credit inflation.

In conclusion, Mr. Chairman, I regret to say this, but unless the present price policy of OPA is rescinded—and I do not think it will be rescinded except by this Congress—this condition has produced so much unrest among the dairy farmers of the various sections of the country, particularly in the deficit areas, and it is even now extending into the Eastern areas, like the great milkshed of New York, that I predict that there will be a wave of spontaneous diversions of milk, which is nothing in the world but milk strikes conducted by farmers

of the communities, which will shock this Nation into a recognition that the dairy farmers must have a square deal. Our organization has never advocated anything of that kind.

Senator BANKHEAD. We will have a situation like we had in corn some years ago. You think there will be something like that in milk?

Mr. HOLMAN. In New York State alone they are meeting at night. I have a telegram stating that 500 farmers attended a mass meeting and voted unanimously for an increase of at least 25 percent over 1945 prices.

Those are considerations of community distress which should be recognized and dealt with humanely.

(The documents referred to and submitted by the witness are as follows:)

RESOLUTION ADOPTED AT THE ANNUAL MEETING OF THE NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION, DECEMBER 1945

As we predicted 2 years ago, dairy farmers, almost alone among farm groups, face the end of the war and reconversion with a price in the market place which is at least 20 percent below fair value.

November 1 or December 1 of 1945 was the proper time to remove the subsidies and price ceilings that brought about this condition—after proper notice, so as to allow time for markets with State or Federal price orders to hold proper hearings and make price adjustments coincident with the end of subsidies.

This was not done. If it can be done within the next few weeks we urge that an immediate announcement be made and plans to that end be started immediately throughout the Nation.

If it cannot be done within this time limit, with the start of the spring flush just beyond, we must insist that the Federal Government help us to get out of this dilemma which was of its making, by continuing subsidies at not less than this year's rates until June 30, 1946, with ceilings to be removed at that time and proper provision to be made for fair prices in the market place.

RESOLUTION ADOPTED AT THE SPECIAL DELEGATES' MEETING NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION, FEBRUARY 19, 1946

With its resulting disastrous effect on the health of the adults and youth of our Nation, the Government's postwar price control and subsidy policy has angered and disillusioned American dairy farmers. They are now well aware that OPA price control of dairy products is distintegrating. Black markets are rampant. In all parts of the Nation, according to reports to our special meeting, countless good dairy farmers are selling their cows. Dairy prices are in a jumble and out of relation to each other and to production costs. The OPA has not held and cannot hold the so-called dairy price line.

Dairy farmers cannot maintain production with increasing costs of labor and high prices for decreasing quality of feeds, and meet other costs resulting from the President's new bulge-the-line Executive order. This inflationary order which will increase the income of consumers by \$10,000,000,000 a year—an amount equal to half the total yearly income of agriculture—will add to the production costs of millions of dairy farmers who must have higher price returns to stay in business.

Last year the national income exceeded \$145,000,000,000, but Congress still authorized consumer subsidies amounting to \$2,416,000,000 in this the one year in history when people were best able to pay for what they eat and wear. Of this amount \$694,000,000 was authorized for the benefit of consumers of dairy products which is about 20 percent of the wholesale market value of all dairy products at the farm. Continuation of the subsidy policy leaves dairy farmers subject to the shifting winds of administration policy with a price structure resting in the sand. Dairy farmers are threatened with a permanent regimentation and dependence upon Government if the President's policy to maintain ceilings and subsidies until the cost of living turns downward is sustained by Congress.

The Dairy Branch in the Department of Agriculture has predicted the greatest drop in history in dairy production for 1946. This is proof of the ineffectiveness of the subsidy and ceiling system and a warning to consumers of much more drastic shortages to come. If Congress considers that consumers still need subsidies in a time of highest wages and highest employment, let the subsidies be paid direct to those whom Congress feels are unable to pay.

Prices of milk and its products can now only be brought into proper relationship by removing price ceilings and letting these commodities find their natural levels. Price ceilings and subsidies intensify and perpetuate inequalities and become a device for holding down farm prices and production.

Dairy farmers must have relief now. Therefore the National Cooperative Milk Producers Federation, meeting in special delegates session February 19, 1946, demands because of these distressing conditions that all subsidies and price ceilings on dairy products be abolished, and instruct the officers and directors of the federation to pursue this end with every resource at their command.

THE NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION

National headquarters, Washington 6, D. C.

Officers

John Brandt, president
 W. P. Davis, first vice president
 W. J. Knutzen, second vice president
 George W. Slocum, treasurer
 Charles W. Holman, secretary

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John Brandt	W. J. Knutzen	W. J. Swayer
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Malcolm Dougherty, Kentwood, La.	I. W. Reck, Sioux City, Iowa
Henry Hagg, Portland, Oreg.	Robert Schiering, Mount Healthy, Ohio
A. N. Heggen, Des Moines, Iowa	Howard Selby, Charlestown, Mass.
C. W. Hibbert, Los Angeles, Calif.	R. W. Shermantine, Baltimore, Md.
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Albert Klebesadel, Shawano, Wis.	Milo K. Swanton, Madison, Wis.
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Melvin Mason, Whitewater, Wis.	B. A. Thomas, Louisville, Ky.
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R. C. Mitchell, Southbury, Conn.	

Honorary directors for life

N. P. Hull, Lansing, Mich.	John D. Miller, Susquehanna, Pa.
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Member associations

Akron Milk Producers, 194 Carroll Street Akron 4, Ohio.
 Arrowhead Cooperative Creamery Association, 227 North Fifty-seventh Avenue,
 West Duluth 7, Minn.

- Central Grade A Cooperative, Appleton, Wis.
 The Central Ohio Cooperative Milk Producers, Inc., 12 North Third Street, Columbus 15, Ohio.
 Challenge Cream and Butter Association, 929 East Second Street, Los Angeles 12, Calif.
 Chattanooga Area Milk Producers Association, Chattanooga, Tenn.
 Cheese Producers Marketing Association, Monticello, Wis.
 Coastal Bend Milk Producers Association, Box 3216, Corpus Christi, Tex.
 Connecticut Milk Producers' Association, 990 Wethersfield Avenue, Hartford 6, Conn.
 Consolidated Badger Cooperative, Shawano, Wis.
 Cooperative Pure Milk Association of Cincinnati, Plum and Central Parkway, Cincinnati 2, Ohio.
 Dairy Cooperative Association, 1313 Southeast Twelfth Avenue, Portland 14, Oreg.
 Dairy Farmers Cooperative Association, Inc., Kentwood, La.
 Dairy Farmers Cooperative Association, Arcadia, Tex.
 Dairy Producers Cooperative, 703-713 South McDonough Street, Montgomery 5, Ala.
 Dairymen's Cooperative Sales Association, 451 Century Building, Pittsburgh 22, Pa.
 Dairymen's League Cooperative Association, Inc., 11 West Forty-second Street, New York 18, N. Y.
 Denver Milk Producers, Inc., 810 Fourteenth Street, Denver 2, Colo.
 Des Moines Cooperative Dairy, 1935 Des Moines Street, Des Moines 16, Iowa.
 Enid Cooperative Creamery Association, 402 West Walnut Street, Enid, Okla.
 Evansville Milk Producers' Association, Inc., Evansville 8, Ind.
 Falls Cities Cooperative Milk Producers Association, 229 Bourbon Stock Yards Building, Louisville 6, Ky.
 Farmers Equity Union Creamery Co., 169 Grove Avenue, Lima, Ohio.
 Georgia Milk Producers Confederation, 661 Whitehall Street SW., Atlanta, Ga.
 Golden Guernsey Dairy Cooperative, 2206 North Thirtieth Street, Milwaukee, Wis.
 Guilford Dairy Cooperative Association, 1700 West Lee Street, Greensboro, N. C.
 Indiana Dairy Marketing Association, Munice, Ind.
 Indianapolis Dairymen's Cooperative, Inc., 729 Lemeke Building, Indianapolis 4, Ind.
 Inland Empire Dairy Association, 1803 West Third Avenue, Spokane 2, Wash.
 Interstate Associated Creameries, 624 Southeast Division Place, Portland 14, Oreg.
 Inter-State Milk Producers Cooperative, Inc., 401 North Broad Street, Philadelphia 8, Pa.
 Keosauqua Cooperative Creamery, Keosauqua, Iowa.
 Knoxville Milk Producers Association, Knoxville 17, Tenn.
 Land O'Lakes Creameries, Inc., 2201 Kennedy Street NE., Minneapolis 13, Minn.
 Lehigh Valley Cooperative Farmers, 1026 North Seventh Street, Allentown, Pa.
 McDonald Cooperative Dairy Co., 617 Lewis Street, Flint 3, Mich.
 McLean County Milk Producers Association, 103 North Robinson Street, Bloomington, Ill.
 Madison Milk Producers Cooperative Association, 29 Coyne Court, Madison 5, Wis.
 Manchester Dairy System, Inc., 226 Second Street, Manchester, N. H.
 Maryland and Virginia Milk Producers Association, Inc., 1756 K Street NW., Washington 6, D. C.
 Maryland Cooperative Milk Producers, Inc., 810 Fidelity Building, Baltimore 1, Md.
 Miami Home Milk Producers Association, 2451 Northwest Seventh Avenue, Miami, Fla.
 Miami Valley Cooperative Milk Producers Association, Inc., 136-138 West Maple Street, Dayton 2, Ohio.
 Michigan Milk Producers Association, 406 Stephenson Building, Detroit 2, Mich.
 Michigan Producers Dairy Co., 1315 East Church Street, Adrian, Mich.
 Mid-South Milk Producers Association, 1497 Union Avenue, Memphis 4, Tenn.
 Mid-West Producers Creameries, Inc., 224 West Jefferson Street, South Bend 2, Ind.

Milk Producers Federation of Cleveland, 1012 Webster Avenue, Cleveland 15, Ohio.
 Milwaukee Cooperative Milk Producers, 1633 North Thirteenth Street, Milwaukee 5, Wis.
 Nebraska Cooperative Creameries, Inc., 15th and Webster Streets, Omaha 2, Nebr.
 Nebraska-Iowa Nonstock Cooperative Milk Association, 402 North Twenty-fourth Street, Omaha, Nebr.
 New Bedford Milk Producers Association, Inc., 858 Kempton Street, New Bedford, Mass.
 New England Dairies, 142 Cambridge Street, Charlestown, Mass.
 New England Milk Producers Association, 73 Cornhill, Boston 8, Mass.
 The Northwestern (Ohio) Cooperative Sales Association, Inc., 2221½ Detroit Avenue, Toledo 6, Ohio.
 Paducah Graded Milk Producers Association, Inc., Route 1, Paducah, Ky.
 Peoria Milk Producers, Inc., 216 East State Street, Peoria 2, Ill.
 Pure Milk Association, 608 South Dearborn Street, Chicago 5, Ill.
 Pure Milk Producers Association of Greater Kansas City, Inc., 853 Live Stock Exchange Building, Kansas City 15, Mo.
 Pure Milk Products Cooperative, 20 Forest Avenue, Fond du Lac, Wis.
 Richmond Cooperative Milk Producers Association, 516 Lyric Building, Richmond 19, Va.
 St. Joseph (Mo.) Milk Producers Association, Inc., 1024 South Tenth Street, St. Joseph 26, Mo.
 Sanitary Milk Producers, 511 Locust Street, St. Louis 1, Mo.
 Sioux City Milk Producers Cooperative Association, Inc., 511 Warnock Building, Sioux City 15, Iowa.
 South Texas Producers Association, Inc., 3600 Center Street, Houston, Tex.
 The Stark County Milk Producers Association, Inc., 212 Canton Building, Canton 2, Ohio.
 Tillamook County Creamery Association, Tillamook, Ore.
 Twin City Milk Producers Association, 2402 University Avenue, St. Paul 4, Minn.
 Twin Ports Cooperative Dairy Association, 6128 Tower Avenue, Superior, Wis.
 Rochester Dairy Cooperative, Rochester, Minn.
 United Dairymen's Association, 635 Elliott Avenue West, Seattle 99, Wash.
 United Farmers Cooperative Creamery Association, Inc., 86 Cambridge Street, Charlestown 29, Mass.
 Valley of Virginia Cooperative Milk Producers Association, Harrisonburg, Va.
 Vigo Cooperative Milk Marketing Co. Inc., 414 Mulberry Street, Terre Haute, Ind.
 Wayne Cooperative Milk Producers, Inc., 340 East Berry Street, Fort Wayne 2, Ind.
 Wisconsin Cheese Producers Cooperative, Plymouth, Wis.

The CHAIRMAN. We thank you, Mr. Holman, for this helpful information.

Mr. HOLMAN. I thank the committee.

Senator BANKHEAD. The committee will stand adjourned until Monday at 10 a. m., when the hearing will be resumed on the OPA bill.

(The following was submitted later for the record:)

As vice president and general manager of Southwest Used Car Dealers' Association, representing 2,500 used-car dealers in the States of Texas, New Mexico, Arkansas, Oklahoma, and Louisiana, I am addressing these remarks to you with the respectful request that they be accorded your consideration at the forthcoming hearings concerning extension of the powers of the Office of Price Administration.

This association has over 800 active members and is rapidly expanding to include all legitimate dealers in the Southwest. We represent the interest of all these dealers and they with their employees and families exceed fifty thousand citizens of the Southwestern States.

Let it be said first that this association of legitimate and established dealers, opposed as they are to the proved practical effects of OPA operation, are not opposed to the intention of this agency, and, in fact, earnestly desire that prices of used cars be deflated. In substantiation, please observe:

1. That used-car dealers, as distinguished from new-car dealers and any other merchant with wholesale connections, have no exclusive source of supply, but must obtain their merchandise from the same market in which they make their sales; i. e., from individual owners;

2. That regardless of price, such a merchant, operating in free competition, cannot realize as profit more than an amount arising from his ability to search the market widely for merchandise, from his knowledge of car values, from cash purchases, from wholesale discounts on repairs and replacements, and from his maintenance of a convenient place of business. High sales prices mean to him high buying prices, competition maintaining the narrowest practicable margin between the two;

3. That high prices, while allowing little additional gross profit, offer the danger of loss on inventory, reduce volume of sales, and jeopardize customer good will.

Therefore the interest of legitimate used-car merchants in reasonable prices coincides with that of the buying public; and in fact, dealers themselves are the largest buyers in this market. Thus, such recommendations as they may make for control and reduction of prices must be counted sincere on the basis of their selfish interest; and it may be assumed that they must have knowledge of the facts, being engaged daily in the practical operation of such a business.

This association for more than a year has been calling to the attention of the Government, OPA, and the public that existing regulations, whatever success they may enjoy in other fields, operate not to control used-car prices but to inflate them. It is gratifying to us now to note that newspapers throughout this section are editorially acknowledging the futility and evils of used-car ceilings, even though some continue to accuse used-car dealers for a condition over which they have no control and to which they have been strenuously opposed.

The inflationary results of price ceilings for used cars, and the failure and inability of OPA to control prices, cannot in all fairness be charged directly to inefficiency of this bureau. Any law setting forth ceiling prices for transactions in the personal property of private individuals, while making no provision whatsoever for a supply of the commodity at or below ceiling price, is doomed not only to failure but to the opposite result from that sought. There are numerous examples of public hoarding of supplies which were rumored about to be rationed or otherwise controlled, and this same effect was produced upon the application of ceiling prices to used cars. Prices of inferior vehicles promptly rose to the ceiling while superior ones acquired in their owners' minds a value in excess of ceiling, and usually either were withheld from the market or disposed of in the black market which the regulations created. It was impossible for any agency to police the activities of 25,000,000 private citizens and consequently it became the announced policy to devote police activities to dealers. In turn, the more this open competitive market was choked, the blacker became transactions outside dealers' hands. At the same time, since dealers have no supply other than that purchased from the public they themselves became the victims of black-market prices in order to stay in business at all. Many quit; some barely have hung on; and others, many of them not, by trade, dealers at all, learned the methods of evasion and have proceeded to prosper. At this time, while there are some honest dealers who do not evade the law, and many others who do not wish to, there are few, if any, who do not know how to do it with little or no risk. The result has been that prices of used cars have fluctuated independently of those established by the OPA, except that they are generally higher than they would be without this Government interference. Anyone who cares to do so may verify our statements simply by referring to the figures of automobile transactions, which show that they are being sold in considerable volume, and by undertaking to purchase a 1941 or 1942 model in good condition at the ceiling price. OPA is well aware of these facts.

Thus while transactions are not and cannot be stopped, and prices are not and cannot be controlled, what is the picture on enforcement? We offer our considered opinion, based upon figures for our area, that OPA has enforced penalties upon less than one-half of 1 percent of automobile transactions and this to an extent of less than one-quarter of 1 percent of the gross dollars involved. In short, in the face of widespread and widely known violation, the protection offered the public by this vast and expensive agency is less than \$1 for every \$400 transaction. At the same time, the inflationary results of attempted control have cost the public easily 50 times the amount of this protection.

Mr. Bowles, in a letter to Congressman Lindley Beckworth dated January 3, 1946, said: "It is our judgment that used cars are more vulnerable to inflation than any other item of consumers' durable goods, and that they will continue to

be so until production of new cars is of such volume as to balance supply and demand." This association acknowledges that the basic problem is one of supply-demand, but we ask:

What does OPA accomplish with respect to the supply-demand factors?

It adds nothing to production.

It does nothing to reduce or satisfy demand.

It reduces available supply through hoarding, speculation, and by artificially inflating market values above ceiling, so that many law-abiding people hold their cars rather than accept less than the market or violate the law.

It does not reduce transactions.

It does, however, harass, hamper, and humiliate legitimate dealers in their efforts to maintain an open competitive market.

Thus the mere statement that there exists imbalance between supply and demand is not in itself reason enough for continuance of OPA. The agency must show, as it cannot, that it justifies itself by results which protect the public against the effects of disparity between supply and demand.

What is the method of OPA operation that harasses, hampers, and humiliates dealers? I quote a letter sent by OPA to a customer of a legitimate dealer in Dallas, Tex. This dealer has been in business for 18 years, does not violate ceilings, and for some time has been virtually out of business as a result of his compliance. The letter:

"Please call at the Dallas district office of the Office of Price Administration located in the basement of the Rio Grande National Life Building, 1100 Main Street, Dallas, Tex., between the hours of 8 a. m. and 2 p. m. on Monday, Tuesday, or Wednesday, January 21, 22, and 23, 1946. Please bring with you all papers in your possession pertaining to the automobile which you purchased from the Jones Motor & Loan Co., 3710 Commerce, Dallas, Tex.

"It is important that you appear in person without further notice. You will please ask for Mr. Love."

This letter is signed by Alfred E. McLane, enforcement attorney, Dallas district office.

Such letters as this are sent to all buyers of cars from dealers. The customer, then, is invited to express dissatisfaction with the condition of his car or to claim that he paid more than ceiling for it. It is not unwarranted to suppose that since many people are quite nervous in dealing with what appears to them to be a representative of the law, they are gently threatened with various punishments if they do not "cooperate." Not even by these methods does OPA obtain results, but at the same time every customer of a used-car dealer is systematically led to feel that the dealer is a crook. We ask you, what purpose is served by destroying the reputation and good will of men who have operated businesses for years? Only legitimate dealers are penalized because the black-market operator and the fly-by-night type do not care. Will destruction of legitimate dealers help the public in any way? It only drives them elsewhere to receive unfair treatment.

Even yet we have not mentioned the consequence of this law which probably is the most dangerous of all: That it is systematically destroying in the public mind respect for honesty, integrity, and for law itself. Far more than did the Volstead Act, this regulation is encouraging people everywhere to abandon their faith in fairness, honesty, and compliance with the law, and to treat these foundations of our society with contempt. Everyone can see in his own community that to be contemptuous of the law leads to prosperity, virtually without risk; and that to comply leads to loss, and sometimes ruin. How long can we afford to place premiums upon law violation and penalties upon compliance without wrecking our social system?

Finally, I quote again from a letter written by Mr. Bowles. This letter is dated January 23, 1946, and was written by Mr. Bowles to Congressman Fritz G. Lanham, in answer to Mr. Lanham's efforts to obtain for the writer information concerning meetings and discussions at which OPA policy is formulated.

"Please be advised that no public meeting of this kind has been held by this Office, neither has a meeting been called and, therefore, you may advise Mr. Webster accordingly. However, this matter has been discussed from time to time with our dealer advisory committee. The minutes of these meetings are not released for public consumption."

We ask you to note that Mr. Bowles says his discussions with the dealer advisory committee are not available to the public. Are the affairs of this country now being determined by nonelective bureaus acting in secret, whose proceedings need not be revealed? Are decisions vitally affecting the material and social welfare of large groups now made without there being any right on the part of the affected

parties to know on what basis the decisions are arrived at? Who provides the facts, information, and opinions? And what is their interest? If you believe that this is being done by competent advisory committees from the industry affected, then please note the following; and if you desire verification wire me collect and I will provide it in abundance.

On January 2, 1946, I attended in Dallas a meeting at which the principal speaker was Mr. I. W. Wall, who is a member of the advisory committee to which Mr. Bowles' letter referred. Mr. Wall said in effect that—

His committee really does not advise but merely is confronted with decisions already made;

Protests and objections on the part of the committee have no weight or bearing upon OPA policy;

There are two members of the committee who are supposed to represent the used-car trade but they soon discontinued attendance when they found they could exercise no influence;

The committee recommended abolition of used-car ceilings some time ago, but without effect.

Again we ask—

Who is determining policy in OPA?

What is their interest?

What are their qualifications?

What are their motives?

Has our Government passed from Congress to irresponsible bureaus operating in secret?

Is Congress going to ratify surrender of its constitutional powers by renewing the unrestricted authority of OPA without provision for supervision or veto?

We shall not take more of your time to detail the impracticability of specific regulations. All the manifold evils of Government interference with the delicate organism of private enterprise have come to your attention countless times, no doubt. Our argument simply is that we want and need lower prices, that OPA regulations for used cars tend to inflate, rather than control; that they destroy honesty and respect for law while encouraging the opposite; and, in general, penalize veterans, the public, and the legitimate used-car trade, all without any corresponding gain anywhere in our society.

Therefore, we respectfully request that you oppose renewal of the powers of OPA in regard to prices of used cars, and offer our considered judgment that upon their removal the prices at which cars actually are being sold will decline; and that, thereafter, they will remain lower than they would be with OPA in operation.

Further, we assure you, a representative of the public welfare, that this association and its members, once freed from this paralyzing partner of the racketeers, will act aggressively to restore the used-car field to truth, integrity, and honest values.

If you desire documentation of any statements made herein, it is requested that you write, wire, or phone the writer, who will provide them, and if desired, will come to Washington. Any wires or calls should be collect to this office.

STATEMENT REGARDING EXTENSION OF THE EMERGENCY PRICE CONTROL ACT

SUBMITTED TO THE SENATE BANKING AND CURRENCY COMMITTEE BY C. W. KITCHEN, EXECUTIVE VICE PRESIDENT, UNITED FRESH FRUIT AND VEGETABLE ASSOCIATION, WASHINGTON, D. C., APRIL 29, 1946

The United Fresh Fruit and Vegetable Association is a Nation-wide organization with headquarters in Washington, D. C., and a membership of more than 2,000 growers, grower-shippers, cooperative marketing associations, wholesalers, jobbers, brokers, and affiliated industries engaged in the production and marketing of fresh fruits and vegetables. These commodities constitute an important part of the Nation's food supply, having a farm value of more than \$2,000,000,000 annually. This industry is vitally concerned with the continuation of price control.

We favor and urge the adoption of paragraph (B) of section 1A, lines 6 to 15, inclusive, page 5, of H. R. 6042, providing that "When the production of any agricultural commodity for the past twelve months equals or exceeds the produc-

tion of this commodity during the twelve months' period from July 1, 1940, to June 30, 1941, then such fact shall be certified to the Price Administrator by the Secretary of Agriculture, and such Price Administrator shall not later than ten days after the receipt of such certification remove all maximum price ceilings from such commodity and all commodities for human consumption derived principally therefrom."

We hold the foregoing provision to be essential to an orderly and progressive removal of price limitations upon perishable agricultural commodities, as it sets up a definite period of prewar production against which the future yearly volume of such commodities can be accurately and fairly gaged to determine whether the needs of domestic demand have been satisfied. We disfavor, however, the provisions of subparagraph (d) (1) and (d) (2) under the foregoing amendment, beginning with line 23, page 5, and ending with line 8, page 6, of H. R. 6042, reading as follows:

"(d) (1) After maximum price controls have been removed in accordance with subsection (b), in the case of any commodity or class of commodities, the President shall from time to time determine whether, by reason of changed conditions, there has arisen an unsatisfied domestic demand for such commodity or class of commodities. Whenever the President determines that such demand has risen and has remained unsatisfied for period of more than sixty days, and, in his judgment, there is no immediate prospect of such demand being satisfied, he shall forthwith certify that fact in writing to the Price Administrator.

"(2) When the Price Administrator has received from the President a certification in writing under this subsection with respect to a particular commodity or class of commodities, the Price Administrator may reestablish, with respect to such commodity or class of commodities, such maximum price or maximum prices, consistent with the applicable provisions of law, as in his judgment may be necessary to effectuate the purposes of this Act."

We respectfully submit that the above provisions are too indefinite for practical application to any single commodity or any class of related commodities in an industry subject to such violent and unpredictable fluctuations in supply as is the case with fresh fruits and vegetables. This provision appears to be merely a declaration of policy. It is not a formula or guide to be followed by the administrative authorities, because it makes no attempt to define demand or at what price level demand could be considered as satisfied.

If the foregoing provisions are retained in the Emergency Price Control Extension Act, we believe that the act should provide a definite standard whereby the President, the Price Administrator, and the Secretary of Agriculture may determine whether domestic demand has been satisfied; and, if domestic demand appears not to have been satisfied, the extent and probable duration of such inadequate supply. As presently written, H. R. 6042 needs clarification and definition on this point.

The fresh fruit and vegetable industry is highly competitive. It is made up primarily of comparatively small business units. This is evidenced by the fact that the United States Department of Agriculture has in effect approximately 21,000 licenses under the Perishable Agricultural Commodities Act, a law which requires that all commission merchants, dealers (except retailers), and brokers engaged in the marketing of fresh fruits and vegetables in interstate commerce shall be licensed by the Secretary of Agriculture.

Effective and equitable control of fresh fruit and vegetable prices at all levels of distribution is complicated and difficult. There are sharp distinctions between them and staple foods or manufactured products. They are highly perishable. Only a few, such as late potatoes, pears, and apples, can be stored in quantity for any length of time. In most instances, storage is possible for short periods only. All must be disposed of within a definite marketing season. They must be sold at market prices. There can be no carry-over from one season to another. Fresh fruit and vegetable prices are, therefore, subject wholly to the influence of supply and demand.

The imposition of price controls on such highly perishable commodities, despite the best intentions and efforts of the Office of Price Administration working under severe handicaps, disrupts long-established practices in this fast moving business. It has interfered with the marketing of these products on the basis of grades. Unavoidably complicated regulations, often difficult to understand even by expert analysts; seasonable price changes to conform with historical patterns; seasonal adjustments for storage allowances and shrinkage; threatened roll-backs of both prices and margins; requests for complicated cost data; suspension for short periods with reinstatement on little or no notice; delays in the announcement of

new ceilings until after marketings have begun; long and expensive conferences over the necessity for equitable allowances for increased labor and other costs; and the constant fear of prosecution—these are a continuing source of confusion and uncertainty in this industry.

Many feel that price control, especially at the retail level, tends to operate as a magnet and causes retail prices to respond less rapidly to increased supplies. The Office of Price Administration's inability strictly to enforce its regulations encourages the unscrupulous and places the law-abiding merchant at a serious disadvantage.

Notwithstanding these difficulties, the United Fresh Fruit and Vegetable Association has cooperated with the Office of Price Administration, believing that any inconvenience or hardship in the public interest should be borne if it would help win the war. Many of its members have served on industry advisory committees and several as special consultants to the Office of Price Administration.

We believe the situation has now entered a new phase and that price control of fresh fruits and vegetables should be removed as rapidly as possible, and in accordance with a definite formula, such as has been incorporated in paragraph B, section 1A of H. R. 6042. During the war, fresh fruit production increased about 7 percent, vegetable production nearly 37 percent. Consumption also increased, and we earnestly hope it will continue at a level substantially higher than prewar. The fresh fruit and vegetable industry's reconversion problem, as we see it, is to press for consumption substantially above prewar. Otherwise, it will be forced to adjust production downward to a lessened demand and at prices which will enable producers to produce. Some of our important fruits relied heavily upon export markets before the war. Prospects for an immediate revival of the export trade are not promising.

The situation confronting this industry was brought out in recent hearings on the agricultural appropriations bill before the House Committee on Appropriations. A statement was inserted in the record showing that it might be necessary for the Department to use nearly \$42,000,000 of section 32 funds in price-support operations during the fiscal year 1947. This would be in addition to such expenditures as might be necessary from Commodity Credit Corporation funds to carry out its obligation to support white-potato and sweet-potato prices under the Steagall amendment.

It was stated that there had been a rapid increase in the production of both deciduous and citrus fruits, and that the Government might be called upon for extensive price-support operations. With respect to vegetables, the statement pointed out that there might be a reduction in demand for fresh commodities, owing to the greater availability of processed products, although it is doubtful that there will be a corresponding reduction in production. Even during the war years, the Department of Agriculture has spent substantial sums on price-support programs for fresh fruits and vegetables.

Government buying for military needs has been greatly reduced. Thus, continuation of high wartime production, without assurance of the continuation of abnormal wartime demand, is likely to result in many periods of below-cost markets for producers. The natural offset is that producers be permitted to avail themselves of prices higher than present ceiling levels, when they occasionally occur for short periods due to low yields or to transportation and container shortages. Such conditions need not be damaging to consumers, as the long list of commercial fresh fruits and vegetables will provide cheaper substitutes for temporarily higher-priced items. Moreover, farm and packaging charges have risen, and this requires an increase in present ceilings in line with the Government's announced wage-price policy.

In 1944, the Congress included in the Emergency Price Control Act, the so-called crop-disaster provision under which the Price Administrator is required to increase the shipping-point ceiling on any fresh fruit or vegetable whose supply is substantially reduced by unfavorable weather or other causes. The purpose of this provision was to assure adequate financial returns to producers by recognizing the industry's unusual hazards. We believe this provision should be retained in future price-control legislation. Crop disasters also reduce the volume available to distributors and, therefore, when shipping-point ceilings are increased under this provision, distributive margins should also be increased proportionately.

An additional amendment was adopted in 1944, requiring the Price Administrator to give growers of annual crops at least 15 days' notice of his intention to establish or lower shipping-point ceilings. We recommend the retention of this provision, but urge also that similar notice to the distributive trade be made mandatory with respect to new ceiling prices, lowered ceiling prices, or the rein-

statement of suspended ceilings. As such commodities are in transit an average of 15 days, we recommend that 15 days' notice be given distributors as well as producers.

Brokers perform an important function in marketing fresh fruits and vegetables. Despite increased operating costs, many resulting from congressional action such as taxes on communications and transportation, brokerage fees were frozen by RMPR-165 to the amount received on a certain date in 1942. We recommend that, when ceilings are suspended or removed, they also be suspended or removed with respect to brokerage fees. In this connection, we ask that brokerage be considered an "aid and means to distribution," not merely a service occupation. The Price Control Act prohibits the Price Administrator from interfering with aids and means to distribution. Consequently, we request the Congress to strengthen this provision by specifying that, when ceiling prices are not in effect with respect to any fresh fruit and vegetable, the regulation of brokerage charges also be inoperative for such commodity.

The United Fresh Fruit and Vegetable Association is closely affiliated and cooperates with several regional, commodity, and local groups. Some agree with the recommendations made herein. Others favor complete removal of price controls from fresh fruits and vegetables. Consequently, we request that the record of this hearing show the views of the groups named below, and that their views receive the committee's careful consideration.

Western Growers' Association, Los Angeles, Calif., representing producers of 90 to 95 percent of all commercially grown vegetables shipped from California and Arizona, totaling approximately 150,000 carloads yearly, by resolution of its board of directors, February 15, 1946, requests that "such price ceilings as remain on fresh fruits and vegetables be removed at the earliest date possible, and that no extension of the present pricing act be passed."

Florida Vegetable Committee, Orlando, Fla., in a resolution by its board of directors, recommends that "the Office of Price Administration be urged to remove immediately price ceilings from perishable fruits and vegetables, so that the law of supply and demand may restore normal relationships between the producer and consumer prices, for the benefit of each."

Kern County Potato Growers Association, Bakersfield, Calif., recommends against a continuation of the Emergency Price Control Act of 1942.

R. H. FRYBERGER & G. W. TOWNSEND,
Minneapolis, Minn., April 29, 1946.

HON. ROBERT F. WAGNER,
*Chairman, the Senate Committee on Banking and Currency,
United States Senate Building, Washington, D. C.*

HONORABLE SIR: In connection with your letter of April 19, relative to an appearance by the undersigned for the purpose of testifying on the price-control extension bill, S. 2028, wherein you request a concise statement of the information and views we wish to present, I offer you the following.

At the time of the passage of the Stabilization Extension Act of 1944, Senate Report No. 922 of the Seventy-eighth Congress, second session, contained a number of charts offered by the Office of Price Administration with particular reference to the Division of Rent Control. These charts purported to set out, not only reasons for the passage of the act, but purported to present data which indicated the lack of necessity for an increase of rents throughout the United States.

The position which we wish to take is this. That those charts and the data which they purported to present are false and misleading, in that they do not give either a true and complete picture of the situation throughout the Nation, or that there is factual data which is deliberately omitted for the purpose of being misleading. That it was upon this basis, in part at least, that the Stabilization Act was extended and it is upon a similar basis that it is now proposed to again extend it. We have specific reference to the following matters.

Chart No. 1, entitled: "Income and Expense Trends for Apartment Houses in 28 Cities," showed a line which purported to represent "net operating income" marked by an asterisk followed by a footnote indicating that said "net operating income" was "before interest and depreciation." It is axiomatic in our opinion that anyone reading said chart would believe that the position of landlords had

improved some 33½ percent by way of net operating income. If these items, interest, and depreciation, are deducted from operating income as they properly should be, the result is an operating loss.

We, therefore, request that your committee require the Office of Price Administration, Division of Rent Control, to show to you and include in its accounts, these items of expense and fixed charges in order that you may have a true and correct picture before you.

It is very interesting and singular to note, that prior to the printing of the chart above referred to, bearing the asterisk, the last previous chart thereof contained no such reference at all and it was only upon being accused of fraud and deceit that the Office of Price Administration added the above-referred-to asterisk.

Upon the basis, therefore, that the rent-control figures and statistics do not truly represent the condition of the landlords throughout the United States, and in particular in Minneapolis and Minnesota, we take this opportunity to invite your attention to the fact that because of these misleading figures and statistics there are literally thousands of landlords who are faced at this time with the probabilities that they will lose their properties.

The proof of the foregoing is set forth hereinbelow in part at least by the chart attached marked "Exhibit A," which is not prepared by us but by the United States Department of Labor.

It is further interesting to note that in the statement of considerations upon which all OPA regulations were predicated and subsequently upon which rent control was founded, the underlying theory is one of maintaining a constant though varying balance between all articles of commerce throughout the United States. For example, the statement of considerations issued in connection with MPR 244 is a carefully worded and well balanced document well illustrating the foregoing principle. We have witnessed in the last few months the difficulty the OPA has in maintaining that balance. It is not our intention to attack any particular maximum price regulation as being itself further evidence of the imbalance of that particular regulation. The purpose of this is to call to the attention of your committee the fact that while the necessity for repricing of all commodities upward has been recognized, the same has been completely ignored insofar as it pertains to real property. Real property is the one static thing left in our present system of economy for the land itself is always there. Those who own it are entitled to a return thereon at the same increasing rate as those who merely occupy the real property at the expense and sufferance of the owner. With, therefore, an increase in food prices between March 15, 1939, and March 15, 1945, of 41.3 percent, on house furnishings of 43.6 percent, and of all items of 27.7 percent, the fallacy of the OPA's policy toward the owners of real property in allowing a rent increase of but 4 percent for the same period of time is obvious. Considering the additional factor that the only increase upon which even this 4 percent has been allowed has been in connection with an increase in capital expenditure, the imbalance between rents, commodities, and wages is further exaggerated.

It may be answered by the OPA that under and by virtue of the authority granted to it, upon application by an aggrieved landlord, relief may be had and an increase in rent obtained. OPA Form D-58 is presented to and available to the landlord ostensibly for that purpose. The practical point of the matter is, however, that at least in this area it is literally impossible to obtain an increase in rents regardless of the facts involved unless the political set-up between the landlord and the rent director is harmonious.

For example: Specific attention is invited to the disparity in rents allowed the owners of Calhoun Beach Club and other apartment owners not so fortunately situated in Minneapolis. A single-room apartment in the Calhoun Beach Club is now being rented unfurnished for \$84.50, whereas similar apartments furnished, the owners being other landlords in this area, are restricted to a rent ceiling of \$40 to \$45.

While the foregoing has been directed essentially to rent control in this area, in the opinion of the writer, local newspapers and others with whom the writer has had occasion to talk to concerning these matters, the uniformity of opinion is, with regard to all phases of price control in this area at least, that the OPA has been and is a colossal failure. It is common knowledge that the black market with regard to meats and many other items of staples and liquor in this area, is literally making millions. Dr. Koch, the so-called director for this area, in a recent statement published in the paper, stated that his investigators failed to find any black market in this area. The statement was utterly ridiculous and fantastic. As a matter of fact, the writer specifically invites any member of the

Senate or any investigator chosen by the Senate to visit the city of St. Cloud, Minn., and the county of Stearns and there obtain any item you desire on the black market without restriction. This has been true throughout the war and is true today.

If, therefore, OPA controls should be continued, at least this is requested; that some competent personnel be obtained for this vicinity and a competent director, qualified under the provisions of the act to administer it, be selected. Any statement by anyone that investigators failed to find a black market in this vicinity is merely a manifestation of the gross incapacities of the investigators and the area office.

This is but a minute portion of the matters we would have liked to have presented. Thank you for your consideration.

Very truly yours,

G. W. TOWNSEND.

EXHIBIT A

Indexes of the cost of goods purchased by wage earners and lower-salaried workers for large cities of the United States

[1935-39=100]

Date	Food	Clothing	Fuel, etc.	Household furniture	Miscellaneous	All items	Rent
1939.....	94.6	100.4	100.1	100.9	100.5	99.1	104.3
1940.....	95.6	102.0	100.6	100.5	100.8	99.8	104.5
1941.....	98.4	102.1	100.7	101.6	101.9	101.2	105.1
1942.....	118.6	123.6	104.5	121.2	110.1	114.2	108.9
1943.....	137.4	127.6	107.4	124.5	114.5	122.8	108.0
1944.....	134.1	136.7	109.9	129.0	119.1	123.8	108.1
1945.....	135.9	143.7	110.0	144.5	123.6	126.8	108.3
Increase.....	41.3	43.3	9.9	43.6	23.1	27.7	4.0

Source: U. S. Department of Labor, Bureau of Labor Statistics, Washington 25, D. C.

The above indexes are from the date March 15, in each of the years shown in the first column.

In other words, according to the statistics of the United States Department of Labor, between March 15, 1939, and March 15, 1945, there has been an increase in cost according to their indexes, as follows:

Food.....	41.3
Clothing.....	43.3
Fuel, electricity, etc.....	9.9
House-furnishing.....	43.6
Miscellaneous.....	23.1
All items.....	27.7

But, for rent the increase is only as follows:

Rent.....	4.0
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WESTERN GROWERS ASSOCIATION,
Los Angeles 14, Calif., April 29, 1946.

HON. ROBERT F. WAGNER,
Chairman, Banking and Currency Committee,
United States Senate, Washington, D. C.

MY DEAR SENATOR WAGNER: Press notices on the Pacific coast for the past 2 or 3 days covering excerpts from the testimony given before your committee by the attorney general of this State, Robert W. Kenny, certainly do not reflect the attitude of most agriculture in California.

This association, representing carlot growers and shippers of approximately 130,000 carloads of perishable vegetables and melons from California and Arizona this past year with a value of from \$220,000,000 to \$230,000,000, wishes to protest the statements made by the attorney general of California as not representing the attitude of these producers.

Price ceilings still in effect on some vegetable commodities are entirely inadequate to protect the growers under the terrific increase in prices that has accrued during the past 4 or 5 years, especially under the labor advances granted by the War Labor Board and the Wage Stabilization Board.

At the present time, growers of iceberg lettuce in California and Arizona are suffering very severe losses due to oversupplies of this commodity which will be in excess of the consuming public's needs for many months to come. It is entirely ridiculous that ceiling prices should be maintained on such commodities as are in excess of the needs and demands of the public. We refer to lettuce, cantaloups, and carrots especially, all of which will be in heavy supply for many months to come and we anticipate in many cases will not bring cost of production to the growers.

With this view, it is our desire that the Gossett amendment as passed by the House be maintained in the bill now before your honorable Banking and Currency Committee for action.

We trust that you will have the courtesy to read this letter to the committee before your hearings are closed.

Yours very truly,

C. B. MOORE, *Managing Director.*

Copies to Ernest W. McFarland and Robert A. Taft.

UNITED STATES SENATE,
COMMITTEE ON POST OFFICES AND POST ROADS,
April 23, 1946.

HON. ROBERT F. WAGNER,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: Enclosed please find a letter from Congressman Folger about the amendment to the Price Control Act.

I will be glad if you will put this into the record and call the attention of the committee to it.

Very sincerely yours,

KENNETH MCKELLAR.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., April 18, 1946.

HON. KENNETH MCKELLAR,
United States Senate.

MY DEAR SENATOR MCKELLAR: I am greatly disturbed on account of the adoption of an amendment offered by Mr. Gossett to H. R. 6042, extension of the Emergency Price Control Act, and I beg to call your attention to what I think is a great danger. I have not the engrossed bill before me, but I am sending you the original bill as reported from the committee.

The committee bill, on page 3, under section (b) (1), provides that "maximum price controls shall be removed, as provided in this subsection, in the case of particular commodities or classes of commodities, upon satisfaction of domestic demand therefor." Then, under (2), machinery is provided to ascertain "when supply shall come into satisfaction of domestic demand;" and "domestic" is a very important word.

Then the Gossett amendment, a copy of which I am enclosing, proceeds to section (2), and under this, (3), (4), (a) and (b), an adopted formula is set forth. My opinion is that there is great danger of this amendment because it may receive the interpretation that nowhere is there any provision for the decontrolling of commodities manufactured in whole or substantial part from agricultural products. I prepared an amendment, and Congressman Cooley introduced it, as I was a member of the committee and was against the entire Gossett amendment.

Your attention is called to the fact that in section (2) this language is used: "In the case of any nonagricultural commodity or class of commodities, the producers of which are not represented by an industry advisory committee," etc.

In that section, then, is this statement: "Whenever the President so finds, he shall so certify to the Price Administrator, and not later than 10 days after the receipt of such certification the Price Administrator shall take such action as may be necessary to remove all price controls with respect to such commodity or class of commodities." It seems to me that this eliminates goods manufactured from cotton, tobacco, wheat, and all other agricultural products. "Nonagricultural commodity" must mean, or will be held to mean, those things not manufactured from agricultural products.

Under subsection (3), it is again set forth that "in the case of any nonagricultural commodity or class of commodities, the producers of which are represented by an industry advisory committee," etc. Again, it may well be interpreted by OPA that this does not refer to a commodity manufactured in whole or in part from any agricultural product.

Now, in (4) (a), this language is found: "In the case of agricultural commodities, the Secretary of Agriculture is hereby authorized and directed to make a determination as to whether supply of the commodity is equal to the domestic consumption of such commodity." In the first place, this word "consumption" should be "needs" or "demands." The more important thing, however, is that "agricultural commodities" may be interpreted and held to mean raw cotton, tobacco in the leaf stage, unmanufactured, wheat (not manufactured or processed commodities made from wheat), and so with all agriculture. To decontrol raw cotton or unmanufactured tobacco (tobacco in the leaf), wheat, and other agricultural commodities or products, and to leave the power and authority of OPA to yet retain ceilings and impose them on goods manufactured from cotton, in whole or substantial part, or on manufactured tobacco, such as cigarettes, smoking tobacco, etc., or on commodities manufactured in whole or substantial part from wheat and other grains, would be a mockery to the farmer. His purchasers of cotton, tobacco, wheat, and corn are those who purchase them for the purpose of processing, or manufacturing them into finished commodities or goods. If the manufactured or processed goods has no provision for decontrols and price ceilings are placed upon these manufactured articles, the farmer cannot expect to receive satisfactory prices for his raw products.

I think that if it be intended that "any nonagricultural commodity" is to embrace manufactured goods processed from agricultural commodities, nevertheless there should be an amendment, and after the words "nonagricultural commodity or class of commodities" there should be added "or commodities processed or manufactured, in whole or in part, from agricultural commodities," and that the same amendment should be in (3). This, or subsection (4) (a), should be amended by adding after the words "agricultural commodities" the words "or commodities processed or manufactured in whole or in part from agricultural products," and the same should be in subsection (b).

Our time had been limited and had run out when Mr. Gossett offered this amendment and there was not a minute to debate the amendment, nor to debate the Cooley amendment to the Gossett amendment.

I do not believe I could ever get the people to see the danger to the farmers—cotton farmers, tobacco farmers, grain farmers, and others. It seems that the sponsors of the amendment did not realize there was any danger of a development such as I have pointed out, though some of them indicated that they would not oppose the amendments which I am suggesting here.

I felt that the original bill dealing with this subject, to be found on page 3, was better than the offered amendment. I still think so. But, conceding that otherwise the Gossett amendment is insisted on by its sponsors, and there may be merit in the general provisions of it, the dangers that I have pointed out are to me very serious.

I am writing you and several other Senators enclosing copies of the original bill and the Gossett amendment, and know that you will be interested to see that this danger is eliminated.

With kindest regards,
Sincerely yours,

JOHN H. FOLGER.

H. R. 6042
[Report No. 1922]

IN THE HOUSE OF REPRESENTATIVES

APRIL 8, 1946

Mr. SPENCE introduced the following bill; which was referred to the Committee on Banking and Currency

APRIL 9, 1946

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To amend the Emergency Price Control Act of 1942, as amended, and the Stabilization Act of 1942, as amended, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 1 (b) of the Emergency Price Control Act
4 of 1942, as amended, is amended by striking out "June
5 30, 1946" and substituting "June 30, 1947".

6 SEC. 2. Section 6 of the Stabilization Act of 1942, as
7 amended, is amended by striking out "June 30, 1946" and
8 substituting "June 30, 1947".

9 SEC. 3. Title I of the Emergency Price Control Act of

(Page 2)

1 1942, as amended, is amended by inserting after section 1
2 thereof a new section as follows:

3 "REMOVAL OF PRICE AND WAGE CONTROLS

4 "SEC. 1A. (a) It is hereby declared to be the policy
5 of the Congress that the general control of prices and wages,
6 and the use of the subsidy powers conferred by section 2 (e)
7 of this Act, shall be terminated, without further extension,
8 not later than June 30, 1947, and that on that date the
9 Office of Price Administration shall be abolished. The Price
10 Administrator (and the Secretary of Agriculture to the extent
11 of his responsibility under section 3 (e) of this Act)
12 shall proceed immediately to formulate a comprehensive
13 plan for the progressive removal of price controls and
14 subsidies in order that the return to a free market and to
15 free collective bargaining may be accomplished on or before
16 June 30, 1947, without disturbance of the national economy.
17 The President shall, not later than April 1, 1947, report to
18 the Congress what, if any, commodities or classes of com-
19 modities, including housing accommodations, are in such
20 critically short supply as to necessitate, in his judgment, the
21 continuance of the powers granted by this Act as to them
22 after June 30, 1947, together with his recommendations
23 as to the established departments or agencies of the Govern-
24 ment which should be charged with the administration of
25 such powers.

(Page 3)

1 "(b) (1) Maximum price controls shall be removed,
2 as provided in this subsection, in the case of particular com-
3 modities or classes of commodities, upon satisfaction of do-
4 mestic demand therefor.

5 “(2) The President shall make from time to time, but
6 not less frequently than once each month, as to each com-
7 modity or class of commodities in the case of which maxi-
8 mum price controls are in effect, a determination as to whether
9 domestic demand for such commodity or class of commodi-
10 ties has been satisfied. Whenever the President shall
11 determine that domestic demand for any such commodity
12 or class of commodities has been satisfied, and that, having
13 consideration for the purposes of this Act and looking toward
14 full production, price controls should accordingly be removed
15 in the case of such commodity or class of commodities, he
16 shall forthwith certify such determination in writing to the
17 Price Administrator.

18 “(3) When the Price Administrator has received from
19 the President a certification in writing, under this subsection,
20 with respect to any commodity or class of commodities, the
21 Price Administrator shall, not later than ten days after the
22 receipt of such certification, take such action as may be
23 necessary to remove all price controls with respect to such
24 commodity or class of commodities.

25 “(c) Nothing in subsection (b) shall limit the author-

(Page 4)

1 ity of the Price Administrator to remove price controls
2 with respect to any commodity or class of commodities at
3 an earlier time than would be the case under the provisions
4 of such subsection in any case which, in his judgment, re-
5 moval of such controls at an earlier time is consistent with
6 the purposes of this Act.

7 “(d) (1) After maximum price controls have been re-
8 moved in accordance with subsection (b), in the case of
9 any commodity or class of commodities, the President shall
10 from time to time determine whether, by reason of changed
11 conditions, there has arisen an unsatisfied domestic demand
12 for such commodity or class of commodities. Whenever the
13 President determines that such demand has arisen and has
14 remained unsatisfied for a period of more than 60 days, and,
15 in his judgment, there is no immediate prospect of such de-
16 mand being satisfied, he shall forthwith certify that fact in
17 writing to the Price Administrator.

18 “(2) When the Price Administrator has received from
19 the President a certification in writing under this subsection
20 with respect to a particular commodity or class of commodi-
21 ties, the Price Administrator may reestablish, with respect
22 to such commodity or class of commodities, such maximum
23 price or maximum prices, consistent with applicable provi-
24 sions of law, as in his judgment may be necessary to
25 effectuate the purposes of this Act.”

(Page 5)

1 SEC. 4. Subsection (b) of section 2 of the Emergency
2 Price Control Act of 1942, as amended, is amended by adding
3 at the end thereof a new paragraph as follows:

4 “After the date upon which this paragraph takes effect,
5 the Administrator, when establishing rent ceilings on hotels
6 or when passing upon applications for adjustments of rent
7 ceilings on hotels, is authorized to take into consideration the
8 distinction between transient hotels and residential or apart-
9 ment hotels; including the difference in the investment, oper-
10 eration, expenses and mechanical details of operation between
11 the transient hotels and the residential and apartment hotels.”

12 SEC. 5. Subsection (e) of section 2 of the Emergency
13 Price Control Act of 1942, as amended by the Stabilization
14 Extension Act of 1944, is amended, effective as of July 1,
15 1946, by inserting “(1)” after “(e)” at the beginning of
16 such subsection, and by striking out the last paragraph of
17 such subsection (e) and inserting in lieu thereof the following
18 paragraphs:

19 “(2) Subsidy operations, as hereinafter defined, for the
 20 fiscal year ending June 30, 1947, shall be limited as follows,
 21 subject to the provisions of paragraph (3):
 22 “(A) With respect to funds of the Commodity Credit
 23 Corporation—
 24 “(i) for the dairy production payment program,

(Page 6)

1 \$515,000,000: *Provided*, That in carrying out the dairy
 2 production payment program the rate of payment per
 3 pound of butterfat delivered shall not be less than 25
 4 per centum of the national weighted average rate of pay-
 5 ment per hundred pounds of whole milk delivered;
 6 “(ii) for other noncrop programs, \$50,000,000;
 7 and
 8 “(iii) for the 1946 crop program operations, \$160,-
 9 000,000:
 10 *Provided*, That not to exceed 10 per centum of each amount
 11 specified in clauses (i), (ii), and (iii) of this subparagraph
 12 (A) shall be available interchangeably for the operations
 13 described in such clauses but in no case shall the total subsidy
 14 operations under any one of such clauses be increased by
 15 more than 10 per centum; and
 16 “(B) With respect to funds of the Reconstruction
 17 Finance Corporation—
 18 “(i) for rubber produced in Latin America and
 19 Africa for which commitments were made before Janu-
 20 ary 1, 1946, \$31,000,000;
 21 “(ii) for materials or commodities produced in the
 22 United States as follows:
 23 “Meat, \$715,000,000;
 24 “Flour, \$260,000,000;
 25 “Petroleum and petroleum products, \$50,000,000;

(Page 7)

1 “Copper, lead and zinc in the form of premium price
 2 payments, \$100,000,000;
 3 “(iii) for other materials or commodities, produced
 4 in or outside the United States, \$170,000,000:
 5 *Provided*, That in the event the entire amount of any of
 6 the allocations referred to in this subparagraph (B) is not
 7 required for its purpose, the unused portion of such allocation,
 8 but not to exceed 10 per centum of such allocation, may be
 9 used for such subsidy operations for any item or items enumer-
 10 ated in this subparagraph (B) as may be determined by the
 11 Economic Stabilization Director.
 12 “(3) Notwithstanding the provisions of paragraph (2),
 13 subsidy operations for the fiscal year ending June 30, 1947,
 14 shall be progressively reduced, due regard being had to the
 15 welfare of the producers and processors of the commodities
 16 subsidized. Such reduction shall be commenced at the earliest
 17 practicable date consistent with the purposes of this Act, but
 18 in no event later than October 1, 1946. Such reductions
 19 shall be so carried out that the aggregate of subsidy opera-
 20 tions for the fiscal year shall not exceed seventy-five per
 21 centum of the sum of the amounts set forth in paragraph
 22 (2): *Provided*, That upon the reduction or elimination of
 23 such subsidy operations the Administrator shall make corre-
 24 sponding increases in maximum prices to the extent that such

(Page 8)

1 increases are necessary to satisfy the requirements of law
 2 or to obtain the maximum necessary production.
 3 “(4) For the purposes of paragraphs (2) and (3), the

4 term 'subsidy operations' means subsidizing directly or in-
5 directly the sale of commodities by the making of subsidy
6 payments or the purchase of any commodities for resale at a
7 loss, for the purposes stated in paragraph (1) of this sub-
8 section (e)."

9 SEC. 6. Nothing in this Act shall be construed to
10 affect the provisions of Public Laws 30, 88, and 164, of the
11 Seventy-ninth Congress, or to apply to purchases by the
12 Reconstruction Finance Corporation of such tin ores and con-
13 centrates as it deems necessary to insure continued operation
14 of the Texas City tin smelter.

15 SEC. 7. Section 2 of the Emergency Price Control Act
16 of 1942, as amended, is amended by adding at the end thereof
17 the following new subsections:

18 "(o) After the date upon which this subsection takes
19 effect, no maximum price shall be established or maintained,
20 under this Act or under any other provision of law, with
21 respect to any new commodity the use of which, in the pro-
22 duction, manufacturing, or processing of any commodity or
23 commodities, without increasing the cost to the ultimate user,
24 either increases the life or reduces the cost of production,
25 manufacture, or processing of the commodity or commodities

(Page 9)

1 produced, manufactured or processed. As used in this sub-
2 section the term 'new commodity' means a commodity which
3 was not commercially or industrially available prior to Jan-
4 uary 30, 1942.

5 "(p) After July 1, 1946, no maximum price regulation
6 or order shall be issued or continued in effect requiring any
7 seller to limit his sales by any weighted average price
8 limitation based on his previous sales.

9 "(q) In the case of any retail industry, the principal
10 sales of which consisted during the calendar years 1939 to
11 1941, inclusive, of sales of a commodity or commodities
12 the production or retail distribution of which has been
13 reduced, for a period of three years beginning on or after
14 March 2, 1942, by 75 per centum or more below such
15 production or retail distribution for the calendar years 1939
16 to 1941, inclusive, as a result of the operation of any gov-
17 ernmental regulation or restriction, the Administrator shall
18 not, in establishing maximum prices under this section,
19 reduced established retail trade discounts or dealer handling
20 charges for any such commodity before the retail unit sales
21 of such commodity for a period of six months shall have
22 reached the average annual retail unit sales thereof for the
23 calendar years 1939 to 1941, inclusive."

24 SEC. 8. Section 3 of the Stabilization Act of 1942, as

(Page 10)

1 amended, is amended by adding at the end thereof the
2 following new paragraph:

3 "On and after the date of the enactment of this paragraph,
4 it shall be unlawful to establish, or maintain, any maximum
5 price, applicable to manufacturers or processors, for any
6 major item in the case of products made in whole or major
7 part from cotton or cotton yarn or wool or wool yarn, unless
8 the maximum price for such major item is fixed and main-
9 tained at not less than the sum of the following:

10 "(1) The cotton or wool cost (which must be
11 computed at not less than the parity price or the current
12 cost, whichever is greater, of the grade and staple of
13 cotton or wool used in such item, delivered at the mill);

14 "(2) A weighted average of mill conversion costs;
15 and

16 "(3) A reasonable profit."

AMENDMENT OFFERED BY MR. GOSSETT

At the top of page 3, beginning with line 1, strike out line 1 and all succeeding lines on said page down through and including line 24, and insert the following:

"(b) (1) Maximum price controls shall be removed as hereafter set forth.

"(2) In the case of any nonagricultural commodity or class of commodities the producers of which are not represented by an industry advisory committee as provided in section 2 (a) of the Emergency Price Control Act of 1942, as amended, the President shall from time to time but not less frequently than once each month determine whether the production of such commodity or commodities either singly or in combination equals or exceeds for the past twelve months by volume the production of such commodity or commodities in the period from July 1, 1940, to June 30, 1941. Whenever the President so finds he shall so certify to the Price Administrator, and not later than ten days after the receipt of such certification the Price Administrator shall take such action as may be necessary to remove all price controls with respect to such commodity or class of commodities.

"(3) In the case of any nonagricultural commodity or class of commodities the producers of which are represented by an industry advisory committee as provided in section 2 (a) of the Emergency Price Control Act of 1942, as amended, such industry advisory committee shall from time to time but not less frequently than once each month certify to the Administrator as to whether the production of any such commodity either singly or in combination equals or exceeds for the past twelve months by volume the production of such commodity or class of commodities for the period from July 1, 1940, to June 30, 1941. Whenever such committee shall so certify, the Price Administrator shall not later than ten days after receipt of such certification, take such action as may be necessary to immediately remove all price controls with respect to such commodity or commodities.

"(4) (a) In the case of agricultural commodities the Secretary of Agriculture is hereby authorized and directed to make a determination as to whether supply of the commodity is equal to the domestic consumption of such commodity. When such supply is equal to such domestic consumption, he shall forthwith certify such determination to the Administrator. The Administrator shall within ten days thereafter remove all price ceilings with respect to such commodity.

"(b) When the production of any agricultural commodity for the past twelve months equals or exceeds the production of this commodity during the twelve months period from July 1, 1940, to June 30, 1941, then such fact shall be certified to the Price Administrator by the Secretary of Agriculture, and such Price Administrator shall not later than ten days after the receipt of such certification remove all maximum price ceilings from such commodity and all commodities for human consumption derived principally therefrom."

 OPA STAFF MAN DRAWS STUDY OF BAR GROUP

The activities of Charles Kaufman of the local OPA staff, who "has assumed to direct and control OPA litigations" in Federal court here without being admitted to the bar of the court, are being investigated by the committee on discipline for the bar of the court. This was revealed today when Federal Judge Claude McColloch of the United States District Court for the District of Oregon sent a letter to Will H. Masters, local attorney and chairman of the committee on discipline, asking that the committee "investigate the activities of one Charles Kaufman, who, though not an admitted attorney, has assumed to direct and control OPA litigations in this court."

In addition to investigating Kaufman's activities, Judge McColloch also requested that the committee find out who is responsible for putting Kaufman, who is not a member of the bar of the local Federal court, in a position where he directs litigation presented here before the Federal judges.

Judge McColloch states also in his letter to Masters:

"Obviously, there are difficulties about reaching those who, while remaining outside the State are responsible for this condition, but if there be any local OPA official, a member of the bar of this court, who shares the responsibility in the Kaufman case, you will broaden your inquiry to include such person and make suitable recommendation."

It is understood that Kaufman was sent here from California where he is reported to have had remarkable success in the presentation of OPA cases involving rent-enforcement regulations.

This is the second time this week that Judge McColloch has concerned himself with OPA attorneys. Tuesday he declared he would not sit on cases presented

by Cecilia Gallagher, OPA attorney, because he claimed she had made an untrue statement concerning an affidavit filed by her.

Masters said that Kaufman represented himself as being the chief of the OPA enforcement section here with offices in 925 Bedell Building. He said he would try to have Kaufman appear before the committee.

THE OREGON APARTMENT HOUSE ASSOCIATION, INC.,
Portland 4, Oreg., April 3, 1946.

Hon. GUY CORDON,
United States Senator, Washington, D. C.

DEAR SENATOR: FROM answers received by various members locally in Portland, to say nothing of the efforts made by our national apartment organization, it seems that if the Oregon delegation will make a fight for the proposed amendments, that at least some of them will be granted. Certainly the thinking among the better informed people, as appears in Portland papers, seems to be against OPA as it has been conducted, with no good accruing to the public on any extended continuation of OPA. As far as the Portland district is concerned, our members know that they would easily house 20 percent more people, without control and practically on the same rental basis. For example: A five-room apartment now, \$40 for one person, would readily rent to a family of three at \$50, and would be paid immediately. This cannot be done under OPA. But there are many other examples.

The public does not understand the mechanics of OPA, and our members do feel that the Oregon delegation should do something now for the housing industry; as these members have gone to a great deal of expense, and are convinced that housing should not be discriminated against. Also OPA officials are certainly not making a commendable record here, as indicated in our own newspapers. See clippings enclosed; some to various members of our delegation.

Will you kindly let me know whether you are willing to do something to alleviate the situation? Our folks expect something. A form of amendment is enclosed; also our resolution. We are circulating every Member of Congress now, by a printed letter. But we want to reach you first. Please answer.

Very truly yours,

SAM O. PLUNKETT, *Secretary.*

OREGON APARTMENT HOUSE ASSOCIATION,
Portland, Oreg., April 3, 1946.

Hon. GUY CORDON,
United States Senator, Washington, D. C.

DEAR SIR: Many of our members as well as of the national apartment group, have written you before on rent control; but even at this late date, please give us further consideration. (1) Why should rental property alone be held to 1941 prices—in these days of inflation, with the dollar at about 60 cents; labor prices more than doubled; most commodities increased at least 40 percent, etc., etc.?

An outcry is made if the Negro, the Catholic, any class, or foreign-born citizen, etc., is discriminated against. Why then discriminate against the most responsible, the most law-abiding, the most cooperative, the most patriotic citizens—the property owners—who, on many crises, were the sole remaining bulwark and support of our country, and its institutions; why discriminate against property?

OPA was justified by the courts, only as a war measure; but the war is now over. Housing control was justified on security of abode for war workers. There are no war workers now. Furthermore, there are 1,800 idle apartments in Portland alone, formerly used by war workers; so all necessitous cases can be now housed. All reasons now fail.

But housing shortage anywhere can be immediately alleviated 20 percent by granting fair charges for increased occupancy; allowance made for additional furniture, all charges to take effect immediately on granting of services. Grant these small reliefs alone and make 20 percent extra housing facilities immediately available.

For the good of those seeking housing, as well as OPA employees, and the country generally, OPA should be discontinued, certainly not later than December 31, 1946. In any event, give us some relief. Please let me have your answer.

SAM O. PLUNKETT,
Secretary, Oregon Apartment House Association.

I, Sam Plunkett, secretary of the Oregon Apartment House Association, do hereby certify that on the 3d day of April 1946, at a duly-called meeting of the board of directors of said association, the following resolution was regularly and duly passed:

"Whereas rent control was a wartime measure willingly acquiesced in by the owners of rental housing to aid in the war effort; but whereas (1) the war is now over, and (2) any further control on rents will frustrate reconversion, undermine, weaken, and emasculate the American system of free enterprise, that, (3) relief has been given to labor by at least 50 percent on hourly wages, since freeze days, while all commodities, and all businesses are higher priced and inflated, (4) making rents the only item frozen, to the great injustice and loss to owners of such property, and (5) OPA regulations having caused a loss on average, at 20 percent in actual occupancy, many apartments are now occupied by only one occupant. There is no means under the act by which the landlord may require an increase of occupancy, nor obtain prompt relief or compensation if tenant should consent to increased occupancy; or increased services. Details, previously explained, where otherwise a full occupancy of each unit would have taken place, but now under OPA made unprofitable to the owners, causing inconvenience and a 20-percent shortage in occupancy, and (6) whereas business generally is insisting on immediate cessation of all controls: Now, therefore, be it

"Resolved, That:

"(1) The Oregon Apartment House Association does hereby declare and state that the need for rent control has now passed, and any further continuance of same will be inimical to the economic system built on the law of supply and demand, which in the past has produced real prosperity and more equal distribution of the good things in life, than any system of regimentation ever devised in Europe, and more recently in our own country;

"(2) That if the Congress shall deem it necessary that a gradual cessation of rent control shall be required, the Oregon Apartment House Association hereby declares and states that it should be only for a limited time, to wit, not beyond October 31, 1946, and should be only continued in the following manner: Control of all rental housing should be returned to the owners thereof, with full rights returned to them to operate same under local city, county, and State laws, subject only to a ceiling on rents: this ceiling to be set by a local board composed of local citizens, with authority in them to set rentals in accordance with present-day costs of construction of comparable housing, consideration to be given to the market value of the property, its maintenance costs, its taxes, and operation.

"(3) That if a gradual cessation of rent controls be required, then, as a minimum concession to owners, we submit an amendment to the Rent Control Act (attached hereto), that can be honestly, justly, and fairly administered, by opening the local State and Federal courts to that body of citizenship, constituting at once the most patriotic, responsible, and best support of the Government at all times, and to which courts such citizens should be at all times entitled, to have their grievances adjudged by such local courts, and which at the same time would prevent all injury or hardship to any tenants.

"That a copy of this resolution be sent to every Member of the Congress of the United States, and President of the United States, and every member of his Cabinet."

SAM O. PLUNKETT,

Secretary of the Oregon Apartment House Association.

OFFICE OF PRICE ADMINISTRATION ACT

HOUSING (SEC. 1388.1181 UNDER 56 STATUTE 23, 765; PUBLIC LAW 383; 78TH CONG.)

It is our wish that OPA should end June 30, 1946.

But, if there is followed the recommendation of the United States Chamber of Commerce, that this act should cease October 31, 1946; or any later date is fixed, to continue after June 30, 1946; then we ask the following or a similar amendment to the act creating the Office of Price Administration; particularly the housing act, section 1388.1181 as above. This amendment may be placed at the end of your extension wording; or at the end of the act, *Provided always:*

(A) That on any housing accommodations whatever, including apartments and hotels, no prosecution shall be initiated, or fines or penalties exacted, excepting in

the suits in the State or Federal courts, wherein any violation shall have occurred; which suits or actions shall be initiated by the administrator, a local rent director, or other official administering regulations under this act, or by any tenant or other person who may have sustained any injury under this act. Upon any such complaint made, such landlord, person in charge of the property, or other person against whom any complaint is brought, shall be free to seek redress from such local court, and to have there established a fair rent for the premises; and in any such action, the court may determine whether the Government, the tenant, or other complainant is entitled to any deduction, refund, or payment, or whether in equity, any penalty shall be inflicted upon any offender; and in all such proceedings, fair and equitable rules of procedure shall prevail, in order to promote justice and equity. Any such landlord, owner, or agent operating any rental property, may affirmatively bring any action in any such local courts to seek a declaratory judgment to establish his rent as fair and equitable, and his status as to disputed matters; and under the same rules as above set forth to promote justice and equity; *Provided*, Any local rent director may effect any settlement, without suit, against any violator, upon written consent of such violator and his attorney, and signed by such local rent director, his deputy, or any United States district attorney.

(B) In any city or district now subject to rental regulations, the Federal judge in that district, shall appoint five reputable citizens from such district, of whom two shall be property owners, as the local rent appraisal board, with power to fix and pass on the reasonableness of all rents, irrespective of the freeze date; but in the meantime, the present rental rates shall prevail, except as shown hereafter in paragraph D. All rents fixed by the local board as herein appointed shall remain as the fair rental of such promises, unless an appeal is taken within 30 days by the party aggrieved, to the local courts of record, or to the Federal district court. All such rents shall be determined in a summary manner, and without a jury, whether in any court of record, or before such local appraisal board.

(C) All allowances for extra occupying persons, extra furniture, or extra services, of any kind, shall be effective immediately, as of such date such tenant shall receive such services, but subject always to review by the rent director, the courts, or such appraisal board. All such claims for extra charges shall be filed with the local rent director within 30 days from the date the claim is initiated.

(D) A 15-percent increase in rents over the freeze rates, shall be effective on and after July 1, 1946, except where the tenant can show, within 90 days thereafter, that the present rent is adequate. All complaints by tenants shall be heard by the rent director or other administrative officer; or appraisal board herein provided, but subject to appeal as provided in section E.

(E) All complaints by tenants, landlords, or persons interested may be filed before any administrative officer or body, under this act, subject to review by the local appraisal body to fix rates; with an appeal by either party to any State court of record, or to the Federal district court of the locality, wherein such property may be situated. All appeals shall be taken within 30 days from the day such rent or rights are adjudged and judgment filed. All such appeals, shall be informal, and shall be sufficient if the writings in general, describe the parties, the body appealed from, and the tribunal to which an appeal is taken; and the general subject matter in controversy sufficient for identification; and shall always be heard and tried anew, and summarily; without a jury; but to do justice and equity.

(F) In any housing district, or defense rental area now or hereafter established, in any State, county, or municipal district, and which already has such local, State, county, or municipal housing regulation, or in which any State, county, or municipal housing district shall be established in the future, then no part of this act shall apply where such local housing district is established; but such local housing regulation shall alone apply and be supreme.

(G) The foregoing provisos A, B, C, D, E, and F shall prevail over any other part of this act, or which may be in conflict with the foregoing provisions and exceptions, as herein stated in A, B, C, D, E, and F.

SAM O. PLUNKETT, *Secretary*.

PITTSBURGH, PA., April 30, 1946.

Senator ROBERT F. WAGNER,
Chairman, Senate Banking and Currency Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR WAGNER: We have heard that many thousands of letters have come from the American people to their representatives in Washington asking Congress to continue price control and material regulations in order to halt inevitable inflation that would follow relaxation of controls. Our press has reported that Congress cannot consider these requests unless the people can become more explicit about their objection to currently proposed legislation.

In answer to that report, this letter is an expression of the considered opinion of various organized consumer groups and individuals in Pittsburgh, Pa. It represents a cross section of the American people, including professions, small business, labor, housewives, veterans, and politicians. We want you to know that there is a widespread and deep concern among the people because Congress has failed to set up the necessary measures that will provide economic security for them. Modification of price control legislation by crippling amendments will nullify its effectiveness and will have disastrous effects on the future economic welfare of the country and of the world.

(1) We are convinced of that fact because a continuing period of prosperity cannot grow out of a period of uncontrolled and increasing profits to industry, or of similar undue advantage to any other individual economic group. Has anyone forgotten the long years of depression that followed the period of increasing production of consumer goods, increasing wages, ever-increasing dividends to investors, and a rising cost of living? When purchasing power of the consumers finally failed to balance the rate of production, the result was economic collapse. Government projects "to prime the pump" failed to revive industry. The world waited helpless until the world's dictators started us rolling toward another world "war boom." We don't want a repetition of the cycle: inflation-depression-war, for we know that democratic civilization cannot survive it.

(2) We believe there is no dependable evidence for the assumption that increased national purchasing power will easily balance increased prices. It is clear that for a period of time, demand for durable consumer goods will greatly exceed the supply, in spite of higher prices. It is a known fact, too, that national liquid assets have greatly increased the country's over-all purchasing power. A fact less well known and less publicized is that of the limited spread of the increased assets. Congress has access to the findings of reliable surveys made by impartial Government agencies.

They indicate that a rise in living costs and in prices of durable consumer goods will soon wipe out any purchasing power accumulated through "war savings." On many income levels this is already true. The pockets of the vast majority of consumers are not bulging with cash. Bank records show that war bonds have been largely redeemed to supplement decreased earnings.

Whose money, then, will keep industry moving? A relatively small group of consumers in the upper economic levels cannot possibly use all the automobiles, refrigerators, washers, and other reconversion goods that industry must produce and sell in a stable economic system.

(3) We look with alarm at those areas in our economy in which price ceilings have not been in effect, or have been removed too soon. Inflation here has made such inroads that the damage is irreparable. Real estate values have almost doubled all over the country. Speculation in homes, the basic commodity of living, is forcing many tenants to buy at inflated values or to be evicted. While rentals on homes have been held at ceiling prices, commercial rents, on which no controls had been placed, have risen from 50 to 100 percent.

Or, consider the used-car market. Lack of ceiling prices has permitted prices to increase until they almost equal those of new cars, which are, as yet, under price control. It is reasonable to expect all controls to become weakened when controls on many commodities have fallen.

In the textile field a crazy production pattern has grown out of the attempt to hold prices of essential articles within reasonable limits, while producers were permitted to raise those of less essential ones. Thus, wasting scarce materials, producers have flooded the market with unwanted goods, embroidered bath mats, expensive sport shorts, and fancy pants, in place of bath towels, everyday shirts, and plain underwear for children.

If the so-called escalator clause suggested by Senator Russell would go into effect, an immediate increase in the price of commodities exempted from price control will follow through speculation, no matter how plentiful the commodity.

This result is to be expected, considering the inflation in the citrus-fruit market this winter when demands by citrus-fruit growers forced OPA to exempt oranges from price control.

These few examples from experience of the recent past could be multiplied at length. Surely, Congress has had ample testimony about them from many sources. We ask you now to enact the kind of legislation that will benefit the people. You would not run the risk of wrecking our economy at this critical point of our recovery. Our suggestions toward that end may be summarized as follows:

1. We think that the OPA, unrestricted by amendments, should be extended until June 1947, at least, and then reconsidered in the light of economic developments.

2. Prices must not be allowed to rise.

3. The Wolcott amendment passed by the House of Representatives, which, in effect, guarantees a fair profit to producers, processors, distributors, and retailers on every item, is grossly unfair to consumers and must not be allowed to stand.

4. The regulations designed to increase production of low-cost items in preference to higher cost items must be continued and strengthened.

Respectfully yours,

HILDEGARD DIETZE,
Chairman,
 MALCOLM STINSON,
 JEAN WRIGHT,
 MILDRED SAVACOOOL,
 LILLIAN A. FRIEDBERG,
 MARION HATHWAY,
 EUGENE KLINE,

Coordinating Committee for Social Work Action Committee of Allegheny County; Union for Progressive Action; Western Pennsylvania Council of Cooperatives; Jewish Public Relations Council; American Veterans' Committee, Pittsburgh Branch No. 1; Tri-State Committee of Scientists, Educators, and Religious Leaders; Social Action Committee of the First Unitarian Church of Pittsburgh; Social Progress Committee of the First Baptist Church of Pittsburgh; Public Affairs Committee of the Pittsburgh Young Women's Christian Association.

(Whereupon, at 4:45 p. m., the committee adjourned until Monday, April 29, 1946, at 10 a. m.)

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

MONDAY, APRIL 29, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to recess on Friday, April 26, 1946, in room 301 Senate Office Building, Senator Robert F. Wagner (chairman).

Present: Senators Wagner (chairman), Bankhead, Murdock, Taylor, Mitchell, Carville, Taft, Capper, Butler, Buck, Millikin, and Capehart.

The CHAIRMAN. The committee will come to order. We have the pleasure of hearing from Mr. Green this morning, president of the American Federation of Labor.

Mr. Green, would you mind if I read a telegram from the president of R. H. Macy & Co. with reference to the OPA legislation?

Senator ROBERT F. WAGNER,
United States Senate, Washington, D. C.:

We believe that there is still danger today of an uncontrolled inflation. We urge the retention of the OPA despite all pressures as a necessary check against runaway prices. We agree that OPA regulations must be so altered as to encourage full production with the proper consideration of the varying problems of the individual manufacturers but that the changes must not be so drastic as to destroy the usefulness of this agency.

JACK I. STRAUS,
President, R. H. Macy & Co., Inc.

That is one of the largest department stores in the United States. Now we will proceed, Mr. Green.

STATEMENT OF WILLIAM GREEN, PRESIDENT, AMERICAN FEDERATION OF LABOR, WASHINGTON, D. C.

The CHAIRMAN. Would you rather give your statement first before any interruptions or questioning?

Mr. GREEN. Either way, Mr. Chairman. If any members of the committee desire to ask a question as we go along, it is perfectly agreeable with me. I appreciate the opportunity of being with the committee this morning and submitting the statement in support of the extension of OPA.

The CHAIRMAN. Very well.

Mr. GREEN. The American Federation of Labor firmly supports the extension of the Price Control Act for one full year beyond June 30, without any weakening amendments. This support is voiced not by a small group of people guided by any special or sectional interest.

The membership of the American Federation of Labor comprises 7,000,000 working men and women. Together with their immediate families, they express the views of 25 million, or almost one-fifth of this country's population. Their income is the result of their labor. Their postwar future hinges on the congressional action to extend price control.

The specific question posed to the Senate by the action of the House is, How the Senate will act on the series of amendments stampeded through the House and deliberately designed to amend price control to death? The amendments adopted by the House strangling the OPA were, for the most part, introduced from the floor and rushed through without study. Some of the amendments the House adopted fly in the face of the preponderant evidence accumulated by its own Banking and Currency Committee and directly contravene the findings of that committee. All of the amendments adopted by the House are in opposition to the view and will of the vast majority of Americans.

I plead with the Senate to reject these amendments promptly and unhesitatingly. Hesitation will only breed chaos. Delay will only multiply confusion. Every day of postponement of the decision will help the profiteer and hearten the speculator. If the Senate defers its final action until the last minute, it may be too late—Congress will already have embarked the Nation upon a journey into economic chaos.

The amendments which the price control death lobby persuaded the House to approve are cleverly worded. To a casual reader they may appear plausible and would even seem to espouse sound administration of the price control program. But anyone who studies the amendments more closely will readily see through them—the disguise is as thin and transparent as it is tricky. The plain fact is that the purpose of every one of these amendments is to do no more nor less than to torpedo price control and to breach a wide and inviting gap to further inflation. It is as simple as all that.

Let me examine these amendments and their effect on the lives of the average American families. The first, and the most dangerous of all, is the decontrol amendment. This amendment would compel OPA to remove price control from any item for which current production equals the production rate for the fiscal year 1940-41. One may be easily misled into the belief that this is a reasonable provision, aimed merely to require the removal of price control when current production is equal to prewar production. But it is because this amendment is so misleading that it is so dangerous. We must remember that consumer demand today is far greater than it was in prewar years. In the first place, in 1946-47 there are right now 8,000,000 more Americans than there were 6 years earlier. We have to take into account these 6 years of our population growth. Secondly, and in addition, the consumers' demand today is vastly greater because of the accumulated needs which remained largely unmet during the years of war. So, where in a prewar year the housewife would have bought only one unit of the same item to keep up with the current need, she will have to buy two or four or six units to make up the wartime deficit and to make necessary replacements.

For a great many items production has already passed prewar levels. Despite this, severe shortages of these very items will continue to

persist. Until the current supply and the current stocks are in balance with the current demand, and therefore the danger of a further rise in prices is past, the removal of price control will be premature and dangerous. Yet the decontrol amendment would remove the price control completely from all wool and rayon textiles, and women's and children's garments made from wool and rayon, and from shoes, as well as meat, milk, and nearly all dairy products. Altogether this amendment alone would require complete removal of price ceilings on commodities making up at least half of the consumer price index, which is the nearest measure we have of the changes in the cost of living. In addition it would allow prices to rise on the majority of the basic industrial products, including leather, rubber, chemicals, stone and glassware and most metals.

The companion amendment, which would also be certain to destroy price control, is the cost-plus-profit amendment. This amendment requires that for any and all commodities prices must be set to cover the current cost of producing and processing and distributing plus a reasonable profit. This provision too sounds plausible. Certainly no one would dispute the contention that the OPA should not deny reasonable profits. However, a closer look reveals this provision to be another trick to make price control completely inoperative.

Here are the reasons why this requirement would wreck price control: First, many industries—particularly those just getting into production after reconversion—must of necessity operate at excessively high costs before they attain volume production. During this period they expect to operate at a loss with the knowledge that they will more than recover this loss later. This amendment would therefore blow skyhigh the price ceilings and with them the prices on automobiles, refrigerators, radios, household appliances, and many other consumer goods. It would mean that all these commodities on which our future production volume and employment depend would be promptly priced out of the reach of the great mass of American consumers.

Secondly, nearly every industry has a large number of low-profit items which prosperous industries and trades have always made and sold along with the high-profit items. But the amendment would require a straight cost-plus guaranty which would raise the price ceilings sufficiently to make every item a high-profit item. This in itself would put high-cost production at a premium. It would be an incentive to produce inefficiently and to charge prices which are exorbitant. It would start a spiral of unwarranted cost write-ups and needless price increases.

Finally, there is the plain fact that there are no product-by-product cost and profit figures that are readily available for at least 85 percent of American business firms. But suppose these figures had been available. Even in that case, and even though the amendment states that "current cost" is to be determined by the "established commercial accounting practices of the industry," there aren't enough accountants available in the OPA or in the whole country to set price ceilings in accordance with the requirements of this amendment. Nor does the amendment define "reasonable profit." It leaves that definition to the OPA. Here we have the spectacle of the opponents of the OPA who have shouted the loudest against red tape and who have them-

selves, in this one amendment, devised the ultimate in red tape—enough to paralyze completely the whole price-control administration.

Each of these amendments I mentioned would render price control completely ineffective after July 1. But that was not enough. In addition, the House passed a whole series of amendments, each of which would seriously cripple price-control administration and greatly enhance the danger of further inflation. One of these contains a plan to liquidate subsidies. These subsidies were introduced in May 1943 as a part of the plan to hold the line on the cost of living. They provide for payments to be made to processors of meats, dairy products, flour, and certain canned vegetables to cover increases that have occurred in the price of the raw commodity, whether it be livestock in the case of the meat packers, or wheat in the case of the flour manufacturer. In this way ceiling prices for the final food item can be held steady. The subsidy program has proved both economical and remarkably effective.

The House amendments would liquidate subsidies on a rigid schedule calling for a 25-percent cut every 45 days beginning July 1 until they too are completely eliminated by the end of 1946. Each automatic reduction in subsidy is coupled with a corresponding increase in price ceilings. Subsidies should be terminated just as soon as the conditions permit. But this must be done gradually, in an orderly manner, which will disturb the economy as little as possible. Their removal must not be deliberately coupled with a sharp rise in the cost of living. The complicated mechanical procedure calling for a reduction in subsidies every 45 days and for simultaneous price increases is open to wide abuse by speculators who could arrange to obtain both the subsidy and the price increase. Under the plan there is no way to prevent a scandalous windfall of profit to speculators.

In addition, there is a separate amendment ending all meat subsidies by June 30, 1946. This amendment would do more than to bring price increases corresponding to the amount of subsidy eliminated. It would serve to end all price control on meats. The subsidy method gives the only effective check on prices of livestock and if that goes, price control goes with it. Decontrol of meat prices, in turn, will have serious repercussions on the market for grains by forcing abnormal quantities of grain to be used as feed. In this manner, it would intensify the grain shortage creating additional difficulties which would interfere with the program for preventing famine abroad. The removal of meat subsidies on June 30 would therefore not only dig deeply into the pocket of the American consumer, but also cheat the children in liberated countries of their very lives.

Another amendment forbids the practice of "cost absorption" in distribution and retailing of reconversion products. For reconversion items, OPA may not lower the trade discounts which had been in effect before the war. On the surface, what could appear more reasonable? Yet the effects of this would be to increase the consumers' bill on automobiles alone by nearly half a billion dollars, not to mention a similar added cost to the consumer for washing machines, radios, and other reconversion goods.

Cost absorption is the normal method for pricing at the manufacturing level. Prices for manufactured articles are so set that they will return to the reconversion industry concerned not less than its average profits for the base period. The OPA has merely extended

this principle to the wholesale and retail levels. From the anguished cries of the automobile dealers it would appear that this policy might force them to operate at a loss and would deprive the American people of needed automobiles and other reconversion products during the coming months.

Actually, what the OPA has done is merely to recognize what all of us know to be a fact; namely, that conditions under which dealers are operating today are far different from those of prewar days. Before the war, for example, dealers were forced to take a loss on practically all cars which they accepted as trade-ins. With the present accumulated consumer demand, this situation no longer holds true and dealers have been making more than substantial profits from the sale of used cars. In view of this, the OPA policy applied to the sale of new cars was quite proper—to reduce the dealer's margin on paper to the point where the actual realized margin—taking into account the profit from the sale of used cars—is held in check at a level substantially higher than that existing before the war.

Increased prices for tractors and farm equipment that would result from this amendment would be very costly to the farmer. But, of course, the prices of tractors and farm equipment are included in the parity formula. As they move up, so too, will the parity level, thus forcing farm prices higher. The problem, however, does not end even here. The need for replacing farm equipment is today so much greater than normal that farmers wouldn't stand for the price increases resulting from the amendment without asking that the parity formula itself be revised to meet the current, not the normal, conditions. So once again we will find ourselves chasing each other up the endless spiral staircase in a game in which every gain is but a temporary gain and in which all of us are bound to lose in the end.

The House also voted to do away with the maximum average price plan which applies to clothing. Its removal would strip from the consumer the last vestige of protection against the shift in apparel production from low-priced to high-priced lines of wearing apparel. This type of price control has been extremely difficult to administer and has never been very strong. Innumerable surcharges and tolerances have been allowed to permit adjustments to higher prices. Everyone knows that in any store higher-priced clothing is in better supply than the standard items. The House amendment would promptly make this situation worse. Clothing prices, already high would take another jump. Standard, staple items, medium- and low-priced clothes now coming back to the market would disappear.

By extending price control for 1 year without these crippling amendments, Congress will not perpetuate Government regulation indefinitely. If it permits OPA to let go gradually, instead of all at once, it will make the termination of controls more orderly and will make more certain that regulation will end sooner. The OPA has not clung to the established controls for the sake of control. Since VJ-day it has been lifting numerous controls, often more rapidly than we believe is safe. Ceilings have been completely removed on more than 30 percent of all capital goods. A vast array of minor consumer durable-goods items has also been decontrolled, together with an assortment of other consumer goods.

The experience with the removal of price controls to date is replete with examples of what would happen if the Congress legislated the OPA out of existence now. There are dozens of items already decontrolled on which prices have jumped as much as 100 percent in a matter of days. If the lid is taken off prematurely, this upward movement would be widespread and the cost of living would swiftly rise. That rise Americans cannot afford and Congress must not permit.

During the war, businessmen complained about long delays in the handling of their individual cases; about irksome and sometimes unreasonable decisions. I know of a number of instances in which these complaints were quite just; there have been many wrong decisions, many unwarranted delays in handling complaints where immediate action was completely justified by circumstances. But in recent months the picture has changed. Actions have been speeded up. In most instances, and I think too often, doubt has been resolved in favor of the petitioning businessman. This was done despite the fact that the majority of businessmen were not cooperative in the handling of their own petitions for relief. Often 85 to 90 percent of an industry refused to submit simple factual information without which the OPA could not act intelligently. This attitude has no doubt caused more delays than any other factor.

Yet the record shows that since VE-day OPA has granted 200 industry-wide increases in order to aid production. In addition to the industry-wide actions, price adjustments have been granted to some 20,000 individual firms during that time. When we consider this, together with the decontrol policy, we cannot help admitting that the OPA has moved fast, even precipitously, to relax price controls and remove them where it seemed safe. Termination of price controls should continue to be an orderly demobilization, not a haphazard stampede. Extension of OPA for 1 year would give it a chance to do an orderly job of the termination of price control.

The charge that OPA has been holding back production is simply not true. The Federal Reserve Board index of industrial production shows that industry is producing half again as much as it did in the period just before the war. Last February, production was 53 percent higher than the prewar average of 1935-39. In March, production rose to 69 percent over the prewar average. A rise of 16 points in the production index in 1 month is proof enough to any reasonable man that production is expanding at an unprecedented pace under the OPA price control.

The housewife in every town and city, in every corner of the United States, is keenly aware of the decision about to be made by Congress on the extension of price control. On the lips of every housewife is the question: "What will we do without the OPA?" That is the vital question, to every housewife and to every family. The extension of the Price Control Act for 1 year, without weakening amendments, is the only right answer to that question.

On behalf of the American Federation of Labor, and in the name of the future prosperity of the entire Nation, I call upon the Senate to give promptly a clear, unequivocal and ringing answer to the American people: The price-control protection against future disaster shall not be removed; the OPA shall be continued for 1 year.

The CHAIRMAN Thank you. That is a very fine statement.

Mr. GREEN. I want to supplement that by this one statement, Mr. Chairman: That I am more conscious than ever of the feeling of apprehension and fear that prevails in the minds of the masses of the people now.

The action of the House of Representatives in adopting the amendments to the OPA has created an actual fear in the hearts and minds of the masses of the people. In order to know for yourself, if you come in contact with consumers everywhere, with the masses of the people, with the housewives, with the wage earners, you will find that the extension of OPA is uppermost in their thoughts at the present time.

The CHAIRMAN. I can tell you, Mr. Green, when I was in New York, that was the experience I had, too.

Mr. GREEN. You found it out?

The CHAIRMAN. Yes.

Mr. GREEN. This danger of inflation hangs like a shadow over the masses of the people and surely none of you can underestimate the destructive consequences that are bound to follow if this spiral of inflation ever gets beyond control.

Now, it would be better for us to play on the safe side rather than to take chances; and the safe side, in my judgment, is, whatever may be our misgivings and our feelings and our complaints against the administration of OPA, to meet the issue courageously and continue OPA for another year. That is my sincere and honest judgment.

Senator BANKHEAD. Mr. Green, it was testified here by witnesses that there had been very frightening statements made by Mr. Bowles, some of them over the radio, and he had created that fear, and that in itself was a very great aid to inflation because people with plenty of money get frightened and want to spend it before inflation comes. What is your thought about that?

Mr. GREEN. Well, that may have been some contribution, but let me tell you, Senator, that the people are very close to the picture; they spend their money and know how the cost of living is going up.

Senator BANKHEAD. The thought of this witness was that they were hurrying to spend what money they had for fear if they held it it would not be worth anything.

Mr. GREEN. I understand that, too. That is a dangerous development. For instance, the Department of Commerce report this morning shows that we are spending at the annual rate of \$120,000,000,000 a quarter for consumer goods; something that was never thought of before. People have got a buying spirit. There is no question about that. That is a menace, too. The buying spirit is here. They are spending money. They are buying as never before.

Senator TAFT. May I suggest that is because present prices are very low compared to income?

Mr. GREEN. The \$120,000,000,000 buys in 1946 what \$90,000,000,000 would have bought in January 1941.

Senator TAFT. I say, that the buying spirit is wholly due to the fact that the price level is comparatively much lower than the wage level. Of course, that increases tremendously the demand. How can you ever catch up as long as you maintain that condition?

Mr. GREEN. The report of the Department of Commerce for the same period showed that the wage earners' income had dropped considerably during the same 3-month period.

Senator TAFT. Well, that is true, but as compared to prewar the wage earners' income has greatly increased.

Mr. GREEN. Naturally, but the trouble is we are passing through a period of reconversion where unemployment prevails to a very great extent. Of course, we are going through some terrible strike situations in which the buying power of the wage earner has declined. All of that must be taken into account.

Senator TAFT. During that time, but, Mr. Green—you speak only of the Price Control Act—in addition to that there is the Stabilization Act which authorizes the President and directs him to issue a general order stabilizing the prices of wages and salaries affecting the cost of living; and gives him the power to forbid wage increases as well as price increases. Do you feel that act should also be continued?

Mr. GREEN. Well, Senator, we have chafed under submission to governmental control. We believe that it would be to the interests of all of us to be free from governmental control, but like good American citizens we are willing during an emergency, and while passing through the emergency, to subject ourselves to a limited control—not excessive control.

Senator TAFT. Do you think there is any longer any use keeping this law? Do you think it is an effective means to permit the President to issue orders refusing any wage increases?

Mr. GREEN. Well, I suppose, Senator, that the stabilization program parallels the OPA program; that it would be very difficult to discontinue either one before both are discontinued.

Senator TAFT. Well, isn't the wage-stabilization program already discontinued?

Mr. GREEN. No. The Director of Stabilization still passes upon wage increases.

Senator TAFT. Well, does he pass on wage increases, or does he only pass on the question of whether they may be granted—whether they may become a basis for price increases?

Mr. GREEN. Well, that is the same thing.

Senator TAFT. Not at all, because you don't need the Stabilization Act for that.

Mr. GREEN. Well, in many cases you cannot get a wage increase unless the Stabilizer directs that the price level should be lifted in order to absorb the wage increase.

Senator TAFT. You mean you cannot get—is there any order prohibiting an employer from giving an employee more money today?

Mr. GREEN. Yes; there is.

Senator TAFT. In any industry?

Mr. GREEN. If the price level must be lifted in order to absorb the wage increase.

Senator TAFT. Well, the employer may still grant a wage increase. He just cannot get a price increase for it. Isn't that the only result?

Mr. GREEN. If he can do it out of his profits, that is all right. Nobody objects.

Senator TAFT. So that there is today no order under the Stabilization Act forbidding an increase in wages?

Mr. GREEN. Not where they can absorb it without lifting the price.

Senator TAFT. There isn't any at all. They can pay any salary or wage they wish. Isn't that generally so? Hasn't this Stabilization

Act been completely nullified so far as wage increases are concerned? And isn't all control of wages today based on the Price Control Act?

Mr. GREEN. Senator, I just pointed out to you that an employer cannot pay a wage increase, or will not pay a wage increase, as a rule, without first getting an assurance that the price ceiling will be lifted so that he can absorb the wage increase.

Now, if his profits are sufficient to pay the wage increase without asking for a lifting of price control he may do so without going to the Wage Stabilization Board.

Senator TAFT. Yes. However, I still come back to the fact that under the Stabilization Act today there is no rule or regulation which prevents an increase in wages.

Mr. GREEN. That rule I just referred to—

Senator TAFT. Well, an employer may or may not be able to get a price increase, but so far as paying the wages is concerned, he can pay more wages if he wishes to do so.

Mr. GREEN. You will recall that steel was just lately given an increase. There was an agreement entered into between the producers of steel and the Government providing for an increase in the ceiling price before the wage increase was granted and the wage increase was based upon an increase in the ceiling price of steel.

Senator TAFT. I understand all that, but I still—as I understand it, the intent now is not like the Stabilization Act. It is under the Price Control Act to try to hold wages by powers exercised to raise or increase prices through the Price Control Act. I don't quite see why we shouldn't repeal the Stabilization Act.

Mr. GREEN. Well, it would be very difficult, Senator, to make either of them operative in a practical and profitable way unless they continued operating along parallel lines, as I see it, but we want to be free from wage control just as quickly as possible.

Senator TAFT. Mr. Green, have you figured or has the A. F. of L. got a figure on the increase in straight-time hourly earnings since before the war, say, since the 1st of January 1941?

Mr. GREEN. We have that, Senator; but I don't have them here with me this morning.

Senator TAFT. Would you mind putting them in the record? As I understand you, you keep a separate index, do you not, from the Bureau of Labor Statistics?

Mr. GREEN. Yes; based on the Bureau of Labor Statistics' report.

Senator TAFT. We have the Bureau of Labor Statistics' figures showing that the increase was approximately from 66½ cents up to approximately 95½ cents an hour in December.

Mr. GREEN. Yes.

Senator TAFT. I wondered how far your figures approximated the same results.

Mr. GREEN. Well, I couldn't answer that at the moment because I don't have the figures here. I have a few figures here. Wage rates in durable goods declined 2.3 percent since VE-day. Hourly earnings declined 6.2 percent since VE-day. Weekly earnings declined 17.4 percent. This last is not hourly rates, but income.

Senator TAFT. I don't think the Bureau shows as much as that decrease in current straight-time hourly earnings, but my comparison was not with VE-day. The comparison I was interested in getting was with prewar. How much average earnings have increased since

January 1, 1940, which, we will say, is a convenient day perhaps to work from. It seems to me that increase was in the neighborhood of—

Mr. GREEN. We have those figures, Senator, and will be very glad to supply them.

Senator TAFT. In the neighborhood of about 62 percent. I think Mr. Bowles testified to 62 percent as compared to an increase in the cost of living of 33 percent, according to his figures. I wanted to see how your figures on those two costs compared with his.

Senator MITCHELL. Mr. Green, do you have figures during that period, too, which would show an increase in the productivity of labor?

Mr. GREEN. Yes; we have that, too.

Senator MITCHELL. I wonder if they could be submitted for the record at the same time.

Mr. GREEN. Very well. We will supply them and have them sent over for the record. Be glad to.

(The information referred to, afterward furnished by Mr. Green, is as follows:)

WAGES DURING THE WAR AND AFTER

In order to get a clear picture of wage changes during the war and after, and of the impact of these changes upon the wage earner as well as our whole economy, two phases are compared: (1) The wartime phase, January 1941 to April 1945; and (2) the postwar transition phase, April 1945 to February 1946.

WARTIME: JANUARY 1941 TO APRIL 1945

The wartime phase began in January 1941, when the defense program was just getting underway. There were still 7,600,000 unemployed workers in the United States.¹ It was the culmination of the long years of depression and recovery, during which we in America failed to place enough buying power in the hands of wage earners to support an expansion in production sufficient to provide employment opportunities for all willing and able to work and in need of work. In January 1941 one-third of all Americans, 13,000,000 families, consisting of 38,500,000 men, women, and children, had just rounded out their last peacetime year—a year of poverty. The average family among these 13,000,000 families had reckoned up their family income for the year just ended. It was pitiful: \$527. Not enough for a family to live on. Not enough to eat right, to bring up children. Practically all of these 13,000,000 families living on \$527 a year were wage earners—all of their income came from wages. And their wages were too low. For many breadwinners among them, work was not steady. Many worked on short hours. Many had only part-time jobs. Others could find no jobs at all. Those who had full-time jobs could not earn enough to make ends meet.

It took a war to put to work all workers needing jobs and to raise wage incomes. The wartime phase ended in April 1945—the last full month of the total war, the last month before VE-day. Wartime production was still going at full speed. There had been cut-backs in war contracts, but there was a job waiting for everyone willing and able to work. Wage income had risen. But most of the rise was not due to the rise in the price of labor—the increase in the wage rates. Wage income rose because—

(1) Workers who had no income because they had no jobs, now had jobs and earned a full-time income. In January 1941 there were 7,600,000 unemployed. In April 1945 only about 600,000 were unemployed—7,000,000 workers had been put to work.

(2) Part-time and casual workers now became full-time, year-around workers. While in January 1941 the pay envelopes of these workers contained split pay for split work, in April 1945 their pay envelopes had full pay for full work.

¹ WPA estimate.

(3) All wage earners worked longer hours in April 1945 than they did in January 1941, and most were receiving overtime pay for overtime work. The workweek was substantially less than 40 hours in almost all industries in January 1941, while during the war a 48-hour workweek became general in war industries, with much longer hours prevailing in many industries and establishments. In April 1945 average hours of work in manufacturing were over 45 a week, with such widely different industries as machine-tool manufacturing, milk processing, and flour milling all working well over 50 hours a week.

(4) With production greatly intensified, many workers were receiving premium pay for work on night shifts, Sundays, and holidays.

(5) More and more workers were recruited to fill higher-paying jobs in heavy war-supporting industries. A broad shift in employment from low-paid jobs in trade and service to higher-paid work in shipyards, aircraft plants, and munitions factories accounts for a major portion of the increase in earnings.

(6) Advancement to higher job classifications in the same plant or industry became more rapid. Promotion of the same worker to a more responsible job gives him a higher earning, although the rates of pay on the respective jobs may remain the same. Wartime increases in the supervisory force, and an acute need for experienced workers able to train others, account for a relatively more rapid rate of promotion during the war than was the case in peacetime.

(7) Wage rate adjustments were made for small groups of workers or individuals, to compensate for increased workloads and other changes in the contents of the job, to equalize the rates in the same or related classifications and to compensate for increased output of specific groups or crews of workers on specific operations.

(8) Wage scales rose due to general wage increases.

How much did wages increase in wartime?—The only source of wage information based on pay-roll reports is the Bureau of Labor Statistics of the United States Department of Labor. But even this source does not provide a complete picture of wage changes in all occupations, since it reports fully on wages in manufacturing industries alone. Let us examine the wartime wage changes in manufacturing industries as reported by the Bureau of Labor Statistics.

Weekly earnings.—Average weekly earnings represent the gross weekly payment to the worker, before all deductions. They are therefore larger than the actual take-home pay. They include all overtime, bonus, and premium payments. Gross earnings should be distinguished from earnings after taxes. Here is the change in average weekly earnings which took place during the war:

	Gross earnings		Earnings after taxes			
	Amount	Percent change	Family of 4		Single person	
			Amount	Percent change	Amount	Percent change
January 1941.....	\$26.64		\$26.37		\$25.41	
April 1945.....	47.12	+76.9	44.87	+70.2	39.10	+53.9

Source: Bureau of Labor Statistics, U. S. Department of Labor.

The net spendable income after taxes, other deductions and minimum savings would be substantially lower. For example, in April 1945, the average wage earner in manufacturing received a gross weekly wage of \$47.12. If he was the head of a family of four his wage after taxes would be \$44.87. If his other deductions amounted to 75 cents a week and he agreed to a 10-percent pay-roll deduction under a war bond savings plan, his take-home pay, or spendable income, would amount to \$39.41.

Real weekly earnings.—The potential increase in the buying power of the pay envelope which grew larger during the war was offset by the rise in the cost of living. The real income of the manufacturing worker during the war is shown by the change in real weekly earnings; that is, money earnings adjusted for changes in the cost of living. These real earnings were:

790 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

	Gross real earnings		Real earnings after taxes			
	Amount	Percent change	Family of 4		Single person	
			Amount	Percent change	Amount	Percent change
January 1941.....	\$26.64		\$26.37		\$25.41	
April 1945.....	35.94	+34.9	34.23	+29.8	29.82	+17.4

As the above table shows, the real gross weekly wage of the manufacturing worker increased only 34.9 percent. The real weekly wage after taxes in the case of the head of a family of four increased 29.8 percent and, in the case of a single worker, only 17.4 percent.

Hourly earnings.—Gross hourly earnings include overtime and other premium pay and reflect interindustry shifts of employment. They therefore are, like the gross weekly earnings, a measure of the gross wage income. The Bureau of Labor Statistics has developed an index of "adjusted" hourly earnings in which most premium overtime pay and the effect of most shifts in employment from industry to industry have been eliminated. This adjustment, however, is quite imperfect and the "adjusted" hourly earnings are primarily a modified measure of income and not a measure of wage rates. Here is what happened to hourly earnings between January 1, 1941, and April 1945:

	Average gross hourly earnings		"Adjusted" hourly earnings	
	Amount	Percent change	Amount	Percent change
January 1941.....	\$0.683		\$0.664	
April 1945.....	1.044	+52.9	.925	+39.3

After allowance for the cost-of-living change, the real hourly earnings were—

	Real gross hourly earnings		Real "adjusted" hourly earnings	
	Amount	Percent change	Amount	Percent change
January 1941.....	\$0.683		\$0.664	
April 1945.....	.796	+16.5	.706	+6.3

The above table shows that, allowing for the rise in the cost of living, the hourly earnings of employees in manufacturing rose only 16.5 percent. This is the extent of increase workers received to compensate them on the hourly basis for increased overtime, increased workload, night work, and the increased productivity attained by them in the "all out" war-production effort. It is plain that the 16.5-percent increase did not compensate war workers more than a fraction for the intensified work they contributed to win the war. The "adjusted" hourly earnings increased only 6.3 percent during that time. Even if we assume that the adjustment does eliminate overtime premiums and other increases due to shifts to higher paying employment (which it does not) we find that the entire wartime gain in real hourly income to compensate for increased output was only a fraction of the increase workers achieved in war production.

Wage rates.—The wage rate represents the actual rate of pay at which workers are compensated. The wage rate is the price of labor. It is the only direct measure of general wage changes. The Bureau of Labor Statistics' Index of Urban Wage Rates is the closest approximation of the actual changes in the actual rates of pay received by workers in manufacturing industries. This

index shows that between January 1941 and April 1945 wage rates rose 32.8 percent. In the same period the Index of Consumer Prices rose 31.1 percent. In other words, wage rates, or the price paid for work performed by the wage earners, and consumer prices, or the prices workers had to pay for the necessities of life, both rose by almost exactly the same amount. This meant that the real value of the price for a unit of work remained the same throughout the war, despite the fact that each unit of work yielded a much larger output of goods. It meant that while manufacturers gained from sharp increases in productivity per man per hour, they continued to compensate labor at a rate which fell far below their true measure of contribution to the wartime productive output. That is how it became possible for many industries to double and treble production in wartime without employing proportionately more workers and without paying proportionately more wages.

Productivity.—Wartime changes in productivity are extremely difficult to measure. We know, for example, that in the air-frame industry productivity per man per hour more than tripled in the 3-year period between December 1941 and December 1944. In normal times the most rapidly expanding industries, such as automobiles, chemicals or cigarettes, took over 10 years to accomplish what the aircraft construction industry did in the initial 3 wartime years. It is clear, however, that when a completely new industrial technique of large-scale production is developed to such a large scale from almost nothing, percentage measurement of the rate of change is extremely dangerous. Because of this and because of the limitations of comparable data, reflecting changes in the character of production, no complete picture can be presented of the increases in man-hour productivity in the industry as a whole.

At the same time, statistics are available to enable us to make a careful, conservative, and significant comparison in the change in productivity in the munitions industries between 1942 and the end of 1944. During the period covered, most war production was already well underway and the drastic initial changes from the small initial volume to large-scale production are eliminated. These figures, secured from the War Production Board, the Bureau of Labor Statistics, and the War Manpower Commission, provided a basis for an index of productivity in munitions industries between 1942 and December 1944.

These data show that in 1942 7,800,000 workers, averaging 197.6 hours of work a month, turned out monthly production of 2.6 billion dollars. The peak in the volume of war production was reached in the fourth quarter of 1943, when average monthly employment rose to 10,300,000 and the average monthly production of munitions items reached 5.5 billion dollars. From that time on munitions employment declined continuously until, in December 1944, it was down to 9,100,000. But the volume of production, measured in dollars, remained approximately the same to the end of 1944. After a careful adjustment of the value of munitions production for price changes and renegotiation allowance we are able to reach this significant conclusion: Between 1942 and December 1944 man-hour productivity in munitions industries increased 72 percent.

During that time munitions employment rose 32 percent to its November 1943 peak, and then gradually declined to only 16 percent above 1942. Production between 1942 and November 1943 rose 111 percent and continued to fluctuate around that level throughout 1944. In the meantime productivity per worker kept rising steadily at the rate of 2½ percent a month throughout 1942 and 1943, maintaining the rate of increase of over 1.8 percent a month through 1944. Many of the increases in productivity, accomplished under wartime conditions in munitions industries could not be, and were not, duplicated in the civilian industries even in wartime. They indicate, however, the extent by which, in munitions manufacturing, output was increased at an unprecedented rate without comparable increases in wage compensation.

Straight-time average hourly earnings in durable-goods industries, in which munitions production was concentrated, rose from 85.9 cents an hour in 1942 to 99.7 cents in December 1944, an increase of 16.1 percent. Real earnings, adjusted for the cost of living, increased only 6.5 percent. The workers who brought man-hour output up as much as 72 percent, gained an increase of only 6.5 percent in their compensation.

POSTWAR TRANSITION: APRIL 1945 TO FEBRUARY 1946

April 1945 was the last full month preceding the victory in Europe. Having examined the wartime wage changes, we are ready to turn to the record of wages in the 10 months of transition toward peacetime stability.

Gross weekly earnings

	All manufacturing		Durable goods	
	Amount	Percent change	Amount	Percent change
April 1945.....	\$47. 12	-----	\$52. 90	-----
February 1946.....	40. 60	-13. 8	43. 80	-17. 2

The above table shows that between April 1945 and February 1946 average weekly earnings in all manufacturing declined 13.8 percent, while in durable-goods manufacturing the decline was 17.2 percent.

Gross real earnings in all manufacturing (in January 1941 prices)

	Amount	Percent change
April 1945.....	\$35. 94	-----
February 1946.....	30. 43	-15. 3

The decline in real weekly earnings in the 10-month period was 15.3 percent.

Weekly earnings after taxes (family of 4)

	All manufacturing		Durable goods	
	Amount	Percent change	Amount	Percent change
April 1945.....	\$44. 87	-----	\$49. 40	-----
February 1946.....	40. 19	-10. 4	42. 17	-14. 6

Weekly earnings after taxes (single person)

	All manufacturing		Durable goods	
	Amount	Percent change	Amount	Percent change
April 1945.....	\$39. 10	-----	\$43. 63	-----
February 1946.....	35. 08	-10. 3	36. 72	-15. 8

Average gross hourly earnings

	All manufacturing		Durable goods	
	Amount	Percent change	Amount	Percent change
April 1945.....	\$1. 044	-----	\$1. 138	-----
February 1946.....	1. 002	-4. 0	1. 064	-6. 5

Average "adjusted" straight-time hourly earnings

	All manufacturing		Durable goods	
	Amount	Percent change	Amount	Percent change
April 1945.....	\$0. 925	-----	\$1. 007	-----
February 1946.....	. 967	+4. 5	1. 031	+2. 4

The foregoing tables tell the story of the decline in wages since April 1945. Elimination of overtime, of night-shift differentials and downgrading has resulted in a 14-percent drop in weekly wage income in all manufacturing and a 17-percent drop in durable goods. This drop took place despite an increase in "adjusted" straight-time wage rates of 4.5 percent in all manufacturing and 2.4 percent in durable goods.

Fewer jobs and smaller incomes for workers was the result of the first stage of readjustments from wartime to peacetime production. In April 1944 nonagricultural employment stood at 38.7 million. By April 1945 it dropped to 37.8 million. By October 1945 it was down to 35.2 million and at about 35 million in February 1946. The drop was even more severe in manufacturing. In April 1944 there were 13.8 million workers in manufacturing; in April 1945, 12.7 million; in October 1945, 9.9 million; and in January 1946, 10 million.

Wage-earner pay rolls dropped far more precipitously. At the peak of war activity, in November 1943, manufacturing pay rolls stood 236 percent above the prewar average of 1939. By April 1945 pay rolls dropped to 217 percent above 1939. By October 1945 they were only 113 percent above 1939 and in January 1946 they were at 117 percent of the prewar level. In other words, more than half of the wartime increase in pay rolls was wiped out during the precipitous drop in pay rolls which took place in 1945.

If this loss of pay rolls is translated into chronic loss of purchasing power, large-scale unemployment in the very near future cannot be averted. This can be done only through the establishment of a positive policy designed to meet two objectives: (1) to assure the maximum freedom to labor and management in joint determination of appropriate wage standards through collective negotiations; and (2) to safeguard the entire economy from runaway prices. The first step in carrying out this policy should be the establishment of wage standards approached (but never reached) in wartime and already severely undercut since then. That can and should be done through the exercise of free collective bargaining throughout industry.

Wage income and wage rates have been on a downward trend since April 1945. Continuing control of wages is unwarranted under these conditions and can only result in the freezing of wage standards out of all relation to the cost of living.

Consumer prices are continuing their upward march. They must be curbed until full production, sufficient to meet the demand, is attained—and no longer. To curb them that long is necessary to prevent further cuts in real wages and a further reduction in the buying power of the wage earners, the buying power which is, in the final analysis, the only mass market for the expending postwar production.

Senator TAFT. Mr. Green, there is one more question. You very wisely argued the merits of each amendment which is something I have not seen done in the newspapers. I think you are to be congratulated on doing that—the logical basis for these amendments. Taking the decontrol amendment, particularly, is your theory that should be left entirely to Mr. Bowles, whether decontrol takes place or not, or are you simply criticizing the formula which the House adopted in this Gossett amendment, with which I also disagree?

Mr. GREEN. Well, I suppose, Senator, that it would be very difficult to place that authority elsewhere than with those who administer the OPA Act. It is expected they would use good judgment and act wisely and carry out the principles of early decontrol as rapidly as possible.

Now, it might be perfectly all right that that should be done in cooperation with a committee, say, from the Congress of the United States.

Senator TAFT. By whom it is expected that they will exercise good judgment and do it promptly?

Mr. GREEN. Well, I suppose if the responsibility rests upon the OPA Director the decision should be made by him and by Mr. Bowles.

Senator TAFT. Take the case of oil and gas where the testimony is that the supply is far greater than—it is at least 20 percent more than

prewar. The supply is so great compared to demand that production has actually been cut back in Texas, yet Mr. Bowles won't decontrol it. That is the kind of thing Congress is up against. One of his principles was that when production reaches demand he will decontrol. Here is a case where the facts apparently show that has occurred and he has not decontrolled and does not show any immediate intention of doing so.

So, we are up against the question of whether he will ever decontrol once Congress passes an act and adjourns—on anything very important.

Mr. GREEN. I am sure it is the sentiment of the people and particularly the judgment of all thinking people that decontrol should be applied just as rapidly as production approximates the market requirements. After all, full production is the solution for price problems and as production moves up to the point where it corresponds with market requirements, or approximately so, then price control should be lifted. We favor that policy and it ought to be done just as fast as economic conditions will permit.

Senator TAFT. Well, you point out that there are 8,000,000 more Americans than there were 6 years earlier. I didn't know there were that many more, but that is a good point and undoubtedly we should take that into consideration. Undoubtedly there is more consumption and employment, but those are arguments that 100 percent is not enough. Supposing we made it 120 percent of 1940-41, or some other figure, what would you think of that? What would you think of such a treatment of the decontrol proposition?

Mr. GREEN. I wouldn't know exactly how to answer that, Senator, because it involves administrative problems that I could not pass upon at the moment. Whether you could set a standard of that kind and make it work successfully is a question. I just don't know. The one thing I am thinking about is that we ought to protect our people for the moment, at least, while we are passing through this very trying period, against inflation. I suppose in doing so there will be some abuses, and we will have to endure them, while we are passing through this period. We cannot apply price control in an absolutely perfect way. The job is too big.

Senator BANKHEAD. Mr. Green, we are going to pay this year about 2 billions of dollars in subsidies; all applies, of course, to the reduction in food costs, or supposed to be used for that purpose. What is your view about the best way to handle that? Do you think we ought to go right up to the end of OPA and cut off the \$2,000,000,000 at once, or is it better to reduce them by installments?

I am asking you that in good faith because I would like to get your view on that. It is going to be a headache anyway we do it and any time we do it.

Mr. GREEN. It undoubtedly will.

Senator BANKHEAD. So we have got to deal with it. Personally, I would like to have your views about it.

Mr. GREEN. I am of the opinion that the best of the courses I can think of is that it should be moved right up to the end of OPA.

Senator BANKHEAD. And then cut it right off?

Mr. GREEN. Yes. I think we could do it then just that way.

Senator BANKHEAD. It would be a pretty severe headache.

Mr. GREEN. I don't know. I cannot foresee just what the consequences might be.

Senator CAPEHART. Mr. Green, if I understand your position on the decontrol amendment, it is that we ought to leave this entirely up to OPA. You don't think that Congress should make any effort to write in a formula of decontrol at any given time or in any given industry?

Mr. GREEN. I wouldn't want you to put it in quite that light. If the Senate in its wisdom and judgment can find a way by which—say a committee representing the Congress of the United States—would work with the Director of OPA in bringing about decontrols as rapidly as our economic condition will permit, I have no objection to that.

Senator CAPEHART. Well, let me ask you this: Wouldn't the proper way to do this, if there is a sound and practical way to do it, would be for the Congress to write a formula that all items under price control would be decontrolled at a given level of production, rather than possibly extending OPA for another 12 months? What right have we to believe that at the end of 12 months all items are going to be ready for decontrol?

Mr. GREEN. That is a reasonable assumption.

Senator CAPEHART. It seems to me, though, if we write some sort of a formula in here where the business interests of America know when they reach a certain production that decontrols are eliminated, and if that formula is good enough and the production is set high enough in the formula so that it will take care of the law of supply and demand, is that not the proper way to do it? Rather than leaving it up to Mr. Bowles, or leaving it up to OPA?

Mr. GREEN. Senator, I realize it is very difficult for us to determine whether we will be through this period even at the end of 1 year on some things.

Senator CAPEHART. That is my point. Are we not going to go through this same thing again 6 months or 9 months or a year from now? Who is to say when we decontrol? Should OPA themselves do it, or should Congress do it?

Mr. GREEN. Well, I wouldn't want to see Congress adopt any crippling amendments, amendments which would tend to make the administration of OPA ineffective.

Senator CAPEHART. Well, I am talking about this decontrol now. Supposing Congress would write that—let us take the automobile industry—you could take every other industry—that when there was a million cars being turned out each month, and after a certain number of months, that decontrol would be eliminated from automobiles—would that not be an incentive for the automobile companies to produce and would it not be a sensible way to do this?

Mr. GREEN. It might operate disadvantageously. One cannot tell. I think we all agree that in the administration of an act or in the discharge of one's duty as Administrator, we must place confidence in the Administrator to use judgment and to carry out the instructions and the principles embodied in an act.

Now, you have well said we cannot tell whether we will be through this trying period within 1 year or not. I don't believe that we will reach the point in a year from now when we can leave rent controls

off, because of the shortage of housing. That may have to be continued even beyond the year, or the next annual period, but the Administrator, whoever he may be, if it is Mr. Bowles, or somebody else, ought to apply the policy and principle of decontrol just as rapidly as production reaches the point where it corresponds approximately with market requirements.

Senator CAPEHART. That is my point, Mr. Green. Do you not think Congress had better arrive at a formula and write it into the law rather than leaving it up to the Administration?

Mr. GREEN. If Congress would decide that it wished to make sure that point would be reached, I would say there should be no objection to that.

Senator CAPEHART. In other words, someone is going to have to arrive at that point. You cannot just reach up here and say, "There it is." Somebody is going to have to have figures, and it seems to me a percentage figure at the moment would be just as practical as actual figures later; that we could say that any industry that reached 150 percent of production over a given period, a given year, will immediately be decontrolled after they have produced, let us say, for a number of months at that schedule.

If you don't do it on that basis it seems to me we are going to go through the same thing we are going through here a year from now.

One other question. You said there are dozens of items of decontrol on which prices have jumped as much as 100 percent in a matter of days. You evidently have those commodities. I am wondering if we could get a list of them.

Mr. GREEN. Yes, sir.

Senator CAPEHART. I think they would be worth while.

Mr. GREEN. We will be glad to supply them.

The CHAIRMAN. If there are no other questions, Mr. Green, I am advised that you are to be, at 11 o'clock, at a meeting of the Advisory Board with Mr. Snyder. You expected that, did you not? They are waiting for you.

Mr. GREEN. All right. I consider this meeting with your committee of primary importance. I am willing to stay and answer any questions you may desire to ask.

The CHAIRMAN. Well, thank you. Are there any other questions?

Senator CAPEHART. I do have one other question, Mr. Chairman. It has been brought out in the testimony here, Mr. Green, that OPA has permitted some 500 or 600 industry-wide increases since VJ-day and Mr. Green testifies to some 20,000 items. I realize 20,000 items is a lot of items, but they evidently have the records and it would not take so long to make up a list of those. I am wondering if we should not ask OPA to give us a list of the items that they have permitted an increase on since VJ-day.

The CHAIRMAN. Yes; we will do that.

Senator MILLIKIN. I suggest also a list of all the items that are still under control.

Senator CAPEHART. Yes; I think that would be worth while.

The CHAIRMAN. Very well.

Senator MILLIKIN. Mr. Chairman, I would like to ask one question of Mr. Green. It will be very brief.

The CHAIRMAN. Very well.

Senator MILLIKIN. The thing that bothers me in consideration of this problem, Mr. Green, is that apparently whenever a strong public demand for goods comes against the line OPA is trying to hold, the line really becomes fictitious. It passes out of existence. Take meat and butter and textiles and building materials. How can we bring the OPA line into a realistic relation to the facts? What is the use of talking about holding the line if whenever the line comes under pressure it breaks and the subject passes into the black market? That is what disturbs me.

I would like to say before you answer, I think your criticism of several of these House amendments is entirely valid. I think it is unanswerable. I would like to find out some way whereby we can make this thing work in relation to the realities. I don't believe, for example—I have some disagreement with Senator Capehart—I don't believe you can decontrol on the basis of a mathematical formula. You have got to decontrol on the basis of facts, whether the supply is actually in balance with the demand, not on some theory based on some past experience.

Mr. GREEN. I agree with you. It must be based on the facts.

Senator MILLIKIN. On the current facts.

Mr. GREEN. Current facts; that is right.

Senator MILLIKIN. Now, what I am driving at is, Can you give us a suggestion of how we can keep this line in relation to realities so that important subjects are not passing into the black market all the time?

Mr. GREEN. We are confronted with two courses and the question is which course shall we follow. You know and I know that it would be unwise to lift the price ceilings on these items wherever the situation is critical and acute. That would be no remedy. That would hurt. But those who are in control of the situation and who deal with it in accordance with the facts are clothed with authority to lift price ceilings if necessary in order to guarantee approximate full production at reasonable prices.

Senator MILLIKIN. That is precisely what I am talking about. They have not done that in a dozen important fields, where the black market is setting the line and not OPA. I suppose that comes down to a question of administration.

Mr. GREEN. That is a matter of administration. That is all I can say.

Senator MILLIKIN. I don't know how you can do it by law without leaving it to the good judgment of the administration.

Senator CAPEHART. Would you not say the fact that our Government is paying 30 cents a bushel premium for wheat and corn at the moment and denying the processors and feeders and those that likewise need corn in order to keep their plants going, denying them the right to do so, is exactly the same as anybody else going out and dealing in the black market?

Mr. GREEN. Senator, I am not prepared to go into that because I can understand quite well that there is a number of situations that can be criticized and justifiably so. I know I have felt very strongly myself sometimes about some things that have happened, but in order to correct it we don't want to tear the house down. That is all.

These complaints, these abuses and complaints arise in the administration of any agency or in many agencies of the Government. I

know there is a lot of things that ought to be corrected. I will admit that.

Senator CAPEHART. I know of a factory in Indiana that is closed because they cannot get corn. Some 750 men are out of work today and they are denied the right by the Government to pay this additional 30 cents that the Government itself is paying, which in my opinion is just 100-percent black market.

Mr. GREEN. Yes; I know those situations have arisen and we will have to contend with them for some time to come, until we get back down to a normal basis.

Senator CAPEHART. Which brings up this point: I doubt if there is anything made today under price control that is not being sold in the black market, one single item that is not being dealt with in the black market at prices much higher than the regular OPA ceilings.

The CHAIRMAN. Are there any other questions of Mr. Green?

Senator MILLIKIN. I think, Mr. Green, you have in effect already answered this question. I quite agree with your criticism of an amendment that would meet cost-plus-profit clear across the line—we have never had that.

Mr. GREEN. No.

Senator MILLIKIN. Most we have had in normal times is an opportunity to make cost-plus-profit, but regardless of past practices, if we have an essential item which is in short supply, the production of which we must increase, certainly as to that particular category of items the OPA must be realistic and price an article high enough to get production; is that correct?

Mr. GREEN. I agree with you on that course.

Senator MURDOCK. Mr. Chairman, I have one question. Had you finished?

Mr. GREEN. Yes.

Senator MURDOCK. If the black market is as prevalent as has been indicated by testimony here, I am wondering if Congress should not give some attention during the consideration of OPA to increasing the enforcement personnel of OPA. It seems to me that nothing lends itself to black markets as much as the lack of people in OPA to do the enforcing job. It seems to me that that today is contributing more to black markets than anything else. I am constrained to the view that if we would increase the personnel of OPA in the enforcement division so that the black markets would know that we did have a sufficient force to cope with them and pick them up, that we might at least to some degree eliminate them. We might be able, Mr. Green, if I may make this observation, to employ veterans, say, that probably are suffering from black markets today, in the enforcement section of OPA, with an idea that that might be at least to some degree a solution of black markets.

Mr. GREEN. Well, I think that is a very good suggestion, Senator, that the OPA ought to be supplied with an adequate personnel, sufficient to deal with these extraordinary situations, which come up, and then perhaps the punishment imposed upon black marketeers ought to be a little more severe than it really is.

The facts are that you have a black market anywhere, anytime, any place where there is a shortage of goods; there will be some black marketing; just like it was in the days of prohibition. There are always those who find a way to do those things, to violate the law, to

make money and profit upon these extraordinary situations. We cannot avoid it. It is a matter of history. Every generation has gone through that in some respects, but of course, if there is a shortage of personnel, I don't know whether there is or not—

Senator MURDOCK. I don't know, either, but it seems to me that certainly black markets thrive where there is lack of personnel.

Now, if we are confronted with a choice between black markets growing and growing, and the enforcement of OPA, I don't think we have got much choice there. If we cannot do the job and simply by attempting to do it under OPA we encourage black markets, I would say there isn't much encouragement in the extension of OPA, but I believe firmly that you cannot do the job, you cannot eliminate it entirely, but if Congress would adopt the policy of giving OPA what they need, if we extend the act, to really enforce it, in my opinion to a large degree we would stamp out black markets.

Mr. GREEN. We cannot think of surrendering to the black market, can we?

Senator MURDOCK. I don't want to do that.

Mr. GREEN. Just to wipe out OPA or cripple it with weakening amendments would be nothing more than a surrender to the black marketeers.

Senator MURDOCK. I am in full agreement with the statement you have made. I don't think we need to surrender, but I do say if it takes more people to hold the line, and I believe a lot of fellows in the enforcement of OPA might know something about holding the line against the black market, that that might be our salvation in this thing.

Mr. GREEN. The average citizen, I think, assumes that Congress has provided OPA with adequate personnel. I don't know if they have got it, but if they haven't got it, they ought to have it.

Senator BANKHEAD. On that point I might say that I have been a member of the Appropriations Committee ever since OPA was created. If the Appropriations Committee of Congress has ever denied a request of OPA for additional funds for enforcement, I have no recollection of it. I have voted every time to give them all the money they need to enforce it. So I don't think that is a problem that any of us can be criticized about. It may be that they didn't ask for enough. I wouldn't know about that. It may be that they have either thought they didn't need it or doubted whether they could get it, but as far as I know they have not requested it.

Senator CAPEHART. Mr. Chairman, the situation at the moment in corn is this: The farmer who is feeding hogs and must buy corn, and the manufacturer that is dealing in corn products, such as corn sirups and dozens and dozens of other items, at the moment he is unable to buy any corn whatsoever, because no farmer will sell his corn at the ceiling, which is 30 cents less than the premium the Government is paying. The net result is that there is no corn moving other than into the hands of the Government at what, I would say, is a black-market figure of 30 cents above the OPA ceiling.

The CHAIRMAN. What is the Government doing with that corn?

Senator CAPEHART. They are taking it to Europe.

The CHAIRMAN. Yes.

Senator CAPEHART. And rightfully so. I don't question that. But we are talking about a principle here. The Government is doing

exactly the same thing, which I think is a splendid thing. We don't dare permit anybody to starve, but the Government in order to get this corn and wheat is paying 30 cents premium, while thousands and thousands and thousands of businessmen have been forced during the past year to pay a premium which I would call a black market, in order to keep their factories operating, their stores going, and their people working and to put pay rolls into the pockets of the people.

Now, the same principle has existed for some time, and our Government finally woke up to the fact that they themselves were unable to pick up 50,000,000 bushels of wheat and corn unless they wanted to pay the black-market prices, which are 30 cents over the OPA ceiling. I am talking about the principle, not about the merit of doing it.

Now, the same situation exists with every manufacturer, whether he has 100 people working or 10,000 people working for him. He may be able to get everything he needs except two or three items and if he doesn't get those he has got to close his factory, lay off his people. Well, what does he do? He goes out—they have literally hundreds and hundreds and thousands and thousands of people traveling through this country—they go out and get a carload of something here and a handful of something there, in order to finish out their production line and keep their factories going. That actually is existing. It is a reality. It is not something that someone has dreamed up. Our own Government found when they went out to buy corn and wheat that they had the same situation to face. They immediately indulged in a black-market procedure of paying 30 cents more, at the same time denying me—not in my case, but in about 4 months I will have to buy corn to feed hogs on my farm.

Now, if this condition exists I will not be able to buy it because I cannot—it is illegal for me to pay the 30 cents premium.

Senator TAYLOR. Mr. Chairman, I cannot let that statement of Senator Capehart's go unchallenged that the Government is indulging in black-market operations.

Senator CAPEHART. In principle it is the same thing.

Senator TAYLOR. Well, it is a lot different than to just flatly say the Government is indulging in black-marketing. The Government has to have this wheat to feed starving people.

Senator CAPEHART. I said that two or three times.

Senator TAYLOR. The farmers knew that they had to have it, but unfortunately they have held on to the wheat and corn. I don't think it is to the credit of the American farmers themselves, but it is a question of whether we are going to let the people of Europe starve or whether we are not. There is no time to go into the fine technicalities of the matter.

The Senator has said that we deny the manufacturer the same privilege of paying the extra 30 cents a bushel. I don't believe that we can price profit and human lives on the same level.

Senator CAPEHART. Well, Mr. Chairman, may I ask this question. I agree that that is true, but I don't agree with the Senator that the American farmer is unpatriotic. I think they are among the most patriotic people this Nation has and I want the record to so state. I don't agree with that statement at all.

I am simply saying that our Government is indulging in the same principle, and I would like to ask this question.

I am speaking of one of Mr. Green's unions, with 750 people out of work. If they are out of work a good many weeks somebody has got to feed them.

Senator TAYLOR. They will be fed, I am sure.

Mr. GREEN. Are those not exceptional cases?

Senator CAPEHART. No; they are not. At least, they will not be exceptional cases in a matter of 30 to 60 days. I am thinking of the processors who make starch and sirup and a thousand and one items needed by industry. They cannot procure corn. The Government possibly will have to go out and buy an additional 25,000,000 bushels for them at a 30-cent premium and turn it over to them. There is a big conference going on in Washington today trying to solve that problem. How are we going to keep our factories going? Then we are going to have the problem of how we are going to keep the feeders going because they cannot buy corn.

Senator MURDOCK. The deciding factor, it seems to me, is that when people are starving in Europe you cannot delay too long about getting wheat and corn over there.

Senator CAPEHART. I am only saying that the same principle exists for the Government. The Government found the same principle existing, so far as being able to get merchandise was concerned, in their efforts to secure 50,000,000 bushels of corn and 50,000,000 bushels of wheat for the starving peoples of Europe. The Government found that it was unable to get it unless it indulged in the black market.

Senator MURDOCK. I just do not believe that we can put the starvation of people in Europe on the same basis with profits in the United States. I agree with Senator Taylor.

Senator CAPEHART. I am not talking about profits at all. I am talking about the principle here. Our Government found that it was unable to get the wheat and corn needed without paying a premium for it, just as I stated a moment ago that manufacturers and businessmen have found that they have been unable to operate their factories and businesses without going out and paying somebody a premium to bring in a certain amount of merchandise. The black market, to my mind, is the most serious thing that we have facing us.

Senator MITCHELL. On the question of the difficulty in obtaining materials used in the operation of factories, do you not think it would be very much more difficult for the factories to get materials if there were no controls at all at this time and had been none since VJ-day?

Mr. GREEN. Yes; I am sure of that; that even the lifting of price controls would not correct the situation, because the probabilities are that there is a shortage.

Senator MITCHELL. There would be a terrible scramble for materials?

Mr. GREEN. Yes. Everybody would be bidding for the materials. I think that on corn and wheat, Mr. Chairman, the question is, Is there an abundant supply of corn and wheat in the country?

Senator CAPEHART. There is about a billion bushels, which is just 200,000,000 less than there was at this time last year.

Mr. GREEN. Then the question is, Is the price fixed by OPA for corn and wheat too low?

Senator CAPEHART. Evidently it is, because the farmers have not been selling them.

Mr. GREEN. Why?

Senator CAPEHART. I do not know that I can answer that.

Mr. GREEN. Is the price fixed sufficient to guarantee a fair return on production?

Senator BANKHEAD. We had the same problem about corn 2 years ago. We had a regular farmers' strike. It looks to me as if serious consideration should be given to rationing for corn and wheat. Evidently we have not enough to go around.

Mr. GREEN. Then there is a shortage of corn?

Senator BANKHEAD. Oh, yes; there is no doubt about that. It is coming to the surface. There would not be a shortage if farmers were willing to operate at a loss, but naturally they are not going to do that.

Mr. GREEN. The only question is as to fixing a price that will guarantee a fair profit to the producer, and then do the best we can with it. That is all. I presume it is natural for those who produce certain items, if they can foresee that they can get a better price, is to hold them. The laws of economics apply to cases like that.

Senator MILLIKIN. The same thing is applicable to the farmer that is applicable to the workingman. The farmer wants what he believes to be the value of his labor, and so does the workingman. If the workingman is not getting it, he quits, and the farmer holds his product.

Mr. GREEN. He strikes. He does just that because he feels that he is justified in making a profit and to get what he believes is fair. That is human nature.

Senator MILLIKIN. You cannot change that at all.

Mr. GREEN. No; you cannot change it.

The CHAIRMAN. Thank you very much, Mr. Green.

Mr. GREEN. Thank you, Mr. Chairman and members of the committee.

The CHAIRMAN. Dr. Caroline Ware.

STATEMENT OF DR. CAROLINE WARE, REPRESENTING THE AMERICAN ASSOCIATION OF UNIVERSITY WOMEN AND 24 OTHER NATIONAL ORGANIZATIONS

Dr. WARE. Mr. Chairman and members of the committee, I have been asked to present a short statement on behalf of 25 national organizations, namely, American Association of University Professors, with a membership of 18,000; American Association of University Women, membership, 80,000; American Home Economics Association, membership, 16,000; Council for Social Action of the Congregational Christian Churches; Consumers Union of United States, Inc., membership, 140,000; Department of Christian Social Relations, Women's Division of the Methodist Church; General Federation of Women's Clubs, 2½ million membership; League of Women Shoppers, Inc., 3,000 membership; National Board, YWCA, 2½ to 3 million membership; National Congress of Parents and Teachers, 3½ million membership; National Congress of Colored Parents and Teachers, 65,000 membership; National Council of Catholic Women, 5,000,000 membership; National Council of Jewish Women, 65,000 membership; National Council of Negro Women, 8,000 membership; National Consumers League; National Education Association, 331,000 mem-

bership; National Federation of Settlements; National League of Women Voters, 65,000 membership; National Urban League; National Women's Trade Union League, 1½ million membership; Nonpartisan Council on Public Affairs, A. K. A. Sorority; Southern Conference for Human Welfare, 7,000 membership; Union for Democratic Action, 25,000 membership; United Council of Church Women; American Association of Social Workers, membership, 11,000.

These 25 national organizations which join in this statement urging the Senate to pass a genuine price control act are representative of the great mass of the American people—millions of parents and teachers, urban families from settlement house neighborhoods, rural families and farm home economic leaders, housewives and working women from all economic levels, from every type of community, from north and south, east and west, and from every racial and religious group, veterans' wives, community leaders organized for social action in the interests of all the people. In speaking for their members, they speak for the Nation's consumers—the people who will have to pay the prices which destruction of price control would bring; the people whose standard of living will be pressed down by inflation. The interest which we represent is the public interest.

May I say that we are presenting this statement in order to cooperate with the committee in keeping the hearings short. We feel that the passage of a price control act is urgent, that the hearings should be short and should not be strung out. We should have liked to have asked permission to have brought our members before you to tell you their stories, as the representatives of business have been telling you their stories of hardships, but we have refrained in order to expedite these hearings, and I am therefore presenting this joint statement; but I hope that your imagination will carry you back to the individuals whom we have not brought in.

Our members are distressed by the action of the House in scuttling price control in the face of overwhelming evidence of the peril which confronts the Nation and the desire of the people for continued protection against that danger.

To us it appears that special interests seeking speculative gain at the expense of the American people are the ones who will profit from the destruction of price control.

Business in general has enjoyed unprecedented prosperity and profits under price control. Prosperity and profits for the coming years are assured by the tremendous demand for all types of goods, if only economic stability can be maintained.

The mass of American business stands to gain, along with the rest of the people, from effective price control in the coming year. Many businessmen recognize this fact, as is evidenced by the statements of the Committee for Economic Development and the new Council of American Business, the recent formation of a "businessmen for OPA" organization, and the daily conversations of many of our members with the corner grocer, proprietors of clothing and department stores, and other local businessmen. Some business groups who have sought special treatment for themselves but want price control retained over others have become frightened by the wholesale discarding of controls by the House and are now crying that it has gone too far. Only those who have confidence that they can outguess the market, make a killing on the boom, and get out from under

before the break have reason to rejoice over the bill as passed by the House.

On behalf of our members, we call upon the Senate to act in terms of its responsibility for the Nation's economic security and the welfare of the people. We ask that the Senate extend the present Price Control Act without weakening amendments, not only to restore the protection which the House has sought to take away, but to strengthen the people's confidence in their representative government.

The so-called price control bill passed by the House, in our judgment, not only fails completely to provide genuine price control; it positively invites inflation. We ask you to reject each and every one of the wrecking amendments introduced on the floor of the House or by the House Banking and Currency Committee. Specifically, we ask you to reject:

The Gossett decontrol amendment, requiring that ceilings be removed altogether from anything whose production for 12 months has been at the 1940-41 level. The 1940-41 level of production was far below the Nation's productive capacity, for there were still 5,000,000 unemployed. Demand today from increased buying power and accumulated savings is far above 1940-41 levels, and is so much greater than supply that it creates a highly inflationary pressure.

Senator CAPEHART. Would you be willing to have a formula providing for 150 percent of the 1940-41 level?

Dr. WARE. That would certainly be better than 100 percent, but it does not seem to me to be ideal.

Senator CAPEHART. Suppose we made it 200 percent: would you consider that to be ideal?

Dr. WARE. It seems to me that a formula which permits the removal of controls at the point where the balance for that particular commodity appears to exist would be sounder. The demand for some products has increased very, very much more than for other products since 1940-41.

Senator CAPEHART. Suppose we put it at 300 percent?

Dr. WARE. It still would have the objection of being a blanket figure. What I am trying to say, Senator, is that we feel that a fixed percentage—

Senator CAPEHART. Of course you would rather have OPA do it than to have Congress set up a formula?

Dr. WARE. No. I merely suggest that a formula should include the abnormal increases which have taken place in demand for some products. That is my only reason for not welcoming your suggestion of 300 percent.

Senator MILLIKIN. You have no objection to a simple congressional mandate that when supply does equal demand, that that particular commodity shall be decontrolled?

Dr. WARE. That would appear to be a sound principle, Senator. Even that, it seems to us, should be applied with some flexibility, because sometimes the supply of a particular commodity appears to equal demand, but the demand for some other commodity is transferred to that commodity, so that there may be cases where it would not operate properly.

Senator MILLIKIN. I think you have put your finger on the most difficult part of the problem. You can bring something in balance

today, and if you brought it into balance today it might go seriously out of balance within a few weeks or a month or so, because the demand of people cannot be foreseen. They may not want a certain thing today, but a month from now, perhaps, because of controls in other directions there would be precipitated an enormous demand for the item that was previously decontrolled.

I am very much interested in the subject of decontrol and would like to see a flexible formula on it.

Dr. WARE. Shall I continue?

The CHAIRMAN. Yes.

Senator MURDOCK. I would like to participate in this interruption by just calling the attention of the witness to what has seemed to me to be a very sound formula given to us by a previous witness, who stated that until the current supply and the current stocks are in balance with the current demand, and, therefore, the danger of a further rise of prices has passed, the removal of price control would be premature and dangerous.

Do you agree with that?

Dr. WARE. Yes; that certainly is sound.

Senator MURDOCK. Do you not think that if some rigid formula, such as Senator Capehart suggests, were put into effect, like 150 percent or 200 percent or even 300 percent, it would be found that manufacturers probably were suffering as a result of the rigid figure, rather than a formula such as indicated by Mr. Green and which I understand you advocate?

Dr. WARE. Yes; that is certainly the preferable formula. I should hope it would be a formula which called for suspension of control with a possibility of restoring control in the event that such a situation as Senator Millikin mentioned should arise and it should appear to be necessary that control be restored.

Senator MURDOCK. We usually find wisdom in the words of Senator Millikin.

Senator CAPEHART. I am just wondering if the formula that I suggested would be any worse, as far as uncertainty is concerned, than extending the Price Act in itself for 12 months. Of course, it is all right if we extend it for 12 months and at the end of 12 months everything is going to be O. K. In my opinion, a more practical solution would be to set up a formula based on production, and then automatically decontrol when production reaches the proper point rather than trying to set a date at which time we are going to eliminate all restrictions. There is danger in both, but I am certain that the other formula is not any more dangerous than the production formula.

Senator TAYLOR. If we set up a goal of 150 or 200 percent, supply might be in line with demand before you reached that, and then they could not take it off; it would have to be left on and it would become a rigid formula.

Senator CAPEHART. That could not possibly happen. You would still write into the act authority for the Administrator to decontrol any time he saw fit, but that he must decontrol when it reached 200 percent.

Senator MILLIKIN. The thing that is bothering me is that unless we have a definite formula, OPA will not pay any attention to the question of whether or not there is in fact an actual balance.

Senator CAPEHART. Congress has got to work out a formula, or else OPA has got to work out a formula. Of course all of us want decontrol and to get rid of OPA just as soon as possible when we have passed the danger of inflation. We have either got to extend the law for 12 or 18 months and say that it is going to quit at that time, or we have got to set up a formula that says it shall automatically and gradually be decontrolled based entirely upon production.

Senator MILLIKIN. Suppose we just say that whenever production is in balance on any scarce item, that item shall be decontrolled. We have got to check the figures just as we would under the formula.

Senator CAPEHART. That is putting it into the hands of the Administrator rather than Congress writing a formula. Maybe it is just as well.

Senator MILLIKIN. Both approaches aim at the same thing. But in the last analysis, unless you figure that Congress is going to determine when the formula has been met, the Administrator has to make a decision; and he can make an erroneous decision or a good decision under one formula as well as the other.

Senator CAPEHART. Let us say that production is 28,000,000 men's suits over a given period of time. He certainly cannot make a mistake if we write into the formula that when production of suits reaches 40,000,000 over a period of 6 months, or at that rate. He certainly could not go very far wrong on that.

Senator MILLIKIN. You come to the same thing when you say that you shall decontrol when supply is in balance.

Dr. WARE. And that demand has got to include the pent-up demand?

Senator MILLIKIN. Yes.

Senator CAPEHART. It depends on whether you want Congress to write the formula or whether you want the Administrator to write it.

Senator MILLIKIN. The problem is a current problem resting on current facts, and when you get to talking about what we did in 1939 and 1940 as a basis for action, the mere statement of it shows that you are injecting an artificiality into something that you have got to judge on a practical basis.

Dr. WARE. I agree with the Senator.

The Gossett amendment would take virtually all food out from control on June 30, 1946, together with wool and rayon fabrics, shoes, most women's clothing, house furnishings, petroleum products, coal, tires, cigarettes, and most basic industrial materials. It would be far more honest to repeal price control outright, than to introduce that kind of a decontrol amendment.

Senator TAFT. I do not see why, because you take controls off half of the things, you should necessarily take them off the other half. I do not agree with this particular formula, but I submit that if you leave price control on half of the articles where there is the greatest scarcity and the lowest production, there is no price control at all.

Dr. WARE. If you take it off the major items in the cost of living and take it off industrial materials which go into the production of the remaining scarce items, it would seem to have the virtual effect of making what remains of price control of little protection to the consumer.

Senator TAFT. If you take control off half the things which are most liberally produced and keep it on the half that are scarcest—that is

my only point. I do not say you should not have more. But to say that that is equivalent to taking all price control off is just not so. That is what I object to in this whole propaganda, that because we undertake to modify price control, therefore we are destroying it.

Dr. WARE. The question is how much modification, and whether or not it will reduce effective protection to the consumer.

The second amendment to which we object is the "cost plus profit on every product" amendment, requiring that ceiling prices reflect current costs plus a reasonable profit on each product. This would immediately require increases of many price ceilings which have been set on the basis of cost absorption (so long as industry profits remained at a reasonable level), and would invalidate most regulations until it could be demonstrated that the profit conditions required by the amendment were met. It would insure that every immediate cost increase, including temporary "bulge" costs on reconversion products, would become the basis for an upward spiral as these costs were passed on in an increased price. It would be impossible to administer, for it would require repricing of each of hundreds of thousands of products in the absence of accounting procedures in the great bulk of industry and trade which make it possible to determine profits on individual items.

The more limited Crawford amendment by the House Banking and Currency Committee forbidding OPA to require cost absorption by distributors on such items as radios, refrigerators, automobiles, etc., would jump prices on low-priced cars some \$85 per car, and on other products correspondingly.

Senator CAPEHART. Where did you get this figure of \$85.

Dr. WARE. I got it from the answer of OPA to the question of how much would be added.

A writer for the business page of the New York Times, C. F. Hughes, describes this amendment as—

one that politicians would think up but which most businessmen themselves would grant as impossible. No such utopia has ever dawned on the business world even under the circumstances of greatest prosperity. There have always been products sold at a loss, and not even whatever wisdom there is in Congress is likely to change that state of affairs unless some way is found to reconstitute human nature and make everything that is made as eminently desirable as everything else.

We also are in rejection of the Flannagan and Wolcott subsidy elimination amendments, removing meat subsidies immediately, reducing other subsidies rapidly, and eliminating all subsidies on January 1, 1947.

Senator MILLIKIN. You object to the principle of the amendment applying to items which are important and which are in short supply. Those items on which we must have production if we are ever to get away from OPA and control—as to such an item, where it is in the national interest to increase production, would you object to the application of the Wolcott formula?

Dr. WARE. I would be very chary of it, because I would not be sure that it would bring about production, and I think it would be too bad to try to buy production with a formula which created an unnecessary cost increase.

Senator MILLIKIN. Of course, it would.

Dr. WARE. What I have in mind is this, that the possibility of cost absorption exists in the profit situation of industries which are making

and distributing necessary items, and I think it would be unfortunate to forbid cost absorption on those necessary items when the profit position of the industry permitted such absorption.

Senator MILLIKIN. I perhaps did not make myself clear. Let us start at the producer level. The producer of underwear, for example, does not have the primary problem of cost absorption. Cost absorption happens further along the line.

Dr. WARE. He has the problem of cost absorption insofar as he has experienced increased costs himself.

Senator MILLIKIN. He has experienced increased costs at the first level of production. If he cannot absorb his costs plus a reasonable profit, he will not make the item. So, how are we to encourage him to make the item? Assuming that the national welfare demands it, how are we going to encourage him to make the item unless we give him cost plus a fair profit?

Dr. WARE. Of course the chief difficulty, where you are having difficulty in getting production, apart from the matter of manpower and materials—the chief difficulty is not that he cannot make a profit on his low-end items, but he can make more profit on something else, and therefore he tends to shift into the items where he can make more profit.

Senator MILLIKIN. Surely he will shift into items where he will make more profit; but if the operation of that law of human nature gives us a short supply in some item which we have got to have, what shall we do about it except to give him cost plus a reasonable profit on that item?

Dr. WARE. What I am trying to suggest is that he may be getting cost plus a reasonable profit on those items, and still decide not to make them, because there is something else from the production of which he can get cost plus an even higher profit.

Senator MILLIKIN. I can see the possibility of that.

Dr. WARE. Not only the possibility, but the current actuality.

Senator TAFT. Can you cite a case containing those facts?

Dr. WARE. That is the situation, as I understand it, with the low-end clothing production, which is under an MAP regulation for that very purpose.

Senator TAFT. You mean, you understand that they can manufacture at a profit?

Dr. WARE. Or at a lesser profit.

Senator TAFT. How do you know they can manufacture at a profit? They all claim that they cannot manufacture except at a loss; and that is the rule that the Wolcott amendment is trying to set aside, that they must manufacture at bare cost.

Dr. WARE. The OPA has no authority to force manufacturers to make goods below cost.

Senator TAFT. They had for several years. Now they have changed it, to make good at bare cost. That is their own testimony. There is no question about that.

Senator MILLIKIN. The whole testimony in this hearing is against your theory. We have had no complaints from people that were making cost plus a profit. The whole complaint has been because they were not allowed to even break even.

Dr. WARE. But to make my statement clear, in answer to what Senator Taft said, I said that OPA nor anybody else has the authority to require production at a loss.

Senator TAFT. Production of a particular product at a loss. But they claim it.

Dr. WARE. The producer may refuse to produce goods that he does not think he can make under ceiling prices. But to require a producer to produce at a loss is not within the authority of the OPA.

Senator TAFT. That may be.

Dr. WARE. That was my point. I just wanted to clarify my statement.

Senator TAFT. That is a different thing. But they do the same thing by requiring a manufacturer to make a certain amount of the goods that he has to sell, at a loss, or he does not get any materials at all. The OPA does that.

Senator CAPEHART. The Wolcott amendment not only covers the manufacturer, but likewise the retailer and the distributor. What would you think if the Wolcott amendment only applied to the manufacturer?

Dr. WARE. I would still think it was an unsatisfactory amendment, Senator.

Senator CAPEHART. Let me ask you this question. If you were a manufacturer, would you produce an item at a loss?

Dr. WARE. That I could not say, because I would not know whether I was, in my total business judgment, justified in producing the item under existing conditions.

Senator CAPEHART. Suppose you were producing just one item, and the OPA ceiling price on that item showed a loss, would you continue to produce that one item?

Dr. WARE. Then I should go to the OPA and, under the OPA general rescue clause, I would request and obtain price relief.

Senator CAPEHART. Would you be willing that Congress stated in the law that in every instance OPA must give every manufacturer the opportunity to make a profit? Is not that what OPA claims it is now doing, and is not that what you want it to do? In other words, you would like to see every manufacturer make a profit, would you not?

Dr. WARE. On his total operation, yes; provided he was a reasonably competent businessman. If he were an incompetent businessman, I do not see why the public should guarantee him a profit.

Senator CAPEHART. But there is nothing in the Wolcott amendment that guarantees anyone a profit; only that the ceiling price must cover the cost plus a reasonable profit.

Dr. WARE. But suppose the costs are unreasonable.

Senator CAPEHART. I do not see anything in the amendment that requires OPA to give a manufacturer a profit on an unreasonable cost.

Senator TAFT. The amendment, as I read it, does not give it to every manufacturer.

Dr. WARE. It is ambiguous enough to be read in several ways.

Senator TAFT. It is so general that I think it is subject to criticism on that ground.

Dr. WARE. Even on an industry basis it has the weaknesses that I have indicated, at least in my opinion.

Senator MILLIKIN. Will you agree with me on this, that the primary problem, so far as getting rid of control is concerned, is production?

Dr. WARE. Right.

Senator MILLIKIN. We are in complete agreement on that?

Dr. WARE. Yes.

Senator MILLIKIN. Therefore is not our problem to make of OPA an agency which will be dynamic in encouraging production and, at the same time, if it is possible, keep the general subject under some control? Is not that the main objective?

Dr. WARE. No; I do not think so, Senator, for this reason—

Senator MILLIKIN. I am trying to probe to find out whether you believe in control for control's sake.

Dr. WARE. Oh, no.

Senator MILLIKIN. If you do not believe in control for control's sake, then the control should be a dynamic factor in bringing control to an end.

Dr. WARE. The purpose for which OPA was created was to check inflation. That is the primary purpose; and in checking inflation it must, of course, get out of the way of the factors which are increasing production. OPA was not created as the mechanism for the purpose of increasing production; it was created as the machinery to check inflation, and that is its continuing purpose. Stable prices are an absolutely indispensable factor for increasing production.

Senator MILLIKIN. A stable price is a relative matter. A stable but unrealistic price does not prevent inflation. We have inflation in meat; we have inflation in poultry in many areas. Through upgrading of textiles, in a dozen different places, where the black market sets the line, not OPA. So when we talk about a stabilized line, because OPA says, "Here is the line," we are just talking about a useless abstraction.

Dr. WARE. Oh, it is very far from a useless abstraction. I know that when I go to the grocery store—I do not buy in the black market—I am able to feed my family, and I have been throughout the war.

Senator CAPEHART. How much, in your opinion, have prices gone up in the last 4 years?

Dr. WARE. How much?

Senator CAPEHART. Yes.

Dr. WARE. You have the figures which are offered by the Bureau of Labor Statistics, and I presume you want me to make some comment on them?

Senator CAPEHART. Do you feel as a buyer that the costs you pay today are only 33½ percent above the base period?

Dr. WARE. I am confident that the figures of the Bureau of Labor Statistics are accurate for the things which they cover, namely, the major items in the wage earner's budget. They do, in part, but incompletely, reflect over-ceiling prices. But you can look at the figures any month and see that they include reports of over-ceiling prices. They do not fully reflect the black-market prices that some people have had to pay. They do not reflect the prices that people have had to pay when they could not buy the thing that they wanted to buy, and had to buy something else. They include some substitutions of higher-priced lines. They do not reflect the necessary changes in people's living habits, where they move to a new community and are living in rented rooms, and all those things. So I do not think that I would offer any single alternative figure. I would accept them for what they purport to be.

Senator MILLIKIN. From the testimony here—

Dr. WARE. Which I have only just started.

Senator MILLIKIN. I am speaking of the whole range of the testimony—it would appear to me that whenever there is a real pressure against the line, the line does not hold.

Dr. WARE. It does not hold perfectly.

Senator MILLIKIN. What is your remedy for having a line that holds and which is in real relation to what the people have to pay for their products.

Dr. WARE. My remedy, Senator, is adequate enforcement, adequate funds for adequate enforcement, as Senator Murdock suggested earlier.

Senator MILLIKIN. The black market is a symptom and not a cause. These pressures come from the public. The black market is really an instrumentality for supplying a great public demand. You can put a black marketeer in jail, but you cannot put the United States in jail.

Dr. WARE. I do not think you have to put the United States in jail. I think one of the real reasons why there appears to have been an increase in black marketing recently is the uncertainty which exists over the knowledge as to what is going to happen to the OPA; and possibly it is Congress that we should put in jail for delaying!

Senator MILLIKIN. I am not so sure.

Dr. WARE. I would hardly offer that as a solution! But I do think the delay is actually contributing to the black market at the present time.

Senator MILLIKIN. We have no statistics showing that this delay to which you refer has brought about any increase in black marketing.

Dr. WARE. We have a good deal of indication, though.

Senator MILLIKIN. You will find that when the black market controls prices it is because there is an overwhelming public demand which the line has not been able to maintain; and I am trying to find out how, without setting up a great Gestapo in this country, which would defeat itself, we can make this thing work in a real sense.

Dr. WARE. In the first place, I think it has worked, and I think all of the people by whom I have been asked to present this statement will share my feeling that it has worked amazingly well. Of course it has not been perfect. Of course every price has not been precisely just as compared with every other. No price-control system could do that. There have been break-throughs on the line and there have been black markets. But, taken all in all, I think we ought to be proud of the job that we the people, we the Congress, and we the administration of OPA, have done. I think we have shown an ability which we ought to have confidence in, so as to carry on through this continuing dangerous period, in order to lay a basis of economic stability for the future. I think we ought to be proud of ourselves and not apologetic for the job we have done.

Senator MILLIKIN. I suggest that we be not either proud or apologetic for a line which holds when it is not subjected to pressure. Our problem is how to hold the line when it comes up against great mass purchasing power. That problem we have not solved.

Senator TAYLOR. The black market supplies principally people who have plenty of money and who want to get T-bones, and they want this, that, and the other, that a lot of us get along without. Up in my neighborhood there is a little neighborhood store run by

some Italian people, and while we cannot get T-bones in there, we can get hamburger and roasts that are not so desirable, and maybe a steak that is not too good, once in a while, but we get along with them. If I wanted T-bones I could go and find them, too, but I would be sure that I would have to pay over the ceiling. I went in and talked with the people who operate this store. They know who I am. I have traded with them quite a while, and I asked them, confidentially, "Do you people have to pay over ceiling for things?" And they said, "If we wanted a full line of meats." Their counter is very sparsely populated. They said, "If we had a full line we would have to pay over the ceiling." If we had to have butter they would have to pay over the ceiling. But they have enough to feed us there. So the black market is not disastrous to ordinary people. It is taking money from people that can afford it.

Of course I would like to see the law enforced more thoroughly, and have stiffer penalties and generally better enforcement. I understand that Mr. Porter has called in the FBI to help him. I have wondered for a long time why he did not do that.

Dr. WARE. I think you have put your finger on the point, so far as the black market is concerned.

Senator MILLIKIN. I just want to say, in response to the Senator's very interesting observation, that the statistics of my people are perfectly appalling. We have cases, for example, of a Government-inspected slaughterhouse which in normal times would kill 5,000 steers a week, and today, doing the best it can to stay within the law, it is able to pick up eight steers in a week. Of course, when you have situations of that kind you have no control. So, our problem is how to get control.

Dr. WARE. In that situation, the OPA has just moved to restore some of the controls which it took off after VJ-day in the rush of feeling that now controls could be removed. I think that is a very important warning to us not to move too fast on decontrol on these remaining matters, because they are having to be restored.

Senator MILLIKIN. In the meat business control, decontrol, bonuses and premiums themselves have been the cause of the troubles. There has been no lack of attempt to control. There is not a meat man in the United States that will not tell you that the whole thing is in chaos because of the multiplicity of ill-considered and stupid controls.

Dr. WARE. My butcher does not say that, Senator. I asked him, and he is a very intelligent butcher.

Senator MILLIKIN. I can only wish that you could have been here and have heard the testimony that we have heard.

Dr. WARE. I started off by saying that I would like to bring in the people that have talked to their corner butchers.

Senator MILLIKIN. You are representing them right now.

Dr. WARE. That is right; but I am saying that I wish you could hear the people that talk to the corner butchers.

Senator MILLIKIN. We are hearing those people right now.

Senator CAPEHART. You represent about 18 organizations?

Dr. WARE. I counted 23.

Senator CAPEHART. Just how do you represent them? Did you send out a postcard to each of them and find out how they felt?

Dr. WARE. They requested me to make this joint statement. It has been read and approved by the responsible officials in each of

these organizations, and each of these organizations has adopted, through its own democratic machinery, whatever that may be, a position in support of this legislation.

Senator CAPEHART. Let us take the American Association of University Professors. Did you send out some sort of a sampling system to each of the 18,000 members of that organization?

Dr. WARE. No. I was requested by the responsible officials.

Senator CAPEHART. The head man of each organization?

Dr. WARE. And each organization has its own way of testing the opinion and desires of its members. I can answer your question for my own organization, the American Association of University Women, which held its convention last May and voted by a vote of 2,240 to 45 in favor of "control of inflation, maintenance of consumer purchasing power, and protection of the consumer as a part of the reconversion program."

Senator CAPEHART. That was 12 months ago?

Dr. WARE. Last May, at the annual convention. That action was, of course, in line with the action which has been taken by my association through its delegate body since before there was any price control. We were in here asking for it before there was price control; and, too, Senator, when the act was first up for renewal my association asked that Congress then provide not only for the year's extension, but for an extension for 2 years beyond the cessation of hostilities. Each of these organizations, Senator, has its own method. I would be glad to get that data for the record, if you desire it.

Senator CAPEHART. I just wondered if any of these organizations had done any sampling or sent out any cards or taken any polls.

Dr. WARE. Each of them has used different methods. They did not have to send out much sampling on this issue, of course, because the members are writing in continually, as one of the things there is tremendous concern about among all the members of our respective organizations; but I cannot answer with respect to the democratic procedure in each of these organizations. But they are responsible organizations, each one of which has a procedure, and the organization speaks for its members.

The CHAIRMAN. You may proceed with your statement, Doctor.

Dr. WARE. The third amendments which we ask you to reject are the Flannagan and Wolcott subsidy-elimination amendments, removing meat subsidies immediately, reducing other subsidies rapidly, and eliminating all subsidies on January 1, 1947. If virtually all food is taken out from control by the decontrol amendment, it does not much matter what happens to subsidies, for they cannot keep food prices down. If the attempt to keep the principal part of the cost of living—food—within bounds is continued, however, adequate subsidies are essential for the coming year. The procedure for dropping subsidies should provide for dropping subsidies on specific products at such time as they become no longer necessary, not on an arbitrary basis.

It seems to us that the experience since VJ-day indicates the wisdom of this procedure; that is, dropping subsidies when they are no longer necessary for a particular product. You will recall that the Administration made up such a schedule. The Economic Stabilization Office, the Agricultural Department, and the OPA made up such a schedule, expecting certain things to happen with respect to supplies,

demand, and prices. Those things did not happen, and that schedule had to be completely revised in January, and the subsidies which had been actually scheduled back in November for removal in the spring had to be retained.

With that experience I think we would be very unwise to lay down a formula which called for the removal of subsidies in any blanket way at any specific cut-and-dried time.

Senator MILLIKIN. You are aware that the reason we interrupt you is because we are interested and because your talk is very informative, even though we may not agree. So, be philosophical about the interruptions.

Dr. WARE. I am glad to be interrupted.

Senator MILLIKIN. Take the case of beef. I do not think that anyone will deny that we have an excessive beef population on our ranges. In other words, we have the raw material to completely satisfy the demand. That being the case, why any control on meat?

Dr. WARE. If removing all controls from meat would assure that meat would come onto our shelves without increases in price, of course you would be right in saying, "Why any control on meat?" But it certainly seems as if we could not possibly take price controls off meat without experiencing very material increases in prices.

Senator MILLIKIN. The question is whether the increases would bring the line into realistic relationship with the actual prices at the present time.

Dr. WARE. I do not quite get the crux of the question.

Senator MILLIKIN. Let us say that under the line X brand of meat is supposed to sell for 40 cents a pound. Let us say that our testimony shows that in fact it costs the public 60 cents on an over-all average.

Dr. WARE. You mean, you are assuming that the black market is sufficient so that the average price of the article is 50 percent above ceiling?

Senator MILLIKIN. I do not ask you to agree, but just to assume it. Let us assume that the line is 40 cents, that the actual price in the market is 60 cents, and, if you take the control off the price would jump from 40 to 60 cents. You would merely achieve that which already exists, would you not?

Dr. WARE. I have seen no factual evidence to indicate that the black market is such that prices, on the average, on any meat product are 50 percent above ceiling.

Senator MILLIKIN. I did not ask you to accept that; I merely went on the assumption which I stated and which you have been willing to accept as an assumption only. You have no objection to a price line such as I have indicated?

Dr. WARE. As against the background of the assumption you have offered, I would not like to say yes to that question.

The fourth amendment which we ask you to reject is the maximum average price elimination amendment. Until clothing supplies are far more plentiful, the maximum average price regulation is the only way to secure production of low-priced clothing, since Congress forbade OPA to decrease profit margins on high-priced clothing in relation to those on lower priced goods. At the present time, it is men who will suffer most from removal of MAP, especially veterans trying to outfit themselves with civilian clothes, for the greatest shortages are now in men's suits and shirts. Removal of MAP will simply

invite all producers to concentrate on higher priced lines where the profit margins are higher.

We have certainly plenty of evidence that under MAP the low-cost goods which are needed can be made at a profit.

I brought in, because I thought you might be interested in looking at it, a suit which was bought for \$26 which was purchased in March from Joseph M. Klein, New York City. The merchant had received 400 suits of a similar type, preticketed with the ceiling price, produced under MAP, on the day this suit was bought, and he was expecting an additional supply of similar suits. I think that you will recognize this, although I have not displayed it very well.

Senator TAYLOR. We can see the lining, and that is a very important item nowadays.

Dr. WARE. You can see the lining, the type of material it is, and you can see that it is a good suit at \$26.

Senator MILLIKIN. I would like to suggest to you that 400 suits to Klein is a mere drop in the bucket. They are the largest retailers of low-priced garments in New York.

Dr. WARE. It is not Klein, the distributor of ladies' garments; it is Joseph M. Klein that I am speaking of, a small East Side clothing store at Staunton and Essex Streets.

Senator MILLIKIN. I know the business they do, and 400 suits would not keep it operating longer than the blink of an eye.

Dr. WARE. There were 400 suits that came in that morning.

Senator CAPEHART. It is not quite clear to me what you are trying to prove.

Dr. WARE. What I am trying to indicate is that suits are now being produced under MAP and that apparently they can be produced under the present regulations. If you take off MAP, the man that makes that suit will have every reason to go into higher-priced suits on which he can get a larger margin of profit. That is what I was talking about earlier when I said that MAP was necessary in order to keep the low-priced goods coming on to the market.

Senator CAPEHART. That would not be true of a house which made nothing but low-priced clothes. Take a house which historically makes low-priced suits. I have in mind Richmond, making \$27.50 clothes, the highest priced clothes they made. They continue to make suits at \$27.50 because they are historically a low-cost concern.

Dr. WARE. And they say they intend to continue to do so.

Senator CAPEHART. Take, on the other hand, Kuppenheimer, in Chicago, that never made low-priced clothing.

Dr. WARE. His MAP is higher than Richmond's. No one is required to produce below his own maximum average price; so that Kuppenheimer's maximum average price is higher and Richmond's is lower. That is the way the regulation works, as you know. The problem presents itself where the producer produced in a range from here to here [illustrating] and where he faces the choice of putting his entire production up here [illustrating], since demand is such that he can sell it. And we women should not be the ones to complain, because it is the men's suitings that are going into our suits because people can get more for making women's clothes than men's clothes.

Senator CAPEHART. Take a concern that is making four different priced suits. Should they not be permitted to make a reasonable profit on each?

Dr. WARE. They can make a reasonable profit on each under MAP, unless they put a disproportionate amount of their production into the higher-priced lines. If they have done that, then obviously they cannot stay within their MAP and make a reasonable profit on their low-price lines. It seems more than probable that some of the companies that are now complaining—and I say this not on the basis of evidence, but on the basis of common sense, considering the fact that the House has acted as it has, and before that there was a lot of discussion—it seems more than likely that a number of manufacturers have said, “MAP will go off. Let us now put our production into the higher-priced line.” Then they are able to come in and say, “See, we can’t stay within our MAP because our average will be too high unless we produce at a loss.” If they had genuinely accepted the regulation of MAP and planned their production accordingly, they could have produced low-priced goods at a profit, though not as high a profit as on their high-priced goods, under the historic pattern of the clothing industry.

Senator MILLIKIN. And in the meantime we are receiving telegrams from retailers saying that they cannot get low-priced goods.

Dr. WARE. If the manufacturers are withholding production—

Senator MILLIKIN. What is the answer?

Dr. WARE. It would seem, again, that the answer is to make it perfectly clear that Congress will back up the OPA in its regulation and that the manufacturers will jolly well plan their production so that they will live within the reasonable MAP regulation. If the manufacturers think that Congress is not going to back up the OPA on its regulation, it is perfectly reasonable to think that they will sit back and withhold.

Senator MILLIKIN. We have given OPA all these powers on the same line of argument, again and again. But the retailers in the little towns all over the country cannot get the low-priced goods.

Dr. WARE. They certainly are not going to get the low-priced goods if you take MAP off. You are simply going to activate further diversion into the higher-priced goods.

Senator MITCHELL. Do you have any information on low-priced goods coming into the market at the present time?

Dr. WARE. They are coming in much better. I do not have statistical information, but I have the common experience of those of us that read the papers and read the advertisements and those of us that go shopping. Children’s clothes are much better than they were. A year ago people were desperate for children’s clothes. They are still not too good, but they are much better. House dresses are much better. I understand that men’s shorts are coming in in reasonable supply. Men’s shirts and suits and pajamas are the really tightest, and a few other items. We have had reports from our members all over the country.

Senator MITCHELL. That is what I wanted to ask, whether you had reports from various members.

Dr. WARE. Yes.

Senator MITCHELL. So you feel that it is a pretty good indication when goods are coming onto the market which were not on the market some months ago?

Dr. WARE. Yes. It is far from perfect, but it is certainly improving. It is partly due to MAP and partly the improvement in the

allocation orders of the Civilian Production Administration. But the two go hand in hand.

So, we very much hope that you keep the MAP, and we also hope that you reject the Brown and Sundstrom cotton and wool textile amendments which were added by the Banking and Currency Committee, since they would add something like \$120,000,000 to the cost of clothing and an additional \$60,000,000 for every one-cent increase in the speculative price of cotton.

Finally, we ask you to reject the 9-month limitation on price control. If Congress passes a meaningless price control act, it is immaterial for how long the act extends. But if the act is real, and Congress is prepared to carry its responsibility to protect the Nation against inflation, it should provide price control authority for a full year, and rent control authority for 2 years. There is no likelihood that inflationary pressures will abate sufficiently to make it possible to stop price control in less than that time without serious inflationary consequences. It is necessary, moreover, to allow time for the inevitable tapering-off process as price control approaches its end.

As we examine the amendments to the Price Control Act which the House has enacted, it is plain that they do not modify price control; they destroy it. The choice, therefore, seems to us clear—genuine price control, or no price control worth the name. We ask you to make a clear-cut choice, and to give us the present price control law unweakened, for another year.

And may I say that we realize that the present act is far from ideal. We think it puts many obstacles in the face of the OPA's doing a good job. Representatives of many of our organizations have been before this committee before asking you not to pass any amendment to the old act that would weaken it. But you put in those amendments. So, when you find criticisms of OPA at the present time, they often arose from the limitations which you, Congress, have put on OPA.

I have specifically in mind the limitations on the use of standards in price-control regulations, which have made it impossible for OPA to tie price closely to quality. With reference to the exhibit of price inequities recently presented by the National Retail Dry Goods Association, OPA could not, under the limitations which Congress placed upon it, do what it should have done to require quality standards so that it was possible to find examples of higher prices on lower quality goods.

Another limitation relates to the same question, namely, the limitation that the OPA may not disturb customary business practices, and therefore may not reduce the profit margins on the higher-priced lines in proportion to the margins on the lower-priced lines. If it could make it relatively less profitable for manufacturers to move into the higher-priced lines, then there would not be the incentive to drop the low-priced lines.

Those are two points, Senator, that should be kept in mind. I just did not want you to think that we thought that the present price control act is perfect.

Senator CAPEHART. Would you say that OPA has done a better job in administrative work than Congress did in passing the law?

Dr. WARE. I would not make any such comparison. I think the original Price Control Act was a very good act, and I think the amazing success with which the job has been done to date is attributable to the

wisdom of the Congress in passing the original act. Basically the act on the statute books still is that original act, and the strength of the system up to the present time stems from the wisdom of Congress in passing that original act and in renewing that act in the past 2 years.

The act has been weakened and weakened by what, in our opinion, was bad judgment on the part of Congress, and we told you so at the time. The OPA Administration has been very far from perfect even within the limitations which have been placed upon it, and representatives of our organizations have been among the first to criticize things that OPA has done. We have been very critical recently of the tendency to move too rapidly in the field of decontrol. We were critical of OPA for failing, we believed, to go perhaps as far as Congress would have permitted in attempting to tie prices to quality and use quality standards. We do not think that OPA administration has been perfect; but neither has the act that it has administered. But both are fundamentally an extraordinarily good job.

Senator CAPEHART. May I ask whether your organization is opposed to the increase in labor rates and increase in steel prices? Were you opposed to them as being something that was going to raise the cost of living?

Dr. WARE. I cannot speak for all of the organizations, because I have not been authorized to do so on anything except the matter before us.

Senator CAPEHART. Did you organize to fight that the same as this?

Dr. WARE. During the time when the steel increase was at the White House telegrams and letters went from many of these organizations urging that the price line be held. When I appeared before the House committee I was requested to present that information for the record, and I shall be glad to do so again if you so desire.

Senator CAPEHART. You felt that it was a mistake to permit the line to bulge in the case of steel?

Dr. WARE. It appeared to us that the steel price increase went beyond the standards for price increases under which the OPA was then operating and under which it had held the line, and we opposed the increase.

Senator CAPEHART. Did you oppose also the wage increase?

Dr. WARE. We had no occasion to oppose the wage increase. I do not know what the individual members of the organizations did with respect to the wage increases.

Senator CAPEHART. It all had a tendency to increase the cost of living, did it not?

Dr. WARE. A wage increase which can be absorbed is not necessarily reflected in price.

Senator CAPEHART. If wage increases could be absorbed you could reduce prices and your group, which is a consumer group, would get the benefit of lower prices.

Dr. WARE. Are you suggesting that—

Senator CAPEHART. I am just saying that it works that way in principle. In other words, if a company could give a wage increase of \$100,000,000, if it did not give the wage increase it could reduce prices \$100,000,000?

Dr. WARE. That is right. But would they?

Senator CAPEHART. I do not know. I am just wondering if you were active in the effort to keep down the cost of living through all of these inflationary factors.

Dr. WARE. On an earlier occasion—I can speak only for my own organization—we asked Congress to direct the OPA to seek areas where price reductions could be required in order to counterbalance price increases which were required. Congress did not see fit to follow our recommendations in that respect; but from the consumer point of view and the point of view of stabilization it made sense to us at that time.

We cannot believe that you do not realize the seriousness of the inflationary danger that faces the country. The extent of the inflationary pressures, evidence on what has happened where controls have been removed, and predictions as to the likely consequences of indiscriminate removal of controls have been brought before you by the Government agencies responsible for assembling this data. We could only add to their testimony the evidence from our day-by-day observations as shoppers that the minute price control is removed we can expect to be informed that the price is sharply increased.

That kind of thing turns up all the time. Can openers used to be 10 cents. Can openers are out from under control, and they are now 15 cents.

Musical instruments are out from under control. The kid has been waiting for his musical instrument to come back on the market so that he can begin to learn to play it, he has to pay two or three times as much.

The day the last decontrol order came through I was informed that one of the OPA offices received a telephone call from a manufacturer who said, "Are garbage cans now taken out from under control?" The OPA official looked it up and said, "No." "All right," said the manufacturer, "that is all I wanted to know." The man in the office tried to see if he did not want something else, but he said, "No; I just wanted to know that. I make little metal shopping carts, and I made garbage cans, and I just wanted to know whether to shift all my production to the little metal shopping carts, and I will."

Senator MILLIKIN. That shows the remarkable relationship between price and production.

Dr. WARE. Yes. Under the ceiling prices he had had a proportionality between those two lines of production. Control went off, and presumably he expected to be able to get enough more for his shopping carts, so it would pay him, at least for the time being, to shift over and let the garbage cans go.

Senator MITCHELL. And it also shows the interrelationship of all prices?

Dr. WARE. Yes; and it shows that he was expecting an increase with decontrol.

Senator MILLIKIN. In the meantime, people who wanted garbage cans did not have them.

Dr. WARE. If you act to destroy price control now, you will be acting in the face of full knowledge as to the existing inflationary pressures and the certain consequences of giving these pressures full play, and in the face of expressed demands of the majority of the people for continuation of adequate controls.

We are sure that you realize that shortages of supplies will not be overcome in the immediate future and that it will take well over a year to satisfy the pentup demand in nearly every line. In respect to food, we now realize that famine conditions in the world are even more

desperate than we thought them to be, that our failure to set aside and ship food is more appalling than we had dreamed, and that starvation and malnutrition will continue to make heavy demands upon our supplies at least through the 1947 crop year. Clothing supplies especially shirts and other cotton clothing and household textiles, will continue seriously below demand for the coming year. It would be idle to dream that the pent-up demand for automobiles, refrigerators, and other durable goods can be met in a year, even if production reaches unprecedented heights. When it comes to housing, and all the many goods that go into housing production, our present goal is only to keep the situation from becoming worse in the next 2 years.

We do not believe that you can think that removing price controls would bring a general increase in production and hasten the day when the shortages will be met, or that price control since VJ-day has held production down. The evidence of the past 8 months speaks for itself. Under price control, and even in spite of the shut-down in steel and in other industries, production is above its 1941 peak. Full employment, of course, requires a far greater volume of production than ever before in peacetime. Men have been taken into industry almost as fast as they have come out of the service and become available. Employment is above any peacetime level. Unemployment in the midst of demobilization and reconversion is only 2½ millions. Individual firms could increase their production immediately, in most cases, only by taking labor away from other firms and curtailing their production in turn. It is the limitations of manpower, equipment, and materials that have stood, and now stand, in the way of even greater production.

The ability to plan on the basis of relatively steady prices has been an important factor in this rapid reconversion—more rapid and successful than most people dared to hope on VJ-day.

Common sense and the previous postwar boom-bust experience tell us what will happen if the price lid is taken off. You know the story well—a mad scramble to pile up inventories before materials prices go out of sight, jacking up prices to charge all that the traffic will bear while the boom is on, and then, when somebody guesses that the speculative peak has been reached, the equally mad scramble to get out of the market before the inevitable bust—with mass layoffs, failures of thousands of small firms, farm-mortgage foreclosures, loss of mass buying power, and the nosedive into depression.

As we see it, the Senate stands between the people of this nation and disaster—the individual disaster of each family which faces soaring living costs followed by unemployment, and the national disaster of a boom-bust cycle.

Our members are the great mass of American people. They do not have millions of dollars to spend on full-page advertisements. Their pennies and their dollars go into grocery bills, rent, clothes for their children. Individually they do not have prestige or power. They are simply the millions of plain people who work, play, live and vote.

You are their Congress. We urge that you act on their behalf. We urge that you give them what they desperately need and earnestly desire—a genuine, unweakened Price Control Act.

The CHAIRMAN. As always, you have made a fine presentation, Dr. Ware. We are glad to have had you here.

Dr. WARE. Thank you.

Senator MITCHELL. I want to ask one question. First, I would like to commend your statement. Did you hear the testimony of the representative of the National Association of Manufacturers?

Dr. WARE. I was here very briefly.

Senator MITCHELL. In his testimony he presented the grocery bills of a store in York, Pa. He said that the prices had gone up 23 percent over the 1943 advertisements. I wondered if you had any knowledge of that situation on a Nation-wide basis, whether you have made any study of the actual cost of the food necessary to sustain a family, and the contrast between 1943 and the present time.

Dr. WARE. No, sir. I certainly have made no such study. I saw that report of the NAM on York, Pa., and it sounded like one of those samples—

Senator MITCHELL. You wondered why they picked out York, Pa.?

Dr. WARE. I do not know why York, Pa., or the particular grocery store. But I am familiar with the samples of price taking by the Bureau of Labor Statistics. I know how a sample is made, how it is weighted on the basis of the things which are relatively more important in the budget. I know they select their samples to get a representative sample, and how they do their checking, and I would take those figures as being representative rather than anything that I would get by going into a specific store or anywhere else.

Senator MITCHELL. For the record could you tell us what the Bureau of Labor Statistics indicate?

Dr. WARE. It is approximately 3 percent over May 1943. I do not have it exactly in my head, but it is approximately 3 percent.

Senator MITCHELL. As compared with the 23 percent indicated by the NAM?

Dr. WARE. Yes. If I went into a store and did the same kind of thing that NAM said it did, I would not have confidence in my own sampling.

Senator MITCHELL. The BLS would take all commodities, not just those advertised for sale on that day?

Dr. WARE. Yes. There might even have been loss leaders, for all I know.

The CHAIRMAN. Thank you very much.

The next witness is Mr. Chat Paterson, national legislative representative of the American Veterans Committee.

STATEMENT OF CHAT PATERSON, NATIONAL LEGISLATIVE REPRESENTATIVE, AMERICAN VETERANS COMMITTEE

Mr. PATERSON. With your permission, Mr. Chairman, I will omit the sections which we talked about amendments to. I think they have been adequately covered this morning.

The CHAIRMAN. I think it is always important to find out what the veterans think.

Mr. PATERSON. With your permission, I will read my statement.

I am presenting this testimony today on behalf of the American Veterans Committee as its legislative representative in Washington. The AVC is an organization of World War II veterans which is working to achieve a more democratic and prosperous America and a more stable world. One of the greatest dangers to a prosperous America and a stable world is that of a disastrous inflation. We are already

experiencing a measure of inflation and thousands of veterans are having a hard time because of this limited inflation. It is not fair to the veteran during his difficult period of readjustment and initial insecurity for you gentlemen to permit an uncontrolled inflation to take hold of our Nation and shake the monetary foundation upon which so many hopes have been built.

If I were to ask any member of this committee whether he wanted to do all in his power to aid the veteran, I am sure there would be a resounding "Of course." Because of your membership on the Banking and Currency Committee, you are in the unique position of being instrumental in protecting the veteran from a worse inflation and in making sure that his dollars buy the goods and services which he and his family need. In most cases he must buy these goods and services on a very limited income.

There are four simple reasons why the veterans need price control if they are going to be given an even break in getting back to civilian life:

(1) Veterans just don't have much money now, and they probably won't have much money for a long while. They have been away from civilian work for several years. It's going to take time to get back into paying jobs. General Bradley has already stated that approximately 4,000,000 veterans will return with no civilian occupation or training. Recent reports are that the total may even reach 7,000,000 by October 1946. These veterans, during their period of training and job seeking, will not be able to pay the cost of a decent living if prices go up.

They didn't get much money for fighting the war, and in most cases have no savings upon which they can draw for any length of time. Their \$300 mustering-out pay won't buy much food or clothing or pay rent very long. Even a slight increase in prices would mean that they would have poorer food and live in cheaper houses. I don't think any of you want the "American way of life" to which they return to be one of poverty and increasing bitterness.

(2) Veterans want steady jobs. A runaway inflation, such as followed the last war, will create job insecurity and bring on unemployment. There are several members of this committee who served in the last war. After the 1918 armistice you saw prices shoot so high in less than 2 years that fewer and fewer people could pay them. What was called a "buyers' strike" developed. You must remember how stores cut down their orders. That meant factories slowing down and closing. That meant 5½ million jobs disappeared. Thousands of your buddies tramped the streets looking for jobs. Do you want the same to happen to the veterans of today? Inflation can do it. Price control can help prevent it.

(3) A lot of veterans want to go into business for themselves. With the GI loan and some help from their families and friends, they can start in a small way now. But you gentlemen all know what would happen to these small nest eggs if inflation started operating costs upward. They probably couldn't even start in business, and if they did, most of them would soon lose out to bigger and better established firms when they went to bid for high priced materials and labor.

(4) And finally, gentlemen, most veterans want families and homes. They gave a lot of thought to that aspect of American life while they

were overseas. A lot of them already have wives and children, the rest of them are human and want them. But what are their chances if prices go up and put expenses beyond their reach?

I see a lot of stories in the papers that OPA is causing business to go broke. I remember hearing a lot of these stories when I was in Europe. One day in early 1944, while overseas, I picked up a copy of *Business Week* which contained a tabulation of profits, after taxes, of the major corporations for 1943. I was astounded at the millions of dollars of profit that these corporations were cleaning up. Upon returning in late 1945 I found the *New York Times* and the *Journal of Commerce* printing tabulations of even more immense profits. These things do not look to me as if OPA has bankrupt business. And I would be willing to bet that most of these same corporations expect record production, record sales, and big profits in 1946 even with price control.

We have heard a lot of stories about how price control, during the war, was interfering with production. Most veterans who saw the avalanche of provisions, munitions, and equipment that rolled to our fighting fronts would never believe that price control hurt production. We just don't understand these tall tales being circulated to destroy the price-control program. We saw in Europe and China what inflation means and the misery it brings. Higher prices don't necessarily mean greater production.

There is one point on which the record should be kept absolutely straight. No one wants to perpetuate OPA indefinitely. We do not want red tape or business restrictions continued a day longer than they are necessary, but we do want protection from inflation for our living standards and for our chances to work and maintain our families.

Debate in the House and testimony before this committee have indicated that this country has \$225,000,000,000 bulging in its pocket. The argument is then advanced that there is no reason why people shouldn't pay more for goods. However, I would like to point out that a relatively small share of that buying power rests in the hands of the veteran. Approximately six and a half million men who served in the Army had the rank of sergeant and below and it doesn't take much calculation to conclude that men earning between \$50 and \$80 a month did not save much for a postwar spending spree. Also I am not convinced that these sizable savings are shared alike by those millions who lived on a fixed income during the war years.

There has been talk in veterans' circles and in Congress of special privileges and bonuses for veterans. No self-respecting individual wants a hand-out and fewer yet like the idea of "raiding the Treasury." But the veterans of this war represent almost one-third of the total working population of the Nation. If, through inflation and the resultant depression, they are driven to desperation, their "raid on the Treasury" may well dwarf the thirties. I think it is not unfair to say that at present the veteran is the forgotten man in the mad scramble for greater speculative profits.

How much more practical and far-sighted it would be to bend all efforts now to keeping prices in line, as difficult as that may be. The biggest indirect bonus you could give to the veteran population and the nation as a whole would be a strong price-control program which would keep up the purchasing power of his dollar.

Representative Patman, of Texas, in the debate on OPA in the

House, pointed out the inconsistency of voting \$100 a month for a man who has lost a leg in battle and then taking off price controls so that \$100 will not buy \$25 worth of food. What good are disability pensions, living allotments, liberal loans, and other forms of financial assistance if the veteran can't buy anything with the money when he gets it?

Asking for an adequate price-control program is a far cry from asking for a hand-out. That is what the American Veterans Committee means when it says the battle against inflation should be the major concern of all veterans. Price control is the basis upon which their whole future economic well-being will be built. They may not all realize it now but if price controls are removed and inflation really takes hold, then it will be too late to stem the tide.

The Appendix of the Congressional Record day after day has been filled with letters, editorials, resolutions, and speeches alternately denouncing or praising OPA. Mostly it's damning, because the good work goes unnoticed. The appendix reminds one somewhat of the B-bag column in the Stars and Stripes. All the gripes, self-pity, misunderstandings, and major and minor hatreds eventually turned up there. And in some cases something was done about it. In others you just gritted your teeth and muttered about the unmitigated stupidity of some people. But you didn't abolish the Army. You didn't abolish the Army, because there was a real danger, a danger to everyone.

Inflation has been one of our greatest enemies. In order to cope with it OPA had to be given power, at times totalitarian and arbitrary. Mistakes are bound to be made in enforcing almost 8,000,000 price ceilings. Both the Army and OPA were fighting deadly enemies and both committed injustices in pursuing a hard course. If the war were still on there would be no thought of relaxing the strong control which disciplined millions of men. The war against inflation is still on. You don't demobilize when the enemy is at peak strength. OPA should not be weakened. It should be strengthened.

It is now up to you gentlemen to strengthen OPA. H. R. 6042, as passed by the House, in effect kills price control, because it makes control impossible. The sole consideration in amending S. 2028 should be, Does this particular amendment keep down the cost of living for the American people as a whole? The problem is not obtaining greater profits for certain privileged groups. Both profits and production have for several years been at an all-time high. The problem is preventing a runaway inflation which will make worthless everyone's dollars, be he a worker, manufacturer, or a veteran.

There must be an effective price-control program during the coming year and, if necessary, for a longer period of time in fields where production does not come up to demand and where normal competition cannot prevent an inflationary spiral. The amendments passed in the House are not the ticket to a stable economy, but are a joy ride to disaster.

The AVC, therefore, urges the Senate to reject the following amendments to H. R. 6042 as inflationary and crippling—that is, amendments which were introduced on the floor of the House and not those which were reported out of committee. The ones relating to maximum average price were covered by Dr. Ware; and I think we generally concur in her feeling on the matter.

Time limitation of OPA to March 31, 1947, should be extended a minimum of 1 year.

Item-by-item cost-plus prices for producers, processors, and distributors—including retailers. This amendment would put an impossible administrative burden on the OPA. With OPA's limited staff the problem of redetermining such prices and enforcing them would be impossible.

Removal of price controls as soon as the production of any commodity reaches the 1940-41 level. The standard for decontrol should be not only production but also demand, which is now several times 1940-41 levels. Too much power is given the industry advisory committees. Their decisions should not be binding. In effect all prices would be lifted on agricultural commodities, since most agricultural commodities are at the moment in excess of the base year 1940-41.

Termination of agricultural subsidies after January 1, 1947, and elimination of meat subsidies after June 30, 1946. The reduction of subsidies and systematic price increases where necessary should be determined by the Administrator.

Before closing this testimony, I would like to pay tribute to Chester Bowles. He is a successful business man. He has proven in the practical business world that he understands the problems of business. Right now he could be out making a fortune for himself, but he isn't doing that. He is practically donating his time and energy to do a tough job because he knows it means security for millions of American citizens and for hundreds of thousands of businesses. Veterans admire that kind of fight.

The AVC looks to the Members of Congress for help in holding down inflation. The veteran has not been able, during the years of war, to organize and operate lobbies to protect his interests. He has had to rely on you gentlemen. For several sessions of this committee you have been hearing the pleas and complaints of the organized lobbies. I am sure you realize they cannot all have their own way. If they did, the result would be disastrous. The veteran has a bigger stake in preserving a strong price control program than any lobby has in increasing its already swollen profits.

I am sure you want to avoid the disillusionment and resentment which will follow inevitably if the veteran finds that, through no fault of his own, the Senators elected by himself and his fellow citizens chose to give way to inflationary pressures rather than stand up and fight for a price control act unencumbered by crippling amendments.

Don't worry about whether the veterans are behind you in keeping prices down. At present they are very busy finding a place to live and locating a job which will give them initial security in civilian life. You can expect them to react as the vast majority of citizens overwhelmingly in favor of men who protected their interests and keenly aware who their friends were in protecting them from a disastrous inflation. Inflation is no friend of the veteran, and the veteran is no friend of inflation. The veteran's best weapon against inflation is a strong price control program.

The CHAIRMAN. That is a very fine statement.

Senator CAPEHART. You say that Mr. Bowles was a successful businessman. What business was he in?

Mr. PATERSON. Advertising.

Senator CAPEHART. He never was a manufacturer was he?

Mr. PATERSON. I imagine he must know considerable about general manufacturing in order to run a large-scale advertising agency, in order to cover that. I think he would probably have to have sufficient contact with manufacturers to make them believe that he also knows the business world pretty well.

Senator MILLIKIN. Mr. Paterson, what is your theory of the answer to inflation?

Mr. PATERSON. You mean, how at this particular point, with \$235,000,000,000, you would handle inflation?

Senator MILLIKIN. Yes.

Mr. PATERSON. My own feeling is that we will have a limited inflation, and we are going to have more. I think the most we can hope for is an organization such as OPA which can hold prices down wherever possible and at least taper off until such time as we have production again up to demand.

Senator MILLIKIN. Do you agree with me that the basic solution is sufficient production to bring short items in balance?

Mr. PATERSON. Yes.

Senator MILLIKIN. And, in addition to that, we have got to concern ourselves with how we can get that production. Do you agree with that?

Mr. PATERSON. Yes.

Senator CAPEHART. Would you be willing to increase the price as much as 10 percent on an item that is very short, so that in 6 months' time it would give us all the production we needed?

Mr. PATERSON. I notice in reading Mr. Porter's statement that he refers to a percentage increase in lumber, for example——

Senator CAPEHART. Would you mind answering my question? Would you, representing the veterans, recommend that?

Mr. PATERSON. I cannot recommend 10 percent on everything.

Senator CAPEHART. As a matter of principle would you be willing to allow a price increase, if you had every reason to believe that in 6 months time there would be ample supplies so that people could get what they wanted at a reasonable price? Would you be willing, then, to increase it?

Mr. PATERSON. I would say that you could increase your price wherever it was holding up production. If a person is not making a profit on his items, I think OPA has a set-up whereby the manufacturers can apply for price increases where they can show that it is holding down production.

Senator CAPEHART. I was in World War I, and I noticed during your statement you referred to the Army and the war. My observation is that the Army operates on the basis of what they call expendable men and materials to gain a given point. If you apply that to this problem, maybe it would be better in many, many instances to permit prices to go up and break the bottleneck, which would compare, in the Army's operation, to expending men and materials.

Mr. PATERSON. I have been away during the years when this was operating, but my general impression is that the bottleneck is not price, but the question of labor and materials in many cases. I notice in the papers that OPA has raised prices on a considerable number of items. That does not necessarily mean that it is used for holding down inflation, but I presume it did that because it had

gathered the fact that perhaps it was holding down production in a particular field.

Senator MILLIKIN. I would like to make a friendly suggestion. The veteran has an enormous interest in the prevention of inflation; he has an enormous consumer interest, and I think it should also be kept in mind that he has an enormous interest in production. That is where he will get his job.

Mr. PATERSON. I think I pointed that out.

The CHAIRMAN. Thank you very much. I am glad you have paid a tribute to Mr. Bowles, because I think he has done a splendid job. Some people may disagree with me about that, but I believe he is entitled to such a tribute.

Senator MILLIKIN. Is yours the same organization that was represented once before?

Mr. PATERSON. We have appeared in connection with several matters.

Senator MILLIKIN. I congratulate you on your approach to the problem. In the Congress there are 150 fathers of veterans of World War II and quite a few veterans of World War I.

The CHAIRMAN. Mr. Paterson emphasized the fact that the veterans disagree with the amendments that the House put on OPA.

Mr. PATERSON. I certainly think so. You are right, Senator.

The CHAIRMAN. We will take a recess now until 2:30 this afternoon. (Whereupon, at 1 p. m., a recess was taken until 2:30 p. m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 2:30 p. m., upon the expiration of the recess, Senator Glen H. Taylor, presiding.)

Senator TAYLOR (presiding). The committee will come to order, please. Our first witness this afternoon was to have been Mr. Leonard Hurtz, chairman of the Dairy Industry Committee.

I think we have Mr. Wentworth here in place of Mr. Hurtz. You may proceed, Mr. Wentworth.

STATEMENT OF W. A. WENTWORTH, TREASURER, DAIRY INDUSTRY COMMITTEE, NEW YORK CITY

Mr. WENTWORTH. Thank you. Mr. Chairman, and members of the committee, my name is W. A. Wentworth, of New York City. I am treasurer of the Dairy Industry Committee and am testifying because of the inability of the chairman, Mr. Leonard E. Hurtz, of Omaha, to be present today. The Dairy Industry Committee is composed of official representatives of the following organizations: National Cheese Institute, American Dry Milk Institute, Evaporated Milk Association, International Association of Ice Cream Manufacturers, International Association of Milk Dealers, and Dairy Industries Supply Association. These are all national trade associations, representing manufacturers, processors, and distributors in the dairy industry.

The dairy industry is a top-ranking industry in the United States, having a far-reaching effect upon the health and prosperity of this Nation. There are 5,000,000 farm families engaged in the production of milk. Nearly 20 percent of the farm cash income comes from the sale of milk and milk products.

One-fourth of the diet of the average American family is made up of dairy products at one-seventh of the cost of all foods. Nutritionists agree that the consumption of dairy products in the United States, although increasing, has never been adequate. At least one-third more dairy products should be consumed in order to provide a diet containing a minimum of the recommended protective foods.

In its comprehensive report made last month, the Select Committee of the House of Representatives To Investigate Supplies and Shortages of Food, known as the Pace committee, after surveying existing conditions in the dairy industry made 12 recommendations. The first of these was:

Take all necessary measures to increase production of milk and its products.

On March 7, 1946, the Secretary of Agriculture, Mr. Clinton P. Anderson, in a much-publicized letter addressed to the National Dairy Council said:

The fighting war is over, but the battle of food production continues. The need of a continued maximum production of dairy products, therefore, is extremely urgent for adequate nutrition at home and abroad.

We concur with the Pace committee and with Secretary Anderson that increased and maximum production of milk is needed. Organizations throughout the dairy industry, including farmers, have similarly stressed the need for more milk production.

In a report to the President early this month the officials, charged with the responsibility for administering the stabilization program, stated:

Above all, they (the stabilization agencies) must avoid any action that might obstruct all-out production. We must continue to have a sensitive stabilization program which takes advantage of every opportunity to increase production.

But the stabilization agency which prescribes maximum prices has not had "a sensitive stabilization program which takes advantage of every opportunity to increase production" as related both to the farm production of milk and to the production of consumer products made from milk.

Since VJ-day milk production on the 5,000,000 farms of this country has decreased at an alarming rate. In the last 5 months 937,000,000 pounds less milk was produced than in the corresponding months of the previous year. The chart on the next page illustrates this rather graphically. For example, in April 1945 there were 543,000,000 more pounds of milk produced than in April 1944.

Going on, without mentioning each of them, in July and August each there were over 700,000,000 pounds more milk produced than in the corresponding months of the year before.

Then, suddenly, a rapid decrease takes place in the production of milk. So that in November 1945 there were 79,000,000 pounds less produced than was produced in November of 1944.

Senator TAYLOR. May I ask, is that a seasonal decrease or absolutely out of the ordinary?

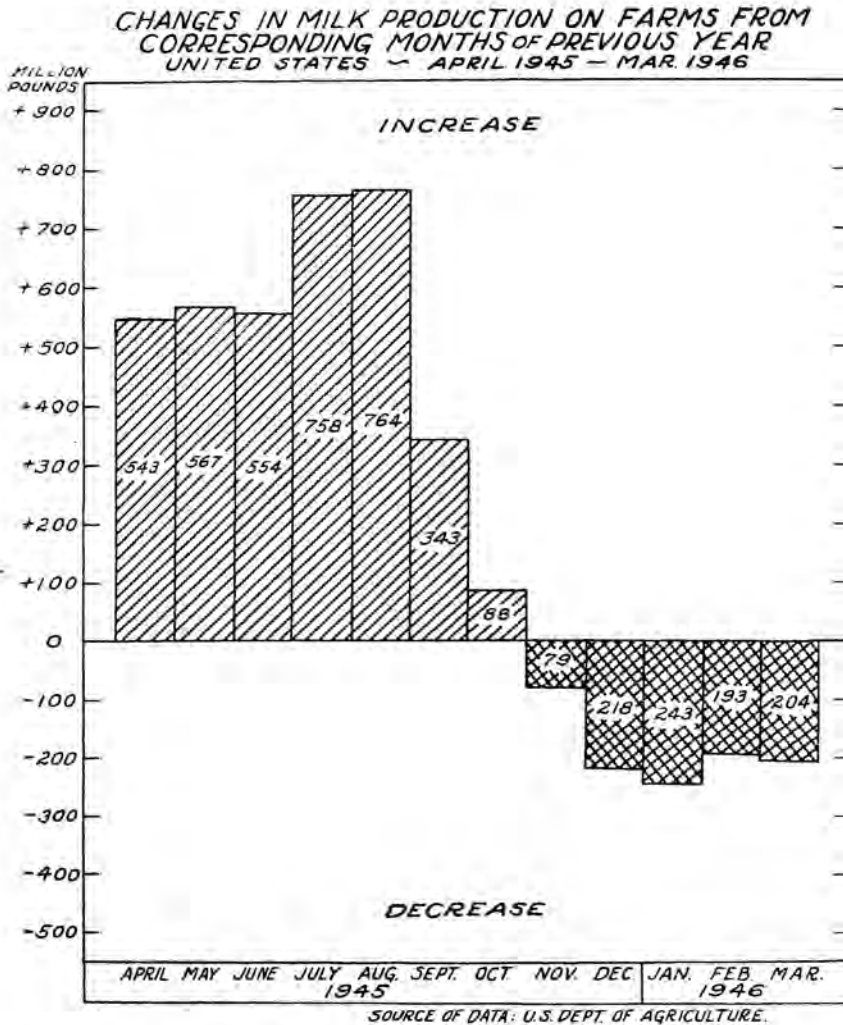
Mr. WENTWORTH. It is absolutely out of the ordinary, Mr. Chairman. It represents a contrast between the same month last year.

This decrease in production was extremely abnormal. There is a seasonal decrease, but these below the line show that it was far more than seasonal in its reduction.

Senator BUCK. Do you tell us how that is accounted for in your statement?

Mr. WENTWORTH. Yes, sir; on the next page. I will just submit this chart for the record.

(The chart referred to is as follows:)



Mr. WENTWORTH. It should be recognized that the farm production of milk in 1945 was at an all-time high. Even with the decline in production which started last fall, when the increasing costs of production were not met, the volume now is still ahead of the 10-year average of 1934 to 1943. But this decline must be stopped.

The decrease in milk production compared with the year previous was due almost entirely to the slaughter of dairy cattle at an extremely

high rate. This high rate of herd depletion took place late in 1945 as indicated by the shrinkage in milk production following VJ-day.

The following table taken from the Dairy Situation, February-March 1946, published by the United States Department of Agriculture, shows what destruction took place in the dairy herds of the United States in 1945.

(The table referred to is as follows:)

TABLE 6.—*Number of milk cows and heifers on farms, United States and by regions, Jan. 1, 1937-41, average, 1942-46*

Year	Milk cows	Heifers 1 and 2 years old	Heifer calves under 1 year	Heifers 1 to 2 years old per 100 cows
Average 1937-41.....	Thousands 24,824	Thousands 5,202	Thousands 5,779	Number 21.0
1942.....	26,398	5,846	6,568	22.1
1943.....	27,106	5,998	6,929	22.1
1944.....	27,656	6,230	7,041	22.5
1945.....	27,674	6,169	6,593	22.3
1946.....	26,785	5,726	6,355	21.4
1946 as percentage of 1945.....	97	93	96	-----

Year	Heifer calves per 100 cows	Milk cows eliminated during year ¹	Milk cows eliminated per 100 cows on hand Jan. 1	Number of milk cows on hand per 100 population
Average 1937-41.....	Number 23.3	Thousands 4,852	Number 19.5	Number 18.8
1942.....	24.9	5,138	19.5	19.5
1943.....	25.6	5,448	20.1	19.7
1944.....	25.5	6,212	22.4	19.9
1945.....	23.8	7,058	25.5	19.7
1946.....	23.7	-----	-----	18.9

Mr. WENTWORTH. I will not undertake to interpret all of that detail.

Senator BUCK. Is that accounted for by the fact the dairymen did not want to carry the stock during the winter?

Mr. WENTWORTH. It was apparently due to the fact that OPA had not met the farmers' needs in a way to compensate him for his increase in cost and the uncertainty in outlook for markets to take care of his production.

You will notice that the number of dairy cows, first column, from January 1, 1945, to 1946—that is the two lower figures in the left-hand column—reduce from 27,600,000 to 26,700,000, a reduction of 3 percent, or almost 900,000 dairy cows.

Now, in the herds of the dairy farmer, the oncoming milk cows or the heifers 1 and 2 years old that come into production next year, is the second column. They were reduced over 400,000, and that is a reduction of 6 percent, so that because of that slaughter of prospective milk producers the outlook ahead is for further reduction.

Senator MITCHELL. How does that indicate a slaughter? Is the second column the slaughter of heifers 1 or 2 years old?

Mr. WENTWORTH. They were reduced from 6,169,000 to 5,726,000.

Senator MITCHELL. Is that slaughter or is it——

Mr. WENTWORTH. These had grown until they were 1 year old.

Senator MITCHELL. Well, how do you know the slaughter is the difference between the two figures? That is what I was trying to get at.

Mr. WENTWORTH. Mainly from statements of the Department of Agriculture, Mr. Senator. The statement above is that it was due almost entirely to the slaughter of dairy cattle. There is no other place for them to go except to slaughter.

Senator MITCHELL. How are we going to make the differentiation between the slaughter of cows which have reached their—have gone beyond their best producing years—how do we know that the farmer is not culling his herd?

Mr. WENTWORTH. In removing these we hope that he removed the poorest producers.

Senator MITCHELL. How do we know that all of these are not poor producers?

Mr. WENTWORTH. Because it is an abnormal rate. If you will look through the left-hand column you will see gradual increases, but if you look over in the column—the third from the right—milk cows eliminated during the year, you will find that in 1944 there were 6,200,000 eliminated.

In the year 1945 there were 800,000 more eliminated from the herds.

Senator MITCHELL. My question is: Couldn't that have been because the war was over and they are getting rid of some of the cows they were milking during the war, but won't milk in normal times; they were actually culling cows in 1944?

In other words, they didn't get rid of the cattle during the war, but they are getting rid of them now? Is that a possibility?

Mr. WENTWORTH. They might have kept them in production when the need is what it is, Senator. If they carried them through the war period why didn't they carry them when the need is just as great?

Senator MITCHELL. It has been testified here that one of the reasons for that is because the dairyman has been carrying a tremendous load during the war. We know that is true. He might have been willing to carry a greater load during the war than he would after the war. Therefore he cuts his herd down.

Mr. WENTWORTH. I think that is just exactly what took place because the prices that were in effect for the producer made it impossible for him to carry on.

Senator MITCHELL. Then he is getting rid of the cull cows?

Mr. WENTWORTH. We hope he is. We would hate to have him keep his cull cows and destroy his good ones.

Senator MITCHELL. What I am trying to get at is whether he is cutting into his good producers in doing that or not. I don't think these figures show that he is.

Mr. WENTWORTH. Well, the production of milk was down 4 percent in 1945; cows are down 3 percent according to Department of Agriculture estimates.

Senator MITCHELL. So that milk has not gone down with the—

Mr. WENTWORTH. It has not gone down quite as much as the number of cows. We are grateful for that. Nevertheless, the production of milk is down and the number of cows is down.

Some may attempt to attribute these reductions in milk production and dairy cattle numbers to the feed supply. It is apparent that in 1945 the feed supply did not influence farmers in adjusting their herds and poultry flocks since beef cows, hogs, and chickens were increased while dairy cows and heifers kept for milk decreased 3 percent. This is shown in the following table taken from the February-March 1946 issue of *The Dairy Situation*.

(The table referred to is as follows:)

TABLE 2.—*Livestock numbers Jan. 1, 1946, as percentage of Jan. 1, 1945*

[Percent]

Region	Cows and heifers 2 years old and over kept for milk	Cows other than milk cows	Hogs	Chickens
United States.....	97	102	104	103
New England.....	98	100	83	104
Middle Atlantic.....	99	100	89	103
East North Central.....	99	98	108	105
West North Central.....	94	99	112	100
South Atlantic.....	99	101	88	103
East South Central.....	97	105	95	102
West South Central.....	96	104	94	100
Mountain.....	94	101	86	99
Pacific.....	99	103	96	109

Mr. WENTWORTH. I think it might be well there to mention the fact that there are approximately twice as many beef cattle in the country as there are dairy cattle, so that the 2-percent increase in beef cattle is greater than the 3-percent reduction in dairy cattle.

This shrinkage in milk production on the Nation's 5,000,000 farms should be as alarming to the Senate as it is to the dairy industry. This shrinkage began in September 1945, and it was not until just 2 weeks ago that any Government action was taken in spite of the many appeals by farmers and other members of the industry.

The Director of Economic Stabilization announced on April 15 what he termed a—

broad program designed to encourage dairy farmers to maintain a high level of production by increasing their returns in order to meet increased production costs without at the same time raising the prices American families pay for milk and other dairy products.

This program, of course, involves the payment of higher subsidies to farmers on whole milk and on butterfat which they produce and sell. This program admits that farmers need higher returns to meet increased costs, but proposes that milk be sold at a price still further below its cost of production than before VJ-day. To recommend higher subsidies of this nature is not in tune with production needs. This is evidenced by the fact that milk production decreased at an alarming rate in the fall of 1945, the year in which the Government paid \$602,000,000 in dairy subsidies, the largest total and highest rates of subsidy up to the present time.

The consensus of people in the industry is that the program will not "encourage dairy farmers to maintain a high level of production."

Senator BUCK. I understand Mr. Anderson was opposed to this subsidy.

Mr. WENTWORTH. I have heard that. I have no official information.

Senator BUCK. He recommended an increase in the cost of milk and butter.

Mr. WENTWORTH. I rather regret I am unable to speak officially for the Department of Agriculture.

Senator MITCHELL. You say that milk production declined alarmingly in the fall of 1945, yet production for the year 1945 was the highest in history.

Mr. WENTWORTH. That is correct. The Pace committee previously referred to says this:

The annual rate of milk production in January 1946 was 6½ percent less than in August 1945, even with the adjustments made for seasons.

That was after their thorough investigation.

This program of the OES proposes limitation on the use of butterfat in ice cream; the elimination of whipping cream and price ceilings on manufacturing cream. The Pace committee stated that limitation orders on the use of butterfat in whipping cream and ice cream would reduce returns to farmers, encourage violations of orders, and divert supplies by fiat from one product to another. For similar reasons that committee disapproved a price ceiling for cream.

The responsible members of this industry who want to provide a food supply to meet the highest nutritional requirements and who are as interested in preserving a free, stable economy for this Nation—as interested as any man in this room, or in this country—state that the tentative program of the Office of Economic Stabilization offers no solution; the limitation orders are not workable. They are not now timely. If enforced the proposed orders would only serve to reduce the farmers' income and further discourage production.

The program ignores the basic difficulties of dairy industry. For example, by restricting ice-cream production, which is now proposed, we would not make more butter available. The problem is one of pricing and of pricing alone.

Senator MITCHELL. It is your contention that proper pricing would take the proper amount of milk into the nutritional needs, which are the greatest in the country?

Mr. WENTWORTH. Yes.

Senator MITCHELL. And that it would make proper division of the supply between ice cream, butter, and fluid milk?

Mr. WENTWORTH. It would balance out in accordance with the demand, instead of by fiat.

Senator MITCHELL. Well, it would balance, would it not, in accordance with the ability of an industry to buy the product?

Mr. WENTWORTH. That is right.

Senator MITCHELL. How do we know that would be in the best nutritional interests of the Nation?

Mr. WENTWORTH. Because the responding price would bring the product into those channels. Here is the milk produced on 5,000,000 farms last year, 120,000,000,000 pounds of it. It goes where it is needed most. The consumers buy what they are willing to buy. In normal times that determines where that should go.

Senator MITCHELL. Well, it would go to whoever was willing to pay the highest price for the product.

Mr. WENTWORTH. Yes, sir; instead of being limited by governmental restriction and price orders.

Neither does the new OES program correct the distorted and unbalanced relationship between prices and production of the various products which are made from milk. That distortion has resulted in the closing of hundreds of butter factories and cheese factories and the curtailment of production in many evaporated-milk plants. Creamery-butter production during the first quarter of this year was 30 percent below the similar period last year. The greatest decrease in milk cows has occurred in the areas which normally produce farm-separated cream for butter manufacturing; the West North Central, the West South Central, and the Mountain areas. This is shown on the table on page 5. Cheese production in the first quarter was 13 percent below last year. Evaporated-milk production was down 27 percent.

Senator TAYLOR. The need for evaporated milk is not as great as it was with our armed forces overseas?

Mr. WENTWORTH. The need for evaporated milk is still great, Senator.

Senator TAYLOR. It may be still great, but we used a lot of evaporated milk overseas, did we not?

Mr. WENTWORTH. Well, the Government purchases of evaporated milk, both lend-lease before it terminated, and the armed services was large; yes, sir.

Price ceilings on dairy products at artificially low levels have created a lack of balance between production and demand. Now that the war is over, this lack of balance between production and demand of milk and dairy products serves no further purpose.

The only sound and enduring solution is to eliminate price ceilings on dairy products. This will permit free market prices to achieve and maintain a balance between production and consumption of milk in all its forms, on the basis of the prevailing level of national income.

Senator MITCHELL. Have you worked out any prices on present national income—what your estimate of price would be in the various categories.

Mr. WENTWORTH. No, sir.

Senator MITCHELL. You have not estimated how much milk as a whole would go up in a free market today?

Mr. WENTWORTH. There are some economists that have, Mr. Senator, but we felt that that would hardly be authentic testimony to present.

Senator MITCHELL. Do you not think this committee should have some estimate of that to be able to reach a decision, in the interests of the Nation?

Mr. WENTWORTH. We come to a little discussion of that later, Mr. Senator.

Senator BUCK. It would certainly go up the value of the subsidy, which is about 2½ or 3 cents.

Mr. WENTWORTH. It varies throughout the country in various seasons.

Senator BUCK. It would go up that much?

Mr. WENTWORTH. I would certainly think it would.

Senator MITCHELL. It would go higher, would it not?

Mr. WENTWORTH. It would go up as much as the subsidy at least.

Senator MITCHELL. You don't think it would go any higher than that?

Mr. WENTWORTH. Some products would probably go higher. Probably butter would.

Senator BUCK. Whenever these subsidies are cut off, whether it is now or next December, or next July, the price of the article which they cover is going to go up.

Mr. WENTWORTH. I comment on that in this text. I think I can discuss it then a little better, if I may.

Senator TAYLOR. Go ahead.

Mr. WENTWORTH. To fail to do this, is to accentuate the current disastrous shrinkage in milk production, the destructive slaughter of milk cows and heifers, the gross inequities among farmers selling milk and butterfat to the several branches of the industry and the unbalanced consumer supplies of dairy products.

It is argued by some that price ceilings should not be removed until supply is in balance with demand. In the dairy industry this day may never be reached if artificially low prices discourage production and fail to meet stimulated consumption of subsidized dairy products. This day will never be reached as long as Government policies cause reduction in the number of milk cows.

We believe that the present production and production potentials in the dairy industry are such that the removal of price controls on or before July 1, 1946, will not result in runaway prices.

Total milk production increased from an average of 105 billion pounds during the prewar period, 1936 to 1940, inclusive, to 122.2 billion pounds in 1945. This wartime increase was at a much more rapid rate than the long-time upward trend in total milk production. This increase in milk production has more than kept pace with the increase in population.

The daily average milk production per capita in the United States is in excess of the average of the 10 years 1934 to 1943, inclusive. Since the disastrous slaughter of dairy cattle in recent months with resulting reduction in milk flow the per capita daily production has shrunk below that of 1945 and 1944. The following table compiled from Crop Production Reports of the United States Department of Agriculture graphically presents the total milk supply situation on a per capita basis:

(The table referred to is as follows:)

Daily average milk production per capita, United States

[In pounds]

	1934-43 average	1944	1945	1946		1934-43 average	1944	1945	1946
January.....	1.94	2.02	2.07	1.98	July.....	2.63	2.70	2.85	-----
February.....	2.03	2.16	2.19	2.11	August.....	2.38	2.41	2.57	-----
March.....	2.15	2.29	2.33	2.25	September.....	2.19	2.25	2.33	-----
April.....	2.36	2.48	2.59	-----	October.....	2.02	2.10	2.11	-----
May.....	2.70	2.79	2.91	-----	November.....	1.91	2.01	1.99	-----
June.....	2.92	3.02	3.11	-----	December.....	1.90	2.01	1.96	-----

Mr. WENTWORTH. Again, I will not attempt to go through all of those figures, but taking January as representative of the other months, in January in the 10-year period there were 1.94 pounds of milk pro-

duced per capita per day. In 1944 there were 2 pounds plus. In 1946, 1.98. Still above the per capita production of the 10 years 1934-43. Although production was down in February of this year, it was 2.11 pounds compared with 2.03 pounds in the 10-year period. In March, 2.25 pounds produced this year, as compared with 2.15 in the 10-year average.

Furthermore, Government purchases for armed services and lend-lease were the equivalent of 20,000,000,000 pounds of milk in 1945. It is anticipated that similar purchases by the Government will approximate only 5,000,000,000 pounds in 1946, leaving larger supplies for domestic consumption.

For these reasons, a moderate increase in the price level in a free market may be expected to bring supply in balance with demand.

Senator TAYLOR. Then this decrease is not so alarming if we deduct what the Army have been taking and are not expected to take now? Would it leave us the same supply for civilian consumption here at home as we had in 1945?

Mr. WENTWORTH. Well, roughly, Mr. Chairman, the production in 1945 was 122,000,000,000 pounds. Twenty billion pounds were used for Government needs, leaving 102,000,000,000 pounds for civilian use.

Senator CAPEHART. You see, the Government was buying it for the boys. Now the boys are home and they are buying it for themselves. You have the same number of people.

Mr. WENTWORTH. Yes; the only difference is lend-lease is eliminated. The boys are either going to get it in Europe or in the United States. The desire of the industry is that those boys will have as much dairy products as they desire. They have learned to use it. They have learned the value of it as a food. They are the greatest potential source of consumers of dairy products.

It is our belief that the Congress should provide for the removal of maximum price controls promptly when production reaches a prescribed level and before factors set in under continued Government controls which may reverse the trend of production, as has been true in the case of farm production of milk.

To this end we support the principle of the amendment adopted by the House of Representatives, appearing in lines 6 to 15, inclusive, on page 5 of H. R. 6042, which provides:

(B) When the production of any agricultural commodity for the past twelve months equals or exceeds the production of this commodity during the twelve months period from July 1, 1940, to June 30, 1941, then such fact shall be certified to the Price Administrator by the Secretary of Agriculture, and such Price Administrator shall not later than ten days after the receipt of such certification remove all maximum price ceilings from such commodity and all commodities for human consumption derived principally therefrom.

This is the last section of the Gossett amendment.

We recommend, however, that this amendment should be so written that it provides that the production of any agricultural commodity means the national production of an agriculturally produced raw material. Take total farm-produced milk and one of its principal products, butter, for example. The total farm production of milk in the last 12 months is in excess of the production of the year ending June 30, 1941, but butter production in the last 12 months is only 68 percent of the production of the year ending June 30, 1941.

This glaring distortion in relative production of all milk and butter is due entirely to the wartime measure of diversion of milk through price control into channels which were necessary for war purposes and the continuation to those rigid price relationships although they are no longer needed.

It is obvious there can be no substantial gain in butter production under the handicap of an abnormally low price and reduced numbers of dairy cattle in the large butter-producing areas. Therefore, the total farm production of milk should be used as the basis for removal of price ceilings on milk and all products made from milk.

Before July 1 milk production will be at its seasonal peak. After that, in the months immediately following, storage stocks of dairy products will accumulate to their maximum quantities. These facts point to an orderly price adjustment if price controls are eliminated during the high point of production this year.

Commodity prices have been held down for more than 3 years. Production is low in spite of large farm production of milk. As a result there may be sharp increases in the price of butter, but it is self-limiting. As price goes up supply increases and demand drops. Prices should level off below the reported black-market prices of today.

With free pricing, production will respond to need, as it always has. But if elimination of price ceilings is delayed, even for 6 months, production will be so far behind demand that the transition from controlled to free pricing cannot be made without severe shock to the economy; and in the meantime maladjustments, caused both by inadequate supply and inequitable pricing, will grow and multiply to the serious injury of this necessary food industry and to the detriment of farmers and consumers.

For the foregoing reasons we strongly recommend to you that price ceilings on all dairy products be removed on or before July 1, 1946. We are convinced that the removal of price controls on dairy products is the best and surest way to increase milk production and provide consumers with a balanced supply of dairy products.

Senator MITCHELL. You used the words "reported black-market price." What is that?

Mr. WENTWORTH. It has been reported in the Department of Agriculture market reports at about \$1 a pound.

Senator MITCHELL. Is that the so-called home-made butter from cream?

Mr. WENTWORTH. No, sir; that is butter that is commercially made in creameries and goes through black-market channels to consumers.

Senator TAYLOR. Are there any questions?

(There was no response.)

Mr. WENTWORTH. I would like to say this, Mr. Chairman: This industry is handicapped in its service to consumers and to farmers through the difficulties that it experiences in obtaining supplies such as milk bottles and uniforms and other articles, and equipment for processing. Mr. Harry L. Miller, of Chester, Pa., is a representative of the Dairy Industry Supply Association, which is a member of this committee. We were not familiar enough to cover that subject and we would like to have Mr. Miller speak for a few minutes.

Senator TAYLOR. Very well, Mr. Miller.

**STATEMENT OF HARRY L. MILLER, PRESIDENT, CHESTER DAIRY
SUPPLY CO., CHESTER, PA.**

Mr. MILLER. Mr. Chairman and members of the committee, my name is Harry L. Miller. I am president of the Chester Dairy Supply Co., of Chester, Pa., and a director and past president of the Dairy Industries Supply Association.

I appear for the fifty-odd firms which are members of the Dairy Industries Supply Association, and broadly, this represents all phases of the dairy equipment industry. The members of this division of the Association for which I speak produce not less than 85 percent of all the dairy processing equipment manufactured and used in the United States.

The great majority of these companies are, like my own, small business enterprises. Some of them have been in business for 70 years; many of them for 40 years, and the average age among them is not less than 25 years.

A panel of manufacturers reflecting the experience and current conditions of not only the smaller companies, but also the few larger companies in the industry, and also geographically representative, has jointly prepared this statement.

The officers and directors of the dairy processing equipment companies who comprise this panel are documented for you herewith. The identities of all of the companies for which they speak will be filed later with your committee, if you desire.

This group appreciates the opportunity to present its thoughts regarding Senate bill 2028 which proposes extension of the Emergency Price Control and Stabilization Acts of 1942, as amended, to June 30, 1947.

The principal types of dairy equipment are pasteurizers, bottle fillers, bottle washers, storage tanks, churns, evaporators, ice cream freezers, and heating and cooling equipment, among some 50 other items of basic technological equipment for handling and processing milk and its byproducts in a sanitary form. Equipment of these types has been more highly developed in this country by these companies than by any others elsewhere in the world. The world leadership in sanitation and productivity of the American dairy industries has rested upon the availability of the products of these manufacturers.

Senator MITCHELL. As these products become available to the dairy industry, then the cost of producing milk will be reduced; is that true?

Mr. MILLER. I think that is right, sir.

Senator MITCHELL. As they replace old obsolete equipment?

Mr. MILLER. Yes, sir.

During the hearings before your committee, there will be many groups speaking both for and against the continuation of price control. There is one large group which will not have any opinion on this subject; and that group is the 27,000,000 dairy cattle in the United States.

Late this afternoon each of these cows will have to be milked. Tomorrow morning each of these cows will have to be milked again. One day's milking produces 166,000,000 quarts. Of this, 130,000,000 quarts promptly leave the farm. It is your milk, butter, cheese, and ice cream for tomorrow. It cannot be stored in its natural form and

temperature. It must be immediately handled and processed in the equipment which we manufacture. Any shortage in the production of this equipment directly harms the millions of consumers of milk and dairy products in the United States.

We know that the retention of ceiling prices on capital goods in general, and dairy processing equipment in particular, has been one of the most important factors in reducing the production of this equipment, and will continue to hold production at levels below the capacity of our plants to produce this equipment.

One of the most difficult problems for the dairy equipment manufacturers, most of whom are relatively small, with limited buying power, has been the procurement of necessary component parts manufactured by others and assembled into dairy machinery. Because of unsatisfactory ceiling prices, many manufacturers of component parts have discontinued certain items and have held production to a minimum on others, so that in many cases the production of dairy processing equipment has been held at a low level, purely because of our inability to obtain the parts which go into this equipment.

In many items of machinery in this industry, over half the parts and components are furnished by subcontractors and suppliers who are now increasing wages and filing applications for price relief with OPA under the new wage-price policy. Higher prices on these items are resulting from this action, and we must have the opportunity to raise our prices in order to remain in business.

Almost daily, the manufacturers of dairy processing equipment receive notifications of price increases in raw materials and parts which they require. In addition, almost all the manufacturers in our industry have made wage adjustments in line with the national wage-price policy.

Under present OPA procedure, it would be necessary for us to file almost weekly a request for increased prices on our equipment to offset the increased material and wage costs; and then wait several months for an answer.

The only alternative is to continue to watch our present modest profits recede toward the vanishing point. No business can operate in this way unless required to do so by Government edict, and the general economy of the country will not prosper if business is forced to operate with a complete degree of uncertainty each day and without a commensurate return to the owners for the risk involved in operating a business under today's conditions.

Over a period of years, the dairy machinery industry has been highly competitive. Because of the relatively large number of small manufacturers in the industry, and with no one manufacturer enjoying a position of great dominance, we entered the price control period in 1941 with prices on a very modest basis.

One has only to compare prices on dairy processing equipment with the prices on many other lines of even less complex industrial equipment to substantiate this fact.

Senator MITCHELL. I wonder there, Mr. Miller, if you could tell us the approximate percentage of dairy equipment by the companies mentioned in the first part of your statement here, the Cherry-Burrell Corp. and the Creamery Package Manufacturing Co.—what percentage of the dairy equipment is produced by those companies?

Mr. MILLER. Well, I am going to have to guess at this, but I expect the Cherry-Burrell and the Creamery Package Co. together produce somewhere in the neighborhood of 30 percent of the total amount of machinery produced. That is a guess, purely, but I think it is somewhere near right. There are a great many small companies, like my own.

Senator BUCK. Is there any figure you could give us that would show us the increase in the sales price of equipment over that of 1941?

Mr. MILLER. I cover that a little later, but the industry as a whole has never had a general price increase as some industries have. The individual companies have received price increases. Those vary from 1½ percent over 1941 prices, to, I would say, not exceeding 9 or 10 percent. Most of them are around 6 or 7 percent, or in that neighborhood.

With no general price increase authorized on dairy machinery since 1941, and with individual company adjustments having been authorized only on the profit-or-loss position of the individual company, we find ourselves now carrying extremely heavy increases in the cost of wages and materials as compared with very minor adjustments over 1941 selling prices; which prices were relatively low because of the competitive situation previously mentioned. Industry-wide we have not had relief. We are being squeezed, and squeezed badly.

As a result, many companies in our industry, in order to avoid operating at a loss, have had to suspend production, or sharply curtail production on the items on which the cost increases have been the greatest. An example of this is stainless steel equipment for the receiving and weighing of milk as it arrives at the processing plant from the farm.

Senator MITCHELL. You indicate there that the only reason for the nonproduction of that item is the profit margin, but has not stainless steel been very difficult to obtain—haven't the materials been difficult to obtain?

Mr. MILLER. It has been difficult to obtain, Senator, but this industry was returning to its normal production rather early and before we ran into this present stainless steel shortage, so that all of them did accumulate a considerable inventory of stainless steel which we are in position to go ahead with.

Senator MITCHELL. You still have it now?

Mr. MILLER. Plus the fact they ordered materials as they went along which they are now getting. We are not being handicapped from the standpoint of shortage of materials. There are individual cases, of course, but I mean not generally speaking.

This distortion of balanced production has meant that the processors have been unable to get the balanced line of equipment needed for their plants, which further contributes to the present unbalanced supply of certain dairy products.

In 1945 it is estimated that the American public spent \$4,156,400,000 for dairy products, including principally fluid milk, cheese, butter, condensed and evaporated milk, and ice cream. During the same period of time it is estimated that approximately \$24,000,000 worth of dairy equipment was produced and sold. This figure represents the processing equipment on which we are presenting this discussion today, as distinguished from the supply items such as bottles, cartons,

cans, and cleaning compounds, consumed by the dairy processing plants.

Since dairy equipment is depreciated on an average 15-year life under rates suggested by the Bureau of Internal Revenue, the total cost of new equipment chargeable to dairy processing plant operations during the year ending June 30, 1947, the period of OPA extension being considered by your committee, will be approximately \$1,600,000 or less than four one-hundredths of 1 cent (0.0004), per dollar of dairy products sold.

From these figures it will be quite apparent to all of you that the cost of dairy equipment is an insignificant factor in the selling price of dairy products.

Members of the Dairy Industry Committee who are our customers have testified before the House committee and will likewise confirm to your committee the urgency of their needs for more dairy equipment.

They are willing to pay reasonably higher prices because they recognize that only a more liberal price policy will enable them to satisfy their needs so they can serve the consumer public adequately.

Our customers throughout the country recognize that our equipment is underpriced under OPA ceilings. Prices of dairy products in a free market have never followed the modest adjustments in the price of equipment which changes in economic conditions have occasionally dictated. The same competitive conditions in equipment manufacture, to which I have already referred, always have and always will restrict equipment prices to a valid minimum.

The technological progress of the industry has been rapid and substantial, improving both the safety and the nutritional value of dairy products. This has contributed greatly to the remarkable increase within our lifetime of the consumption of milk and dairy products.

The United States Public Health Service records show that with all this increase, milk-borne disease has almost entirely disappeared in this country. The technological progress has been almost entirely financed out of the earnings of the individual companies in the industry and has been furthered by the intense competition within the industry.

However, with the declining profit margins which price ceilings have brought about, there has been a greatly reduced amount of earnings available for technical research, which is now almost dormant in the industry. Any technical advance in any segment of our economy that contributes to the production of better things for more people is a valuable addition to the national welfare. As was so brilliantly demonstrated in the late war, technological advances tend to be accelerated when funds are available. It certainly could not be considered good public policy to cut short, through unrealistic price control, technological progress in our important industry.

We do not presume to pass upon the practical wisdom of price control for the economy as a whole. We do know from sad, costly, and daily experiences of the impractical effect of price control on dairy processing equipment.

No greater calamity could befall our country than to force the dumping of hundreds of thousands of gallons of milk into creeks or sewers through the lack of equipment in the plants of the dairy processors.

Our industry has had no general price increase since 1941.

We have had continual labor increases since then.

Material prices have advanced substantially—I might say particularly recently.

We are now squeezed so badly that our ability to carry on is seriously threatened.

The future is affected, too. We are being forced to curtail research.

We should be allowed to do a better job for the dairy processors and the consumers of the country.

We have shown that there is no significant relation between the price of a pasteurizer or a churn and the ultimate cost to the consumer of his quart of milk or pound of butter.

Dairy processing equipment should be excluded from price control.

Senator MITCHELL. Mr. Miller, may I ask if these organizations are associations of the National Association of Manufacturers?

Mr. MILLER. Some of them are; not all.

Senator MITCHELL. I note your recommendations follow very closely the NAM recommendation that manufactured goods be released from control, but not recommending that farm products be released from control.

Mr. MILLER. Well, I don't think we, as manufacturers of equipment, know whether price control should affect other things or whether it should not. We can only speak for our own industry.

Senator MITCHELL. You think the economy could be served by releasing your equipment from control and continuing control of farm products?

Mr. MILLER. I think that the releasing of control on our equipment would not in any way affect the cost to the consumer of the products that are handled through our equipment. If we doubled the price nobody would ever find it in a quart of milk.

Senator TAYLOR. Are there any other questions?

(There was no response.)

Senator TAYLOR. Thank you, Mr. Miller.

Mr. WENTWORTH. Dr. Gaumnitz is the next witness, with the National Cheese Institute.

Senator TAYLOR. These witnesses were not scheduled.

Mr. WENTWORTH. These were the two I mentioned to you.

Senator TAYLOR. Yes; you said, Mr. Wentworth, they would only take 2½ or 3 minutes apiece. I am going to have to ask them to hurry this up as much as possible because we have other witnesses and they want to catch trains.

**STATEMENT OF E. W. GAUMNITZ, EXECUTIVE SECRETARY,
NATIONAL CHEESE INSTITUTE, CHICAGO, ILL.**

Mr. GAUMNITZ. Mr. Chairman and members of the Banking and Currency Committee, my name is E. W. Gaumnitz, of Chicago. I am executive secretary of the National Cheese Institute, Inc., an organization composed of producers and handlers of all types of cheese.

The importance of the dairy industry in the United States is well known to this committee. There are nearly 6,000,000 farms on which milk is produced and the income from milk and dairy products represents approximately 20 percent of the income of all farmers.

Approximately 1,100,000,000 pounds of cheese are made annually, excluding cottage, pot, and bakers cheese. This 1,100,000,000 pounds represents approximately 11,000,000,000 pounds of milk, or about 11 percent of the total quantity of milk or milk products sold from farms.

Cheddar cheese production, which in 1945 amounted to about 870,000,000 pounds, constitutes 80 percent of the cheese produced in the United States.

The production of Cheddar cheese in February of this year was the smallest for that month since 1941. Output estimated at 42,000,000 pounds was about the same as in January of this year, but about 17 percent less than in February 1945. Production in that month showed declines in all States except Wisconsin, where production was approximately equal to the previous year.

The decline in Cheddar production in February was about 8½ million pounds. The total of varieties of cheese, other than Cheddar, including such varieties as cream, Neufchatel, brick, Munster, Limburger, blue, and Italina, in that month increased slightly less than 4,000,000 pounds. It is, therefore, apparent that the major factor in decreased Cheddar cheese production is decreased milk production and utilization for purposes other than the making of cheese.

Milk production on farms has decreased since VJ-day. On January 1, 1945, there were 27.7 million milk cows on farms, while on January 1, 1946, cow numbers decreased 3.2 percent to 26.8 million. Farm production of milk increased during the war, from 115,000,000,000 pounds in 1941 to 122.5 billion pounds in 1945. During January and February 1946, however, production of milk was 2 to 3 percent under those months in 1945—this latter decrease in the face of favorable milk-feed price ratio and milk-livestock ratio.

In view of apparent feed shortages, farm-labor shortages, and lack of equipment, it seems clear that milk production in 1946 will be substantially less than in 1945.

The program recently announced by the Director of the Office of Economic Stabilization, in which returns to producers are to be increased 20 to 40 cents per hundredweight of milk, is late and is of questionable value at this time. These announced increases are in terms of increased subsidy payments for the months of May and June and, depending upon congressional action, for the following months. It is highly doubtful whether such subsidy announcement will have the same effect as clear price pronouncements.

Early in the war the Government instituted certain artificial price and supplementary measures, such as limitation orders, which had for their purpose encouraging the production of certain dairy products relative to others, namely, the production of Cheddar cheese, evaporated milk, nonfat dry milk solids, and later, dry whole milk, and dry ice-cream mix. These measures were also supplemented by rationing. In the case of a number of these products, the Government purchased high percentages for war purposes, using such devices as set-aside orders.

Later subsidies were introduced for the purpose of encouraging production by increasing returns to producers, and not increasing prices to consumers.

Up until VJ-day, these various devices served the purpose reasonably well. Compliance with the various orders was generally good. It was unpopular to evade the intent of such orders.

Senator MITCHELL. Then from that are we to draw the conclusion that the reason for the present crisis in the milk industry is the fact that OPA decontrolled to a certain extent?

Mr. GAUMNITZ. I will come to that, Senator. That is a part of the factor—part of the cost of butter.

Following VJ-day, all of the orders were rescinded, except those relating to price ceilings, though subsidies for milk production and certain fluid milk market subsidies were continued. With the removal of the various limitation orders and rationing orders, a continuation of high consumer purchasing power and incomplete dairy-product pricing, the competitive situation in the industry has become intolerable. Dairy products are flowing outside the usual channels of trade and at prices to consumers which have no relationship to ceiling prices established by OPA.

It is difficult to secure comprehensive facts as to the exact channels through which cheese is reaching consumers at these increased prices. There is no question, however, but that the volume of cheese handled by old and well-established firms has declined very substantially.

It is also clear that prices being paid by cheese factories for milk to be used for the manufacture of Cheddar cheese are materially in excess of the prices that could possibly result from the sale of the product by those factories at OPA ceiling prices. It is common knowledge that Cheddar cheese cannot be purchased, generally speaking, at ceiling prices. Obviously consumers must be paying higher prices.

Under subsidies and arbitrarily determined and low OPA ceiling prices for dairy products, obviously consumers attempt to secure larger quantities of the various products than would be the case were artificially low prices eliminated. Prices as between products would be determined by consumers, the evasion prices being paid by consumers would be reflected in producer returns and abnormal channelizing of milk would be eliminated. In the face of the chaotic situation which exists, and which has been increasing since VJ-day, the Office of Economic Stabilization has announced increased subsidies which can only have the effect of intensifying the ridiculous situation.

In view of all of these circumstances, and after all administrative remedies, we are of the opinion that the only solution is the complete removal of dairy products from price control. It does not appear, at this late date, that patching up various administrative devices will offer any hope of reasonable correction.

Such removal of cheese from price control would enable consumers to determine the form in which milk would be utilized; enable the return of more normal trade conditions; result in consumer payments being reflected in returns to producers, and stimulate milk production.

The principle for the removal of price ceilings set forth in H. R. 6042, page 5, lines 6–15, is a step in the right direction, and one which the industry supports.

Senator TAYLOR. Are there any questions of the witness?

Senator BUCK. If these ceilings were taken off what would be the increase in your opinion?

Mr. GAUMNITZ. It is very difficult, of course, to estimate the cost of the increase. Because of the fact we have had control for 3 or 4 years, it is hazardous to make a guess. We have made some estimates in the case of cheese and we have calculated cheese would probably rise about 20 percent. That would be just about the amount per pound which would be represented by the present subsidy paid on milk.

Senator BUCK. Then it might be expected that the supply would equal the demand in 6 months?

Mr. GAUMNITZ. Yes; there probably would be an adjustment within the entire industry, of course. Cheese would probably hit that level inside of 6 months. It would be a rather rapid adjustment, we would think.

Senator MITCHELL. You indicated that the OES regulations only increased subsidies. It actually put allocation controls into effect, too, did it not?

Mr. GAUMNITZ. It proposed that they be priced in control, but they have not yet been made effective.

Senator MITCHELL. You mean the regulations have not been issued—

Mr. GAUMNITZ. No, sir.

Senator MITCHELL. Or the effective date?

Mr. GAUMNITZ. No regulations have been issued. I would assume that the statement on the part of the Director to the effect that producer returns were going to be maintained at the level announced represents a commitment on the part of the Government. The promise that certain orders will be forthcoming on an unknown period, with an unknown base period and so on, makes it almost impossible to tell what those orders will be, if any. It depends on the nature of the order.

Senator CAPEHART. Mr. Miller, is there anyone here representing OPA that might tell us why the dairy processing equipment manufacturers have not been given any price increases at all since 1941?

Mr. RICHARD HEFLEBOWER (special assistant to the Deputy Administrator for Price). In common with most of the machinery industry, Senator, they were frozen on the base of October 1941 and during the war no increases were necessary. A survey is now in the field on the dairy-equipment industry and I would add in connection with one point made by Mr. Miller at the time that the increase is worked out weight will be given to increases already granted to various industries supplying Mr. Miller's industry, even though he has not been billed at those higher rates, and in some cases even prices on parts of materials that have not yet been formally put out by OPA will be given weight.

Senator CAPEHART. Then you do anticipate giving them an increase?

Mr. HEFLEBOWER. That is right.

Senator CAPEHART. Because they definitely have had an increase in cost ceilings?

Mr. HEFLEBOWER. Yes, sir.

Senator CAPEHART. And labor?

Mr. HEFLEBOWER. That is right.

Senator CAPEHART. So that they definitely will get an increase?

Mr. HEFLEBOWER. I presume the survey will show the need for an increase. They will be given whatever the survey shows they need.

Senator CAPEHART. Thank you.

Senator TAYLOR. Our next witness is Mr. Russell Fifer, executive secretary, American Butter Institute.

STATEMENT OF D. K. HOWE, PRESIDENT, AMERICAN BUTTER INSTITUTE, OMAHA, NEBR.

Mr. HOWE. Mr. Chairman, I am appearing for the American Butter Institute in place of Mr. Fifer. My name is Howe.

Senator TAYLOR. You may proceed, Mr. Howe.

Mr. HOWE. My name is D. K. Howe. I am vice president of the Fairmont Creamery Co., of Omaha, Nebr.

I am president of and represent the American Butter Institute, whose members operated about 500 creameries in 39 States, and churned about one-third of the Nation's butter in 1945. In addition to our members in those States, we are also specifically authorized to represent the Washington Creamery Operators Association, the California Creamery Operators Association, and the Wisconsin Creameries Association.

The present butter situation: Production of butter has fallen so that for 1946 it is estimated to be approximately half of the production in 1941. Currently it is running about one-third below what it was in 1945. It has reached the lowest figure in 25 years.

The following tabulation shows the comparative figures for the years 1941, 1945, and 1946:

	1941	1945	1946
	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
Creamery butter churned.....	1, 872, 000, 000	1, 370, 000, 000	¹ 900, 000, 000
Government requirements.....	81, 000, 000	² 312, 000, 000	60, 000, 000
Remaining for civilians.....	1, 791, 000, 000	1, 058, 000, 000	840, 000, 000
Civilian population.....	132, 700, 000	130, 700, 000	¹ 139, 000, 000
Pounds butter per capita (civilian).....	13. 5	10. 5	6. 5

¹ Estimated.

² Net.

These figures disclose that the amount of creamery butter per capita of civilian population has declined from 13½ pounds per year to 6½ pounds per year.

The rate of decline in butter production has accelerated as may be seen from the following comparisons of monthly production with the same month 1 year earlier:

	<i>Percent less</i>
November 1945.....	20
December 1945.....	23
January 1946.....	30
February 1946.....	28
March 1946 (estimated).....	33

Current figures show that April is running about 33 percent under April of a year ago.

Nothing like this decline of 900,000,000 pounds in the butter make has ever happened before in the history of the industry. The greatest previous decline was 1933 to 1937. In that 4-year period, the decline was 139,000,000 pounds.

The total production of milk is trending downward. The total milk production in 1945 is reported at 122½ billion pounds. A recent estimate of 1946 production is 118,000,000,000 pounds. The farmer's cost for feed and equipment are increasing. Farm labor is scarce.

In the testimony given by the Deputy Administrator for Price, OPA, before the recent special committee of the House to investigate food shortages, it was stated in part [reading]:

If we have a price-ceiling pattern which simply does not permit supplies to come up to what the production goal should be or is, then it seems clear that we cannot insist that controls be continued. We must have our controls up to the point where they fully reflect the needed supply of milk products since otherwise we can go on for 5 years and say, "No; we cannot remove the ceilings."

The milk-production goal set for this year is approximately 121,000,000,000 pounds. Since this goal was met, there have been intimations that it should have been higher. Under present price ceilings and subsidies the production rate is held down to about 118,000,000,000 pounds.

Dairy cows are being slaughtered and dairymen are discontinuing operation in many sections. Information from the National Stock Yards, in East St. Louis, reveals that during 1945 the percentage of milk cows being sold as beef was approximately 40 percent of the total number sold, which was the highest ratio of milk cows for beef that has been reported in those yards.

Senator MITCHELL. Of course, that reflects a decrease in the beef available—in the beef stock available as well as the increased number of milk cows slaughtered?

Mr. HOWE. You may know. I don't.

Senator MITCHELL. Well, you should know, because the committee have had information—you are giving it information on which to base its judgment there.

Mr. HOWE. Yes, sir; I would assume if the slaughter of beef cattle is down it would be down in all categories alike, and the increase in percentage would not show it is down in milk to the extent it is down in beef.

Statistics from stockyards throughout the United States show that cows and heifers comprise almost 61 percent of all animals slaughtered in December 1945 as compared with a normal percentage of about 52 percent.

The Crop Reporting Board of the United States Department of Agriculture reported that, on January 1, the number of milk cows on farms was 889,000 less than January 1, 1945. The disposal of dairy cows has continued so that by now it is estimated that the number is 1,000,000 less than it was January 1, 1945.

Senator BUTLER. I did not get Senator Mitchell's question exactly, but I think the explanation of the fact that more dairy cows are going to slaughter is just plain proof that the farmer who had cows was not doing so well with milking them and is getting rid of them.

Senator MITCHELL. Of course, the illustration used here, Senator Butler, was that milk cows sold as beef was approximately 40 percent of the number sold. Of course, the meat people have come in here and told us they were not able to buy any beef cattle. Therefore the 40 percent total might or might not mean anything to this committee in this discussion.

Mr. HOWE. I think taken in conjunction with these other figures, it is probably significant.

Senator CAPEHART. Does it not mean just what it says, that 40 percent of the number killed, whether it was 5 or 10, or 5,000 or 10,000 were milk cows?

Senator MITCHELL. What does that mean?

Senator CAPEHART. It means that 40 percent of the cattle were milk cows. I don't know whether they were 5 or 5,000. I don't think it makes any difference as long as it is 40 percent of the total that was slaughtered.

Senator MITCHELL. Perhaps, Mr. Chairman, we ought to have the complete number slaughtered in the National Stock Yards in East St. Louis during the period mentioned in this statement.

Mr. HOWE. I would be glad to furnish that figure later on if the committee desires.

Senator TAYLOR. Will you please furnish it to us for the record?

Mr. HOWE. The greatest decrease in milk cows has occurred in the States which normally produce farm separated cream for butter manufacture, as may be seen from the following figures:

	<i>Percent</i>
Minnesota and Iowa.....	4
Missouri.....	6
The Dakotas and Kansas.....	9
Nebraska.....	10

This decline in cow numbers is extremely serious. It takes from 2½ to 3 years to replace with dairy cows of producing age. In this connection, it should be noted that while the reduction in dairy cows is approximately 4 percent under last year, the reduction in dairy heifers is about 6 percent.

As the supply of milk and cream declines, competition for the available supply becomes keener and the uncontrolled prices on milk and cream for manufacturing work higher in response to the natural laws of supply and demand. Due to the low ceiling on butter, creameries cannot afford to pay the going competitive price for milk and cream reflected by the comparably higher ceilings on other manufactured dairy products.

Consequently, approximately 20 percent of the number of creameries operating in 1941 have ceased to churn butter. Others are operating in a much reduced volume resulting in greatly increased cost of operation. I believe the importance of the volume of business done in holding down operating costs is generally recognized.

The butter industry did not profit from the war. It is the only major dairy products industry which was forced by Government controls to go through all the war with less than normal total volume.

Consumers are frantic in their efforts to get butter, especially in areas where it is normally not produced in any appreciable quantities. People pay exorbitant prices for butter or accept something they do not want in order to get butter. Many of them are buying bottled cream and milk to churn at home. It is considered that it takes the cream from 10 quarts of milk to make a pound of butter, which would make the cost of the butter anywhere from \$1 to \$1.50 per pound.

It is therefore apparent that the real price of butter today is considerably higher than the nominal ceiling price.

A private survey has revealed that a fair cross section of reputable retail butter distributors are currently handling an average of only 16 percent of their volume as compared to the same period in 1941.

If these reputable establishments were getting their normal share of the available supply of butter, they would be handling about 50 percent of their 1941 volume.

Due to the ceiling-price structure, retail dairy companies selling on routes to consumers are handling legitimately a larger than historical share of what little butter is available. Everything considered, it seems reasonable to estimate that 50 percent of the butter today is moving in black-market channels. The average black-market price to the consumer is reported at about 80 cents per pound. And may I digress to say that is a conservative figure. Home churning accounting for, perhaps 5 percent of the butter presently consumed, costs the consumer about \$1.25 per pound. That is an average between the two figures of \$1 and \$1.50 you mentioned before.

Putting these estimates together, the consumer today is probably paying a weighted average price of about 70 cents per pound. In addition, the consumer pays in taxes about 12 cents per pound in the form of subsidy to the farmer on his cream, making a total of 82 cents per pound to the consumer.

With price controls removed from all dairy products, the average price of butter to the consumer would likely be less than the real or actual price being paid now, directly and indirectly.

Explanation of butter situation: Price freezing in October 1942 and subsequent changes left the butter price low compared to other dairy products. At the time, it was considered a desirable measure to divert production from butter, which could not be shipped without refrigeration, into other dairy products such as cheese, dried milk, evaporated milk, et cetera, which could be exported under war conditions. It never occurred to anyone that such price inequality would continue uncorrected after the end of hostilities. Ample time has elapsed to correct that inequity, but at this late date, it remains uncorrected.

The extent of this price differential unfavorable to butter may be seen by referring to exhibits A and B. Exhibit A shows that the butter price is about 11 cents lower than it should be in comparison with the prices of American cheese and evaporated milk. Exhibit B shows the relationship between prices obtainable for cream for fluid purposes as compared to the price of cream for churning. Prices of cream for fluid use are moving higher as may be seen by the increased differential between these two types of cream. This is further illustrated by the graph.

Labor on farms is extremely short. Farmers cannot compete with city employers in the rate of wages paid. In the Middle West practically the only young men returning to farms are those who have either a whole or partial equity in farms; that is, the owner or the owner's son. The farm labor situation now is tighter than it has been any time since the war began.

Farm machinery is short. Feeds are growing scarcer, and feed costs have increased. With the price of butter held down compared with other dairy products and farm products, with labor scarce and costs rising, there could only be one result—that has been, as stated above, for farmers to turn from production of butterfat to other things. The OPA ceiling prices have thus reduced the production of butter.

Past efforts to correct the situation: Repeated efforts have been made to get the price situation corrected. In January a meeting was held with the Director of Economic Stabilization at which representatives of the butter industry urged that the differences of opinion between the various Government agencies be reconciled and a decision made on a program which would afford relief to the butter industry.

In February the American Butter Institute caused a survey to be made in 15 cities from coast to coast, at which time it was ascertained that 68 percent of the people questioned would be willing to pay more for butter if it would stimulate production. This survey was conducted among 5,000 families of various economic levels by an independent agency.

On February 14, butter industry representatives submitted statements to the House of Representatives Special Committee To Investigate Food Shortages. That committee, headed by Representative Pace, submitted its report on March 8, at which time various recommendations were made to the Secretary of Agriculture, the OPA Administrator, and the Director of Economic Stabilization for relief of the dairy situation, including butter.

During all of that time nothing was done to correct the situation, although it was understood that many conferences were held in Government circles and the industry was led to expect announcement of some kind of a program. Apparently there was such a difference in the points of view of the various Government agencies that it was impossible to reach a decision.

No regulations or orders were issued to put the Pace committee recommendations into effect, so on March 30, Representative Pace wrote a letter to the President imploring him to see that immediate action be taken to remedy the increasingly critical situation.

Discussion: The Emergency Price Control Act of 1942, section 2 (h), states [reading]:

The powers granted in this section shall not be used nor made to operate to compel changes in business practices, cost practices, or methods or means, or aids to distribution established in any industry except to prevent circumvention or evasion of any regulation, order, price schedule, or requirement under this Act.

In testimony before the House Committee on Banking and Currency on February 18, 1945, Mr. Chester Bowles is reported to have said:

OPA's policy has been to make only such price increases as are necessary to meet the standards as set up by Congress and Executive orders, to encourage essential production and maintain generally fair and equitable prices.

Conditions and practices have become worse in the butter industry and are hardly consistent with the intent of the act to not compel changes in business practices and Mr. Bowles' statement of OPA policy to encourage essential production and avoid hardship to business.

Reference is made again to the testimony given by the Deputy Administrator of Price before the Pace committee. The point of his remarks on this occasion is that a ceiling price should be terminated if it fails to encourage production sufficient to meet the goal. If we would await the removal of ceiling prices from butter until a sufficient supply is available, we would always have price control on butter since production is being discouraged continually to a lower level.

It makes no difference whether the farmer gets part of his return on butterfat from the consumer directly and part of it in a roundabout way from the Government. It all adds up to the amount of money that he receives for the product that he sells. Changing the form from subsidy to direct price does not increase the total amount of the payment.

For that reason, converting subsidies into direct price equivalent would not be inflationary nor would it raise the cost of living. On the other hand, it would stimulate production because the farmer would directly associate the price with the product sold at the time of sale. That would be an advantage because production is what we need.

Allowing the output of butter to decrease month by month and delaying action to correct it has probably resulted in considerably more inflation. We have a situation where the public has high purchasing power and is obviously anxious for butter. Under these circumstances, it is deplorable to allow conditions to exist which cause its production to shrink to half of what it was 5 years ago.

The release on April 15 from the Office of Economic Stabilization announced a program which it stated was designed to encourage production of dairy products. This announcement had been awaited for many months.

It does not correct the inequity between the price of butter and the price of other dairy products, either by change in the ceiling price or by a change in the subsidy. It is, therefore, found wanting in that it does not provide that most important factor to stimulate production of butter. Butter still remains at a price disadvantage.

The increased subsidy on butterfat is apparently still to be paid on butterfat produced, without regard to whether it is churned into butter or not. The farmer can collect the subsidy on the basis of butterfat in the cream he sells, but the cream may be utilized in making products other than butter. The price discrimination on butter continues to divert farm-separated cream from its usual channels.

Limitations on the use of cream in the high-priced outlets will have a dampening effect on the producers of cream who have become accustomed to the high returns that they enjoyed from those outlets. By setting price ceilings on cream for fluid purposes below present market levels, the program will return less money to the producers of such cream. That will discourage production.

Senator BUCK. Mr. Chairman, may I ask a question?

Senator TAYLOR. Yes.

Senator BUCK. Over in the middle of page 5, in the sentence—

For that reason, converting subsidies into direct price equivalent would not be inflationary nor would it raise the cost of living—

how do you arrive at that conclusion?

Mr. HOWE. Because the consumer is paying the taxes which are converted into subsidies.

Senator BUCK. They do not know it, though.

Mr. HOWE. They may not know it, but the situation is there.

Senator BUCK. Well, it will raise the cost of living because the money at the present time is being borrowed.

Mr. HOWE. If the Government chooses to continue to take the tax money and use it for other purposes, it will.

Senator BUCK. Well, that is what has been done in the past. We assume that we borrowed so much money that probably some of it came out for that purpose.

Mr. HOWE. Then I should say that would be inequitable action on the part of our Government.

As it is difficult to regulate ceilings now due to the discrepancy between supply and demand it would be even more difficult a year from now if price control on dairy products is extended, due to the continuing decrease in production and the expected increase in purchasing power. It is anticipated that employment in the cities will be better and that wages will be higher, thus increasing consumer purchasing power. Meanwhile, cow numbers are continuing to decline. Feed is becoming short and supplies will cost the farmer more. If farmers have to plan for their dairy herds 2½ to 3 years in advance, they need to be able to judge what the future holds in store for them. They need definite encouragement as quickly as possible; it has already been delayed far too long.

One of the great difficulties with OPA and other Government agencies has been their slowness of action in adopting corrective measures. Some of the measures that they propose now were recommended by the butter industry some time ago but were recommended as temporary measures only in the light of conditions as they existed then.

In February, the American Butter Institute recommended temporary measures for adoption at that time, but our main recommendation was [reading]:

Remove all price and limitation controls from all dairy products as the milk production approaches its seasonal peak. It is the opinion of those experienced in the butter industry that prices, production, and consumption would adjust themselves to an economically sound relationship.

Senator BUTLER. Mr. Howe, that brings up the question as to the proper time to remove price ceilings on dairy products. The proper time in the year. Is that in the spring of the year when grass becomes available and the supply of milk is supposed to increase?

Mr. HOWE. Yes, sir. That time would be now, in our opinion, and instead of imposing restrictions now, they should be removed and an opportunity be given for the consumers to express their preference in the market, and that would settle a lot of uncertainties and imponderables as to what they do prefer and what the prices should be. That has been proposed several times, and in making those proposals the industry has suggested approximately this time.

Senator BUTLER. Would the removal of ceilings tend to encourage farmers to look toward increasing their milk herds?

Mr. HOWE. I think it is generally expected, in view of the principle that when goods are short it tends to drive prices upward, that with the present relation between supply and demand of all dairy products the prices would work up. If it got too high, consumers would put on a buyers' strike, which is their privilege to do. If it did not get high enough for that, they might put on the brakes. There would come a point where supply and demand would be approximately in balance, and price usually keeps to the point where it balances or pictures the balance between supply and demand. The time when it could operate in the manner with the least disturbance to the economy

is at a time when we are just in advance of the greatest supply. I would suggest that it be done this year rather than next year, because if this trend continues there will be a greater discrepancy next year than there is this year.

Senator CAPEHART. Is there any representative of OPA here?

Mr. VAN VENE. Mr. Heflebower is here.

Senator CAPEHART. I would like to ask a question. You handle this matter in OPA?

Mr. HEFLEBOWER. Yes, sir.

Senator CAPEHART. What do you propose to do with this butter situation?

First let me ask you this: Do you agree that the butter situation is as bad as Mr. Howe has said?

Mr. HEFLEBOWER. The butter situation is very serious.

Senator CAPEHART. What do you propose to do with it? Eliminate price ceilings on all dairy products?

Mr. HEFLEBOWER. No, sir.

Senator CAPEHART. You do not?

Mr. HEFLEBOWER. No.

Senator CAPEHART. How do you propose to cure it, then?

Mr. HEFLEBOWER. We propose the program which Mr. Bowles announced, which involves certain restrictions on the use of butterfat by other industries, a ceiling price on cream, which would cut down somewhat the ability of the fluid market and some other users to pull cream away from butter, and that the increased returns——

Senator BUTLER. Is that that April 15 release that Mr. Howe referred to?

Mr. HEFLEBOWER. That is right, Senator.

Senator CAPEHART. One other question: When do you think that ceilings can be eliminated from the dairy products, butter and so forth? Do you think it will be eliminated on June 30, 1947?

Mr. HEFLEBOWER. I do not think there is anyone who could tell that now, Senator. There are a number of things that might happen during the year to affect both supplies and the consumption rate.

Senator CAPEHART. One of two things will have to happen, will it not? You will either have to get more production—that means more cows—and the testimony is, and I am certain you agree with it, that the cow herd is diminishing in size. That means less supplies. Now, we will either have to get more cows, more production, or people will have to consume less.

Mr. HEFLEBOWER. And the export demand will be less.

Senator CAPEHART. Well, that is still consumption, but it is export consumption.

Mr. HEFLEBOWER. We are not concerned with export.

Senator CAPEHART. Now it looks to me as though that whole question is almost hopeless. It seems to me that you people are going to be with us as far as dairy products are concerned for many years to come.

Senator TAYLOR. Is there hope of our exports being cut enough to make up this difference?

Mr. HEFLEBOWER. I do not know enough about that situation, Senator.

Senator MITCHELL. Has the OES program been formulated yet?

Mr. HEFLEBOWER. The orders on the use of butterfat have not

been issued. The freeze price—ceiling price on cream has been drafted but not issued.

Senator CAPEHART. What makes you think that this order that you are talking about of April 15—is that the date?

Mr. HEFLEBOWER. Yes.

Senator CAPEHART. What makes you think that that is going to solve the problem? How is that going to increase the cow herd? How is it going to increase liquid milk? And you must have liquid milk before you get cheese, butter, or butterfat or anything else. How do you feel that the way you handle this is going to solve the problem?

Mr. HEFLEBOWER. I do not think it will be within any short period of time, a few months; that when your situation will be solved the increased return to dairy farmers should stop the downward movement of production, and Agriculture thinks it will encourage an increase in the production of milk. The controls of the use of butterfat and the ceiling price on cream could restore more like the relationships in the use of milk that held last year. The butter-production rate was considerably higher.

Senator CAPEHART. The whole farm program concerns me just a little bit in that it seems to me that we have been squeezing out of our farm production—and I am thinking now of all farm production, I am not only thinking of dairy products, but I am thinking of corn, wheat, hogs, cattle. We have been squeezing out during this war period about as much as we can get out of it.

Mr. HEFLEBOWER. There has been a tremendous production.

Senator CAPEHART. Now we have got a consumption here that we hope will continue. I, for one, hope we do not get a decline in the consumption of these farm products, because if we do then it means that we have got a lot of unemployment and we have got a depression on our hands.

Mr. HEFLEBOWER. Or a rise in price would bring a decline, too, Senator.

Senator CAPEHART. Now, how are you going to get more production, then? And I rather suspect that you are not going to release any of these prices until we do get more production. Now, how do you propose to get that?

Mr. HEFLEBOWER. Well, I am not—

Senator CAPEHART. Well, if you are going to set yourselves up as experts here, and I agree that you are, how are you going to get more butter production, more milk production here, so that some of these days you can eliminate price control on this industry? How are you going to do it? I understand how you might do it in the manufacturing business because you can hurry that along, but you cannot hurry cows along. It takes 3 years to grow one to produce milk.

Mr. HEFLEBOWER. The estimate of the Department of Agriculture is, Senator, that the increase in dairy farm return which Mr. Bowles announced will enable the farmers to meet the goal for this year in dairy production.

Senator CAPEHART. You mean reach the goals of ample production?

Mr. HEFLEBOWER. The goal which the Department of Agriculture has set for the herd.

Senator CAPEHART. You mean that will be full consumption and give everybody what they want?

Mr. HEFLEBOWER. I do not think, Senator, even if that production were reached, that you could remove ceilings on dairy products without their going up at the present time. That does not say that that is maximum production.

Senator CAPEHART. I think in terms of cows, that Mr. Howe—being a farmer myself and knowing considerable about this business, I have got to agree with him that in June 1947 when OPA comes up again we are going to be worse off in this industry than we are today, and that is based purely upon how long it takes to produce a cow and how long it takes to produce a herd.

Mr. HEFLEBOWER. Well, the arrival at balance, Senator, is both a matter of production and of the consumption, which is influenced by price. If the subsidies were removed to the dairy industry, the increases in prices, as Mr. Gaumnitz testified, I believe, would be such as to boost production materially. As to when the increase in production would bring the supply and demand into balance, I do not think anyone can tell at this moment.

Senator CAPEHART. Well, of course, I am against all subsidies and always will be, I don't care where you find them, any place, on anything. I am opposed to it.

Senator BUTLER. I would like to—

Senator CAPEHART. I do not know why you do not give these people a price—either eliminate it entirely or give them a price, a selling price here, that will get the job done and get us a big production of foodstuffs, dairy foodstuff. I can see a lot of things, but I cannot quite understand this one. I cannot see how you are going to solve the problem.

Senator BUCK. Did or did not the Department of Agriculture oppose this latest subsidy?

Mr. HEFLEBOWER. I think they opposed the subsidy, though the amount of increase in dairy farmer return is the one they recommended.

Senator BUCK. They wanted to increase the price of dairy products.

Mr. HELFEBOWER. That is right.

Senator BUCK. Materially.

Mr. HEFLEBOWER. That is right.

I want to correct one statement that I think Mr. Gaumnitz made, or someone. The increase in dairy farmer return of the program is 40 cents. Now, someone intimated it was only 20. It is 40 cents.

Senator CAPEHART. What is the ceiling price on butter in the whole?

Mr. HOWE. Forty-six cents bulk in Chicago, 92 score.

Mr. HEFLEBOWER. The increase in butterfat is 10 cents.

Senator BUCK. Twenty cents?

Mr. HOWE. Forty.

Senator CAPEHART. Let me ask this: In this order of April 15 have you adjusted prices on all dairy products that make butter—give butter an equal opportunity with all other dairy products?

Mr. HEFLEBOWER. I would like to discuss that just a moment, Senator, with respect to the making of butter out of whole milk. All of our investigations indicate that butter has an equal opportunity with the other major manufactured dairy products. You heard Mr. Gaumnitz on the subject of cheese. He did not think they could pay as much as the market was demanding, and the evaporated-milk people would say the same; but they are all in a position to pay about the same amount, as finely as we can determine it, for whole milk. Then

the question turns on farm-separated cream, of which the witness has made quite a point.

The subsidy rate on farm-separated cream, as you know, has to be at least one-fourth of the subsidy rate on whole milk. That is assuming you are going to get no value in the skim milk at all in the subsidy; whereas, there is, of course, as you know, food value and feed value in the skim milk. So that through the increases in the subsidy rate on farm-separated cream, as compared to whole milk, farm-separated cream has been given a favorable break.

Senator CAPEHART. You mean it has been given a ceiling that will permit the butter maker to buy the fat and convert it into butter and sell it at a ceiling under the law and make money?

Mr. HEFLEBOWER. Well, the question there was whether the return to the farmer who produced farm-separated cream was comparable.

Senator CAPEHART. I mean whether the return to the butter maker is such that he will make butter rather than to sell butterfat and whole milk for other purposes on which he could make more money.

Mr. HEFLEBOWER. There is no competition with the other major processed products; is that correct, or evaporated milk and cheese, but with the fresh cream, cream, and ice cream, and things of that sort?

Mr. HOWE. Butter is made entirely from farm-separated cream today. Anybody that can get whole milk and separate it will not make butter out of the fat. They will sell that cream for a much higher price than they could get from a creamery. So that that is out so far as butter making is concerned; and when we come to buy farm-separated cream there are so many people that are competing for the cream now that it has worked the price up to the point where the creamery man tries just to pay a price that will not put him out of business.

Mr. HEFLEBOWER. That was the purpose of our restriction on the ceiling price of cream, was to restore the old relationship.

Mr. HOWE. But our contention is that those restrictions are on too late now, because already the producer has become accustomed to these higher returns, these higher prices. Now, that involves putting his return back down if the price is based on some ceiling that existed far from this time.

Mr. HEFLEBOWER. At the same time we are putting forth a 10-cent increased return. That is also subsidy.

Senator CAPEHART. That is subsidy.

Mr. HEFLEBOWER. We do not know what will happen July 1, Senator.

Senator CAPEHART. I see.

Mr. HOWE. If there had been a tendency for this cream to find its way into butter, that would have made itself apparent up until now, on the basis of the existing subsidies. Now, when you raise the subsidies all across the board at some level, it does not change the relationship, and there is nothing to impel that cream to go into butter.

Mr. HEFLEBOWER. I did not mean to argue it did. The first point was that farm-separated cream was discriminated against in terms of returns to the farmer, and I was pointing out that by increasing the

subsidies relatively more on farm-separated cream than on milk you would increase the return to the farmer that produces farm-separated cream. Now, after it is produced the question of where it goes is a question of whether other people can pay more for it than the butter manufacturer, and that is the thing we are trying to correct at the present time.

Mr. HOWE. Well, we think, in order to correct that, that the ceiling price on butter should be raised to the point where it is comparable with the other dairy products.

Mr. HEFLEBOWER. And then the ceiling put on—

Mr. HOWE. The program is inadequate in that it fails to do that.

Mr. HEFLEBOWER. And then you want the ceiling put on evaporated milk, and the rest proportionately, because then it would be much more profitable to take whole milk and make butter out of it than to make evaporated milk or cheese, so I presume then those would be raised.

Mr. HOWE. Ordinarily in normal years the price of cheese has been about half the price of butter; is that correct?

Mr. HEFLEBOWER. We can check that with the statement of the Department of Agriculture. They can all pay the same for milk, and it will raise the price of butter so that more can be returned for the manufacture of butter than evaporated milk, in which we are having trouble in keeping our goal, just as Mr. Gaumnitz pointed out. It seems to me the next step is to raise the price of the evaporated milk and cheese.

Senator CAPEHART. Which does the consuming public want most? Do they want cheese or butter?

Mr. HEFLEBOWER. I do not know, Senator.

Mr. HOWE. I think they should have an opportunity to say in the matter.

Senator CAPEHART. If you are going to regulate the lives of all of us and tell us what to eat and whether we are going to eat butter or cheese, which do you want?

Senator MITCHELL. They cannot get, Senator, either one, can they?

Mr. HEFLEBOWER. That is right, Senator. As far as our present knowledge is concerned, it is just as profitable to make butter as it is some cheese, cheddar cheese. If you raise evaporated milk, cheese, butter, and powder, then you should have a price paid by a manufacturing plant higher than the price paid by the fluid market in this country.

Senator CAPEHART. Well, let us go back to this: We did not have this problem before we had OPA.

Mr. HEFLEBOWER. That is right, Senator.

Senator CAPEHART. And they were making cheese, they were making butter, and they were making whole milk, and they were making all sorts of cheese.

Mr. HEFLEBOWER. Yes.

Senator CAPEHART. And we were able to buy what we wanted when we wanted it, and at the prices. Now, what has OPA done that has thrown this thing out of gear? And it evidently is out of gear and I think you will admit it. Why can you not correct the thing that threw it out of gear?

Mr. HEFLEBOWER. Senator, there is only one way to correct it, and that is to let prices go to the maximum that the consumers will pay, which is the way of correcting most of these things in that sense. We start with the fact that we have only so much milk, and I think that it is a cinch that in a short period of time you could readily increase the output of that milk, though, as one of the earlier witnesses pointed out, the output of milk has gone up sharply under price control.

Senator CAPEHART. That is right.

Mr. HEFLEBOWER. The next thing is that fluid milk has the first claim on it. I think that most people would say that should be true.

Senator CAPEHART. I think that is right.

Mr. HEFLEBOWER. That no one is anxious to cut down the consumption of fluid milk?

Senator CAPEHART. That is right.

Mr. HEFLEBOWER. And now the situation has gone still further.

Senator CAPEHART. Let us go back to what we started out with. You have the responsibility; the Government does. Now you are regulating our lives. How are you going to cure this problem of bringing the production of milk and butter and cheese up to the consumption level? And the records, the testimony here, indicates that it is gradually falling. A year from now it will be much worse than it is now.

Mr. HEFLEBOWER. The program which Mr. Bowles announced is the one the Department of Agriculture says will make it possible to meet the goals. With the feed situation that we have now, Senator, it could be readily increased.

Senator CAPEHART. Thank you.

Mr. HOWE. This is a very complex subject, as the discussion will indicate, and I think that it is almost fair to generalize to the extent that it is so complex that no one man can work out an equitable situation in all the many details and their interrelationship, and I think in recognition of that nobody contends that OPA should continue forever. It should be taken off sometime. Why not expedite the time when it should be taken off, and put in a program now?

Senator CAPEHART. That will encourage the growing of a lot of cows.

Mr. HOWE. That, Senator, ought to be completed and do it gradually step by step so as to disrupt the economy as little as possible, rather than leave it with an open end, so to speak, so that nobody knows when it will be discontinued.

Senator CAPEHART. In my opinion, if dairy products went up as much as 20 percent in the next 6 months the Nation would be better off over the next 2-year period, 3-year period, because if this number of cows keeps going down and down you will have a very bad situation.

Mr. HOWE. Not only that, but there is a tremendous lag. If we desired instantly to correct this situation, it would be some time before we would have cows of producing age to increase the production of milk. Many nutritionists and the medical scientists and everybody is urging greater consumption of dairy products.

Getting back to butter, there is no export of butter. I think the total Government takings are estimated this year at possibly 60,000,000 pounds, and there was an estimate of sixty-four and fifty-seven millions, and that includes such of our armed services as are still overseas and many in this country. So that that is not all export.

It contemplates that the butter situation will be improved within the next 60 days, but I would like to point at that that is seasonal, and after that time it will trend the other way. And I wish to repeat again that this program continues the total over-all production and the situation amongst the different dairy products pretty much as they are now, and for some reason or other butter is not being made, and people want it, and I do not know how this would stimulate us to divert production into butter. This is simply interesting from the price standpoint because that is what people respond to in this country.

Senator CAPEHART. What if we should have a drought this year or a short crop?

Mr. HOWE. We are going to have one in the western part of the Plains areas. The wheat is beginning to show the effects of drought right now in western Kansas and western Nebraska.

Senator CAPEHART. It is pretty much all over the country.

Mr. HOWE. There was a dust storm the other day. Airplane pilots reported dust at 8,000 feet.

Senator MITCHELL. Of course, the papers this morning reported rains, did they not, in that area?

Mr. HOWE. I hope they did.

Senator CAPEHART. Of course, ordinarily, in April we talk about being able to work in the fields 8 or 10 days out of the month, and now here in April pretty much throughout the feed belt we are talking about the fact that we had a little rain last week.

Mr. HOWE. Apropos of this question of butter and milk, and so forth, I have some figures here comparing 1940 with 1945. The milk equivalent of usage in butter in 1940 was 37,000,000,000 pounds. In 1945 it was 28,000,000,000 pounds in spite of the fact that total over-all milk production has gone up in that time and that the population has increased and that the purchasing power of consumers has increased. The percentage to the total production, taking 112,000,000,000 pounds produced in 1940, butter used 32 percent of that. Taking 120,000,000,000 pounds produced in 1945, butter used only 23 percent of it.

Senator TAYLOR. Could you hurry and finish your statement, Mr. Howe?

Mr. HOWE. Yes, sir; I would be glad to.

Senator TAYLOR. We have another witness who also wishes to catch a 5 o'clock train.

Mr. HOWE. Yes, sir. I shall be glad to.

Senator BUTLER. I do not like to delay the time, but I would like to stress here—if I am not correct I would like to have Mr. Howe correct me—that we have a certain milk-cow population. The tendency is down. Everybody admits that. How are we going to solve the problem which faces us in dairy products, regardless of what they are, without increasing the number of dairy cows?

Mr. HOWE. I should think that is fundamental.

The time has long passed when application of these temporary controls would have been useful. Moreover, we are now approaching the seasonal peak of milk production when price ceilings for all dairy products can be removed with the least possible disturbance.

It is well known that conditions in business and agriculture constantly change. One of the advantages of a free and unregimented

economy is to enable the market conditions and prices to change constantly and remain in sensitive adjustment to production and demand situations. OPA has proven too slow and inflexible to be considered a satisfactory substitute for free markets.

An increase in the price of butter now and a free market would give the producer of churning cream a return for his milk comparable to that obtained by producers of milk for other uses. It would encourage farmers to maintain and increase their dairy herds and produce more milk instead of selling off their cows. In turn, the supply of dairy products would become more adequate to supply consumer demand.

Many articles and quotations have appeared in the press and many messages have been sent by constituents to Senators and Congressmen urging that they do various things about OPA. These problems have to be settled, however, on the basis of logic and reasoning, and not by mere numbers of telegrams received, whether inspired or not. I believe most who favor continuing OPA as it is are interested mainly in keeping prices down. We all like to buy as cheaply as possible. We would like to buy butter at 25 cents per pound if we could get it, but no reasonable person thinks farmers and creameries could possibly provide it at that price. What we have to decide, gentlemen, is whether we want the OPA to prescribe our diet and allow us less and less butter at the present price or whether the Government will allow the price to move upward to the point where it will balance supply of butter with demand.

Secretary Anderson says [reading]:

The fighting war is over, but the battle of food production continues. The need of a continued maximum production of dairy products, therefore, is extremely urgent for adequate nutrition at home and abroad.

From the facts stated above, you will understand that continued maximum production will not be maintained under OPA price policies.

Recommendation: We therefore conclude that the only really workable solution to the problem of the butter shortage and the decline in dairy production is to remove all dairy products and particularly butter from ceiling price control.

Senator TAYLOR. Any questions of Mr. Howe?

(There was no response.)

Senator TAYLOR. Thank you, Mr. Howe.

Mr. HOWE. Thank you, sir.

Senator TAYLOR. We appreciate your coming here, sir.

Dr. Paul Nystrom. Doctor, you have 40 minutes to train time, here, if I understand the situation correctly. Is that right?

Mr. NYSTROM. That is right. I suppose this is not a matter of any concern to the record, but I may say that, while I have a reservation on the 5 o'clock train, if it is your willingness to stay here for a longer time I shall be happy to try to get accommodations on any later train. The point is, I must be back on my other work tomorrow morning. I have 200—

Senator BUCK. Some of us would like to get out in time to catch it.

Mr. NYSTROM. I am sure of it.

Senator TAYLOR. You may proceed.

**STATEMENT OF PAUL H. NYSTROM, CHAIRMAN, CENTRAL
COUNCIL OF NATIONAL RETAIL ASSOCIATIONS**

Mr. NYSTROM. My name is Paul H. Nystrom. I reside in New York. I am professor of marketing at Columbia University, president of the Limited Price Variety Stores Association, a national trade association for the retail variety trade, and am the chairman of the Central Council of National Retail Associations, an organization made up of 18 national retail-trade associations. My appearance here today is as the representative of the central council.

The member associations of the Central Council of National Retail Associations are as follows: American National Retail Jewelers Association, Cooperative Food Distributors of America, Institute of Distribution, Limited Price Variety Stores Association, Mail Order Association of America, National Association of Chain Drug Stores, National Association of Credit Jewelers, National Association of Retail Druggists, National Association of Food Chains, National Association of Music Merchants, National Association of Retail Clothiers and Furnishers, National Council of Shoe Chains, National Retail Dry Goods Association, National Retail Farm Equipment Association, National Retail Furniture Association, National Retail Hardware Association, National Shoe Retailers Association, and Retail Credit Institute of America.

These national retail associations making up the central council with representatives in every State in the Union totaling about 250,000 retail stores, have stores that account for more than 60 percent of the entire retail sales of the country.

Mr. Chairman and members of the committee, we deeply appreciate the opportunity to present to you our suggestions concerning the reenactment of the Emergency Price Control Act. These suggestions have had the serious study of the retailer members of our associations over a period of many months. They have been carefully considered. They have had the unanimous approval of the member associations of our council.

Retailers are deeply concerned about the future of the OPA. They are deeply hopeful that the production and distribution of goods may be promptly increased so that we may escape the dangers of further serious inflation. Because of their position as the final distributors of goods to consumers, retailers will not only have to bear the brunt of consumer criticism for any higher prices, but also, when the turn from inflation comes, as it always does, their inventory losses are certain to be large.

The retailers of this country have through their organizations advocated and supported price control for a long time. Representatives of the retail trades represented in the central council urged price control before the war began. They urged price control long before the OPA came into existence. Several of us appeared at the congressional hearings back in 1941 and 1942, I among them, urging the passage of the Emergency Price Control Act. Representatives of the retail trades met continuously thereafter at the invitation of the OPA to help in drawing up the first price-control regulation, the general maximum-price regulation, issued in the spring of 1942.

The retailers in this country and their trade associations have responded to the fullest limits of their ability to every opportunity to give help to the OPA. A very great majority of all retailers have done their utmost to understand and to comply in spirit as well as in letter with the enormous numbers of regulations that have been issued by the OPA. It does not seem to us to be an exaggeration to say that the support given to the OPA by the retailers of this country has been an important factor in such success as the OPA has attained.

The burdens of OPA regulation since 1942 have fallen heavily upon retailing. This was to be expected. In view of the number of different kinds of goods handled in most retail stores, retailers have probably been subjected to a greater number of regulations and to more paper work required by the OPA, and have, in consequence, run the risk of being more frequently in unintended violation than any other branch of trade. Perhaps this too should have been expected. So long as this Nation was at war, most of the retailers in the country were disposed to do their best under these burdens. But now that the war is over, an increasing number are beginning to ask, in all reason, how long these orders, regulations, and policing activities of the OPA are to be continued and for what purpose.

While retailers have given their ardent support to the OPA and price control as a wartime necessity, they have also exercised their right under our Government to call attention to the mistakes in the original Emergency Price Control Act as well as to the mistakes in the administration of the OPA under that act. No one, so far as we know, not even within the OPA itself, has claimed that this agency is perfect. No one, so far as we know, has claimed that the Emergency Price Control Act was a perfect legislative instrument. Admissions of mistakes have been frequently made by the Administrator of the OPA. But always, after making these admissions, the Administrator has recommended the reenactment of the law without change, thus tending to perpetuate both the mistakes and their causes.

In the spring of 1944, for example, large numbers of retailers appealed to Congress to amend the Emergency Price Control Act by prohibiting the OPA from fixing highest price line limitations on retailing. Our proposals were vigorously, almost fiercely, opposed by officers of the OPA who claimed that such an amendment would cripple the OPA and put an end to price control. Fortunately the Senate and the House of Representatives thought otherwise and included the amendment in the law passed at that time.

That amendment did not result in the dire results predicted by the OPA, but it did make it possible for many retailers, particularly those who had dealt in lower priced goods back in 1942, goods which were no longer made in 1944, to continue in business. These retailers would otherwise have been forced out of business. This amendment helped to keep the retail distributive system going, to the benefit not merely of the retailers themselves, but also to the benefit of the consuming public. The retailers of this country wish to acknowledge to you gentlemen and to other members of the Senate and to the members of the House of Representatives their sincere appreciation for that amendment passed in 1944.

We now come before you with further suggestions affecting the OPA which we believe would be in the public interest. Before making

these suggestions it would seem proper to state briefly what the reasons are for these recommendations. The reasons are as follows:

1. The war is over. It has been over for nearly 9 months. We need now to get back to a peacetime civilian economy as promptly as possible. The Emergency Price Control Act was passed as a wartime emergency measure. It was never intended to continue under peacetime conditions. It served its purpose during the war, but now it should be discontinued as promptly as practicable.

2. This Nation's greatest need now is to get up the production and distribution of wanted goods in quantity as promptly as possible. We need increased production and distribution of goods not merely to satisfy the requirements of our own people but to do our part in taking care of the needy millions abroad. We need increased production to reduce the hazards of further inflation. Prices are rising steadily. A weekly wholesale-commodity-price index—compiled by the National Fertilizer Association—published just last week, showed that on April 12, 1945, the index stood at 140.3. On March 23, 1946, it had risen to 144.4, and on April 20, just passed, it stood at 145.9. This index is based upon published figures. It takes account of nothing but open, legitimate sales. It takes no account of quality deterioration and black markets. In spite of all of the price controls now in effect, the index is moving steadily upward. The only way in which this trend can be checked is by increased production. It must be clear to everyone that many of the OPA regulations are hindering, rather than helping, this purpose.

3. The black market is rampant.

Senator MILLIKIN. Mr. Nystrom, what is the base period on which this index is calculated?

Mr. NYSTROM. Beg pardon?

Senator MILLIKIN. What is the base period on which the index is calculated?

Mr. NYSTROM. 1935 to 1939; the average of 1935-39 equals 100.

Beginning again with No. 3: The black market is rampant. It is the worst that we have ever seen in the history of this country. It is said by many who are in position to know that the black market is now the biggest business in this country today. The OPA surely knows about it. The OPA has not stopped it. The OPA simply cannot stop it. Responsible OPA officers have admitted this. The only cure for this blot on our Government and our economic system is more production and distribution through regular channels with restrictions that prevent or check production removed.

Senator MILLIKIN. Mr. Nystrom.

Mr. NYSTROM. Yes, sir.

Senator MILLIKIN. How do you account for the fact that, for example, a very intelligent lady came in here this morning representing numerous consuming groups, and it was her claim that all of these consuming groups are for the continuance of OPA, on the point as made that the housewife when she goes to the grocery store is satisfied with the result, that she is not suffering inflation, and that OPA is responsible for her not suffering inflation? One or the other of you is wrong.

Mr. NYSTROM. Well, that is a very hard thing to explain. I happen to be a member of four or five of those organizations that were listed

here this morning, a dues-paying member. In none of four organizations of which I am a member, and have been for many years, have I heard of this question ever being presented to its members for consideration. But be that as it may, I will go along and say that people who have not thought this thing through may well agree that they would like to buy goods at just a price set for them under a Government regulation. Fixing a price may restrict or limit the price from going up. If they do not think about the possibilities of getting production, they may think that would do the trick. No one yet has hit upon how the Government may increase production. So it is a question now, actually and factually, of whether we are to have a set of prices and a price line, or goods; not both.

Senator MILLIKIN. In other words, the line in many instances is theory.

Mr. NYSTROM. Yes; that is right.

Senator MILLIKIN. It does not coincide with reality.

Mr. NYSTROM. That is right.

Senator MILLIKIN. And it is your belief that in many important segments of our economy the line is really established in the black market?

Mr. NYSTROM. I am sure of it.

Senator MILLIKIN. Thank you.

Mr. NYSTROM. If I may resume my statement:

4. It is unreasonable to continue to keep business under the mountains of price orders and regulations now existing. I do not know how many regulations, orders, amendments, and interpretations there are now in effect. I doubt that the OPA knows. Certainly none of their numerous publicity releases have given any information upon this point. I do know how many there are that apply to the variety trade with which I am connected. There were as of the 1st of March, just passed, a total of 3,576 regulations, orders, amendments, and interpretations in effect each with the full force of law applicable to this trade alone.

Senator MILLIKIN. Mr. Nystrom, do you think if a person read those regulations that he would have time for anything else?

Mr. NYSTROM. I think that is right. And I think furthermore that it would be impossible for a person giving his entire time to know even what was in the regulations.

Senator MILLIKIN. That is what I mean.

Mr. NYSTROM. Yes, sir.

Senator MILLIKIN. If he spent his whole time he probably could not read them.

Mr. NYSTROM. That is right.

Senator MILLIKIN. And if he were able to read them within that time, he could not understand them.

Mr. NYSTROM. That is right.

In addition to the formal regulations, orders, and amendments directly applicable to the variety trade—please note this: In addition to the formal regulations, orders, and amendments directly applicable to the variety trade, there were several thousand individual orders covering pricing and other conditions of sale for manufacturers and wholesalers from whom our stores buy. Since the Emergency Price Control Act applies penalties for violations for buying, as well as for selling, above ceilings, the variety trade is vitally concerned with

these individual orders applicable to their sources of supply as well as to those that regulate the prices at which it sells. Taking into account all regulations and orders affecting the variety trade, any one of which if violated might subject a retailer to penalties, fines beginning at \$25 and up, or even to jail sentences, this one trade alone is at present under the control of more than 8,000 regulations, orders, amendments, and official interpretations with the authority of law, ignorance of which excuses none.

No business can carry on under such a mass of regulations and orders having the full effect of law and keep up with the making of records and other paper work required by the OPA. We doubt that anyone outside of the retail trades has any knowledge of the number and extent of these regulations issued by the OPA. We doubt that there are many or even any within the OPA who have any conception of the enormity and extent of application of their own regulations. We know from actual experiences that the investigators sent out by the OPA for the purpose of checking violations in retail stores frequently have to be told by the retailers what the regulations are.

All of these regulations and orders may be of interest to the social scientist intent on determining the endurance of individual and private initiative in our present economic system, but to the retailers of the country these regulations and orders are an outright nuisance.

5. The OPA at the present time is pursuing a highly arbitrary policy, particularly harsh in its effect on the retail trades of this country, called the cost-absorption policy. This policy is the result of the effort of the OPA to hold the line even after granting price increases to manufacturers by taking these price increases out of distributors.

When this policy was first set forth by the OPA, somewhat more than a year ago, we, in the retail trades, were told, indeed we were assured, that it would be applied in but very few cases. There may be differences of opinion as to what constitutes "a few", but up to April 17, 1946, there had been 381 general price increases granted to manufacturers. Out of these 381 general price increases granted to manufacturers the distributors and retailers are required to absorb the entire increases in 271 cases, and to absorb part of the price increase in 38 cases. Out of this total of 381 cases, the OPA has graciously permitted retailers to pass the dollars and cents increases to them on to the consumers in 53 cases. It has required no cost absorption on retailers in 19 cases, that is, in about 5 percent of all general price increases granted to manufacturers. In other words, out of 381 price increases granted to manufacturers to date, retailers have been required to absorb all or part of these increases in 95 percent of these cases.

Senator MILLIKIN. Is that another way of saying that in this field the retailers rather than OPA have held the line?

Mr. NYSTROM. Yes; that is right. Also it makes an additional tax that he has to pay to support something called holding the line.

The end of the application of this policy is by no means in sight. Since the 1st of January and up to April 17, 1946, 113 general price increases were granted to manufacturers out of which there were only 4, that is, less than 4 percent, as against the average of 5 percent for all general price increases, in which cost absorption has not been required of retailers.

We look upon this trend toward increased cost absorption with strong misgivings. We think we understand why the OPA adopted this policy. It seems to have been an act of desperation in an attempt to hold the line in spite of the price increases that had to be given to manufacturers to secure any production at all. Someone within OPA must have come forward with a brilliant idea that any increases granted to manufacturers in order to secure any production, which could not within the law be paid for out of subsidies from the Public Treasury, could still be met without increasing prices to consumers by the simple device of forcing retailers to pay these increases out of their own pockets. However brilliant the idea may have seemed to the officers of the OPA, the retailers of the country who are supposed to absorb these increased costs do not consider this policy either fair or honest. We believe that fair-minded consumers, when they understand what is going on, will agree.

The threat often repeated that, if the OPA is restricted somewhat to more reasonable lines of activity, this will bring on wild inflation, is, we are sure, misleading. Of more than 1,000 items of various kinds already decontrolled by the OPA, only a very few have increased in prices very much. Some have gone up a few pennies per unit. Most have remained at about the same point as they were before decontrol. Others have actually come down. Let us not forget that we already have inflation. The OPA is not preventing inflation. Inflation is here now. Some of it is open. Officially it amounts to about 32 percent over the price levels of 1941. Most of it is hidden in quality deterioration and in black-market operations.

Senator MILLIKIN. I will call attention to the fact, developed by Senator Caphart this morning, that the Government is now engaged in these off-side operations by paying bonuses to get wheat and corn over that line.

Mr. NYSTROM. Thank you, sir.

Inflation is an economic condition caused, as everyone knows, either by an oversupply of money and credit, or an undersupply of goods. Our present inflationary movement is due to both causes. So far as the oversupply of money is concerned, the Government can and should undertake corrective measures, such as balancing its Budget and beginning to pay its debts so as to contract rather than to expand bank credits and other sources of easy money.

The Emergency Price Control Act can have but little effect on the Government's financial policies affecting the supply of money and credit. It can and does have an enormous influence on whether there is to be an increase in production and distribution of goods to take care of the supply side of the problem of inflation. If business enterprise is freely permitted to produce up to the limits of the demands of our markets, without restrictions from the OPA, the supply problem of inflation will be solved.

Senator TAYLOR. Doctor, do you take exception to the report that was just released, I think, by the Federal Reserve Board, that production was up, oh, I think it was 169 percent of 1941, something like that?

Mr. NYSTROM. No, I do not take exception to it, but I do not know where the production is, and I would like very much to know. I have had inquiries made and have made inquiries, and I have asked a number of other people where the production is. It is not coming

to our retail stores. It is not in suits of clothes, it is not in underwear, it is not in shirts, it is not in many other commodities that they listed. Maybe it is gasoline. I find now that I can buy gasoline more freely than I could some months ago. There may be some commodities in which it is up, but I do not know where it is, and I think we are troubled to know where the increased production is.

Senator TAYLOR. Well, my personal observation as a consumer is that there are many things around that you could not find a while ago. I dropped into a little hardware store yesterday, and he had tools: saws and hammers and planes and all kinds of tools.

Mr. NYSTROM. You mean Saturday? Last Saturday?

Senator TAYLOR. Many things that I had not seen for a long time.

Mr. NYSTROM. Yes.

Senator TAYLOR. Even lawn mowers.

Mr. NYSTROM. Well, that is true; but, on the other hand, I was also in a little hardware store the other day where they did not have a hatchet or an ax in the place. It was the first time since the war that there were no hatchets and axes in the place. I tried to get a hatchet. He had not had any in 2 weeks, and they could not even tell me when they were going to get any. So there will be plenty of illustrations that could be given on both sides of that problem.

Let us observe, however, that even if these measures are taken promptly, there is no prospect—and, Mr. Chairman, may I ask your close attention to this, because I think it is important:

Let us observe, however, that even if these measures are taken promptly, there is no prospect of returning to 1941 price levels. One of the primary causes of the present inflationary trend on the supply side is the increased costs of production. The principal item in these increased costs is made up of the increases in wage rates. These increases have taken place at all levels from agriculture, through manufacturing to retailing. These increased costs must be covered by the prices paid all along the line up to the consumer. Stabilization of prices, if it can be achieved, as it should be, must take these cost-of-production increases into account. But if industry and distribution is allowed to produce and to distribute freely and without restriction, any price increases beyond these increased costs of production will promptly be corrected by competition.

The OPA hasn't prevented inflation. There are no possible OPA regulations that can prevent inflation. All that the OPA can do is, on the one hand, to conceal, to some extent, the amount of inflation; and, on the other, to prevent the economic processes that would normally cure the trends of inflation from functioning. The crying need in this country is for more goods. We have the production facilities. It should be easy to increase the production to the desired extent. We must get rid of the obstructions, among which a number of the regulations of the OPA come first.

Senator MILLIKIN. Now, Mr. Nystrom, let me ask you—

Mr. NYSTROM. Yes.

Senator MILLIKIN. Do you know any case of any important commodity where there has been a real pressure brought against the line where the line has held in actual fact?

Mr. NYSTROM. No; I do not. The OPA meets that situation by making allowances to the manufacturer, on the one hand, and by

passing it on in cost absorption to wholesalers and retailers, and then the 10 percent.

Senator MILLIKIN. And when that does not hold, it passes into 10 percent.

Mr. NYSTROM. Yes, sir; that is right.

Now, the foregoing are some of the important considerations that have led the retailers of the country, as represented by their associations, through the Central Council, to draw up the following specific recommendations [reading]:

I. MAP (MAXIMUM AVERAGE PRICE REGULATIONS)

To speed increases in the production of goods, there should be an amendment to the Emergency Price Control Act rescinding all maximum average price regulations or orders and prohibiting further application of the principle of maximum average price.

II. PRODUCTION AND PRICING POLICY

To clarify the purposes of the act and to give general directions for its termination, there should, we believe, be an amendment to the Emergency Price Control Act declaring that it is the policy of the United States that every effort should be made to speed the return to a normal, competitive business economy completely freed from Federal price regulation; that adequate production and distribution of commodities and services is the paramount need of the transition period; and that sufficient production and distribution of commodities and services is more important to the Nation's normal economy than maintaining any specific line of price levels.

III. PRICE CONTROL PRINCIPLE

To expedite reconversion, encourage production, and facilitate distribution of needed commodities and services, there should be an amendment to the Emergency Price Control Act requiring that whenever an increase in price is granted at any level of production or distribution, the same percentage increase shall be granted to all succeeding levels of production or distribution.

IV. EXPIRATION DATE

To assure that price control is definitely terminated, there should be an amendment to the Emergency Price Control Act stating that the provisions of the act and all regulations, orders, price schedules, and other requirements thereunder should be terminated on March 31, 1947, the date on which it has been proposed that the Second War Powers Act will expire.

V. DECONTROL

In order that there may be progressive decontrol, with over-all decontrol as the ultimate objective, there should be an amendment to the Emergency Price Control Act requiring the Price Administrator to consult with, and give due consideration to, the decontrol recommendations of industry advisory committees; that the Price Administrator be required to submit to Congress a bimonthly decontrol progress report, including a list of all cases in which a majority of any industry advisory committee has been overruled on affirmative decontrol recommendations.

VI. ENFORCEMENT

To protect the rights of individuals, there should be an amendment to the Emergency Price Control Act requiring that a hearing be held by OPA after due notice, before the institution of formal legal action in any case of alleged violation, except in cases of criminal prosecution.

Senator MILLIKIN. What have you in mind there?

Mr. NYSTROM. I have in mind there that there are a lot of little retailers around the country that have been haled into court without knowing what they were brought there for before they were brought before the court.

Senator MILLIKIN. I have had many complaints that the law as now drawn requires the court to inflict arbitrary penalties which are unconscionable, considering the nature of the offense.

Mr. NYSTROM. Yes.

Senator MILLIKIN. Have you given any thought to that?

Mr. NYSTROM. Only to believe that if there were an opportunity to hear what the case was and to state what the situation might be, we would count on the justice of most people, employees, operatives within the OPA itself, to get a more reasonable administration than this kind of thing that that has reference to.

Senator MILLIKIN. But one of the lines of complaint that I get is that a merchant is haled into court, they confront the court with a long list of immaterial violations, and that the court, under the way the enforcement provisions of the law are drawn, must make a judgment which may be very arbitrary and which may have no relation to what would be justice and equity in the case.

Mr. NYSTROM. That is right.

Senator MILLIKIN. Have you heard such complaints?

Mr. NYSTROM. I have; yes, indeed. It has been brought to our attention in a great many cases.

And finally [reading]:

VII. COURT REVIEW

Finally, there should be an amendment to the Emergency Price Control Act, granting the district courts of the United States jurisdiction to hear and determine all matters at issue between the Price Administrator and persons affected by any price regulation or order.

The Central Council of National Retail Associations, its constituent members, and the great majority of retailers throughout the country who are members of these associations believe that these recommendations for changes in the Emergency Price Control Act are necessary and in the public interest, and we trust that your committee will give them serious and favorable consideration.

I want to thank you very heartily.

Senator TAYLOR. Any questions of the witness? (No response.)

We thank you, Doctor, for appearing here.

Mr. NYSTROM. Thank you, indeed. I appreciate it.

Senator TAYLOR. Tomorrow we shall hear from Charles A. Cannon, chairman of the board of American Cotton Manufacturers Association; Mr. Russell Fisher, president of the National Association of Cotton Manufacturers; Dr. C. T. Murchison, president of the Cotton Textile Institute. And tomorrow afternoon we shall hear from James C. Downs, Jr., National Association of Real Estate Boards; George M. Englar, president of the National Apartment Owners Association; and Glenwood J. Sherrard, chairman of the board of the American Hotel Association.

Mr. VAN VEEN. Senator, there has been a great deal of testimony about the Federal Reserve figure, and I would like to put a copy of the Federal Reserve report in the record, if I may.

Senator TAYLOR. We would be happy to do it. Thank you, Mr. Van Veen.

(The Federal Reserve System report, National Summary of Business Conditions, is as follows:)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

For release in afternoon papers,
Tuesday, April 23, 1946.

(The following summary of general business and financial conditions in the United States, based upon statistics for March and the first half of April, will appear in the May issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve banks.)

NATIONAL SUMMARY OF BUSINESS CONDITIONS

Industrial production advanced considerably in March and appears to have declined only moderately in the early part of April, notwithstanding a complete shut-down in the bituminous coal industry and some reduction in output at steel mills. The value of retail trade has continued to set new records during this period, and wholesale commodity prices have risen further.

INDUSTRIAL PRODUCTION

Production at factories and mines, according to the Board's seasonally adjusted index, rose from a level of 153 percent of the 1935-39 average in February to 169 in March. This is slightly above the level reached last November before production was reduced by strikes in the automobile, electrical equipment, and steel industries. In April the index will probably show a decline of 3 or 4 points, as decreases in coal and steel are only partly offset by continued increases in other industries.

The large increase shown by the total index in March was due, for the most part, to a sharp recovery in steel ingot production following settlement of the labor dispute. There were production gains also in industries manufacturing automobiles, machinery, stone, cement and glass products, furniture, textiles, paper, and rubber products. These gains in steel and other industries were offset only in small part by declines in the nonferrous metal industries, some food industries, and crude petroleum.

Steel ingot production for the month of March averaged 84 percent of capacity as compared with 20 percent in February and at the end of March was close to 90 percent. Subsequently, due to reduced coal supplies, steel output declined and by the fourth week of April was down to a rate of 74 percent of capacity. In the automobile and machinery industries production increased substantially during the latter part of March and the early part of April, reflecting improvement in steel supplies and settlement of important wage disputes.

Output of stone, cement, and glass products continued to advance in March, and production in the first quarter of this year exceeded the previous peak levels reached at the beginning of 1943.

Output of nondurable goods rose further in March to a level of 168 percent of the 1935-39 average, the highest level since last June. Production of nondurable goods for civilian use is now in a larger volume than at any previous time. Activity at woolen mills has shown an exceptionally large advance since the end of last year; and, with marked increases in cotton consumption and rayon shipments, the Board's index of textile production in March was at a level of 162 percent of the 1935-39 average. This equals the previous peak rate at the beginning of 1943.

Mineral production declined in March, as a further advance in coal production was more than offset by a decline in crude petroleum output and by work stoppages at important metal mines. Activity at bituminous coal mines was suspended beginning April 1, owing to a labor-management dispute over a new wage contract.

EMPLOYMENT

Employment in nonagricultural establishments rose by about 600,000 in March after allowance for seasonal changes. This rise reflected increased employment in manufacturing—largely in the iron and steel group—and continued gains in trade and construction. There were further substantial releases from the armed forces. The total number of persons unemployed remained at a level of about 2,700,000 in March.

DISTRIBUTION

Department store sales rose sharply in March and continued at a high level in the first half of April. Total sales during the Easter season are estimated to have been about one-fourth higher than last year.

Freight carloadings during March were close to the record rate for that month reached last year. In the first 3 weeks of April, loadings declined, reflecting the stoppage of bituminous coal production. Shipments of most other classes of revenue freight continued to increase.

COMMODITY PRICES

Wholesale prices of agricultural and industrial commodities continued to advance from the middle of March to the third week of April. The general level of wholesale prices is now higher than last September by something over 4 percent. In recent weeks ceiling prices for a number of products have been raised considerably; and where ceilings have been removed, prices have generally risen. A bonus of 30 cents a bushel has been granted on wheat delivered by May 25 under the certificate plan to help meet the critical food situation abroad, and a like payment has been offered for 50,000,000 bushels of corn. Subsidy payments for some commodities have been increased to prevent further price advances.

BANK CREDIT

Member bank reserve positions tightened in the last half of March as Treasury deposits at the Reserve banks were increased by large income-tax collections. Banks sold short-term Government securities largely to the Reserve banks and drew down their reserve balances to meet this loss of funds. Reserve positions were eased on April 1 in connection with the cash redemption of \$2,000,000,000 of Treasury certificates on that date, and in the following weeks banks bought Government securities and reduced borrowings at Reserve banks.

Commercial and industrial loans at member banks in leading cities increased further. Loans to brokers and dealers rose at the end of March in connection with Treasury security retirement operations and declined sharply in the week ending April 3. Deposits, other than those of the Treasury, fluctuated considerably, reflecting large income-tax payments and the April 1 tax assessment date in Illinois.

Yields on long-term Treasury bonds have remained relatively steady following a sharp decline in January and the first half of February.

Senator TAYLOR. We shall recess until tomorrow at 10 a. m.

(Whereupon, at 4:53 p. m., a recess was taken until tomorrow, Tuesday, April 30, 1946, at 10 a. m.)

(The following was submitted to the record by Senator Wagner:)

A STATEMENT IN REGARD TO THE PROPOSED EXTENSION OF THE EMERGENCY PRICE CONTROL ACT OF 1942, AS AMENDED, AND THE STABILIZATION ACT OF 1942, AS AMENDED

(Prepared for the hearings of the U. S. Senate Banking and Currency Committee, April 1946)

UNIVERSITY CLUB,

Washington, D. C., April 24, 1946.

I. Is OPA fighting a hopeless battle of statistics versus people?

A quick review of the lengthy record of former OPA hearings shows that administrative witnesses have repeatedly acknowledged that price control continues to be an experiment doubtless "noble in purpose." As an "experiment" the Emergency Price Control Act of 1942, and the Stabilization Act of 1942, both previously amended, have acquired a "scared cow" character, as Administration witnesses refuse to accept or propose any further amendment. Meanwhile, throughout the 48 States, the smaller merchants, the smaller manufacturers, and, of particular importance at this time, the more enterprising veteran who wants to be his own "boss" instead of a jobseeker, puzzled and distracted, are rebelling against the incomprehensible flood of directives, pricing orders, and amendments, all declared to be the law of the land.

If people could eat, wear, and build homes with statistical charts, your committee might quickly decide to extend the emergency price control and stabilization laws without lengthy hearings. But the fact is you are sitting in the middle of a "battle royal" between statistics versus people. It is simply impossible that all the complaints and opposition to price-control measures and manners

are inspired by greedy, grasping "economic royalists." The entire weight of evidence is to the contrary. It is the small enterprisers who are complaining most bitterly. It is the smaller business, struggling to grow bigger in the American tradition, that now finds centralized and slow-moving economic controls an unbearable handicap with no end in sight.

II. *Wartime price fixing no true guide to peacetime needs*

In peacetime raw materials flow through multifarious channels of distribution and fabrication to reach and serve the end-uses determined by consumer needs and preferences. For convenience in trading, raw materials and commodities in their various stages of processing are said to have a certain value expressed in terms of currency. These values, however, merely represent estimated risks. Only the consumer-buyer finally determines the real dollar-and-cents value of a product or service.

Price fixing under monopolistic control has long been outlawed by Congress as being inimical to the growth and well-being of American free enterprise. Is price fixing by Government fiat any less dangerous? No loyal citizen questions the right of his government to establish a monopoly over all goods and services required for the defense of the Nation. Profits cannot be accepted as a prime motive for enterprises called upon to serve the armed forces. Thus, since the entire economy was geared to the war effort, price fixing for civilian goods was accepted along with the other hazards of wartime monopolies. It should be obvious, however, that a public screaming for quick demobilization of Americans serving overseas, is in no mood to accept arbitrary wartime control over intimate details of personal expenditures. Thus the blacker black market.

III. *If profits are a crime what are taxes?*

Probably the greatest hazard confronting the tough-fibered American competitive profit-or-loss system is the fact that American business enterprisers dislike to recognize the impossible. Tax returns, carefully analyzed and tabulated by expert statisticians of the United States Bureau of Internal Revenue, probably provide the most reliable historical picture of the multiplicity and complexity of the national earnings which must be shared with the Government to help meet the often extravagant Federal expenditures.

Statistics of Income, part II, published by the United States Treasury Department, presents a shocking story of the creeping paralysis that has afflicted American business enterprises since 1936. Table I gives you the cold factual detail. You won't like it. But what are you going to do about it? Please take special note of the fact that the total number of active corporations filing tax returns with the United States Bureau of Internal Revenue increased 8 percent during the 4-year period 1928 through 1936. Compare this with the 7 years, 1936 through 1943 and you find a steadily declining number of active corporations showing a percentage loss of 12.2 percent in 1943. Why? Could it be too much or the wrong kind of Federal regulation? Glance again at table I and you will note that of the United States total of 420,485 active corporations in 1943, 80 percent were classified in three industrial groups:

- (a) Trade, including wholesale and retail distributors.
- (b) Manufacturing, of all types and kinds.
- (c) Finance, including banking, investments, stock and bond brokers, insurance and real estate.

Of these three groups, both (a) trade and (b) manufacturing, showed a heavy "death rate" between 1936 and 1943, completely reversing the increases shown between 1928 and 1936. On the other hand, the (c) finance group declined over 10 percent in number between 1928 and 1936, but showed a substantial increase of 15.5 percent in number during the 1936-43 period when many trade and manufacturing corporations were dropping out of the picture.

Corporation earnings, before and after Federal taxes, have been widely discussed and often grossly misrepresented, during the OPA battle of statistics versus people. Let's take another look at the record as shown by table I. Note that 1932 with average net profits of 5.90 percent was the low year until 1942 and 1943. Then make the same comparison for—

- (a) Trade, with 1932 low of 2.18 percent net profit.
- (b) Manufacturing, with 1932 low of 5.18 percent net profit.
- (c) Finance, with 1932 low of 9.05 percent but thereafter topping 25 percent plus.

Please bear in mind that these national averages conceal more than they reveal. You have some indication in table I of the wide range of net taxable income and net profits as between the averages shown for the three major industrial groups.

But this, of course, is only part of the real story to be had from the published data prepared by the United States Bureau of Internal Revenue statisticians. For example, each of the three industrial groups shown in table I is further subdivided into many classifications, which have a wide range of earnings, taxes, and net profit. But even these subdivisions do not get us down to the grass roots. Each one of us has a deep, personal interest in some one community or State. National welfare begins in the home. Nobody wants to live in a deserted village.

Thus, table II was prepared to give you some idea as to how each of 40 States compares with the United States average of corporate sales and earnings during the badly selected 4-year period, 1936-39. OPA insists Congress has previously chosen these 4 years as the bench mark for price and profit controls. The 40 States shown in table II are those in which we find small enterprisers engaged in manufacturing men's and boys' cotton and allied garments.

IV. If Congress selected 1936-39 earnings as the bench mark for price and profit control, What State do you choose?

Do you like Oregon at the bottom of the list with an average 1936-39 net profit of only 4.40 percent? However, some 8 of the 40 States also show average net profits below 5 percent. These are: Alabama, 4.97 percent; Minnesota, 4.90 percent; Arkansas, 4.84 percent; Mississippi, 4.68 percent; Iowa, 4.63 percent; Kansas, 4.53 percent; South Carolina, 4.53 percent; and Oregon, 4.40 percent. Only seven States showed average 1936-39 corporate earnings over 8 percent and Delaware tops them all with 29.03 percent.

If it is any consolation to the losers, you may be interested to note that 33 of the 40 States shown in table II had corporate earnings below the United States 1936-39 average of 7.49 percent net profit. These figures stand firmly on data published by the United States Treasury Department. Every effort has been made to avoid any error in calculating State and national averages. No secrets are involved. Anyone can get the same Treasury publications used by the writer. Anyone searching for truth will find the same evidence that proves the complete absurdity of basing price-fixing controls on a national industry 1936-39 average of net taxable income.

V. Summary and recommendations

(a) It is human nature to want to buy cheap and sell dear. Thus the OPA pressure group propaganda appeals to many buyers and worries every seller. As bad money drives out good money so does a controlled economy weaken and destroy a free economy.

(b) Federal taxes collected from corporations during 1936-39 averaged about \$1,000,000,000 per year. For 1943 corporations paid nearly \$16,000,000,000 in Federal taxes. There was an old political slogan of 16 to 1 but it was aimed at deflation. In the present instance it is clearly evident that price ceilings based on a \$1,000,000,000 tax collection period cannot yield net taxable income to justify \$16,000,000,000 or even lesser tax revenue.

(c) All Emergency Price Control Act amendments now under consideration are good or bad solely to the extent that they meet the prime need to smooth and expedite our return to a freely competitive economy. There has already been far too much poorly reasoned argument about "cost-plus" and "guaranteed" profits. None of the proposed Emergency Price Control Act amendments guarantee profits. Only a buyer can guarantee a profit to a seller.

(d) In final analysis, Congress, not OPA, is facing the acid test in dealing with the legislative problem of extending the experimental economic controls which probably served a useful purpose in wartime. Government agencies are often reluctant to accept legislative direction. None has ever been more stubborn than OPA in resisting any and all legislative amendments to a law always conceded to be dangerously experimental. Businessmen, as citizens and taxpayers, have exercised their right and their duty to petition Congress for liberalizing amendments to the Emergency Price Control Act. Those who have always opposed fair legislative consideration of proposed amendments have seen fit to issue statements wildly accusing business leaders of all kinds of antisocial proclivities. Is the Emergency Price Control Act of 1942 a "sacred cow" and, if so, who owns it? Are business leaders to be condemned for seeking to improve and hasten the end of emergency price control? Only the elected Members of the United States Senate and House of Representatives have the constitutional right and duty of answering these questions.

ALBERT F. ALLISON,

Executive Vice President, International Association of Garment Manufacturers.
NEW YORK 13, N. Y.

TABLE I
ALL INDUSTRY GROUPS

Year	Total active corporations	Average gross income (sales) of each corporation earning net taxable income	Average net taxable income	Average net profit	Average gross income (sales) of each corporation earning no taxable income	Percent of average deficit of corporation showing net loss
			<i>Percent</i>	<i>Percent</i>		
1978	443,611	\$473,875	8.34	7.41	\$145,354	9.41
1932	451,884	383,660	6.80	5.90	133,723	15.80
1936	478,857	515,669	9.05	7.91	99,800	7.82
1939	469,617	523,650	8.37	7.20	99,867	7.76
1941	468,906	661,218	10.35	6.25	73,983	11.77
1942	442,665	763,720	11.67	5.72	66,700	8.69
1943	420,485	848,000	11.93	5.32	65,154	10.08

A. TRADE—WHOLESALE AND RETAIL DISTRIBUTION

1978	126,347	436,700	3.60	3.20	180,000	4.20
1932	132,314	445,300	2.50	2.18	124,000	7.50
1936	145,520	502,587	3.30	2.77	110,949	2.50
1939	134,262	548,928	3.00	2.50	111,025	2.60
1941	132,102	605,721	4.17	2.55	94,479	3.15
1942	128,969	585,755	5.10	2.39	84,883	2.80
1943	120,878	593,057	5.62	2.47	84,553	2.91

B. MANUFACTURING

1978	91,573	1,044,575	8.26	7.31	268,363	8.50
1932	87,916	847,300	5.97	5.18	264,355	13.30
1936	92,030	1,053,303	8.42	7.16	186,119	4.32
1939	86,183	1,162,349	7.90	6.63	192,462	4.58
1941	84,431	1,556,215	11.74	6.26	117,716	5.54
1942	82,174	1,932,988	11.96	4.83	178,033	3.98
1943	78,682	2,323,842	11.65	4.31	172,542	5.00

C. FINANCE

1928	129,139	156,340	15.7	14.00	54,847	21.14
1932	125,120	105,248	10.35	9.05	54,484	43.4
1936	115,694	145,252	34.84	32.57	33,488	32.07
1939	138,356	106,775	29.53	27.45	33,871	28.75
1941	138,633	108,324	30.12	25.96	43,005	33.02
1942	136,882	112,201	32.92	27.74	22,701	31.3
1943	133,656	107,539	34.55	28.8	19,372	36.0

Table prepared by A. F. Allison, University Club, Washington, D. C.
Source: U. S. Treasury Department.

TABLE II.—4-year average, 1936-39

	Number of corporate returns (for total, add (a) and (b))	"Gross income" (sales) per firm	Net taxable profit; or net loss per firm	Percent profit (before Federal taxes) or net loss	Percent profit after Federal taxes
United States of America: ¹					
(a) Corporations with net taxable income.....	191,138	\$522,238	\$45,079	8.63	7.49
(b) Corporations with net loss.....	283,198	112,463	8,279	7.40	0
Alabama:					
(a) Corporations with net taxable income.....	1,542	267,107	15,753	5.90	4.97
(b) Corporations with net loss.....	1,717	84,548	5,193	6.14	0
Arkansas: ¹					
(a) Corporations with net taxable income.....	1,200	197,435	11,203	5.63	4.84
(b) Corporations with net loss.....	1,101	64,329	3,411	5.30	0
California: ¹					
(a) Corporations with net taxable income.....	9,443	523,537	49,468	9.45	8.19
(b) Corporations with net loss.....	12,208	105,343	8,758	8.31	0

¹ Compare United States average with your State.

TABLE II.—4-year average, 1936-39—Continued

	Number of corporate returns (for total, add (a) and (b))	"Gross income" (sales) per firm	Net taxable profit; or net loss per firm	Percent profit (before Federal taxes) or net loss	Percent profit after Federal taxes
Colorado:					
(a) Corporations with net taxable income.....	1,982	\$272,934	\$25,761	9.44	8.12
(b) Corporations with net loss.....	2,903	71,155	6,562	9.23	0
Connecticut:					
(a) Corporations with net taxable income.....	3,270	485,286	38,580	7.94	6.70
(b) Corporations with net loss.....	5,466	113,338	11,091	9.79	0
Delaware:					
(a) Corporations with net taxable income.....	1,548	923,902	291,495	31.6	29.03
(b) Corporations with net loss.....	1,234	149,178	15,513	10.4	0
Florida:					
(a) Corporations with net taxable income.....	3,272	163,858	11,857	7.24	6.25
(b) Corporations with net loss.....	5,073	46,753	4,550	9.73	0
Georgia:					
(a) Corporations with net taxable income.....	2,653	318,925	23,403	7.34	6.25
(b) Corporations with net loss.....	2,643	77,434	4,361	5.63	0
Illinois:					
(a) Corporations with net taxable income.....	13,847	795,723	49,880	6.27	5.32
(b) Corporations with net loss.....	18,316	184,630	11,303	6.12	0
Indiana:					
(a) Corporations with net taxable income.....	5,118	298,005	21,641	7.26	6.12
(b) Corporations with net loss.....	5,597	81,178	6,136	7.56	0
Iowa:					
(a) Corporations with net taxable income.....	3,387	256,892	13,996	5.45	4.63
(b) Corporations with net loss.....	3,168	84,071	6,578	7.82	0
Kansas:					
(a) Corporations with net taxable income.....	2,109	278,857	14,656	5.26	4.53
(b) Corporations with net loss.....	2,131	120,136	5,197	4.33	0
Kentucky:					
(a) Corporations with net taxable income.....	2,339	375,896	25,163	6.69	5.65
(b) Corporations with net loss.....	2,279	77,861	5,527	7.10	0
Louisiana:					
(a) Corporations with net taxable income.....	2,699	300,199	21,738	7.24	6.23
(b) Corporations with net loss.....	3,035	75,063	6,094	8.12	0
Maine:					
(a) Corporations with net taxable income.....	1,278	225,327	17,764	7.88	6.8
(b) Corporations with net loss.....	2,057	88,874	6,953	7.82	0
Maryland:					
(a) Corporations with net taxable income.....	2,553	434,002	44,902	10.35	9.08
(b) Corporation with net loss.....	2,944	147,873	13,394	9.06	0
Massachusetts:					
(a) Corporations with net taxable income.....	8,293	485,722	35,446	7.33	6.37
(b) Corporations with net loss.....	13,037	122,721	10,222	8.33	0
Michigan:					
(a) Corporations with net taxable income.....	6,542	1,090,763	90,214	8.27	7.05
(b) Corporations with net loss.....	7,785	133,514	11,304	8.47	0
Minnesota:					
(a) Corporations with net taxable income.....	4,099	451,651	25,656	5.68	4.90
(b) Corporations with net loss.....	4,898	121,189	9,604	7.92	0
Mississippi:					
(a) Corporations with net taxable income.....	1,139	179,608	9,804	5.51	4.68
(b) Corporations with net loss.....	1,107	63,541	4,584	7.21	0
Missouri:					
(a) Corporations with net taxable income.....	6,077	468,170	35,926	7.67	6.51
(b) Corporations with net loss.....	7,367	138,198	11,364	8.22	0
Nebraska:					
(a) Corporations with net taxable income.....	1,724	247,595	16,883	6.82	5.80
(b) Corporations with net loss.....	2,175	66,218	4,660	7.04	0
New Hampshire:					
(a) Corporations with net taxable income.....	614	269,251	18,896	7.08	6.00
(b) Corporations with net loss.....	797	77,173	5,171	6.70	0
New Jersey:					
(a) Corporations with net taxable income.....	7,165	381,935	46,753	12.24	10.85
(b) Corporations with net loss.....	18,036	75,080	7,121	9.48	0
New York:					
(a) Corporations with net taxable income.....	33,874	744,678	74,174	10.0	8.79
(b) Corporations with net loss.....	79,099	118,988	8,276	6.96	0
North Carolina:					
(a) Corporations with net taxable income.....	3,136	411,267	32,487	7.90	6.70
(b) Corporations with net loss.....	2,659	81,335	3,973	4.88	0
Ohio:					
(a) Corporations with net taxable income.....	11,365	597,598	45,317	7.58	6.45
(b) Corporations with net loss.....	13,052	120,830	8,306	6.87	0
Oklahoma:					
(a) Corporations with net taxable income.....	2,141	462,209	35,704	7.72	6.63
(b) Corporations with net loss.....	2,851	133,148	9,692	7.28	0
Oregon:					
(a) Corporations with net taxable income.....	1,794	232,318	12,032	5.18	4.40
(b) Corporations with net loss.....	2,702	74,703	5,495	7.42	0

TABLE II.—4-year average, 1936-39—Continued

	Number of corporate returns (for total, add (a) and (b))	"Gross income" (sales) per firm	Net taxable profit, or net loss per firm	Percent profit (before Federal taxes) or net loss	Percent profit after Federal taxes
Pennsylvania:					
(a) Corporations with net taxable income	9,674	\$778,771	\$64,924	8.34	7.23
(b) Corporations with net loss	14,103	181,831	12,463	6.85	0
Rhode Island:					
(a) Corporations with net taxable income	1,197	420,504	31,881	7.58	6.48
(b) Corporations with net loss	2,041	125,288	6,023	4.81	0
South Carolina:					
(a) Corporations with net taxable income	1,561	252,727	13,784	5.45	4.53
(b) Corporations with net loss	1,601	70,091	4,001	5.71	0
Tennessee:					
(a) Corporations with net taxable income	2,161	375,090	22,922	6.11	5.14
(b) Corporations with net loss	2,520	79,944	5,043	6.31	0
Texas:					
(a) Corporations with net taxable income	6,962	305,072	29,694	7.59	6.49
(b) Corporations with net loss	7,363	105,889	7,625	7.10	0
Utah:					
(a) Corporations with net taxable income	1,013	223,334	15,580	7.00	6.06
(b) Corporations with net loss	1,239	56,086	4,394	7.83	0
Vermont:					
(a) Corporations with net taxable income	471	221,527	15,183	6.85	5.81
(b) Corporations with net loss	674	83,368	6,252	7.50	0
Virginia:					
(a) Corporations with net taxable income	3,271	289,855	30,309	10.46	8.87
(b) Corporations with net loss	3,180	75,821	7,724	10.10	0
Washington:					
(a) Corporations with net taxable income	3,526	234,668	16,587	7.07	6.14
(b) Corporations with net loss	5,301	58,755	4,793	8.16	0
West Virginia:					
(a) Corporations with net taxable income	2,114	275,725	21,992	7.98	6.78
(b) Corporations with net loss	2,146	82,785	5,938	7.17	0
Wisconsin:					
(a) Corporations with net taxable income	5,948	306,636	19,045	6.21	5.18
(b) Corporations with net loss	7,494	72,505	6,351	8.76	0

Source: U. S. Treasury Department.
Prepared by A. F. Allison, University Club, Washington, D. C.

STATEMENT BY R. H. TREWOLLA, PRICE CONTROL MANAGER, PRICING DEPARTMENT, WESTERN AUTO SUPPLY CO., KANSAS CITY, MO.

My name is Richard H. Trewolla. I reside in Kansas City, Mo. I am price control manager for the Western Auto Supply Co. of Kansas City, Mo., with general offices in Kansas City.

The Western Auto Supply Co. is a corporation operating 236 retail stores and 13 wholesale houses which distribute merchandise to these company-owned retail stores and also sells to approximately 1,537 Western Auto associate stores. These Western Auto associate stores are individually owned and operated retail establishments. We operate in the District of Columbia and the several States east of North Dakota, South Dakota, Wyoming, Colorado, and New Mexico.

The principal lines of merchandise we distribute are—

Automobile replacement parts	Fishing tackle
Automobile accessories	Home radios
Tires and tubes	Radio dry batteries
Storage batteries	Bicycles and wheeled toys
Oils and greases	Men's work clothing
Automobile radios	Luggage and leather goods
Automobile seat covers	Paints and varnishes
Mechanics' tools	Washing machines
Sporting goods	Electric appliances
Outboard motors	Electrical sundries
Men's sportswear	Lawn and garden tools and supplies.
Hunting clothing	Toys and games
Rifles and shotguns	Dinnerware
Ammunition	Carpenter tools

These 1,557 Western Auto associate store dealers operate under a franchise agreement with the Western Auto Supply Co. and look to us for leadership and advice on matters of operations. We supply these 1,557 dealers with suggested resale prices through the issuance of price books.

Since the inception of price control, our company has maintained a separate department whose principal function it is to analyze and interpret OPA price regulations, establish prices in keeping with those regulations, furnish same to our various outlets, and supply them with other data incident to price control and pricing. We also furnish Western Auto associate dealers with pertinent information relative to pricing and price control.

BURDENS OF PRICE CONTROL

The burdens of OPA have fallen heavily upon my office requiring a very large portion of the time of 14 people. We have found it necessary to subscribe to certain price reporting services covering OPA regulations which have since the beginning of price control, in subscriptions alone, cost our company more than \$5,000. I make this point not in the light of a complaint, but rather to demonstrate to you the effort which we have put forth in attempting to abide by OPA price regulations.

COMPLEXITY OF PRICE CONTROL

I do not know how many regulations, orders, amendments, and interpretations to orders and regulations affect our operations. I would like to call attention to a statement by Mr. Paul H. Nystrom made Wednesday, March 13, 1946, before the Committee on Banking and Currency of the House of Representatives to the effect that there were some 3,576 regulations, orders, amendments, and interpretations which have required the attention of the variety trade. In addition to these, he states there have also been 11,848 individual orders, of which half or more, probably two-thirds, affect either the purchase cost or the selling prices, or both, of goods handled in variety stores. These, he states, were in addition to the large number of individual orders that are not even printed in the Federal Register known as letter orders which authorized prices in individual cases of manufacturers, wholesalers, and retailers. We are affected by many of these and many other regulations, orders, amendments, and interpretations.

OPA is amending these regulations and issuing new orders every day. Except for the large staff of personnel in my office and access to the reporting service which I have previously mentioned, we could not hope to keep abreast of OPA price control. It is unthinkable that any individual small retailer could either afford the expense incident to the task of keeping informed on OPA regulations or devote his personal time to the same end.

Many of these regulations are so complex in their wording and structure that the average person cannot feel sure as to their meaning. For example, one of the more recent acts of OPA in exempting items from price control through the issuance of amendment 24 to Supplementary Order 126 reads as follows:

"Sec. 10a. ADDITIONAL SUSPENSIONS.—In addition to the exemptions and suspensions from price control effected by the preceding section of this order, the following sales and deliveries are suspended from price control:

"(a) Sales and deliveries by wholesalers and retailers of all articles of consumers' durable goods covered at the manufacturing level by maximum price regulation No. 188 which are not listed in appendix C (sec. 1499.168) of that regulation. (The circumstances under which manufacturers' sales of those articles are suspended from price control are set forth in sec. 1499.15a (a) (1) of Maximum Price Regulation No. 188, Amendment No. 77.)"

To determine whether or not an item of consumer goods is under price control, it is necessary to determine under what price regulation the item is priced at the manufacturing level. Thus, it is necessary for a retailer to acquaint himself with the coverage of the various and many consumer goods price regulations covering manufacturers' prices.

INEQUITIES OF CERTAIN REGULATIONS

Not all regulations are inequitable. I would like to point out, however, the following inequities under certain regulations which are only a few that have come to my attention.

I. Maximum Price Regulation 452

There are two regulations covering sales at wholesale and retail of automotive parts and accessories. These are Maximum Price Regulation 453 and Maximum Price Regulation 452.

Maximum Price Regulation 453 covers sales by wholesalers and retailers who do not publish catalogs or price lists containing their parts or catalog numbers and suggested resale prices or sell automotive parts under their own trade names.

Maximum Price Regulation 452 covers sales by manufacturers and includes as a manufacturer "any person who sells automotive parts under his own trade name or issues to the automotive trade catalogs or price lists containing his parts or catalog numbers and his suggested resale prices for automotive parts."

We perform none of the processing operations in connection with the preparation by assembly, packaging, or otherwise processing automotive parts, and except for the fact that we sell automotive parts under our own trade names and issue catalogs and price lists containing our catalog numbers and suggested resale prices for the automobile parts which we sell, our operations are no different from wholesaler's and retailer's operations under Maximum Price Regulation 453.

The pricing provisions of MPR 452 are much more restrictive than those of MPR 453. For example, a reseller operating under MPR 453 determines his price by applying his historic mark-up to current cost, irrespective of whether or not the item has been formerly sold by him or just being added to his line, or he is permitted to adopt the manufacturer's list price as his selling price. Under MPR 452, we are frozen to existing prices, except when the purchase cost from the manufacturer changes by 10 percent or more as a result of material substitution or specification change in part. There is no provision in Maximum Price Regulation 452 for a price increase based on the reseller's increased costs due to a change of supplier. Thus, the regulation treats all substantially similar items as the same item.

In fact a new item for the purpose of pricing is not defined in Maximum Price Regulation 452.

Resellers operating under MPR 453 may charge for rebuilt parts up to 85 percent of the manufacturer's suggested retail list price for the same or similar part when new, irrespective of whether or not he is selling at wholesale or retail.

Maximum Price Regulation 452 provides that on our sales of these rebuilt parts at wholesale our prices may not exceed 65 percent of the manufacturer's suggested retail list price for a same or similar part when new, or for sales at retail 75 percent of the manufacturer's suggested retail list price for the same or similar part when new. Rebuilders who furnish us these rebuilt parts may also charge us 65 percent of the manufacturer's suggested retail list price for the same or similar part when new. Thus, there is no permitted margin between our cost and wholesale selling prices.

Resellers operating under MPR 453 are not required to report their price determinations to any OPA office. We are required under MPR 452 to report our prices for every item priced. It would seem that if resellers operating under Maximum Price Regulation 453 can be trusted to comply with the requirements of OPA without filing price data, certainly we should be equally trusted.

Regardless of who manufactures the item, we are considered the manufacturer of the same item under MPR 452. Thus, for example, we are considered manufacturers of Champion and A-C sprak plugs although we have no connection with the manufacture of these items either financially or otherwise.

The Stewart-Warner Corp., which manufacturers and sells to us Southwind gasoline heaters, has been given a price increase and a new retail list price which resellers operating under MPR 453 are automatically permitted to adopt as their new selling price. In order for us to adjust our price upward to the new list price which we are required to maintain by the manufacturer because the price is fair traded in the various States having fair trade laws, we must apply for a price adjustment under Supplementary Order 142 "Adjustment provisions for sale of industrial machinery and equipment," copy of which is attached with a letter from OPA directing us to apply for price adjustment under same. A quick examination of this Supplementary Order 142 will disclose that it is written primarily to apply to manufacturers. The forms which must be used for this purpose as set forth in the regulation and illustrated therein are extremely complicated and require unnecessary detailed information not generally kept by wholesalers and retailers. Even if the application is properly executed, there is no assurance that we would be permitted to sell at the new list price. Our inability to sell at the new price would, in all probability, result in our not being able to sell the item at all.

The hardship imposed on us and other sellers of our type by Maximum Price Regulation 452 has been made known to the Office of Price Administration as is attested to by the enclosed copy of a petition for amendment to OPA Maximum Price Regulation 452, which was filed with the Automotive Branch, Office of Price Administration, Washington, D. C., with our letter to them of October 26, 1945, copy also attached. ¶

Prior to the filing of this amendment, our petition was presented orally to OPA in a meeting on September 27, 1945, with Mr. Geoffrey Baker, then OPA Acting Deputy Administrator for Price, presiding. Other than an acknowledgment of receipt in the form of a letter dated November 2, 1945, no action has been taken on the part of OPA to act on the petition either by way of rejecting or accepting our recommendations in spite of the fact that both Mr. Geoffrey Baker and Mr. Jo G. Roberts, Acting Price Executive, Automotive Branch, assured the writer and the committee accompanying him on September 27 and 28, 1945, that immediate action would be forthcoming on the part of OPA to eliminate the discriminations and inequities imposed on our type of reseller by Maximum Price Regulation 452.

11. Revised Maximum Price Regulation 208

Revised Maximum Price Regulation 208, "Maximum Prices for Staple Work Clothing," defines a manufacturer as a person "who sold or consigned to the fabricator of the clothing any of the principle materials from which it was made; * * *"

Because we purchased and resold some materials to a manufacturer of work clothing from which he was to manufacture work clothing to be resold to us, we were classified under the terms of the above-mentioned regulation as a manufacturer.

On September 22, 1944, we applied for the establishment of prices for three items of staple work clothing as a manufacturer, although we actually performed none of the processing functions in connection with the production of the garments. After furnishing much detailed information relative to the cost of component parts, which costs were obtained from the manufacturer, we were allowed prices somewhat less than those permitted by the regulation had we not sold to the manufacturer part of the materials used in the construction but had instead purchased the garments from him at the same price.

Price approval was obtained in July 1945, approximately 10 months after the filing of our original application, during which time the garments were held in storage in our wholesale houses. This incidentally was during a period of very short supply of such work clothing.

This same regulation sets forth dollar-and-cent wholesale and retail ceiling prices for sales of so-called war-model overalls. We have offered and still do offer war-model overalls made of 8-ounce shrunk denim which have since August 16, 1944, sold at retail at our stores and at wholesale in our wholesale houses at the following ceiling prices:

Our cost	Ceiling price		Our cost	Ceiling price	
	Retail	Wholesale		Retail	Wholesale
\$1.32.....	\$1.47	\$1.58	\$1.392.....	\$1.55	\$1.654
\$1.346.....	1.50	1.608	\$1.456.....	1.62	1.666

You will note that under this regulation we have been required since August 1944 to sell for less at retail than we have been permitted to sell for at wholesale.

111. Maximum Price Regulation 580

Maximum Price Regulation 580, the so-called base date chart price regulation, froze retail mark-ups of individual sellers by categories and by price brackets within those categories to mark-ups which the seller had in effect on March 19, 1945.

Categories are by lines such as "Category 117—Men's and Boys' Shirts." Our mark-ups in this category range from 36.8 to 100 percent. Mark-ups must be taken on invoice cost less all available discounts, including cash discounts, whether or not taken. Here are examples of prices which results at various costs.

Net cost	Mark-up	Ceiling price	Net cost	Mark-up	Ceiling price
\$0.98.....	81.7	\$1.78	\$1.06.....	36.8	\$1.45
\$0.99.....	100.0	1.98	\$1.32.....	36.8	1.81
\$1.05.....	100.0	2.10	\$1.33.....	64.7	2.19

You will note that paying more for the item will result in a lower price and conversely, paying less will result in a higher price.

This regulation requires the seller to "retail" every invoice covering the purchase of an item priced under the regulation. "Retailing" the invoice requires marking the seller's first selling price for each article on the invoice covering the purchase of the article, showing the number of the "rule" of the regulation under which the price was figured. The retailer then places the invoice in his file for possible inspection by OPA at some later date. Such an invoice may cover the purchase of several items covered by the regulation, in which case the invoice must be "retailed" once for each item appearing thereon. Usually a supplier makes delivery to a great number or all of our outlets covering each with a separate invoice. In such a case we must "retail" each of these individual invoices covering the purchase of one item. This must be repeated for each subsequent invoice covering a purchase of the same item.

IV. Order 6 Under Maximum Price Regulation 188

This regulation covers the pricing at wholesale and retail of small electrical appliances. It establishes different retail ceiling prices for sales by chain stores and by individual retailers such as our Western Auto Associate Stores.

The regulation requires that the item be preticketed with a tag showing the applicable retail ceiling price. Inasmuch as our wholesale houses supply both our company stores and independent dealers, it becomes necessary for us to do either of two things.

(1) Maintain two warehouse stocks of each item, one for distribution to our retail stores and the other for sales to dealers, or

(2) Arrange with the factory to apply a tag showing two retail ceiling prices, one applicable in our retail stores and the other applicable when sold by dealers.

To do No. 1 creates a distinct hardship with respect to warehousing. To do No. 2 disrupts the manufacturer's assembly and packing procedure which is usually done on a production-line basis.

V. Order No. 3 under Maximum Price Regulation 188

This regulation covers the pricing at wholesale and retail of hand lawn mowers. Like the regulation covering small electrical appliances, this regulation also establishes one price for sales by chain stores and a different price for sales by individual retailers and tagging with the applicable retail price. Here again we run into the same complicated warehousing and price tagging problem encountered in connection with the sale of small electrical appliances.

VI. Maximum Price Regulation 598

On March 20, 1946, we applied to the Durable Goods Branch of the Office of Price Administration at Washington, D. C., under Maximum Price Regulation 598 for wholesale and retail prices for an electrical refrigerator supplied us by the Admiral Corp. of Chicago, Ill. We included in our application all of the information requested by OPA.

We have on hand about 600 units, most of which we have had in storage since shortly after filing our application. As of the present writing (April 26, 1946) OPA has not approved prices for our sales of these machines although the matter has been in their hands for more than a month.

VII. Maximum Price Regulation 590 and others

Maximum Price Regulation 590 covers the pricing at wholesale or certain household furnishings and many other regulations covering pricing at the wholesale level provide that under certain conditions all or part of OPA adjustment charges, which are price adjustments allowed the manufacturer, may be passed along to the retailer. In passing these OPA adjustment charges along to the retailer, it is necessary to place detailed information, sometimes consisting of long paragraphs, upon the face of the invoice. This works a distinct hardship upon our wholesale houses, particularly in connection with billing with automatic equipment.

VIII. General maximum price regulation and Supplementary Order 145

There is no provision in the general maximum price regulation to permit adjustment in ceiling prices where the cost has been increased even if that cost has exceeded the selling price. This is true with respect to many items which we offer at wholesale and are covered by this regulation.

Supplementary Order 145 provides relief in cases but only in cases where the supplier has been given an OPA price increase for his product.

As a large buyer, in many cases, we enjoyed during the base period when prices were frozen an advantage in cost conditions. Many of our sources have ceiling prices higher than the prices charged us and have during the war period advanced their quotations to us up to their ceilings which has resulted in a "squeeze" on our margins.

Since the general maximum price regulation makes no provision for price adjustment in such cases, and Supplementary Order 145 permits only price adjustments in cases where cost has increased as a result of OPA adjustment in supplier's prices, we have no recourse other than to sell the items on a greatly reduced margin or at a loss, or else drop the items from our line.

SUMMARY

I have not elaborated at length in pointing out the discriminations, inequities, and inadequacies of OPA regulations referred to above. There are many regulations other than those mentioned which deserve the scrutiny of Congress.

I have tried to demonstrate through pointing out the above that a general overhauling of OPA regulations are sorely needed. It has become virtually impossible to comply with the enumerable details required by the thousands of regulations affecting wholesalers and retailers.

If price controls are to be continued as they undoubtedly should for reconversion merchandise and scarce cost-of-living items, as well as rent, I would like to suggest that OPA price regulations be confined to the above and be placed on a more equitable and workable system than that presently used, exempting all items and services which do not fall within the above-mentioned fields.

NOVEMBER 26, 1945.

Mr. JO G. ROBERTS,
*Acting Price Executive, Automotive Branch,
Office of Price Administration, Washington, D. C.*

DEAR MR. ROBERTS: The writer would greatly appreciate an early reply to the petition submitted in behalf of a large group of automotive parts distributors with our letter of October 26, 1945, receipt of which was acknowledged in your letter of November 2.

Members of the group are inquiring of the writer what action has been taken by OPA in consideration of our petition. I find myself at a disadvantage in answering these inquiries for lack of information from your office.

Yours very truly,

WESTERN AUTO SUPPLY CO.,
R. H. TREWOLLA, *Pricing Department.*

OCTOBER 26, 1945.

Mr. JO G. ROBERTS,
*Acting Price Executive, Automotive Branch,
Office of Price Administration, Washington, D. C.*

DEAR MR. ROBERTS: Please find attached petition for amendment to Maximum Price Regulation 452 presented by the writer in behalf of a group of automotive-parts distributors who were represented by a committee which met with Mr. Geoffrey Baker and yourself on September 27, 1945.

Yours very truly,

WESTERN AUTO SUPPLY CO.
R. H. TREWOLLA, *Pricing Department.*

Carbon copy to Mr. Geoffrey Baker.

PETITION FOR AMENDMENT TO OPA MAXIMUM PRICE REGULATION 452

On September 20, 1945, a large group representing automotive parts distributors met in Chicago, Ill., to discuss their pricing of automotive parts under Maximum Price Regulation 452. That group appointed a committee of five, whose names and affiliated firms are shown below, to petition to the Office of Price Administration in behalf of the larger group for certain changes in the provisions of Maximum Price Regulation 452. The group appointed R. H. Trewolla, chairman of the committee, and delegated to him authority to act in their behalf in presenting this written petition to the Office of Price Administration. On September 27,

1945, the committee met in conference with a group of OPA personnel, Geoffrey Baker, OPA Acting Deputy Administrator for Price, presiding. Again on September 28, 1945, the committee met in conference with some of the representatives of OPA who attended the meeting of the previous day, Jo G. Roberts, Acting Price Executive, Automotive Branch, presiding. In these two meetings, the committee petitioned that certain changes be made in Maximum Price Regulation 452 to provide resellers of our type operating under Maximum Price Regulation 452 with the same benefits enjoyed by resellers operating under Maximum Price Regulation 453. The representatives of the Office of Price Administration requested the committee to present their petition in writing.

Accordingly, this petition is presented in behalf of the committee and the larger group of wholesale and/or retail automotive-parts distributors referred to above who met on September 20, 1945, in Chicago, Ill. We represent a distinct and separate type of reseller generally recognized in the trade as jobbers, wholesalers, and/or retailers of automotive parts and accessories. Our particular type of reseller is defined under Maximum Price Regulation 452—Manufacturers' Maximum Prices for Automotive Parts—as a manufacturer and thereby subject to the pricing provisions of that regulation.

Resellers of our type whose functions are primarily the same as those of other wholesalers and retailers operating under Maximum Price Regulation 453—Wholesalers and Retailers Prices For Automotive Parts—perform none of the processing operations in connection with the preparation by assembly, packaging, or otherwise processing automotive parts as defined in Maximum Price Regulation 452.

We differ from resellers operating under Maximum Price Regulation 453 only in that we do either or both of the following:

- (1) Sell automotive parts under our own trade names.
- (2) Issue to the automotive trade, catalogs or price lists containing our parts or catalog numbers and suggested resale prices for automotive parts.

For purposes of demonstration, we list below a few large distributors of automotive parts who operate under Maximum Price Regulation 453, whose functions with exceptions outlined above, are similar to those of our type of reseller:

1. Pennsylvania Rubber & Supply Co., Cleveland, Ohio.
2. Ozburn-Crow & Yantis, Memphis, Tenn.
3. Phelps Roberts Corp., Washington, D. C.
4. Wiggins Co., Inc., Portland, Oreg.
5. National Bushing & Parts Co., Minneapolis, Minn.
6. Genuine Parts Co., Atlanta, Ga.
7. Hunt Marquardt, Inc., Boston, Mass.
8. K and G Sales Co., Baltimore, Md.
9. Springfield Auto Supply Co., Springfield, Ill.
10. Auto Springs & Bearing Co., Roanoke, Va.
11. Coast Bearing & Specialty Co., Los Angeles, Calif.

Because we perform all of the functions of resellers operating under Maximum Price Regulation 453 and do not process the automotive parts which we sell, we contend that we are entitled to the benefits enjoyed by resellers operating under Maximum Price Regulation 453, and it is our contention that the provisions of Maximum Price Regulation 452 are discriminatory, inequitable, and inadequate in their application to our group.

It is the opinion of the committee and the group which it represents that due consideration was not given to our type of reseller in the writing of Maximum Price Regulation 452. We wish to point out that our segment of the industry is not properly represented on the Manufacturers' Automotive Parts Industry Advisory Committee.

The restrictive provisions of Maximum Price Regulation 452 as they apply to our group have caused our type of resellers to abandon the distribution of many items sorely needed by consumers. These same items have consequently reached the consumer through less economic channels at considerably higher prices than would have been paid had they been available through our type of reseller. Amending Maximum Price Regulation 452 to provide our type of reseller with the benefits enjoyed by resellers operating under Maximum Price Regulation 453 will not result in an increase in the cost of living but, in fact, will tend to lower the cost of living through making merchandise available to consumers at low prices.

CHANGES SOUGHT IN PROVISIONS OF MPR 452

In keeping with the above and for the reasons therein set forth, we petition that Maximum Price Regulation 452 be amended to provide:

1. That prices for sales by our type of resellers be determined on the basis of the mark-up formula set forth in Maximum Price Regulation 453 so long as suppliers prices are approved prices under Maximum Price Regulation 452.

(Resellers of our type operating under Maximum Price Regulation 452 are frozen to existing prices, except when the purchase cost from the manufacturer changes by 10 percent or more as a result of a material substitution or specification change in the part. There is no provision in Maximum Price Regulation 452 for a price increase based on the reseller's increased costs due to a change of supplier. Thus, the regulation treats all substantially similar items as the same item. In fact, a new item for the purpose of pricing is not defined in the regulation. In contrast to the above, every item priced by the reseller under Maximum Price Regulation 453 is priced by applying to current cost the reseller's historical mark-up, irrespective of whether or not the item has been formerly sold by the reseller or just being added to his line.)

2. That the limitations set forth in section 8a of Maximum Price Regulation 452 applicable to pricing rebuilt parts be amended to conform with those set forth in Maximum Price Regulation 453.

(Under Maximum Price Regulation 452, rebuilders may charge resellers of our type 65 percent of the manufacturer's suggested retail list price for the same or similar part when new. The regulation provides that on our sales of these parts at wholesale our prices may not exceed 65 percent of the manufacturer's suggested retail list price of a same or similar part when new. Thus, there is no latitude between our costs and wholesale selling prices. On sales of rebuilt parts to consumers, resellers of our type may not charge more than 75 percent of the manufacturer's suggested retail list price for a same or similar part when new. In contrast to the above, resellers operating under Maximum Price Regulation 453 may charge up to 85 percent of the manufacturer's suggested retail list price for the same or similar part when new.)

3. That the reporting, approval and charging provisions of paragraphs (c), (d), and (e) of section 9 and the filing provisions of section 6 (c) of Maximum Price Regulation 452 be eliminated as to their application to resellers of our type.

(Complying with the requirements of the above-mentioned sections of Maximum Price Regulation 452 has created undue hardship for resellers of our type through increasing the burden of details incidental to price control and have, in fact, resulted in substantial financial loss from not being able to sell merchandise until receiving written OPA price approval or waiting the required 30 days after receipt by OPA of the required reports. It is our unanimous opinion that no worthwhile purpose is gained through these requirements, and that if resellers operating under Maximum Price Regulation 453 can be trusted to comply with the requirements of OPA without filing similar data, certainly resellers of our type should be equally trusted.)

CONCLUSION

In conclusion, we call attention to the assurance of both Mr. Geoffrey Baker, OPA Acting Deputy Administrator for Price, and Mr. Jo G. Roberts, Acting Price Executive, Automotive Branch, given in the meetings mentioned in the fore part of this petition that immediate action would be forthcoming on the part of OPA to eliminate the discriminations, inequities, and inadequacies imposed on our type of reseller by Maximum Price Regulation 452.

R. H. TREWOLLA, *Committee Chairman.*

Signed this 26th day of October 1945, in Kansas City, Mo.

Committee members: Mr. R. H. Trewolla (chairman), Western Auto Supply Co., Kansas City, Mo.; Mr. Nate Sherman, International Parts Corp., Chicago, Ill.; Mr. C. A. Dwyer, B. F. Goodrich, Akron, Ohio; Mr. J. Gray, Chicago General, Chicago, Ill.; Mr. Al sporkin, Factory Representative, E. A. Laboratories, Chicago, Ill.

Copies to Mr. Geoffrey Baker, Director Food Price Division, Office of Price Administration, Washington, D. C., and Senator Curley Brooks, Senate Office Building, Washington, D. C.

OFFICE OF PRICE ADMINISTRATION,
 Washington, D. C., Federal Office Building No. 1, April 12, 1946.
 WESTERN AUTO SUPPLY CO.,
 Kansas City 8, Mo.

(Attention: Mr. R. H. Trewolla.)

GENTLEMEN: This will acknowledge your letter of March 21, 1946, requesting a price increase under section 16 of Maximum Price Regulation 452.

Price adjustments on automotive parts are now handled in accordance with Supplementary Order 142.

We are attaching a copy of Supplementary Order 142 for your information and guidance.

Very truly yours,

ROY A. PREWITT,
 Head, Analysis Section, Automotive Branch.

SO 142
 AMDT. 2
 MAR. 19, 1946

OFFICE OF PRICE ADMINISTRATION

(Document No. 51878)

PART 1305—ADMINISTRATION

[SO 142, Amdt. 2]

ADJUSTMENT PROVISIONS FOR SALES OF INDUSTRIAL MACHINERY AND EQUIPMENT

A statement of the considerations involved in the issuance of this amendment, issued simultaneously herewith, has been filed with the Division of the Federal Register.

Supplementary Order 142 is amended in the following respects:

1. Section 1 is amended by revising the parenthetical exception in the and paragraph to read as follows: "(Except automotive trucks, motorcycles first buses)."

2. Section 1 is further amended by adding to the first paragraph the following: "Maximum Price Regulation 452 (Manufacturers' Maximum Prices for Automotive Parts)."

3. Section 2 (a) is amended to read as follows:

(a) *Qualifications.* Adjustments will be given under the provisions of this section only with respect to the products which are covered by one or more of the regulations listed in section 1.

4. The first paragraph of section 2 (b) is amended to read as follows:

(b) *How adjustments will be computed.* In general, the OPA will treat adjustments in three different categories. The first category is called the "overall adjustments." This will ordinarily apply where the applicant submits his application for adjustment in the maximum prices of all his products which are governed by any of the regulations listed in section 1.

5. Section 2 (d) is amended to read as follows:

(d) *Resellers*—(1) *Maximum prices for products covered by Maximum Price Regulation 453.* With respect to maximum prices for sales by resellers under Maximum Price Regulation 453 which are manufacturers' suggested resale list prices, manufacturers shall adjust such resale list prices when their maximum prices on which the resale list prices are based are adjusted by order issued under this section. The adjustment shall be made by multiplying the previously established suggested resale list prices by a percentage to be determined by dividing the manufacturer's applicable adjusted maximum price by his maximum price prior to the adjustment.

In the case of maximum prices for non-list sales by resellers under Maximum Price Regulation 453, manufacturers shall notify resellers of the dollar-and-cents amounts of adjustments in their (the manufacturers) maximum non-list prices. Resellers shall determine adjusted maximum non-list prices in accordance with section 7 of Maximum Price Regulation 453.

(2) *Maximum prices for products covered by Maximum Price Regulations 246 and 67.* Resellers of products which are covered by Maximum Price Regulation

246 or Maximum Price Regulation 67, and for which the maximum prices for sales by the manufacturer have been adjusted under this section, shall continue to compute their maximum prices for resale of such products under the applicable provisions of those regulations in the same manner that they would have computed maximum prices if the adjustment had been made under the provisions of those regulations.

(3) *Maximum prices for products covered by the other regulations listed in section 1.* Unless the adjustment order issued to the manufacturer shall specify a different method of determining maximum prices for sales by resellers, maximum prices for sales by resellers of the products (other than those covered by MPR 67, MPR 246 and MPR 453), for which an increase in the maximum price has been approved for a manufacturer by an order issued under the provisions of this section shall be the maximum net price that the reseller had in effect to a purchaser of the same class just prior to the issuance of this order, plus the amount, in dollars and cents, by which the order authorizing the new maximum price has increased his former net invoiced cost. In such cases, the manufacturer shall notify each of his resellers of the dollars and cents amounts by which this order permits the resellers to increase their maximum prices.

6. Section 2 is amended by adding the following paragraph (h):

(h) *Automatic pricing.* This paragraph applies to applications for adjustment on the individual item adjustment basis (Form OPA 6083:2646). OPA will acknowledge, in writing, the docketing of such applications (either in the Regional Office or in the National Office in Washington, D. C.). If the OPA fails to act upon the application within twenty (20) days after the date of docketing of the application, the new proposed maximum price, computed in the manner prescribed by this section, shall then be deemed to be approved. The act of OPA within the meaning of this paragraph shall consist of: (1) An order of denial, or (2) a letter or telegram addressed to the applicant at the address stated in his application either requesting additional information or stating that the applicant's computations appear to be incorrect or requesting a review of the applicant's books of account. If OPA later determines that these adjusted maximum prices have not been properly computed, it may disapprove such prices at any time. Notice of such disapproval shall be in the form of a letter sent to the applicant at the address stated in his application, but such disapproval shall not be effective as to any deliveries made prior to the date thereof.

7. Appendix A is amended by substituting the following forms for the forms therein contained:

<p>OPA Form 6083-2644 Form approved (1-46) Budget Bureau No. 08-R1599</p> <p>This form, or any of its schedules, may be reproduced without change</p> <p>UNITED STATES OF AMERICA OFFICE OF PRICE ADMINISTRATION WASHINGTON 25, D. C.</p> <p>APPLICATION FOR ADJUSTMENT OF MAXIMUM PRICES UNDER SUPPLEMENTARY ORDER NO. 142</p> <p>APPLICATION FORM I</p> <p>(For use in applying for price adjustment on an overall company, or division of the company, basis)</p>	<p>Name of Firm</p> <hr/> <p>Address of firm—number and street</p> <hr/> <p>City, postal zone number, State</p> <hr/> <table border="1" style="width: 100%;"> <tr> <td style="width: 70%;">Telephone number</td> <td style="width: 30%;">Date</td> </tr> </table> <hr/> <p>Total sales of company for last full fiscal year \$ For year ended 194__</p> <hr/> <p>If less than \$500,000 (\$300,000 for MPR 246) file two copies of application with your Regional OPA Office. Otherwise file with Machinery Branch, Office of Price Administration, Washington 25, D. C.</p>	Telephone number	Date
Telephone number	Date		

GENERAL INSTRUCTIONS FOR FILING APPLICATION UNDER SUPPLEMENTARY ORDER NO. 142

Supplementary Order No. 142 provides a procedure by which manufacturers of products covered by the following regulations may apply for adjustment in the prices of such products:

Revised Maximum Price Regulation 136—Machines, Parts and Industrial Equipment (except automotive trucks, motorcycles, buses, and house and truck trailers).

Maximum Price Regulation 67—New Machine Tools.

Maximum Price Regulation 82—Wire and Cable.

Maximum Price Regulation 246—Manufacturers' and Wholesale Prices of Farm Equipment.

Maximum Price Regulation 351—Ferrous Forgings.

Maximum Price Regulation 523—Plastic Products.

Maximum Price Regulation 581—Industrial Services.

Your application for price adjustment under Supplementary Order No. 142 may be made on any one of four bases described in the table below. In each case the data which you must submit is dependent on whether or not you have had recent normal operating experience. The table indicates which one of three application forms should be used in each situation.

You should use this form only if you are applying on the basis of (1) or (2) below—Continued

Basis of adjustment	Extent of price adjustment which will be allowed (if any)	Application form to use—	
		Where recent normal operating experience	Where no recent normal operating experience
1 Over-all profit and loss statement.	Prices will be increased sufficiently to cover allowable total costs (including selling and administrative expense) plus a normal profit margin. An "increase factor" will be determined to apply to all the products of the company which are covered by the above regulations.	Use application Form I (OPA Form No. 6083-2644)	
2 Profit and loss statement for a division (or plant) of the company for which separate accounting records are kept.	Prices will be increased sufficiently to cover allowable total costs (including selling and administrative expense). An "increase factor" will be determined to apply to all the products of the division (or plant) which are covered by the above regulations.		
3 Unit cost data for representative items of a line (or group) of products.	Prices will be increased sufficiently to cover allowable total costs (including selling and administrative expense) for the representative items taken as a whole. The computed "increase factor" will be made to apply to all the items of the line, or group of products.	Use application Form IIA (OPA Form 6083-2645).	Use application Form IIB (OPA Form 6083-2646).
4 Unit cost data for individual items.	Prices will be increased sufficiently to cover allowable total manufacturing costs for each item. New prices are computed by the applicant to become effective 20 days after OPA acknowledges the docketing of the application (unless notification to contrary is given by OPA).	(These forms may be used only if you maintain unit costs which can be supported by your records)	

Have you received any price adjustments from the Office of Price Administration since the base date?
 If "Yes," list on a separate sheet the OPA docket number(s) of the application(s). Yes No

Requested price increase: (show here, or on separate sheet, requested increase(s))

SCHEDULE I—SALES BREAKDOWN

Fill in the following schedule relating to the breakdown of sales for your entire company

Major groups of products sold	A Fiscal year ended nearest December 31, 1941	Fiscal year ended nearest December 31, 1944	B Recent period ended _____ months _____ 194	Anticipated sales for next year
	(1)	(2)	(3)	(4)
1 Groups for which relief is requested				
a				
b				
c				
d				
e				
2 Groups—no relief requested				
a				
b War work (not regular lines)				
3 Total of all products sold				

FOOTNOTES FOR SCHEDULE I

A If you do not consider the year ended nearest December 31, 1941, as one of normal pre-war production, submit regular data on a separate sheet for the fiscal year ended nearest December 31, 1940.

B This period should cover at least three months.

SCHEDULE II—BASIC FINANCIAL INFORMATION

Fill in the following information for either the entire company or for a division (or plant) of the company for which separate accounting records are maintained, (depending on whether you have filed on the basis of (1) or (2) under General Instructions above). Read carefully footnote "F" below before filling in forms.

Check one: Financial statement for entire company or for _____ division

		A Fiscal year ended nearest December 31, 1941	Last full fiscal year ended nearest 194__	B Recent period _____ months ended 194__
		(1)	(2)	(3)
1	a	Net sales		
	b	Cost of goods sold		
	i	Direct materials used		
	ii	Direct labor (excluding overtime premium) ^C		F
	iii	Indirect labor ^D	XXXXXXXXXX	XXXXXXXXXX
	iv	Indirect materials and supplies ^D	XXXXXXXXXX	XXXXXXXXXX
	v	Other indirect manufacturing expense (including overtime premium) ^D	XXXXXXXXXX	XXXXXXXXXX
	vi	Total other manufacturing expense (iii+iv+v) ^D	XXXXXXXXXX	XXXXXXXXXX
	vii	Net change in inventories (in process and finished)		
	viii	Total cost of goods sold		
	c	Gross profits		
	d	General, administrative and selling expense ^E		
	e	Net operating profit		
	f	Other income and deductions (net)		
	g	Net profit before taxes (income)		
2	Additional information required for entire company if (1) was filled out for division			
	a	Net sales		
	b	Direct materials		
	c	Direct labor		
	d	Total manufacturing expense		
	e	General, administrative and selling expense		
3	Additional information required if (1) was filled out for entire company			
	a	If not previously filed, submit balance sheet and profit and loss statements on OPA Form 403-50 Base Period Financial Report, or on your own prepared statements for the years 1936-1940. If your own prepared statements are presented the profit and loss statement should contain as a minimum the following items: net sales, cost of goods, net operating profit, and net profit before taxes		
	b	If not previously filed, submit your balance sheet as of the end of the fiscal year ended nearest December 31, 1945, on OPA Financial Reporting Form A or your own prepared statement.		

FOOTNOTES FOR SCHEDULE II

^A If you do not consider the year ended nearest December 31, 1941 as one of normal pre-war production, explain why and submit similar data for the year ended nearest December 31, 1940. Also give the weighted average percentage increase in price from July 1, 1940 to October 1, 1941 and show how this percentage was arrived at.

^B This period should be at least three months in length.

^C If the content of "direct labor" for the recent period differed in any important respects from its content for the fiscal year ended nearest December 31, 1941 because of a change in accounting procedure, explain fully on a separate sheet. (This need not be done if you are using the "Projected Basis" as described below.)

^D If you are applying on the "Current Basis" as described below you may omit breakdown of "total other manufacturing expense" and fill in Line b (vi) only—omitting Lines b (iii), (iv), and (v).

888 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

* If the content of "General, Administrative and Selling" expense for the recent period differed in any important respects from its contents for the fiscal year ended nearest December 31, 1941 because of a change in accounting procedure, explain fully on a separate sheet. (This need not be done if you are using the "Projected Basis" as described below.)

† If you have granted any wage increases other than recognized increases as set forth below, list on a separate sheet such "unapproved" wage increases, the date on which granted, the extent of the increases, and the dollar amount by which direct labor for a recent three-month period should be reduced so as to reflect its cost without the "unapproved" increases, and show how this dollar amount was computed. The recognized increases include: (1) approved by the appropriate wage and salary stabilization agency under Executive Orders 9599 and 9651; (2) increases lawfully made or approved by the appropriate wage stabilization agency before August 18, 1945; and (3) increases made after August 18, 1945, under WLB General Order 30, relating to increases up to 55¢ per hour. If you have granted only recognized increases, a statement to this effect should be made in your application.

SCHEDULE IIA--DISCOUNTS

Fill in the following schedule for the company or accounting division (used in Schedule II) to show sales to different classes of purchasers. If the proportions are approximately the same for all major product groups in the company (or accounting division) fill in only Column 1. If they vary, fill in the other columns, one for each major product group or line. If your records prevent your presenting the information in this form submit it on a separate sheet.

Submit data for the year 1941 if you are filing on a "Projected Basis." If on a "Current Basis" the data should be for the recent period used in Schedule III. If sales to different classes of purchasers for this period were not representative of anticipated sales for the coming year, you may submit supplementary information on a separate sheet.

	(1) Company or accounting division	(2) Major product group		(3) Major product group			
		(Identify).....		(Identify).....			
		Gross sales	Average % discount	Gross sales	Average % discount	Gross sales	Average % discount
1	Sales to final users						
2	Sales to dealers						
3	Sales to jobbers						
4	Sales to others						
5	Sales to others						
6	Total sales						

Do you price any products covered by this application on a formula basis?

Yes No

IMPORTANT

Schedules I, II, and IIA above must be filled in completely by all applicants. If you have had recent normal operating experience as defined below you need not submit the information requested in Schedules III, and IV, or V. If you have not had recent normal operating experience as defined below complete the rest of form.

If your company has available recorded data which accurately reflect normal operating experience, use is made of such data in determining any allowable price increases. This is referred to as the "Current Basis." If no such data are available, use is made of pre-war data projected to reflect certain basic changes which have occurred since that time (referred to as "Projected Basis"). To assist OPA in determining which basis to use in your case, check the answers to the following questions:

1	Do you have available for the company or accounting division (used in Schedule II) a recent profit and loss statement of at least three months duration which reflects annual operating experience?	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
2	Were "Net Sales" in this statement at an annual rate in excess of 75% of "Net Sales" for the fiscal year ended nearest December 31, 1941? (See Schedule II.)	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
3	Were "Net Sales" in this statement at an annual rate in excess of 75% of "Net Sales" for the three immediately preceding months at an annual rate? (Show here net sales for this previous three-month period \$.....)	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
4	Were sales of major products by the company or accounting division used in Schedule II for the "recent" period (Column 3, Schedule I) in approximately the same proportions as you expect for the coming year? (Note: If answer is "Yes" and expected sales for this period are in different proportions from sales for 1941, explain fully on separate sheet why these proportions are expected to continue.)	Yes <input type="checkbox"/>	No <input type="checkbox"/>		
5	Were sales made to different classes of purchasers by the company or accounting division (used in Schedule II) in the "recent period" in approximately the same proportions as you expect for the coming year? (Note: If answer is "Yes" and the expected proportion of sales to different classes of purchasers for this period varied considerably from the proportions of 1941, explain fully on a separate sheet why these changed proportions are expected to continue.)			Yes <input type="checkbox"/>	No <input type="checkbox"/>
6	Do your costs of production in the "recent accounting period" accurately reflect methods of production which you plan to use in the next year? Answer "No" for instance, if the amount of subcontracted work was higher than is anticipated for next year, or if inefficient methods necessitated by war conditions were still being reflected in costs of production for the recent period.			Yes <input type="checkbox"/>	No <input type="checkbox"/>

If you have answered "No" to any of the above questions, proceed with Schedules III, and IV or V. If you have answered "Yes" to all questions you need not proceed beyond this point. In case of doubt, it will be best to fill in Schedules III, and IV or V.

890 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

SCHEDULE III.—CHANGES IN PRICES OF DIRECT MATERIAL AND PURCHASED PARTS

The purpose of this Schedule is to determine a weighted average percentage increase from October 1, 1941, to November 27, 1945 in the prices paid for direct material and parts as purchased by you in the same quantity, from the same source(s), and under the same general terms of sale, for manufacture into the products produced by the company (or division of the company) whose operations are described in Schedule II. In determining the "Value of Materials Used" in Column (1) of the Schedule proceed as follows:

1. If a wide variety of products are produced, use the first available of the following which can be determined accurately:
 - (a) The value of the materials actually used during the pre-war period of Column (1) in Schedule II.
 - (b) The value of the materials purchased during the pre-war period.
 - (c) An estimate of the materials used during the pre-war period.
 2. If a comparatively small number of similar products are produced:
 - (a) Select a representative product which uses the principal materials in amounts bearing a reasonable relation to the totals for the entire company (or division) and determine the "Value of Materials Used" from a bill of materials for this product.
 - (b) If no one product fills the requirements of 2 (a) you may select and add together the bills of materials of several products.
- NOTE: If (2) is used, give name of product on which materials increase was based and indicate the volume of sales of that product in the pre-war period used in Schedule II.

A Description of materials, parts, and subassemblies used directly	B Value of materials used (1)	Net purchase price per unit		Percent increase column 3—column 2 divided by column 2 (4)	E Name of principal supplier (5)
		c October 1, 1941 (2)	d November 27, 1945 (3)		
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19 All other F		XXXXXXXXXX	XXXXXXXXXX		XXXXXXXXXXXX
20 Total		XXXXXXXXXX	XXXXXXXXXX		XXXXXXXXXXXX
		XXXXXXXXXX	XXXXXXXXXX		XXXXXXXXXXXX
		XXXXXXXXXX	XXXXXXXXXX		XXXXXXXXXXXX

FOOTNOTES FOR SCHEDULE III

A "Description of Material" may refer either to individual items or to groups of items where a wide variety of such items are purchased. In the case of individual items the "Description of Materials" should be specific and complete for each item setting forth the name of the material, form, size, etc., for raw materials, and the name and supplier's designation for component parts and subassemblies. Where a wide variety of items is referred to, give the group designation of products under the "Description" and show average prices in Columns (2) and (3) if such averages have significance. Otherwise make entries only in Columns (1) and (4). Wherever practical, the first method should be used. The grouping of items

and averaging may be used *only* where the prices of the materials involved have not changed or changed only slightly, or constitute a homogeneous group such as gray iron castings (not all castings) or hot-rolled steel bars (not all steel).

^B See introductory statement above.

^C Show the October 1941 price paid per unit of material or part. This should be the price recorded on the earliest dated invoice in October 1941 representing a normal-sized purchase from your principal customary supplier. If you have no invoice during that month, use the last preceding invoice dated earlier than October 1941.

^D Report prices as of November 27, 1945. If the current price is in excess of the November 27, 1945 price, report such an increase on a separate sheet, but recognition of such increases are subject to Executive Orders 9599, 9651, such directives as are issued thereunder, and the applicable standards of OPA. The November 27, 1945 price should be the ceiling price of the material or part sold by the 1941 supplier in the same quantity and under the same general terms of sale for which the October 1941 price shown in Column (2) was reported. The ceiling price of an alternative supplier should be reported *only* where the 1941 supplier has gone completely out of the business of supplying that general type of material. Where this has occurred the ceiling price must be reported for a supplier of the same class and for the customary-sized purchase on which the October 1941 price was reported. Only where November 17, 1945 prices definitely cannot be determined may current ceiling prices be reported under the same conditions (stated above) as apply to the November 27, 1945 price. Indicate these current ceiling prices with an asterisk (*) and the date for which reported. OPA will make the necessary adjustment (if any).

^E See Footnote D immediately above. Place a check mark (✓) opposite the name if it is not the base date supplier.

^F "All Other" if possible, should not account for more than 25% of the total. Give an estimate of the percentage increase in the column provided for this purpose.

SCHEDULE IIIA—CHANGES IN PRICES OF INDIRECT MATERIALS AND SUPPLIES

Give estimate of average increase in legal prices of indirect materials and supplies, -----%. If estimated increase is more than 12% fill out schedule similar to Schedule III for indirect materials and supplies.

INTRODUCTION TO SCHEDULE IV AND V—CHANGES IN BASIC WAGE RATES

Fill in either Schedule IV or Schedule V. Schedule IV, however, should be used wherever possible. The use of Schedule V is limited to certain special conditions set forth below under the general instructions preceding the table of Schedule V. The Schedules, in general, are used to measure certain increases in your basic wage rates of factory employees from October 1, 1941 to November 27, 1945. This refers to increases in single rates, or in ranges of rates (measured from the mid-point of the old range to the mid-point of the new) for one or more job classifications, as distinguished from increases affecting single employees. If Schedule II is filled out for a division (or plant) of the company "factory employees" refers to all workers included in "direct labor" (Line 1 (b) (ii)). If Schedule II is filled out for the entire company "factory employees" included "indirect labor" as well as "direct labor." Ordinarily this should include, in addition to productive workers, the maintenance, supervisory and other indirect workers. Sales and administrative employees should not be included. The OPA will recognize any increases in wages or salaries approved by the appropriate stabilization agency on or before November 27, 1945.

NOTE: Report any increases since that time, but the recognition of such increases in the computation of adjusted cost shall be subject to the provisions of Executive Orders 9599, 9651, such directives as are issued thereunder by the Stabilization Director, and the applicable standards of OPA.

The following lists of recognized increases show types of increases which may be included and those which may not be included.

Types of increases which may be included

1. A plant-wide or any other general increase affecting a considerable portion of the positions in the plant which provides (a) a uniform change in cents per hour or per piece, (b) a uniform percentage change for all jobs covered by the action, or (c) a systematic list of differential increases among jobs.
2. Increases in cents per hour, or percent, to one or more job classification rates, rate changes, piece rates or incentive wage rates.
3. Changes in the structure of incentive plans which affect the amount that can be earned for the same quantity and quality of work as represented by the average worker affected as of the date the changes were made.
4. An action in which the War Labor Board awards have provided for internal readjustment of wage rates amounting to a specified average increase.
5. Increases to equalize job rates for women, or for other groups of persons with rates for work of equal quantity or quality already paid generally, but in no case shall the weight given such a change, exceed the proportion of the plant's employees in those groups previously paid at lower rates on the payroll period covering most of October 1-15, 1941.

Types of increases which will not be included

1. In-grade promotions or any change in wage for the individual as distinguished from a change in the rate for the job.
2. Changes in vacation policies, non-production bonuses, or pay for overtime.
3. Increases granted automatically for length of service at stated intervals or after given periods.
4. Increases in earnings because of greater worker productivity under an incentive plan.
5. Changes in piece rates resulting from drastic changes in products, unless there has been a specific bargaining agreement to increase earnings during the process of revision.
6. Higher shift differentials except for plants which have multiple shifts in the major part of the plant's operations in 1941.

892 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

SCHEDULE IV—CHANGES IN BASIC WAGE RATES (ANALYSIS OF WAGE ACTIONS)

This method should be used wherever possible. If you had established job classifications on October 1, 1941, you should be able to fill in A below completely. If no such job classifications were in effect on October 1, 1941, fill out the schedule for the period from October 2, 1941, to November 27, 1945, and data obtained from B will be used to measure the change from October 1, 1941, to October 2, 1942. B should be filled in completely in either case.

A Individual wage actions							
Department, occupation or job classifications affected ^A	Date of adjustment	Adjustment ^B (cents per hour or percent)	Average straight-time hourly earnings before adjustment ^C (omit if column 3 is completed in cents)	Percent in column 3 X amount in column 4 ^D	Percent of total workers in division receiving increase ^E	Amount in column 3 or column 5 X percent in column 6	WLB authority ^F
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10	Total	XXXXX	XXXXXX	XXXXXXXX	XXXXXX	XXXXXXXX	XXXXX

B Computation of average straight-time hourly rate		October 1, 1941	October 1, 1942	November 27, 1945
1	Pay roll period (used the last period prior to the three dates shown in vertical columns).	From	From	From
		To	To	To
2	Total hours worked for factory employees during period.	hrs.	hrs.	hrs.
3	Total earnings at straight time rates ^G	\$	\$	\$
4	Average straight-time hourly earnings (Line 3 ÷ Line 2).	\$	\$	\$

FOOTNOTES FOR SCHEDULE IV

^A An entry should be made for each separate occasion of a wage increase among the factory employees for the organization unit of the business reported in Schedule II. The change might involve only one job, or might include several job classifications, or even the whole of a department or plant. See NOTE above, under Introduction to Schedule IV and V.

^B If an entry in this Column covers more than one job classification, rate or rate range receiving non-uniform increases, the amount reported should represent the weighted average of all the increases. The weighted average may be determined by multiplying the amount of each separate increase by the number of employees receiving the increase.

^C Fill in this Column only in case the increase in Column (3) is stated in percent. Select a pay roll period immediately preceding the date of the adjustment and determine the average hourly earnings during that period for the group of employees receiving the increase.

^D This operation is for the purpose of converting any increases expressed in percentage in Column 2 into cents per hour.

^E Compute the percentage of workers affected by dividing, the number of employees to which the rate change applies by the total number of factory employees on the pay roll at the time the change was effected.

^F For each adjustment since October 2, 1942, the WLB Office approving such adjustment and the order number and date must be listed for each adjustment requiring specific WLB approval. For other adjustments, such as those made under WLB General Orders, indicate the type of authorization.

^G Total earnings of employees at straight-time rates means earnings (1) before deductions for social security, withholding taxes, insurance, hospitalization dues, etc., (2) inclusive of regularly recurring bonus payments, such as production bonuses, and (3) exclusive of extra payments for overtime, and bonus payments that are not a part of regular earnings.

SCHEDULE V—CHANGES IN BASIC WAGE RATES (ANALYSIS OF OCCUPATIONAL WAGE RATES)

This alternative may be used only if the following conditions make it impossible to use Schedule IV:
 (a) A continuous history of wage rate increases is lacking because of an extended company (or plant) shutdown after October 1941.
 (b) The proportion of workers in the job classification receiving wage increases to total company (or division) employment varied substantially (except where uniform wage increases were granted to the job classifications affected).
 If this Schedule is used instead of Schedule IV, indicate fully why Schedule IV could not be used.

(1)	(2)	Wage rate October 1, 1941			Column 2 × column 5	Straight-time hourly wage rate, November 27, 1945			Column 2 × column 9
		Rate range ^c		Specific rate or mid-point of rate range ^d		Rate range ^c		Specific rate or mid-point of rate range ^d	
		Minimum rate	Maximum rate			Minimum rate	Maximum rate		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15	Total								

FOOTNOTES FOR SCHEDULE V

^a List the most important occupation or job classification of factory employees on pay roll during last period prior to October 1, 1941, for the organizational unit reported in Schedule II. Account for at least 75% of the total employees.

^b Give number of employees in each occupation or job classification for this same period.

^c If there existed an established range of rates for the job during the period specified, list the minimum and maximum straight-time rates in the appropriate columns. Also see Note above, under Introduction to Schedule IV and V.

^d If entries were made in the two previous columns, enter here the mid-point between these maximum and minimum rates. Otherwise enter the specific straight-time rate applicable to the job for the period specified.

I hereby certify that the facts submitted in this application are true and correct.

Sign here _____ (Signature of officer) _____ (Title) _____ (Date)

<p>OPA Form 6083-2645 (1-46) Form Approved Budget Bureau No. 08-R1560</p> <p>This form or any of its schedules may be reproduced without change</p> <p style="text-align: center;">UNITED STATES OF AMERICA OFFICE OF PRICE ADMINISTRATION WASHINGTON 25, D. C.</p> <p style="text-align: center;">APPLICATION FOR ADJUSTMENT OF MAXIMUM PRICES UNDER SUPPLEMENTAL ORDER NO. 142</p> <p style="text-align: center;">APPLICATION FORM IIA</p> <p>(For use in applying for price adjustment of individual items or lines of products on basis of unit cost data reflecting normal operating experience.)</p>	<p>Name of firm _____</p> <p>Address—number and street _____</p> <p>City, postal zone number, State _____</p> <p>Phone number _____ Date _____</p> <p>Total sales of company for last full fiscal year \$_____ For year ended _____ 194____</p> <p><i>If less than \$500,000 (\$300,000 for MPR 246) file two copies of application with your Regional OPA Office. Otherwise file with Machinery Branch, Office of Price Administration, Washington 25, D. C.</i></p>
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GENERAL INSTRUCTIONS FOR FILING APPLICATION UNDER SUPPLEMENTARY ORDER NO. 142

Supplementary Order No. 142 provides a procedure by which manufacturers of products covered by the following regulations may apply for adjustment in the prices of such products:

- Revised Maximum Price Regulation 136—Machines, Parts and Industrial Equipment (except automotive trucks, motorcycles, buses, and house and truck trailers).
- Maximum Price Regulation 67—New Machine Tools.
- Maximum Price Regulation 82—Wire and Cable.
- Maximum Price Regulation 246—Manufacturers' and Wholesale Prices of Farm Equipment.
- Maximum Price Regulation 351—Ferrous Forgings.
- Maximum Price Regulation 523—Plastic Products.
- Maximum Price Regulation 581—Industrial Services.

Your application for price adjustment under Supplementary Order No. 142 may be made on any one of four bases described in the table below. In each case the data which you must submit is dependent on whether or not you have had recent normal operating experience. The table indicates which one of three application forms should be used in each situation.

Basis of adjustment	Extent of price adjustment which will be allowed (if any)	Application form to use—	
		Where recent normal operating experience	Where no recent normal operating experience
1	Over-all profit and loss statement.	Use application Form I (OPA Form No. 6083-2644)	
2	Profit and loss statement for a division (or plant) of the company for which separate accounting records are kept.	Use application Form I (OPA Form No. 6083-2644)	
3	Unit cost data for representative items of a line (or group) of products.	Use application Form IIA (OPA Form 6083-2645).	Use application Form IIB (OPA Form 6083-2646).
4	Unit cost data for individual items.	(These forms may be used only if you maintain unit costs which can be supported by your records)	

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 895

WHEN THIS FORM IIA IS TO BE USED

You may use this form if you are applying on the basis of either (3) or (4) above, maintain unit costs which can be supported by your records, and if you have available current cost data reflecting normal cost experience for the items, or line of products, for which price adjustment is desired. You are considered to have had normal operating experience for an item if all the following conditions are met: (a) sales for the last three months were at an annual rate in excess of 75% of sales for the year 1941, (b) sales for the last three months were in excess of 75% of sales for the immediately preceding three months' period, and (c) current costs reflect methods of production such as will be in use for the coming period. (You do not meet this test, for instance, if current costs reflect an abnormal amount of subcontracting work, or if the use of inefficient methods of production necessitated by war conditions, have not been eliminated.) To indicate your position in these respects fill in Schedule I below. The percentage comparisons are indicated in Lines (4) and (5) of Schedule I.

SCHEDULE I—SALES INFORMATION

In the following schedule allow one column to an item. If application is being made for a line (or group) of products, select representative items which accurately reflect the average cost-price relationship of the line or group (generally, the fastest selling items) and fill in the requested information for these items, including the two "Total Columns." The items selected should account for at least 25% of total sales of the line or group in 1941, but you need not submit data for more than eight items if these are truly representative. If you are not able to select a representative sample of items for the line, all of which meet the tests for recent normal operating experience (lines 4 and 5 below), obtain copy of Application Form IIB and fill out for other representative items which do not meet the tests for normal operating experience.

		Identify each item in the spaces below (Name, catalog number, etc.)				Total of columns 1, 2, 3, and 4	Total sales of entire line
		(1)	(2)	(3)	(4)		
1	Sales—last 3 months×4 ^A						
2	Sales—3 previous months×4						
3	Sales—year ended December 31, 1941						
4	Line 1÷line 2						
5	Line 1÷line 3						

^A If your sales of these items are seasonal so that sales for the period are not truly representative, you may submit additional data to demonstrate that sales of the items are actually at a rate in excess of 75% of normal sales for the year 1941.

PART A—COMPUTATION OF NEW MAXIMUM PRICES FOR INDIVIDUAL ITEMS

SCHEDULE II—COMPUTATION OF AVERAGE DISCOUNT

The purpose of this schedule is to determine for the last three months' period the average discounts from list (or gross) prices for each item listed in Schedule I, when such items were sold to more than one class of purchaser. If sales to different classes of purchasers for this period are not representative of anticipated sales for the coming year, you may submit supplementary information relating to this for consideration by OPA.

		Columns refer to corresponding columns of Schedule I							
		(1)		(2)		(3)		(4)	
		Gross sales	Percent discount	Gross sales	Percent discount	Gross sales	Percent discount	Gross sales	Percent discount
1	Sales to final users								
2	Sales to dealers								
3	Sales to jobbers								
4	Sales to others								
5	Total sales—average discount		%		%		%		%

SCHEDULE III—COMPUTATION OF NEW MAXIMUM PRICES

Fill in the following information for each item listed in Schedule I

		Columns refer to corresponding columns of Schedule I			
		(1)	(2)	(3)	(4)
1	List (or gross) price on base date in regulation				
2	a Current maximum list (or gross) price				
	b Requested maximum list (or gross) price				
3	Unit cost on base date of regulation	XXXXXX	XXXXXX	XXXXXX	XXXXXX
	a Direct materials				
	b Direct labor (excluding overtime premiums)				
	c Factory overhead (including overtime premiums)				
	d Total factory cost (3a+3b+3c)				
	e Line 3c ÷ (Line 3a+line 3b)				
4	Allowable current factory costs	XXXXXX	XXXXXX	XXXXXX	XXXXXX
	a Direct materials				
	b Direct labor ^A (excluding overtime premiums and unapproved wage increases) ^B				
	c Actual factory overhead (including overtime) ^C				
	d Computed factory overhead (line 4a+line 4b)×line 3e				
	e Total allowable factory cost (4a+4b+smaller of 4c or 4d)				
5	Computed new list price [(line 4e+(100% minus percent figure of line 5) of Schedule II) ^D				

FOOTNOTES FOR SCHEDULE III

^A If the current content of "direct labor" differs in any important respects from its content on the base date, make adjustments needed to express current and base date "direct labor" and "factory overhead" on the same basis and explain fully on a separate sheet.

^B If you have granted any wage increases other than recognized increases as set forth below, list on a separate sheet such "unapproved" wage increases, the date on which granted, the extent of the increases, and the amount by which direct labor should be reduced so as to reflect its cost without the "unapproved" increases, and show how this amount was computed. The recognized increases include:

(1) wage increases approved by the appropriate wage and salary stabilization agency under Executive Orders 9599 and 9651,

(2) increases lawfully made or approved by the appropriate wage stabilization agency before August 18, 1945, and,

(3) increases made after August 18, 1945, under WLB General Order 30 relating to increases up to 55 cents per hour. If you have granted only recognized increases, a statement to this effect should be made in your application.

^C If the current method of allocating "factory overhead" is different in any important respects from the method used on the base date, make adjustments needed to express current and base date factory overhead on the same basis, and explain fully on a separate sheet.

^D If application is for a line of products *do not* fill in this line.

NOTE.—If cost data in Part A above are for representative items of a line (or group) of products, fill in Part B below. If cost data in Part A are for individual items, you need not fill in Part B.

PART B—NEW MAXIMUM PRICES FOR A LINE (OR GROUP) OF PRODUCTS

SCHEDULE IV—ADDITIONAL DATA REQUIRED

If application is being made for "representative items" of a line, or group, of products, fill in the following schedule. In this case, OPA will determine the amount of price adjustment, if any, and notify you accordingly.

1 Selling, general and administrative expense for representative items (columns refer to corresponding columns of Schedule I).								
(1)		(2)		(3)		(4)		
Base date	Current	Base date	Current	Base date	Current	Base date	Current	
2 Sales and expense data for division of company producing representative items				For period including base date (at least 3 months in length).		For recent period (at least 3 months in length).		
a	Total net sales of division for period shown.							
b	Total selling, general and administrative expense for division.							

NOTE: If any expenditures classified as selling, general or administrative expense on the base date are now classified as factory overhead, or vice versa, explain fully.

I certify that the facts submitted in this application are true and correct.

Sign here.....
(Signature of officer)

Title..... Date.....

OPA form 6083-2646 (1-46) Form approved Budget bureau No. 08-B1562 This form or any of its schedules may be reproduced without change UNITED STATES OF AMERICA OFFICE OF PRICE ADMINISTRATION WASHINGTON, 25, D. C. APPLICATION FOR ADJUSTMENT OF MAXIMUM PRICES UNDER SUPPLEMENTARY ORDER NO. 142 APPLICATION FORM IIB (For use in applying for price adjustment of individual items or lines of products on basis of unit cost data when company has had no recent normal operating experience)	Name of firm <hr/> Address—number and street <hr/> City, postal zone number, State <hr/> Phone number _____ Date _____ <hr/> Total sales of company for last full fiscal year \$..... For year ended.....194.....
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If less than \$500,000 (\$300,000 for MPP 246) file two copies of application with your Regional OPA Office. Otherwise file with Machinery Branch, Office of Price Administration, Washington 25, D. C.

GENERAL INSTRUCTIONS FOR FILING APPLICATION UNDER SUPPLEMENTARY ORDER NO. 142

Supplementary Order No. 142 provides a procedure by which manufacturers of products covered by the following regulations may apply for adjustment in the prices of such products:
 Revised Maximum Price Regulation 136—Machines, Parts and Industrial Equipment (except automotive trucks, motorcycles, buses, and house and truck trailers).

- Maximum Price Regulation 67—New Machine Tools.
- Maximum Price Regulation 82—Wire and Cable.
- Maximum Price Regulation 246—Manufacturers' and Wholesale Prices of Farm Equipment.
- Maximum Price Regulation 351—Ferrous Forgings.
- Maximum Price Regulation 523—Plastic Products.
- Maximum Price Regulation 581—Industrial Services.

Your application for price adjustment under Supplementary Order No. 142 may be made on any one of four bases described in the table below. In each case the data which you must submit is dependent on whether or not you have had recent normal operating experiences. The table indicates which one of three application forms should be used in each situation.

Basis of adjustment	Extent of price adjustment which will be allowed (if any)	Application form to use—	
		Where recent normal operating experience	Where no recent normal operating experience
1	Over-all profit and loss statement.	Use application Form I (OPA Form No. 6083-2644)	
2	Profit and loss statement for a division (or plant) of the company for which separate accounting records are kept.		
3	Unit cost data for representative items of a line (or group) of products.	Use application Form IIA (OPA Form 6083-2645).	Use application Form IIB (OPA Form 6083-2646).
4	Unit cost data for individual items.	(These forms may be used only if you maintain unit costs which can be supported by your records)	

WHEN THIS FORM IIB IS TO BE USED

You should use this form if you are applying on the basis of either (3) or (4) above, maintain unit costs which can be supported by your records, but do not have available current unit cost data reflecting normal cost experience for the items, or lines of products, for which price adjustment is desired. You are considered not to have normal operating experience for an item if any of the following conditions exist: (a) sales for the last three months were at an annual rate less than 75% of sales for the year 1941, (b) sales for the last three months were less than 75% of sales for the immediately preceding three-month period, and (c) current costs reflect abnormalities which will not exist in the coming year (such as an abnormal amount of subcontracting work, or the use of inefficient methods of production, necessitated by war conditions which have not as yet been eliminated). To indicate your position in these respects fill in Schedule I below. The percentage comparisons are indicated in Lines (4) and (5) of Schedule I.

SCHEDULE I—SALES INFORMATION

In the following schedule allow one line to an item. If application is being made for a line (or group) of products select representative items which accurately reflect the average cost-price relationship of the line or group (generally the fastest selling items) and fill in the requested information for these items, including the two "Total Columns." The items selected should account for at least 25% of total sales of the line or group in 1941, but you need not submit data for more than eight items if these are truly representative. In selecting a sample you may include on this application form items for which you have costs reflecting recent normal operating experience, as well as for those for which you do not have such experience.

		Identify each item in the spaces below (Name, catalog numbers, etc.)				Total of columns 1, 2, 3, and 4	Total sales of entire line
		(1)	(2)	(3)	(4)		
1	Sales—last 3 months x 4 ^A						
2	Sales—3 previous months x 4						
3	Sales—year ended December 31, 1941						
4	Line 1 ÷ line 2						
5	Line 1 ÷ line 3						

^A If your sales of these items are seasonal in nature so that sales for the period are not truly representative, may submit additional data to demonstrate that sales of the items are actually at a rate in excess of 75% of normal sales for the year 1941.

PART A—COMPUTATION OF NEW MAXIMUM PRICES

SCHEDULE II—COMPUTATION OF AVERAGE DISCOUNT

The purpose of this schedule is to determine for the year 1941 or some significant part thereof the average discounts from list (or gross) prices for each item listed in Schedule I, when such items were sold to more than one class of purchaser. If sales to different classes of purchasers for this period were not representative of anticipated sales for the coming year, you may submit supplementary information relating to this for consideration by OPA

		Columns refer to corresponding columns of Schedule I							
		(1)		(2)		(3)		(4)	
		Gross sales	Percent dis-count	Gross sales	Percent dis-count	Gross sales	Percent dis-count	Gross sales	Percent dis-count
1	Sales to final users								
2	Sales to dealers								
3	Sales to jobbers								
4	Sales to others								
5	Total sales—average discount		%		%		%		%

900 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

SCHEDULE III—COMPUTATION OF NEW MAXIMUM PRICES

Fill in the following information for each item listed in Schedule I

		Columns refer to corresponding columns of Schedule I			
		(1)	(2)	(3)	(4)
1	List price on base date of regulation				
2	a Current maximum list (or gross) price ^A				
	b Requested maximum list (or gross) price				
3	Unit cost on base date of regulation				
a	Direct materials				
	Direct labor (excluding overtime premiums)				
	Factory overhead (including overtime premiums)				
	Total factory cost (3a+3b+3c)				
	Line 3c ÷ (line 3a+3b)				
4	Allowable unit factory costs				
a	Direct materials (line 3a increased by % from line 20, Column 1 of Schedule IV)				
	Direct labor (line 3b increased by % from line 1c of Schedule V or line 2r of Schedule V)				
	Factory overhead (line 4a+line 4b) × line 3e				
	Total allowable factory cost (4a+4b+4c)				
5	Computed new list price [line 4d ÷ (100% minus % figure of line 5, Schedule II)]				

Additional data needed if you are requesting price increase for a line of products.

6	Base date general, administrative selling expense				
---	---	--	--	--	--

^A If different from list price on base date explain why on separate sheet. If you have received any price adjustments from OPA since the base date on products covered by this application, also give the OPA docket number(s) of the application(s).

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 901

PART B—ALLOWABLE INCREASES IN COSTS

SCHEDULE IV—COMPUTATION OF PERCENTAGE INCREASES IN PRICES OF DIRECT MATERIALS

For the completion of Line 4a of Schedule III you must determine the percentage increase since the applicable base date in the covering regulation in the prices of materials, parts and subassemblies as purchased by you in the same quantity, from the same source(s) and under the same general terms of sale. Where several items are listed in Schedule I, separate percentages may be determined for each item if such items are quite dissimilar with respect to the materials used and the proportions in which they are used. Otherwise fill out the schedule on the basis of all the bills of materials of the items listed in Schedule I.

	A Description of materials, parts, and sub-assemblies used directly	B Value of materials used (1)	Net purchase price per unit		Percent increase (column 3 minus column 2) ÷ Column 2 (4)	Column 4 × Column 1 (5)
			C Base date (2)	D November 27, 1945 (3)		
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18	All other ^E					
19	Total					
20	Percent increase (line 19, column 5 ÷ line 19, column 1)	%				

FOOTNOTES FOR SCHEDULE IV

A "Description of Material" may refer either to individual items or to groups of items where a wide variety of such items are purchased. In the case of individual items the "Description of Materials" should be specific and complete for each item setting forth the name of the material, form, size, etc., for raw materials, and the name and supplier's designation for component parts and subassemblies. Where a wide variety of items is referred to, give the group designation of products under the "Description" and show average prices in Columns (2) and (3) if such averages have significance. Otherwise make entries only in Columns (1) and (4). Wherever practical, the first method should be used. The grouping of items and averaging may be used *only* where the prices of the materials involved have not changed or changed only slightly, or constitute a homogeneous group such as gray iron castings (not all castings) or hot-rolled steel bars (not all steel).

^B Indicate here the value of the material or part in the bill of materials, or if the schedule applies to several items, the total value of the materials as indicated in all the bills of materials combined.

^C Show the base date price paid per unit of material or part. This should be the price recorded on the earliest dated invoice in October 1941 representing a normal-sized purchase from your principal customary supplier. If you have no invoice during that month, use the last preceding invoice dated earlier than October 1941.

902 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

^D Report prices as of November 27, 1945. If the current price is in excess of the November 27, 1945, price 1945, report such an increase on a separate sheet, but recognition of such increases are subject to Executive Orders 9599, 9651, such directives as are issued thereunder, and the applicable standards of OPA. The November 27, 1945 price should be the ceiling price of the material or part sold by the 1941 supplier in the same quantity and under the same general terms of sale for which the October 1941 price shown in Column (2) was reported. The ceiling price of an alternative supplier should be reported *only* where the 1941 supplier has gone completely out of the business of supplying that general type of material. Where this has occurred the ceiling price must be reported for a supplier of the same class and for the customary-sized purchase on which the October 1941 price was reported.

Only where November 27, 1945 prices definitely cannot be determined may current ceiling prices be reported under the same conditions (stated above) as apply to the November 27, 1945 price. Indicate these current ceiling prices with an asterisk (*) and the date for which reported. OPA will make the necessary adjustment (if any).

^E "All Other" if possible, should not account for more than 25% of the total. Give an estimate of the percentage increase in the column provided for this purpose.

SCHEDULE V—COMPUTATION OF PERCENTAGE INCREASE IN BASIC WAGE RATE SCHEDULE

For the completion of Line 4b of Schedule III you must determine the percentage increase from the applicable base date of the covering regulation to November 27, 1945 in the basic wage rates of your direct factory workers employed in the division of your business in which the items given in Schedule I are produced. Two alternative methods are provided below for determining this percentage increase. Full instructions for selecting the proper one and filling out the form follow.

GENERAL INSTRUCTIONS FOR FILLING OUT SCHEDULE V

Fill in *either* Schedule V (1) or V (2). Schedule V (1), however, should be used wherever possible. The use of Schedule V (2) is limited to certain special conditions set forth below under the instructions preceding the table of Schedule V (2). The Schedules, in general, are used to measure certain increases in your basic wage rates of factory employees since the applicable base date in the covering regulation. This refers to increases in single rates, or ranges of rates (measured from the mid-point of the old range to the mid-point of the new) for one or more job classifications as distinguished from increases affecting single employees. "Factory employees" refers to all the workers included in "direct labor" (Line 3b of Schedule III).

The OPA will recognize any increases in wages or salaries approved by the appropriate stabilization agency on or before November 27, 1945.

NOTE.—Report any increases since that time, but the recognition of such increases in the computation of adjusted costs shall be subject to the provisions of Executive Orders 9599, 9651, such directives as are issued thereunder by the Stabilization Director, and the applicable standards of OPA.

The following lists show types of recognized increases which may be included, and those which may not be included:

Types of changes which may be included

1. A plant-wide or any other general increase affecting a considerable portion of the positions in the plant which provides (a) a uniform change in cents per hour or per piece, (b) a uniform percentage change for all jobs covered by the action, or (c) a systematic list of differential increases among jobs.
2. Increases in cents per hour, or percent, to one or more job classification rates, rate ranges, piece rates or incentive wage rates.
3. Changes in the structure of incentive plans which affect the amount that can be earned for the same quality of work as represented by the average worker affected as of the date the changes were made.
4. An action in which the War Labor Board awards have provided for internal readjustment of wage rates amounting to a specified average increase.
5. Increases to equalize job rates for women, or for persons of certain races with rates for work of equal quantity or quality as already paid to men, or to persons of other races, but in no case shall the weight given such a change exceed the proportion of the plant's employees in those groups previously paid at lower rates in the pay roll period immediately preceding the base date.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 903

Types of changes which may not be included

1. In-grade promotions or any change in wage for the individual as distinguished from a change in the rate for the job.
2. Changes in vacation policies, non-production bonuses, or pay for overtime.
3. Increases granted automatically for length of service at stated intervals or after given periods.
4. Increases in earnings because of greater worker productivity under an incentive plan.
5. Changes in piece rates resulting from drastic changes in products, unless there has been a specific bargaining agreement to increase earnings during the process of revision.
6. Higher shift differentials except for plants which have multiple shifts in the major part of the plant's operations on the base date

1 Percentage increase in basic wage rate schedules by analysis of individual wage actions

A		Analysis of individual wage actions						
A Department, occupation or classification affected	Date of adjustment	B Adjustment (cents per hour or percent)	C Average straight-time hourly earnings before adjustment (omit if column 3 is completed in cents)	D Percent in column 3 × amount in column 4	E Percent of total workers in division receiving increase	Amount in column 3 or column 5 × percent in column 6	F WLR authority	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
I								
II								
III								
IV								
V								
VI								
VII	Total							
B		Average straight-time hourly earnings for the last payroll period prior to the applicable base date of the covering regulation						
I	Payroll period used (give dates)							
II	Total hours worked by factory employees							
III	Total earnings at straight-time wages ^G							
IV	Average straight-time hourly earnings (Line iii ÷ line ii)							
C	Increase in basic wage rate schedules—Line A (vii)—line B (iv)							

2 Percentage increase in basic wage rates by analysis of occupational wage rates.
 This alternative may be used only if the following conditions make it impossible to use Schedule V (1).
 (a) A continuous history of wage rate increases is lacking because of an extended company (or plant, shutdown after October 1941.
 (b) The proportion of workers in the job classification receiving wage increases to total company (or division) employment varied substantially (except where uniform wage increases were granted to the job classifications affected).
 If this schedule is used instead of Schedule V (1) indicate fully why Schedule V (1) could not be used.

Occupation or job classification (welder, Class B assembler, etc.)	Number of employees base date period	Base date straight-time hourly wage rate			Column 2×column 5	Straight-time hourly wage rate November 27, 1945			Column 2×column 9
		Rate range ^J		Specific rate or mid-point of rate range		Rate range ^J		Specific rate or mid-point of rate range	
		Minimum rate	Maximum rate			Minimum rate	Maximum rate		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
a									
b									
c									
d									
e									
f									
g									
h									
i									
j									
k									
l									
m									
n									
o									
p	Total								
q	Line p, column 10 minus line p, column 6								
r	Wage rate increase (line q÷line p, column 6)								%

FOOTNOTES FOR SCHEDULE V

^A An entry should be made for each separate occasion of a wage increase among the factory employees for the division of the business in which the items are produced. The change might involve only one job, or might include several job classifications, or even the whole of a department or plant. See NOTE above, under General Instructions for Filling Out Schedule V.

^B If an entry in this Column covers more than one job classification, rate or rate range receiving non-uniform increases, the amount reported should represent the weighted average of all the increase. The weighted average may be determined by multiplying the amount of each separate increase by the number of employees affected and dividing the sum of these products by the total number of employees receiving the increase.

^C Fill in this Column only in case the increase in Column 3 is stated in percent. Select a payroll period immediately preceding the date of the adjustment and determine the average hourly earnings during that period for the group of employees receiving the increase.

^D This operation is for the purpose of converting any increase expressed in percentage in Column 2 into cents per hour.

^E Compute the percentage of workers affected by dividing the number of employees to which the rate change applies by the total number of factory employees on the payroll at the time the change was affected.

^F For each adjustment since October 2, 1942, the WLB Office approving such adjustment and the order number and date must be listed for each adjustment requiring specific WLB approval. For other adjustments, such as those made under WLB General Orders, indicate the type of authorization.

^G Total earnings of employees at straight-time rates means earnings (1) before deductions for Social Security, withholding taxes, insurance, hospitalization dues, etc., (2) inclusive of regularly recurring bonus payments, such as production bonuses, and (3) exclusive of extra payments for overtime, and bonus payments that are not a part of regular earnings.

^H List the most important occupation or job classification of factory employees on payroll during last period prior to the applicable date of the regulation for the division producing the item. Account for at least 75% of the total employees.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 905

¹ Give number of employees in each occupation or job classification for this same period.

² If there existed an established range of rates for the job during the period specified list the minimum and maximum time rates in the appropriate columns. Also see NOTE above, under General Instructions for Filling Out Schedule V.

³ If entries were made in the two previous columns, enter here the mid-point between these maximum and minimum rates. Otherwise, enter the specific straight-time rate applicable to the job for the period specified.

I certify that the facts submitted in this application are true and correct.
 Sign here -----
 (Signature of Officer) (Title) (Date)

NOTE: All record keeping and reporting requirements of this regulation have been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942. This amendment shall become effective March 25, 1946.

Issued this 19th day of March 1946.

PAUL A. PORTER,
Administrator.

STATEMENT OF THE CONSIDERATIONS INVOLVED IN THE ISSUANCE OF AMENDMENT
 No. 2 TO SUPPLEMENTARY ORDER No. 142

This amendment adds Maximum Price Regulation 452 (Manufacturers' Maximum Prices for Automotive Parts) to the list of regulations covering products which are subject to the adjustment provisions contained in Supplementary Order No. 142. The parts covered by this regulation are manufactured by substantially the same manufacturers who produce products covered by the other listed regulations, and, in fact, some of the parts are identical with parts which are covered by the other listed regulations. For this reason, the addition of this coverage will simplify the problem of individual adjustment both for the OPA and for the affected manufacturers.

By striking out "house and truck trailers" from the exception to products covered, this amendment also adds these products to the coverage of Supplementary Order 142. It is now contemplated that a new regulation will shortly issue containing special pricing provisions to cover the other products excepted from the coverage of this order but not trailers. The Administrator, therefore, has determined that trailers should now be included under Supplementary Order 142.

Experience in processing applications for individual adjustment, since the issuance of Supplementary Order 142, has shown that, in some instances, it is either inequitable or impracticable to require the applicant to come in for adjustment on the "overall basis" on the basis of his overall Profit and Loss Statement. For this reason, this amendment eliminates this requirement. Ordinarily, the applicant applying for an adjustment of the maximum prices on the "overall basis" will file on the basis of his overall Profit and Loss Statement, but, in cases involving a complicated corporate structure, the applicant may file a Profit and Loss Statement for the division or divisions of his company which manufacture 90% or more of the products of the company which are covered by the regulations listed in the order. In a case, however, where the division of the company which applies for price relief is only a partly owned subsidiary, OPA may permit adjustments on the "overall basis" for that subsidiary only. There may also be cases where for other reasons, either that it would present an undue hardship for the applicant or extreme administrative difficulties for OPA, adjustment on the "overall basis" for a division of a company may be permitted. In this last category, if OPA adjusts maximum prices on the "overall basis", for a division or divisions of a company, the profit margin allowed on the application will be only one-half the profit margin to which the applicant would be otherwise entitled.

Since the issuance of Supplementary Order 142, it has appeared that some applicants have not fully understood the treatment on the "over-all basis" in cases where an industry survey has been or is being made. As stated in the Statement of Considerations, use is made of the individual's own profit factor for the reason that frequently there is not available a profit factor for the industry. Where, however, by an industry survey, this profit factor has been ascertained or it is known that it will shortly be ascertained, it would clearly be improper to apply the individual's own profit factor. In such cases, therefore, the profit factor which will be used will be one-half of the industry profit factor. If the application is processed on the basis of the applicant's recent operating experience (the first basis outlined in Section 2 (b) of the order), one-half of the ratio of net profit before taxes to net worth for the industry, in the base period, will be used. In cases where the adjustment is computed on the basis of projected costs, how-

ever, one-half of the ratio of operating profit to sales for the industry in the base period will be applied. There may be cases where only a portion of the applicant's total production consists of products for which an industry survey has been made. In such cases, where the projection basis is used, one-half of the industry profit factor will be applied to the sales of those products, and the applicant's own profit factor to the balance of his production; on the normal (or current) basis, one-half of the industry profit factor will be applied to that portion of the applicant's net worth which bears the same relation to his net worth as the sales of those products bears to total sales, and his own profit factor will be applied to the remaining portion of his net worth.

The Statement of Considerations for Supplementary Order 142 has indicated that the Administrator finds all of the products covered by the listed regulations to be essential, and the adjustments provided in the order are provided to bring out this essential supply. Since, at this critical period, it appears that all suppliers of these products are, in fact, essential suppliers, this amendment deletes the "essential supplier" condition from the order.

In the same manner, as the manufacturers of the products covered by the regulations listed in this order are essential to the production, resellers of the products are essential to the proper distribution. In most cases, in this field, the administrative burden of making a survey of the resellers to ascertain their absorptive capacity for individual adjustments granted the manufacturer is disproportionate to the contribution to stabilization, and, therefore, it has been the custom, in this field, to permit resellers to pass on dollar-wise, the amount of the increase in their costs. This customary procedure is now incorporated in the order by this amendment. In some cases, of course, either because of the multiplicity of products or because of the unbalancing effect upon price structure for the products, the dollar-wise pass through will be impracticable; in other cases, the Administrator may have ascertained that the resellers have capacity to absorb. In either of these events, the order issued upon the application of the manufacturer will make specific provision for resellers which will supersede the stated provision in the order.

Specific provisions for pricing by resellers in cases where the supplier has received a price adjustment have already been provided by Maximum Price Regulation 67, Maximum Price Regulation 246, and Maximum Price Regulation 453. This amendment continues these provisions in effect.

The automatic price adjustment for individual item adjustments now appears in the forms of application in Appendix A. Through inadvertence, the specific provision for this automatic effect of the application was omitted in the body of the order. This amendment adds a provision which explains in detail under what conditions an individual item adjustment may become automatically effective.

Two months' use of the application forms set forth in Appendix A of the order has indicated that certain minor changes were necessary to clarify the requirements and to provide more adequate cost information for computation of the adjustment. This amendment, therefore, substitutes, for the forms in Appendix A, new forms which incorporate these minor changes.

Issued this 19th day of March 1946.

PAUL A. PORTER, *Administrator.*

OFFICE OF PRICE ADMINISTRATION

(Document No. 51562)

PART 1305—ADMINISTRATION

ADJUSTMENT PROVISIONS FOR SALES OF INDUSTRIAL MACHINERY AND EQUIPMENT

[SO 142, Amdt. 1]

A statement of the considerations involved in the issuance of this amendment issued simultaneously herewith has been filed with the Division of the Federal Register.

Supplementary Order 142 is amended in the following respects.

1. Section 1 is amended to read as follows:

SECTION 1. *General purposes.* This supplementary order provides methods of adjusting the maximum prices for any product or services and is applicable to all products and services (except automotive trucks, motorcycles, buses and house

SO 142
AMDT. 1
DEC. 27, 1945

and truck trailers) covered by any of the following regulations: Revised Maximum Price Regulation 136—Machines, Parts and Industrial Equipment; Maximum Price Regulation 67—New Machine Tools; Maximum Price Regulation 246—Manufacturers and Wholesale Prices for Farm Equipment; Maximum Price Regulation 351—Ferrous Forgings; Maximum Price Regulation 523—Plastics Products; Maximum Price Regulation 82—Wire and Cable, and Maximum Price Regulation 581—Industrial Services.

Insofar as the provisions of this order differ from the adjustment provisions contained in any of the above-listed regulations, those provisions are superseded by this order.

2. Section 2 is amended by adding the following paragraph (g):

(g) *Delegation of authority.* Any Regional Administrator and any District Director, who has been authorized to act by the Regional Administrator having jurisdiction over his district may adjust maximum prices under this section 2 of this Supplementary Order 142.

This amendment shall become effective December 27, 1945.

Issued this 27th day of December 1945.

CHESTER BOWLES, *Administrator.*

STATEMENT OF CONSIDERATIONS ACCOMPANYING AMENDMENT NO. 1 TO SUPPLEMENTARY ORDER 142

It appears that section 1 of Supplementary Order 142 while it specifically includes Maximum Price Regulation 581, Industrial Services, under the coverage of the order does not specifically state that maximum prices for services may be adjusted under the provisions of the order. Section 1 is, therefore, amended specifically to include services.

It also appears that the order omitted a specific delegation of authority to the Regional Administrators and District Directors to issue adjustment orders on applications filed in the Regional Offices under the provisions of paragraph (e) of section 2. This amendment, therefore, adds such specific delegation.

Issued this 27th day of December 1945.

CHESTER BOWLES,
Administrator.

SO 142
DEC. 11, 1945

OFFICE OF PRICE ADMINISTRATION

(Document No. 51161)

PART 1305—ADMINISTRATION

[SO 142]

ADJUSTMENT PROVISIONS FOR SALES OF INDUSTRIAL MACHINERY AND EQUIPMENT

A statement of the considerations involved in the issuance of this supplementary order, issued simultaneously herewith, has been filed with the Division of the Federal Register.

AUTHORITY: (§1305.170 issued under 56 Stat. 23, 765; 57 Stat. 566; Pub. Law 383, 78th Cong.; Pub. Law 108, 79th Cong.; E.O. 9250, 7 F. R. 7871; E.O. 9328, 8 F. R. 4681, E.O. 9599, 10 F. R. 10155; E.O. 9651, 10 F. R. 15487.

SECTION 1. General purposes. This supplementary order provides methods of adjusting the maximum prices for any product and is applicable to all products (except automotive trucks, motorcycles, buses, and house and truck trailers) covered by any of the following regulations: Revised Maximum Price Regulation 136—Machines, Parts and Industrial Equipment; Maximum Price Regulation 67—New Machine Tools; Maximum Price Regulation 246—Manufacturers and Wholesale Prices for Farm Equipment; Maximum Price Regulation 351—Ferrous Forgings; Maximum Price Regulation 523—Plastics Products; Maximum Price Regulation 82—Wire and Cable, and Maximum Price Regulation 581—Industrial Services.

Insofar as the provisions of this order differ from the adjustment provisions contained in any of the above-listed regulations, those provisions are superseded by this order.

SEC. 2. *Individual applications.*—(a) *Qualifications.* Adjustments will be given under the provisions of this section only to essential suppliers. An essential supplier is one whose output or supply of a product cannot be reasonably expected to be replaced at prices lower than the proposed adjusted maximum price. No adjustment will be granted a supplier under the provisions of this section unless it can be found that the maximum price of the product is at such a level that (taking into account the cost thereof, and the nature of his business) production or supply of the product is impeded or threatened.

(b) *How adjustments will be computed.* In general, the OPA will treat adjustments in three different categories. The first category is called the "over-all adjustment." This will apply where the applicant submits his application for adjustment in the maximum prices of all his products which are governed by any of the regulations listed in section 1, on the basis of his over-all profit and loss statement.

The second category is called the "divisional adjustment." This adjustment will apply whenever the applicant applies for a price adjustment on a single line or several single lines of products, on the products of a division of his business, or on the products of one of his plants.

The third category is called the "individual item adjustment," and will be used wherever the applicant applies for the adjustment of the maximum prices of one or more single items of his line or lines of products.

These three different adjustment categories will in turn be treated upon two different bases. The first basis will be used where OPA finds that the applicant's recent operating experience can be considered normal. The second basis is where the OPA finds that the recent operating experience cannot be considered normal.

In determining whether or not the recent operating experience can be considered normal, OPA will examine:

(1) Whether the sales of the products covered by the application, during the most recent acceptable accounting period, approximated the 1941 level, and whether there has been a significant change in the level of sales during the most recent accounting period from the level of the sales during the immediately preceding period.

(2) Whether the sales for the recent period of the major groups of products of the applicant were approximately the same proportions as (i) were sales in the fiscal year ended nearest to December 31, 1941, or (ii) anticipated sales for the ensuing year.

(3) Whether the profit and loss statement for the most recent acceptable accounting period reflects any abnormal conditions of major significance.

Generally speaking, where the applicant's recent operating experience may be considered normal, the adjustment will be based upon adjusted current costs. Where, however, the applicant's recent operating experience cannot be considered normal, a projection of the applicant's 1941 costs from his 1941 profit and loss statement will be used in estimating the cost basis for the adjustment.

In the case of the over-all adjustment, the applicant will, in general, be allowed adjusted total costs plus a reasonable margin of profit. In the case of "divisional adjustments", the applicant will be allowed adjusted total costs, and in the case of "individual item adjustments", the applicant will be allowed adjusted factory costs.

In making any of these adjustments, OPA will also consider whether an industry price increase factor, for one or more of the applicant's products or product lines, has been announced, or an industry survey is in process.

In stating the methods of adjustment, it has been assumed that the year 1941 will represent, for the applicant, the last normal pre-war year, but the applicant may demonstrate to the OPA that, due to the impact of war orders or governmental restrictions on the manufacture of products or the use of materials or facilities, sales for the year 1941 were not representative of normal peacetime operations. In such cases, a more representative peacetime year may be selected by the applicant, subject to OPA approval.

If a seller has received an adjustment of his maximum prices on the over-all adjustment basis under the provisions of this paragraph, he may not thereafter apply under the provisions of this paragraph for adjustment of his maximum prices on the divisional or individual item adjustment basis, and if a seller has received an adjustment under the provisions of this paragraph on the divisional adjustment basis, he may not thereafter apply under the provisions of this paragraph for an adjustment on the individual item adjustment basis for any product falling within the product line or manufactured by the division or plant for which he has received adjustment, unless, in either case, the seller can show to the satisfaction of the OPA that there has been a substantial change in his cost structure since the date of his last application.

In computing adjusted costs, where the OPA finds that the applicant's operating experience can be considered normal, the OPA will recognize only the following wage increases:

(1) Any wage or salary increases lawfully made, or approved by the appropriate wage stabilization agency, before August 18, 1945.

(2) Any wage or salary increase made on or after August 18, 1945, satisfying the requirements of General Order No. 30 of the National War Labor Board (relating to increases up to 55¢ an hour).

(3) Any wage or salary increases approved by the appropriate wage or salary stabilization agency on and after August 18, 1945, pursuant to Executive Orders 9599 and 9651, and such directives and instructions thereunder as are issued by the Stabilization Administrator.

In computing adjusted costs, where the OPA finds that the applicant's operating experience cannot be considered normal, the OPA will recognize wage or salary increases approved by an appropriate wage stabilization agency before November 27, 1945, and any increases in the costs for materials (including purchased parts and subassemblies) purchased in the same quantities from the same source of supply from which the applicant customarily purchased such materials during the six months' period immediately preceding October 1, 1941, but not costs in excess of the maximum price of such materials in effect on November 27, 1945. The applicant may report to the OPA any increases in costs of materials and wage or salary increases occurring subsequent to November 27, 1945, but the recognition of such increases in the computation of adjusted costs shall be subject to the provisions of Executive Orders 9599 and 9651, such directives and instructions thereunder as are issued by the Stabilization Administrator, and the applicable standards of the OPA.

(c) *Applications based upon an appropriate decrease of other prices.* (1) Upon application of the seller, the OPA may make an adjustment of the maximum price of a product if the seller agrees to make and (simultaneously with an increase in the maximum price that may be authorized under this paragraph (c) accepts as new maximum prices a reduction in other selling prices which will equal or exceed the total dollar amount of the adjustment granted under this paragraph.

(2) The OPA, upon its own motion or upon application from the seller, may also make an adjustment of the maximum prices of products for which the seller has made application or has received adjustment under paragraph (b) on the over-all or divisional adjustment basis so that the price increase allowed may be applied in varying amounts to several products or lines of products. In making such adjustments, OPA may consider (i) the general level of prices of the products for which adjustment is proposed; (ii) the cost of the products for which adjustment is proposed; (iii) the average profitability of all the seller's products; (iv) the effect of the adjustment upon price control with respect to other commodities.

(3) An application for price adjustment under this paragraph (c) must show that if the proposed adjustment is granted the gross dollar amount of sales of the products affected by the adjustment will not be greater than it would have been in the absence of the adjustment, and that the general level of the prices of these products to the ultimate users will not be increased by reason of this adjustment under this paragraph. Whenever the OPA grants such an adjustment, it may require appropriate reports relating to the products affected.

(d) *Resellers.* Orders issued under this section may establish new maximum prices or a method of determining new maximum prices for sales by resellers of the products covered by such orders. Such new prices or methods of determining prices will supersede maximum prices established by the applicable regulations for such sales and will be consistent with the standards applied by the OPA to resellers.

(e) *How the seller proceeds in applying for an adjustment under this section—*(1) *Application forms.* A seller who desires to apply for an adjustment may apply at the same time for an adjustment under paragraphs (b) and (c) if the facts of his case warrant it. In such cases, the office considering his application will give the adjustment under paragraph (b) before applying paragraph (c). An application for adjustment shall be filed in accordance with Revised Procedural Regulation No. 1 and shall be made on copies of Form OPA-6083:2644, Form OPA-6083:2645, or Form OPA-6083:2646, set out in Appendix A of this order, if the application is filed under paragraph (b). No stated form of application is provided for applications under paragraph (c).

(2) *Where to file.* Applications shall be filed in the OPA National Office, except in cases where the seller's total sales of all commodities during the previous year

were less than the following amounts: if the applicant includes products under under Maximum Price Regulation 246, the amount is \$300,000; otherwise, the amount is \$500,000. All other applications shall be filed with the Regional Office of the OPA located in the same region in which the seller's business is located.

(3) *Application based on proposed wage or salary increase to be approved by authorized Federal agency.* A seller who believes that the conditions for an adjustment set forth in paragraph (b) would exist if an authorized Federal agency should approve a pending application for wage or salary increase pursuant to Executive Orders 9599 and 9651 and such directives and instructions thereunder as are issued by the Stabilization Administrator, may file an application for adjustment under this paragraph.

(f) *Prices for deliveries made pending disposition of the application.*—A seller who has filed an application under paragraph (e) for adjustment of maximum prices under paragraph (b) may contract or agree that deliveries made during the pendency of the application shall be at a specific price which is higher than the existing maximum price which the seller wants to have adjusted. However, no payment in excess of that existing maximum price may be received until final disposition is made of the application. Where the application is disposed of by an order issued under this section, the price received for deliveries made subsequent to the filing of the application may not exceed the maximum price as determined by the OPA. Where the application is disposed of by an order of general applicability, payment in excess of the maximum price in effect at the time of delivery may be made for deliveries made pending disposition of the application, only as expressly authorized by order of the Price Administrator. The provisions of this paragraph are not applicable to sellers applying under paragraph (c).

A seller who wishes to enter into such an arrangement must specifically state to the buyer the following:

- (1) The maximum price for the product;
- (2) The fact that the appropriate application for an adjustment of that maximum price has been filed with the OPA; and
- (3) The fact that the specific price quoted by him is subject to the approval of the OPA.

This Supplementary Order No. 142 shall become effective December 11, 1945.

Issued this 11th day of December 1945.

CHESTER BOWLES,
Administrator.

APPENDIX A—FORMS FOR APPLICATION FOR PRICE ADJUSTMENT

Applications for price adjustment may be filed upon the following forms, or the applicant may make copies of the portions of the forms providing for submission of essential data (omitting instructions) and file with the OPA.

<p>OPA Form No. 6083-2644, Bureau Budget No. 08R-1559. (This form may be reproduced without change)</p> <p style="text-align: center;">UNITED STATES OF AMERICA OFFICE OF PRICE ADMINISTRATION</p> <p>APPLICATION FOR ADJUSTMENT OF MAXIMUM PRICES UNDER SUPPLEMENTARY ORDER NO. 142</p> <p style="text-align: center;">APPLICATION FORM I</p> <p>(For use in applying for price adjustment on an over-all company, or division of the company basis.)</p>	<p>Name of firm.....</p> <p>Address of firm.....</p> <p>.....</p> <p>Phone No..... Date.....</p> <p>(File two copies of this application with your Regional OPA Office if your total sales for previous year were less than \$500,000 (\$300,000 in case of MPR 246). Otherwise file with Machinery Branch, OPA, Washington 25, D. C.)</p>
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GENERAL INSTRUCTIONS FOR FILING APPLICATION UNDER SUPPLEMENTARY ORDER NO. 142

S. O. 142 provides a procedure by which manufacturers of products covered by the following regulations may apply for adjustment in the prices of such products:

- Revised Maximum Price Regulation 136—Machines, Parts, and Industrial Equipment (except automotive trucks, motorcycles, buses, and house and truck trailers).
- Maximum Price Regulation 67—New Machine Tools.
- Maximum Price Regulation 82—Wire and Cable.
- Maximum Price Regulation 246—Manufacturers' and Wholesale Prices on Farm Equipment.
- Maximum Price Regulation 351—Ferrous Forgings.
- Maximum Price Regulation 523—Plastic Products.
- Maximum Price Regulation 581—Industrial Services.

Your application for price adjustment under S. O. 142 may be made on any one of four bases as described in the table below. In each case the data which you must submit is dependent on whether or not you have had recent normal operating experience. The table indicates which one of three application forms should be used in each situation.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 911

Basis of adjustment	Extent of price adjustment which will be allowed (if any)	Application form to use—	
		Where recent normal operating experience	Where no recent normal operating experience
1 Over-all profit and loss statement.	Prices will be increased sufficiently to cover allowable total costs (including selling and administrative expense) plus a normal profit margin. An "increase factor" will be determined to apply to all the products of the company which are covered by the above regulations.	Use application Form I (OPA Form No. 6083-2644)	
2 Profit and loss statement for a division (or plant) of the company for which separate accounting records are kept.	Prices will be increased sufficiently to cover allowable total costs (including selling and administrative expense). An "increase factor" will be determined to apply to all the products of the division (or plant) which are covered by the above regulations.		
3 Unit cost data for representative items of a line (or group) of products.	Prices will be increased sufficiently to cover allowable total costs (including selling and administrative expense) for the representative items taken as a whole. The computed "increase factor" will be made to apply to all the items of the line, or group of products.	Use application Form IIA (OPA Form No. 6083-2045).	Use application Form IIB (OPA Form No. 6033-2646).
4 Unit cost data for individual items.	Prices will be increased sufficiently to cover allowable total manufacturing costs for each item. New prices are computed by the applicant to become effective 20 days after OPA acknowledges the application (unless notification to contrary is given by OPA).	(These forms may be used only if you maintain unit costs which can be supported by your records)	

You should use this form only if you are applying on the basis of (1) or (2) above.

SCHEDULE I—SALES BREAKDOWN

Fill in the following schedule relating to the breakdown of sales for your entire company.

Major groups of products sold	Fiscal year ended nearest 12-31-41 ^A	Fiscal year ended nearest 12-31-44	Recent period ended _____ months ended 1945 ^B	Anticipated sales for next year
1 Groups for which relief is requested.	(1)	(2)	(3)	(4)
a				
b				
c				
d				
e				
2 Groups—no relief requested				
f				
g War work (not regular lines)				
3 Total of all products sold				

INSTRUCTIONS FOR SCHEDULE I

^A If you do not consider the year ended nearest December 31, 1941, as one of normal pre-war production, submit similar data on a separate sheet for the fiscal year ended nearest December 31, 1940.

^B This period should cover at least three months.

912 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

SCHEDULE II—BASIC FINANCIAL INFORMATION

Fill in the following information for either the entire company or for a division (or plant) of the company for which separate accounting records are maintained (depending on whether you have filed on the basis of (1) or (2) under General Instruction above). Read carefully instruction "F" below before filling in forms.

1 Financial statement for entire company or for ----- Div	Check	Fiscal year ended nearest 12-31-41 ^A	Fiscal year ended nearest 12-31-44	Recent period ---- months ended 1945 ^B
	<input type="checkbox"/> <input type="checkbox"/>			
a Net sales				
b Cost of goods sold				
i. Direct materials				
ii. Direct labor ^C				
iii. Indirect labor			XXXXXXXX	XXXXXXXX ^E
iv. Indirect materials and supplies			XXXXXXXX	XXXXXXXX
v. Other manufacturing expense			XXXXXXXX	XXXXXXXX
vi. Total other mfg. exp. (iii+iv+ <input type="checkbox"/> v) ^D				
vii. Net change in inventories				
viii. Total cost of goods sold				
c Gross profits				
d General, administrative and selling expense ^E				
e Net operating profit				
f Other income and deductions (net)				
g Net profit before income taxes				

2 Additional information required for entire company if (1) was filled out for Div.

a Net sales			
b Direct materials			
c Direct labor			
d Total mfg. expense			
e General, administrative, and selling expense			

3 Additional information required if (1) was filled out for the entire Company.

- a If not previously filed, submit balance sheet and profit and loss statements on OPA Form 403-50 Base Period Financial Report, or on your own prepared statements for the years 1936-40. If your own prepared statements are presented the profit and loss statement should contain as a minimum the following items: net sales, costs of goods, net operating profit and net profit before taxes.
- b If not previously filed, submit your most recent balance sheet and your balance sheet as of the end of the fiscal year ended nearest December 31, 1941, on OPA Financial Reporting Form A or your own prepared statement.

INSTRUCTIONS

^A If you do not consider the year ended nearest 12-31-41 as one of normal pre-war production, submit similar data on a separate sheet for the year ended nearest 12-31-40.

^B This period should be at least three months in length.

^C If the content of "direct labor" for the recent period differed in any important respect from its content for the fiscal year ended nearest 12-31-41 because of a change in accounting procedure, explain fully on a separate sheet. (This need not be done if you are using the "Projected Basis" as described below.)

^D If you are applying on the "Current Basis" as described below you may omit breakdown of "total other factory expense" and fill in line b (vi) only—omitting lines b (iii), (iv), and (v).

^E If the content of "General, Administrative and Selling" expense for the recent period differed in any important respects from its contents for the fiscal year ended nearest 12-31-41 because of a change in accounting procedure, explain fully on a separate sheet. (This need not be done if you are using the "Projected Basis" as described below.)

^F If you have granted any "unapproved" wage increases since August 18, 1945, as defined in Executive Orders 9599 and 9651 (and in directives issued thereunder by the Stabilization Director) you must indicate

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 913

the amount by which "direct labor" should be reduced so as to reflect its cost without these unapproved increases. This does not apply to recognized increases including: (1) increases approved by the appropriate wage and salary stabilization agency under Exec. Orders 9599 and 9651; (2) increases lawfully made or approved by the appropriate wage stabilization agency before 8-18-43; and (3) increases made after 8-18-45, under WLB Gen. Order 30, relating to increases up to 55¢ per hr. If you have granted only recognized increases, a statement to this effect should be made in your application.

IMPORTANT

Schedules I and II above must be filled in completely by all applicants. If you have had recent normal operating experience as defined below you need not submit the information requested in schedules III, IV, and V. If you have not had recent normal operating experience as defined below complete the rest of form.

If your company has available recorded data which accurately reflects normal operating experience, use is made of such data in determining any allowable price increases. This is referred to as the "Current Basis." If no such data is available, use is made of pre-war data projected to reflect certain basic changes which have occurred since that time (referred to as "Projected Basis"). To assist OPA in determining which basis to use in your case, check the answers to the following questions:

- | | Yes | No |
|--|--------------------------|--------------------------|
| 1. Do you have available for the company or accounting division (whichever is applicable) a recent profit and loss statement of at least three months duration which reflects normal operating experience for the products for which relief is requested? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Were "Net Sales" in this statement at an annual rate in excess of 75% of "Net Sales" for the fiscal year ended nearest 12-31-41? (See Sch. II.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Were "Net Sales" in this statement at an annual rate in excess of 75% of "Net Sales" for the three immediately preceding months? (Show here net sales for this previous 3 months period \$____.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Were sales of the major products for which relief is requested for the "recent" period (Column 3 Sched. I) in approximately the same proportions as you expect for the coming year? (Note: If answer is "Yes" and expected sales for this period are in different proportions from sales for 1941, explain fully on separate sheet why these proportions are expected to continue.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Were sales made to different classes of purchasers of the products for which relief is requested in the "recent period" in approximately the same proportions as you expect for the coming year? (Note: If answer is "Yes" and the expected proportion of sales to different classes of purchasers for this period varied considerably from the proportions of 1941, explain fully on a separate sheet why these changed proportions are expected to continue.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Do your costs of production in the "recent accounting period" accurately reflect methods of production which you plan to use in the next year? Answer "No" for instance if the amount of subcontracted work was higher than is anticipated for next year, or if inefficient methods necessitated by war conditions were still being reflected in costs of production for recent period. | <input type="checkbox"/> | <input type="checkbox"/> |

If you have answered "No" to any of the above questions proceed with schedules III, IV, and V. If you have answered "Yes" to all questions you need not proceed beyond this point. In case of doubt it will be best to fill in schedules III, IV, and V.

914 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

SCHEDULE III—CHANGES IN PRICES OF DIRECT MATERIAL AND PURCHASED PARTS

The purpose of this Schedule is to determine a weighted average percentage increase from October 1, 1941 to November 27, 1945 in the prices paid for direct material and parts as purchased by you for manufacture into the products produced by the company (or division of the company) whose operations are described in Schedule II. In determining the "Value of Materials Used" in Col. (1) of the Schedule proceed as follows:

1. If a wide variety of products are produced, use the first available of the following which can be determined accurately:
 - (a) The value of the materials actually used during the prewar period of Schedule II.
 - (b) The value of the materials purchased during the prewar period.
 - (c) An estimate of the materials used during the prewar period.
2. If a comparatively small number of similar products are produced:
 - (a) Select a representative product which uses the principal materials in amounts bearing a reasonable relation to the totals for the entire company (or division) and determine the "Value of Materials Used" from a bill of materials for this product.
 - (b) If no one product fills the requirements of 2 (a) you may select and add together the bills of materials of several products.

NOTE: If (2) is used, give name of product on which materials increase was based and indicate the volume of sales of that product in the pre-war period used in Schedule II.

Description of materials, parts, and subassemblies used directly ^A	Value of materials used ^B	Net purchase price per unit		Percent increase Col. 3—Col. 2 divided by Col. 2	Name of principal supplier ^E
		Oct. 1, 1941 ^C	Nov. 27, 1945 ^D		
(1)	(2)	(3)	(4)	(5)	(5)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12 All other ^F		XXXX	XXXX		XXXX
13 Total		XXXX	XXXX		XXXX

INSTRUCTIONS

^A "Description of Material" may refer either to individual items or to groups of items where a wide variety of such items are purchased (such as castings, forgings, or various types of steel or lumber). In the case of individual items the "Description of Materials" should be specific and complete for each item setting forth the name of the material, form, size, etc., for raw materials, and the name and supplier's designation for component parts and subassemblies. Where a wide variety of items is referred to, give the class of products under the "Description" and show average prices in columns (2) and (3) if such averages have significance. Otherwise make entries only in Columns (1) and (4). Wherever practical, the first method should be used.

^B See introductory statement above.
^C Show October 1941 price paid per unit of the material or part. This should be the price you actually paid your principal supplier in October 1941 in a normal or regular purchase. If you did not make a purchase in October, give the price quoted to you by your principal supplier in October 1941 (on your usual size purchase).

^D Report prices as of November 27, 1945 whenever such prices are known. If the current price is in excess of the November 27, 1945, price you may report such an increase on a separate sheet but recognition of such increases are subject to Executive Orders 9599, 9651, such directives as are issued thereunder, and the applicable standards of OPA. Where November 27, 1945, prices are unknown, report current prices (not to exceed legal maximum prices) of your principal supplier for purchases in the same quantities as used in determining the price in Column 2 of those materials and parts which are currently on the market and OPA will make the necessary adjustment. For any materials and purchased parts which have not been obtained recently report your prospective supplier's lowest quotation and indicate with an asterisk (*) all such prices which have not received OPA approval.

^E Name of recent supplier should be given if materials have been obtained recently; otherwise give name of 1941 supplier. Place a check mark (✓) opposite the name of the recent supplier if different from the base period supplier.

^F "All Other" is possible, should not account for more than 25% of the total. Give an estimate of the percentage increase in the column provided for this purpose.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 915

SCHEDULE IIIA—CHANGES IN PRICES OF INDIRECT MATERIALS AND SUPPLIES

Give estimate of average increase in legal prices of indirect materials and supplies ———%. If estimated increase is more than 12%, fill out schedule similar to Schedule III for indirect materials and supplies.

INTRODUCTION TO SCHEDULES IV AND V—CHANGES IN BASIC WAGE RATES

Either Schedule IV or Schedule V may be used to obtain data necessary to measure certain increases in your basic wage rates of factory employees from October 1, 1941, to November 27, 1945. This refers to increases in single rates, or in ranges of rates (measured from the midpoint of the old range to the midpoint of the new) for one or more job classifications, as distinguished from increases affecting single employees. If Schedule II is filled out for a division (or plant) of the company, "factory employees" refers to all workers included in "direct labor" (line 1b ii). If Schedule II is filled out for the entire company "factory employees" includes "indirect labor" as well as "direct labor". Ordinarily this should include, in addition to productive workers, the maintenance, supervisory and other indirect workers. Sales and administrative employees should not be included. The OPA will recognize any increases in wages or salaries approved by the appropriate stabilization agency on or before Nov. 27, 1945. You may report any increases since that time but the recognition of such increases in the computation of adjusted costs shall be subject to the provisions of Executive Orders 9599, 9651, such directives as are issued thereunder by the Stabilization Director, and the applicable standards of OPA.

The following lists of recognized increases show types of increases which may be included and those which may not be included.

Types of increases which may be included.—1. A plant-wide or any other general increase affecting a considerable portion of the positions in the plant which provides (a) a uniform change in cents per hour or per piece, (b) a uniform percentage change for all jobs covered by the action, or (c) a systematic list of differential increases among jobs.

2. Increases in cents per hour, or percent, to one or more job classification rates, rate ranges, piece rates or incentive wage rates.

3. Changes in the structure of incentive plans which affect the amount that can be earned for the same quantity and quality of work as represented by the average worker affected as of the date the changes were made.

4. An action in which the War Labor Board awards have provided for internal readjustment of wage rates amounting to a specified average increase.

5. Increases to equalize job rates for women, or for other groups of persons with rates for work of equal quantity or quality already paid generally, but in no case shall the weight given such a change exceed the proportion of the plant's employees in those groups previously paid at lower rates on the payroll period covering most of October 1-15, 1941.

Types of increases which will not be included.—1. In-grade promotions or any change in wage for the individual as distinguished from a change in the rate for the job.

2. Changes in vacation policies, nonproduction bonuses, or pay for overtime.

3. Increases granted automatically for length of service at stated intervals or after given periods.

4. Increases in earnings because of greater worker productivity under an incentive plan.

5. Changes in piece rates resulting from drastic changes in products, unless there has been a specific bargaining agreement to increase earnings during the process of revision.

6. Higher shift differentials except for plants which have multiple shifts in the major part of the plant's operations in 1941.

Methods which may be used.—You may determine your increase in basic wage rates by either one of two methods: (1) by an analysis of individual wage actions (Schedule IV), or (2) by a comparison of occupational wage rates as of October 1, 1941 and the present time (Schedule V).

916 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

SCHEDULE IV—CHANGES IN BASIC WAGE RATES (ANALYSIS OF WAGE ACTIONS)

This method should be used wherever possible. If you had established job classifications on October 1, 1941, you should be able to fill in A below completely. If no such job classifications were in effect on October 1, 1941, fill out the schedule for the period from October 2, 1942, to November 27, 1945, and data obtained from B will be used to measure the change from October 1, 1941 to October 2, 1942. B should be filled in completely in either case.

A. Individual wage actions.

Department, occupation or job classifications affected A	Date of adjustment	Adjustment (cents per hour or percent) B	Average straight-time hourly earnings before adjustment (omit if Col. 3 is completed in cents) C	Percent in Col. 3 x amount in Col. 4 D	Percent of total workers in division receiving increase E	Amount in Col. 3 or Col. 5 x percent in Col. 6	WLB authority F
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10 Total	XXXX	XXXXXX	XXXXXXXXXX	XXXXXX	XXXXXXXX		XXXXXX

B. Computation of average straight time hourly rate	Oct. 1, 1941	Oct. 1, 1942	Nov. 27, 1945
1 Pay-roll period (use the last period prior to the three dates shown in vertical columns).	From	From	From
	To	To	To
2 Total hours worked for factory employees during period.	hrs.	hrs.	hrs.
3 Total earnings at straight time rates. ^G	\$	\$	\$
4 Average straight time hourly earnings (line 3+line 2).	\$	\$	\$

INSTRUCTIONS (FOR SCHEDULE IV)

^A An entry should be made for each separate occasion of a wage increase among the factory employees for the organization unit of the business reported in Schedule II. The change might involve only one job, or might include several job classifications, or even the whole of a department or plant.

^B If an entry in this column covers more than one job classification, rate or rate range receiving nonuniform increases, the amount reported should represent the weighted average of all the increases. The weighted average may be determined by multiplying the amount of each separate increase by the number of employees receiving the increase.

^C Fill in this column only in case the increase in column (3) is stated in percent. Select a pay-roll period immediately preceding the date of the adjustment and determine the average hourly earnings during that period for the group of employees receiving the increase.

^D This operation is for the purpose of converting any increases expressed in percentage in column 2 into cents per hour.

^E Compute the percentage of workers affected by dividing the number of employees to which the rate change applies by the total number of factory employees on the pay roll at the time the change was effected.

^F For each adjustment since October 2, 1942, the WLB office approving such adjustment and the order number and date must be listed for each adjustment requiring specific WLB approval. For other adjustments, such as those made under WLB General Orders, indicate the type of authorization.

^G Total earnings of employees at straight-time rates means earnings (1) before deductions for social security, withholding taxes, insurance, hospitalization dues, etc., (2) inclusive of regularly recurring bonus payments, such as production bonuses, and (3) exclusive of extra payments for overtime, and bonus payments that are not a part of regular earnings.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 917

SCHEDULE V--CHANGES IN BASIC WAGE RATES (ANALYSIS OF OCCUPATIONAL WAGE RATES)

This alternative method may be used when the method of Schedule IV cannot be used without excessive difficulty.

(1) Occupation or job classification (welder, class B, assembler, etc.) ^A	(2) Number of employees, October 1941 ^B	Wage rate—October 1941			(6) Col. 2 x Col. 5	Straight-time hour-wage rate Nov. 27, 1945			(10) Col. 2 x Col. 9
		Rate range ^C		(5) Specific rate or midpoint of rate range ^D		Rate range ^C		(9) Specific rate or midpoint of rate range ^D	
		(3) Minimum rate	(4) Maximum rate			(7) Minimum rate	(8) Maximum rate		
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18 Total.....		XXXXX	XXXXX	XXXXXX		XXXXX	XXXXX	XXXXX	

INSTRUCTIONS

^A List the most important occupation or job classifications of factory employees on pay roll during last period prior to October 1, 1941, for the organizational unit reported in Schedule II. Account for at least 75% of the total employees.

^B Give number of employees in each occupation or job classification for this same period.

^C If there existed an established range of rates for the job during the period specified, list the minimum and maximum straight-time rates in the appropriate columns.

^D If entries were made in the two previous columns, enter here the midpoint between these maximum and minimum rates. Otherwise enter the specific straight-time rate applicable to the job for the period specified.

I certify that the facts submitted in this application are true and correct.

Sign here _____ (Date)

(Signature of officer)

(Title)

(Date)

918 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

<p>OPA Form No. 6083-2645 Bureau Budget No. 08R-1560.</p> <p>(This form may be reproduced without change)</p> <p style="text-align: center;">UNITED STATES OF AMERICA OFFICE OF PRICE ADMINISTRATION</p> <p>APPLICATION FOR ADJUSTMENT OF MAXIMUM PRICES UNDER SUPPLEMENTARY ORDER NO. 142</p> <p style="text-align: center;">APPLICATION FORM IIA</p> <p>(For use in applying for price adjustment of individual items or lines of products on basis of recent unit cost data reflecting normal operating experience.)</p>	<p>Name of firm</p> <p>Address of firm</p> <p>.....</p> <p>Phone number Date</p> <p>(File two copies of this application with your Regional OPA Office if your total sales for the previous year were less than \$500,000 (\$300,000 in case of MPR 246). Otherwise, file with the Machinery Branch, OPA, Washington 25, D. C.</p>
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GENERAL INSTRUCTIONS FOR FILING APPLICATION UNDER SUPPLEMENTARY ORDER NO. 142

S. O. 142 provides a procedure by which manufacturers of products covered by the following regulations may apply for adjustment in the prices of such products:

- Revised Maximum Price Regulation 136—Machines, Parts and Industrial Equipment (except auto-motive trucks, motorcycles, buses and house and truck trailers)
- Maximum Price Regulation 67—New Machine Tools
- Maximum Price Regulation 82—Wire and Cable
- Maximum Price Regulation 246—Manufacturers and Wholesale Prices for Farm Equipment
- Maximum Price Regulation 351—Ferrous Forgings
- Maximum Price Regulation 523—Plastics Products
- Maximum Price Regulation 581—Industrial Services

Your application for price adjustment under S. O. 142 may be made on any one of four bases as described in the table below. In each case, the data which you must submit is dependent on whether or not you have had recent normal operating experience. The table indicates which one of three application forms should be used in each situation.

Basis of adjustment	Extent of price adjustment which will be allowed (if any)	Application form to use—	
		Where recent normal operating experience	Where no recent normal operating experience
1 Over-all profit and loss statement.	Prices will be increased sufficiently to cover allowable total costs (including selling and administrative expense) plus a normal profit margin. An "increase factor" will be determined to apply to all the products of the company which are covered by the above regulations.	Use application Form I (OPA Form No. 6083-2644)	
2 Profit and loss statement for a division (or plant) of the company for which separate accounting records are kept.	Prices will be increased sufficiently to cover allowable total costs (including selling and administrative expense). An "increase factor" will be determined to apply to all the products of the division (or plant) which are covered by the above regulations.	Use application Form I (OPA Form No. 6083-2644)	
3 Unit cost data for representative items of a line (or group) of products.	Prices will be increased sufficiently to cover allowable total costs (including selling and administrative expense) for the representative items taken as a whole. The computed "increase factor" will be made to apply to all the items of the line, or group of products.	Use application Form IIA (OPA Form No. 6083-2645).	Use application Form IIB (OPA Form No. 6083-2646).
4 Unit cost data for individual items.	Prices will be increased sufficiently to cover allowable total manufacturing costs for each item. New prices are computed by the applicant to become effective 20 days after OPA acknowledges receipt of the application (unless notification to the contrary is given by OPA).	(These forms may be used only if you maintain unit costs which can be supported by your records)	

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 919

WHEN THIS FORM IIA IS TO BE USED

You may use this form if you are applying on the basis of either (3) or (4) above, maintain unit costs which can be supported by your records, and if you have available current cost data reflecting normal cost experience for the items, or line of product, for which price adjustment is desired. You are considered to have had normal operating experience for an item if all the following conditions are met: (a) sales for the last three months were at an annual rate in excess of 75% of sales for the year 1941, (b) sales for the last three months were in excess of 75% of sales for the immediately preceding three months' period and (c) current costs reflect methods of production such as will be in use for the coming period. (You do not meet this test, for instance, if current costs reflect an abnormal amount of subcontracting work, or if the use of inefficient methods of production necessitated by war conditions, have not been eliminated.)

SCHEDULE I—SALES INFORMATION

In the following schedule allow one line to an item. If application is being made for a line (or group) of products, select representative items which accurately reflect the average cost-price relationship of the line (or group) and fill in the requested information for these items, including the two "Total Columns." The items selected should account for at least 25% of total sales in 1941, but you need not submit data for more than eight items if these are truly representative. If you are not able to select a representative sample of items for the line, all of which meet the tests for recent normal operating experience (lines 4 and 5 below), obtain copy of Application Form IIA and fill out for other representative items which do not meet the tests for normal operating experience.

	Identify each item (name, catalog numbers, etc.) in the spaces below				Total of cols. (1), (2), (3), and (4)	Total sales of entire line
	(1)	(2)	(3)	(4)		
1 Sales—last 3 months × 4 ^A .						
2 Sales—3 previous months × 4.						
3 Sales—year ended Dec. 31, 1941.						
4 Line 1 ÷ line 2.						
5 Line 1 ÷ line 3.						

INSTRUCTIONS

^A If your sales of these items are seasonal so that sales for the period are not truly representative, you may submit additional data to demonstrate that sales of the items are actually at a rate in excess of 75% of normal sales for the year 1941.

PART A—COMPUTATION OF NEW MAXIMUM PRICES FOR INDIVIDUAL ITEMS

SCHEDULE II—COMPUTATION OF AVERAGE DISCOUNT

The purpose of this schedule is to determine for the last three months period the average discounts from list (or gross) prices for each item listed in Schedule I when such items were sold to more than one class of purchaser. If sales to different classes of purchasers for this period are not representative of anticipated sales for the coming year, you may submit supplementary information relating to this for consideration by OPA.

	Columns refer to corresponding columns of Schedule I							
	(1)		(2)		(3)		(4)	
	Amount	Percent dis- count	Amount	Percent dis- count	Amount	Percent dis- count	Amount	Percent dis- count
1 Sales to final users.								
2 Sales to dealers.								
3 Sales to jobbers.								
4 Sales to others.								
5 Total sales—Average dis- count.		%		%		%		%

920 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

SCHEDULE III—COMPUTATION OF NEW MAXIMUM PRICES

Fill in the following information for each item listed in Schedule I.

	Columns refer to corresponding columns of Schedule I			
	(1)	(2)	(3)	(4)
1 List (or gross) price on base date in regulation.				
2 Current maximum list (or gross) price.				
3 Unit cost on base date of regulation.				
a Direct labor (excluding overtime premiums).				
b Direct materials.				
c Factory overhead (including overtime premiums).				
d Total factory cost (3a+3b+3c).				
e Line 3c÷(line 3a+line 3b).				
4 Allowable current factory costs.				
a Direct materials.				
b Direct labor ^A (excluding overtime premiums and unapproved wage increases) ^B				
c Actual factory overhead (including overtime). ^C				
d Computed factory overhead (Line 4a+line 4b)×line 3e.				
e Total allowable factory cost (4a+4b+smaller of 4c or 4d).				
5 Computed new list price (line 4e÷100% minus percent figure of line 5 of Schedule II).				

INSTRUCTIONS TO SCHEDULE III

^A If the current content of "direct labor" differs in any important respects from its content on the base date, make adjustments needed to express current and base date "direct labor" and "factory overhead" on the same basis and explain fully on a separate sheet.

^B If you have granted any "unapproved" wage increases since August 18, 1945, as defined in Executive Orders 9599 and 9651 (and in directives issued thereunder by the Stabilization Director), you must indicate (on a separate sheet) the amount by which "direct labor" should be reduced so as to reflect its cost without these unapproved increases. This does not apply to recognized increases including: (1) wage increases approved by the appropriate wage and salary stabilization agency under Executive Orders 9599 and 9651, (2) increases lawfully made or approved by the appropriate wage stabilization agency before August 18, 1945, and (3) increases made after August 18, 1945, under WLB General Order 30 relating to increases up to 55 cents per hour. If you have granted only recognized increases, a statement to this effect should be made in your application.

^C If the current method of allocating "factory overhead" is different in any important respects from the method used on the base date, make adjustments needed to express current and base date factory overhead on the same basis, and explain fully on a separate sheet.

NOTE.—If cost data in part A above are for representative items of a line (or group) of products, fill in part B below. If cost data in part A are for individual items, you need not fill in part B.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 921

PART B—NEW MAXIMUM PRICES FOR A LINE (OR GROUP) OF PRODUCTS

SCHEDULE IV—ADDITIONAL DATA REQUIRED

If application is being made for "representative items" of a line, or group, of products, fill in the following schedule. In this case, OPA will determine the amount of increase, if any, and notify you accordingly.

1 Selling, general, and administrative expense for representative items	Columns refer to corresponding columns of Schedule I			
	(1)	(2)	(3)	(4)
a Base date selling, general and administrative expense				
b Current selling, general and administrative expense				
2 Sales and expense data for division of company producing representative items	For Period Including Base Date (at least 3 months in length)		For Recent Period (at least 3 months in length)	
a Total net sales for period shown				
b Total selling, general and administrative expense for division				

NOTE.—If any expenditures classified as selling, general or administrative expense on the base date are now classified as factory overhead, or vice versa, explain fully.

I certify that the facts submitted in this application are true and correct.

Sign here.....Signature of officer.....Title.....Date.....

OPA Form No. 6083-2646 Bureau Budget No. OSR-1561 (This form may be reproduced without change) UNITED STATES OF AMERICA OFFICE OF PRICE ADMINISTRATION APPLICATION FOR ADJUSTMENT OF MAXIMUM PRICES UNDER SUPPLEMENTARY ORDER NO. 142 APPLICATION FORM IIB (For use in applying for price adjustment of individual items or lines of products on basis of unit cost data when company has had no recent normal operating experience.)	Name of firm..... Address of firm..... Phone number..... Date..... (File two copies of this application with your OPA Office if your total sales for the previous year were less than \$500,000 (\$300,000 in the case of MPR 246). Otherwise file with Machinery Branch, OPA, Washington 25, D. C.)
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GENERAL INSTRUCTIONS FOR FILING APPLICATION UNDER SUPPLEMENTARY ORDER NO. 142

S. O. Order No. 142 provides a procedure by which manufacturers of products covered by the following regulations may apply for adjustment in the prices of such products:

- Revised Maximum Price Regulation 136—Machines, Parts and Industrial Equipment (except automotive trucks, motorcycles, buses, and house and truck trailers).
- Maximum Price Regulation 67—New Machine Tools.
- Maximum Price Regulation 82—Wire and Cable.
- Maximum Price Regulation 246—Manufacturers' and Wholesale Prices of Farm Equipment.
- Maximum Price Regulation 351—Ferrous Forgings.
- Maximum Price Regulation 523—Plastic Products.
- Maximum Price Regulation 581—Industrial Services.

Your application for price adjustment under Supplementary Order No. 142 may be made on any one of four bases as described in the table below. In each case the data which you must submit is dependent on whether or not you have had recent normal operating experiences. The table indicates which one of three application forms should be used in each situation.

922 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Basis of adjustment	Extent of price adjustment which will be allowed (if any)	Application form to use	
		Where recent normal operating experience	Where no recent normal operating experience
1 Overall profit and loss statement.	Prices will be increased sufficiently to cover allowable total costs (including selling and administrative expense) plus a normal profit margin. An "increase factor" will be determined to apply to all the products of the company which are covered by the above regulations.	Use application Form I (OPA Form No. 6083-2644)	
2 Profit and loss statement for a division (or plant) of the company for which separate accounting records are kept.	Prices will be increased sufficiently to cover allowable total costs (including selling and administrative expense). An "increase factor" will be determined to apply to all the products of the division (or plant) which are covered by the above regulations.		
3 Unit cost data for representative items of a line (or group) of products.	Prices will be increased sufficiently to cover allowable total costs (including selling and administrative expense) for the representative items taken as a whole. The computed "increase factor" will be made to apply to all the items of the line, or group of products.	Use application Form IIA (OPA Form No. 6083-2045)	Use application Form IIB (OPA Form No. 6083-2646)
4 Unit cost data for individual items.	Prices will be increased sufficiently to cover allowable total manufacturing costs for each item. New prices are computed by the applicant to become effective 20 days after OPA acknowledges the receipt of application (unless notification to the contrary is given by OPA).	(These forms may be used only if you maintain unit costs which can be supported by your records).	

When this form IIB is to be used.—You should use this form if you are applying on the basis of either (3) or (4) above, maintain unit costs which can be supported by your records, but do not have available current unit cost data reflecting normal cost experience for the items, or lines of products, for which price adjustment is desired. You are considered not to have normal operating experience for an item if any of the following conditions exist: (a) sales for the last three months were at an annual rate less than 75% of sales for the year 1941, (b) sales for the last three months were less than 75% of sales for the immediately preceding three month period, and (c) current costs reflect abnormalities which will not exist in the coming year (such as, an abnormal amount of subcontracting work, or the use of inefficient methods of production, necessitated by war conditions which have not as yet been eliminated). To indicate your position in these respects fill in Schedule I below. The percentage comparisons are indicated in lines (3) and (4).

SCHEDULE I—SALES INFORMATION

In the following schedule allow one line to an item. If application is being made for a line (or group) of products select representative items which accurately reflect the average cost-price relationship of the line (or group) and fill in the requested information for these items, including the two "total columns." The items selected should account for at least 25% of total sales in 1941, but you need not submit data for more than eight items if these are truly representative. In selecting a sample you may include on this application form items for which you have costs reflecting recent normal operating experience, as well as for those for which you do not have such experience.

	Identify each item (name, catalog numbers, etc.) in the spaces below				Total of Col. (1), (2), (3), and (4)	Total sales of entire line
	(1)	(2)	(3)	(4)		
1 Sales—last 3 months × 4 ^A .						
2 Sales—3 previous months × 4.						
3 Sales—year ended Dec. 31, 1941.						
4 Line 1 ÷ line 2.						
5 Line 1 ÷ line 3.						

^A If your sales of these items are seasonal in nature so that sales for the period are not truly representative, you may submit additional data to demonstrate that sales of the items are actually at a rate in excess of 75% of normal sales for the year 1941.

PART A—COMPUTATION OF NEW MAXIMUM PRICES

SCHEDULE II—COMPUTATION OF AVERAGE DISCOUNT

The purpose of this schedule is to determine for the year 1941 or some significant part thereof the average discounts from list (or gross) prices for each item listed in Schedule I, when such items were sold to more than one class of purchaser. If sales to different classes of purchasers for this period were not representative of anticipated sales for the coming year, you may submit supplementary information relating to this for consideration by OPA.

	Columns refer to corresponding columns of Schedule I							
	(1)		(2)		(3)		(4)	
	Amount	Percent discount	Amount	Percent discount	Amount	Percent discount	Amount	Percent discount
1 Sales to final users.								
2 Sales to dealers.								
3 Sales to jobbers.								
4 Sales to others.								
5 Total sales—Average discount.		%		%		%		%

SCHEDULE III—COMPUTATION OF NEW MAXIMUM PRICES

Fill in the following information for each item listed in Schedule I.

	Columns refer to corresponding columns of Schedule I			
	(1)	(2)	(3)	(4)
1 List price on base date of regulation.				
2 Current maximum list (or gross) price.				
3 Unit cost on base date of regulation.				
a Direct materials.				
b Direct labor (excluding overtime premiums).				
c Factory overhead (including overtime premiums).				
d Total factory cost (3a+3b+3c).				
e Line 3c÷(line 3a÷3b).				
4 Allowable unit factory costs.				
a Direct materials (line 3a increased by percentage of line 20, Col. 1 of Sch. IV).				
b Direct labor (line 3b increased by percentage of line 1c of Sch. V or line 2r of Sch. V).				
c Factory overhead (line 4+line 4b)× line 3e.				
d Total allowable factory cost (4a+4b+4c).				
5 Computed new list price (line 4d÷100 percent minus percent figure of line 5, Schedule II).				
Additional data needed if you are requesting price increase for a line of products.				
6 Base date general, administrative, selling expense.				

924 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

PART B—ALLOWABLE INCREASES IN COSTS

SCHEDULE IV—COMPUTATION OF PERCENTAGE INCREASES IN PRICES OF DIRECT MATERIALS

For the completion of line 5a of Schedule III you must determine the percentage increase since the applicable base date in the covering regulation in the prices of materials, parts, and subassemblies. Where several items are listed in Schedule I, separate percentages may be determined for each item if such items are quite dissimilar with respect to the materials used and the proportions in which they are used. Otherwise fill out the schedule on the basis of all of the bills of materials of the items listed in Schedule I.

Description of materials, parts, and subassemblies used directly ^A	Value of materials used ^B	Net purchase price per unit		Percent increase Col. 3 minus Col. 2 ÷ Col. 2	Col. 4 × Col. 1
		Base date ^C	Nov. 27, 1945 ^D		
(1)	(2)	(3)	(4)	(5)	(6)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18 All other ^B		XXXXXX	XXXXXX		
19 Total		XXXXXX	XXXXXX	XXXXXX	
20 Percent increase (Line 19, Col. 5 ÷ Line 19, Col. 1)		XXXXXX	XXXXXX	XXXXXX	XXXXXX

INSTRUCTIONS FOR FILLING OUT SCHEDULE IV

^A "Description of Materials" may refer either to individual items or to groups of items where a wide variety of such items are purchased (such as castings, forgings or various types of steel or lumber). In the case of individual items the "Description of Materials" should be specific and complete for each item setting forth the name of the material, form, size, etc., for raw materials, and the name and supplier's designation for component parts and subassemblies. Where a wide variety of items is referred to, give the class under the description and make entries only in Columns (1) and (4). Wherever practical, the first method should be used.

^B Indicate here the value of the material or part in the bill of materials, or if the schedule applies to several items, the total value of the materials as indicated in all the bills of materials combined.

^C Show base date price paid per unit of the material or part. This should be the price you actually paid your principal supplier or the applicable base date of the covering regulation in a normal or regular purchase. If you did not make a purchase in October, give the price quoted to you by your principal supplier in the base date month (on your usual size purchase).

^D Report prices as of November 27, 1945 whenever such prices are known. If the current price is in excess of the November 27, 1945 price you may report such an increase but recognition of such increases are subject to Executive Orders 9599, 9651, such directives as are issued thereunder, and the applicable standards of OPA. Where November 27, 1945 prices are unknown report current prices (not to exceed legal maximum prices) of your principal supplier for purchases in the same quantities as used in determining the price in Column 2 of those materials and parts which are currently on the market and OPA will make the necessary adjustments. For any materials and purchased parts which have not been obtained recently report your prospective supplier's lowest quotation and indicate with an asterisk (*) all such prices which have not received OPA approval.

^E "All Other" if possible, should not account for more than 25% of the total. Give an estimate of the percentage increase in the column provided for this purpose.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 925

SCHEDULE V—COMPUTATION OF PERCENTAGE INCREASE IN BASE WAGE RATE SCHEDULE

For the completion of line 5b of Schedule III you must determine the percentage increase from the applicable base date of the covering regulation to November 27, 1945 in the basic wage rates of your direct factory workers employed in the division of your business in which the items given in Schedule I are produced. Two alternative methods are provided below for determining this percentage increase. Choose the one which best suits your purpose. Full instructions for filling out the form are given below.

1. Percentage increase in basic wage rate schedules by analysis of individual wage actions.

a. Analysis of individual wage actions:

Department, occupation or job classification affected (1) ^A	Date of adjustment (2)	Adjustment (cents per hour or percent) (3) ^B	Average straight time hourly earnings before adjustment, or if Col. (3) is in cents (4) ^C	Percent in Col. (3) times amount in Col. (4) (5) ^D	Percent of total workers in division receiving inc. (6) ^E	Amount in Col. (3) or Col. (5) x percent in Col. (6) (7)	WLB authority (8) ^F
i							
ii							
iii							
iv							
v							
vi							
vii Total	XXXXXX	XXXXXX	XXXXXXXX	XXXXXX	XXXXXX		XXXXXX

b. Average straight time hourly earnings for the last pay roll period prior to the applicable base date of the covering regulation:

i Pay roll period used (give dates). From _____ To _____

ii Total hours worked by factory employees _____ Hrs.

iii Total earnings at straight time rates ^G \$ _____

iv Average straight time hourly earnings (line iii ÷ line ii) \$ _____

c. Increase in basic wage rate schedules—line a (vii) ÷ line b (iv) _____ %

2. Percentage increase in basic wage rates by analysis of occupational wage rates.

Occupation or job class (welder, class B assembler, etc.) (1) ^H	No. of employ-ees base date period (2) ^I	Base date straight time hourly wage rate			Col. 2 X Col. 5	Nov. 27, 1945, straight time hourly wage rate			Col. 2 X Col. 9
		Rate range ^J		Specific rate or midpoint of rate range ^K		Rate range		Specific rate or midpoint of rate range	
		Mini-mum rate (3)	Maxi-mum rate (4)			Mini-mum rate (7)	Maxi-mum rate (8)		
a									
b									
c									
d									
e									
f									
g									
h									
i									
j									
k									
l									
m									
n									
o									
p Total	XXXXXX	XXXXX	XXXXX	XXXXXX		XXXXX	XXXXX	XXXXXX	
q Line p Col 10 minus line p Col 6									
r Wage rate increase (line q ÷ line p Col 6)									

GENERAL INSTRUCTIONS FOR FILLING OUT SCHEDULE V

Either Schedule V (1) or (2) above may be used to obtain data necessary to measure certain increases in your basic wage rates of factory employees since the applicable base date in the covering regulation. This refers to increases in single rates, or ranges of rates (measured from the midpoint of the old range to the midpoint of the new) for one or more job classifications as distinguished from increases affecting single employees. "Factory employees" refers to all the workers included in "direct labor" (line 4b of Schedule II).

The OPA will recognize any increases in wages or salaries approved by any appropriate stabilization agency on or before November 27, 1945. You may report any increases since that time but the recognition of such increases in the computation of adjusted costs shall be subject to the provisions of Executive Orders 9599, 9651, such directives as are issued thereunder by the Stabilization Director, and the applicable standards of OPA.

The following lists show types of recognized increases which may be included, and those which may not be included:

Types of changes which may be included. 1. A plant-wide or any other general increase affecting a considerable portion of the positions in the plant which provides (a) a uniform change in cents per hour or per piece, (b) a uniform percentage change for all jobs covered by the action, or (c) a systematic list of differential increases among jobs.

2. Increases in cents per hour, or percent, to one or more job classification rates, rate changes, piece rates or incentive wage rates.

3. Changes in the structure of incentive plans which affect the amount that can be earned for the same quantity and quality of work as represented by the average worker affected as of the date the changes were made.

4. An action in which the War Labor Board awards have provided for internal readjustment of wage rates amounting to a specified average increase.

5. Increases to equalize job rates for women, or for persons of certain races with rates for work of equal quantity or quality as already paid to men, or to persons of other races, but in no case shall the weight given such a change exceed the proportion of the plant's employees in those groups previously paid at lower rates in the pay-roll period immediately preceding the base date.

Types of changes which may not be included. 1. In-grade promotions or any change in wage for the individual as distinguished from a change in the rate for the job.

2. Changes in vacation policies, non-production bonuses, or pay for overtime.

3. Increases granted automatically for length of service at stated intervals or after given periods.

4. Increases in earnings because of greater worker productivity under an incentive plan.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 927

5. Changes in piece rates resulting from drastic changes in products, unless there has been a specific bargaining agreement to increase earnings during the process of revision.

6. Higher shift differentials except for plants which have multiple shifts in the major part of the plant's operations on the base date.

Methods which may be used. You may determine your increase in basic wage rates by either one of two methods: (a) by an analysis of individual wage actions (Schedule V (1)) or (b) by a comparison of occupational wage rates as of the base date and the present time (Schedule V (2)).

FOOTNOTES—SCHEDULE V

^A An entry should be made for each separate occasion of a wage increase among the factory employees for the division of the business in which the items are produced. The change might involve only one job, or might include several job classifications, or even the whole of a department or plant.

^B If an entry in this Column covers more than one job classification, rate or rate range receiving nonuniform increases, the amount reported should represent the weighted average of all the increase. The weighted average may be determined by multiplying the amount of each separate increase by the number of employees affected and dividing the sum of these products by the total number of employees receiving the increase.

^C Fill in this Column only in case the increase in Column 3 is stated in percent. Select a pay-roll period immediately preceding the date of the adjustment and determine the average hourly earnings during that period for the group of employees receiving the increase.

^D This operation is for the purpose of converting any increase expressed in percentage in Column 2 into cents per hour.

^E Compute the percentage of workers affected by dividing the number of employees to which the rate change applies by the total number of factory employees on the pay roll at the time the change was affected.

^F For each adjustment since October 2, 1942, the WLB Office approving such adjustment and the order number and date must be listed for each adjustment requiring specific WLB approval. For other adjustments, such as those made under WLB General Orders, indicate the type of authorization.

^G Total earnings of employees at straight-time rates means earnings (1) before deductions for Social Security, withholding taxes, insurance, hospitalization dues, etc, (2) inclusive of regularly recurring bonus payments, such as production bonuses, and (3) exclusive of extra payments for overtime, and bonus payments that are not a part of regular earnings.

^H List the most important occupation or job classification of factory employees on pay-roll during last period prior to the applicable date of the regulation for the division producing the item. Account for at least 75% of the total employees.

^I Give number of employees in each occupation or job classification for this same period.

^J If there existed an established range of rates for the job during the period specified, list the minimum and maximum time rates in the appropriate columns.

^K If entries were made in the two previous columns, enter here the midpoint between these maximum and minimum rates. Otherwise, enter the specific straight-time rate applicable to the job for the period specified.

I certify that the facts submitted in this application are true and correct.

Sign here.....
 (Signature of officer) (Title) (Date)

During the war years, adjustments were provided for under provisions of the various regulations covering the machinery field to bring forth production essential to the war effort. In general, the method permitted adjustment of maximum prices up to current factory costs, current total costs, or current total costs plus a reasonable margin of profit depending upon the relationship of the company's current overall profit position to its average profits for the base period 1936-1939, adjusted for increases in net worth. These current costs incorporated all cost increases regardless of source and duration. Such pricing encouraged high-cost producers whose products otherwise might not have been forthcoming under ceiling prices which were generally fair and equitable for the industry as a whole, and also served its wartime purpose as an anti-inflationary measure by substituting individual adjustment for industry-wide price increases to bring out the "essential supply" requirements of the Armed Forces, War Production Board, War Food Administration and Lend-Lease.

The end of the war has brought into being certain new conditions which have necessitated a thorough review of these war standards in order to determine whether or not they require modification in order most effectively to promote the transition to a peacetime economy. Authority for such revision is contained in the President's Directive 9599, which empowered the Price Administrator to make price adjustments whenever they "are necessary to remove gross inequities or to correct maladjustments or inequities which would interfere with the effective transition to a peacetime economy." In exercising this authority, the Price Administrator is guided by the policies stated in the Directive, particularly that portion which directs the several agencies "To continue the stabilization of the economy as authorized and directed by the Emergency Price Control Act of 1942, as amended, and the Stabilization Act of 1942, as amended, . . . and while so doing (by) making whatever modifications in controls over prices, wages, materials and facilities are necessary for an orderly transition from war to peace". The products covered by the regulations listed in the order (RMPR 136, MPR 67, MPR 246, MPR 351, MPR 523, MPR 581, and MPR 82) are the basic machines required in the various manufacturing processes to which the industries of the

country are reconverting and the basic parts for numberless peacetime commodities. The Administrator has therefore determined that all products covered by these regulations are in fact necessary for an orderly transition from war to peace.

The need for modification of the wartime standards was first made evident by the receipt of an increasing number of applications for adjustment in the prices of products which the applicant had produced in small volume, if at all, during the war period. Obviously, in such situations, the wartime standards were inapplicable since they were based on current costs and profits. Resort was, therefore, had to the general reconversion procedure of the Office as outlined in Supplementary Orders 118 and 119, which approximates current normal costs by adjusting the costs of the last normal prewar period for increases in direct and indirect materials prices and in basic wage rate schedules of factory workers and adds thereto one-half of the average profit ratio for the industry in the base period 1936-39.

The transition period had not progressed very far before it was evident that this reconversion technique was superior to the wartime standards in other situations not strictly of a reconversion nature, where current recorded costs and profits failed to reflect accurately normal operating conditions. This was true, for instance, of those industries which had greatly expanded the production of their peacetime goods during the war period and were suddenly faced with a reversal of this trend as a result of cutbacks and cancellations. It was also true, of these industries which had concentrated their efforts during the war on non-civilian items, while continuing the production of their civilian lines largely on a subcontracting basis. Both of these situations were often accompanied by extreme distortion of the proportions in which the various kinds of civilian products were produced and by significant shifts in the amounts sold to various classes of purchasers, which further accentuated the unreliability of the current recorded cost and profit data.

This expansion of the area covered by the reconversion procedure served to emphasize the differences between this method and the wartime standards, and suggested the development of a uniform procedure to cover all adjustment situations for which current cost information is not reliable or available to be used in conjunction with other criteria applicable to situations for which there is current cost information. The standards established by this order are designed for this purpose.

The new standards follow the principles of the reconversion procedure in eliminating from consideration abnormal costs of a temporary nature. Where such costs are present, use is made of the technique of projecting costs from a normal pre-war period as on the reconversion procedure. Wherever possible, however, use is made of current costs, or elements of such costs, as on the wartime standards.

The practice of determining the amount of adjustment to be granted on the basis of the current over-all profit position of the company, as is done in the case of the wartime standards, has been abandoned. Such a practice is impractical because of the difficulties involved in determining current profits in the rapidly changing situations characteristic of the transition period. However, the three-pronged approach to granting relief contained in the wartime standards has been retained—through on a different basis. Adjustment in prices up to allowable manufacturing costs is granted on individual items, up to allowable total costs on lines of products or accounting divisions of a company, and up to allowable total costs plus a margin of profit when the company applies on the basis of its over-all operations. Justification for allowing more than manufacturing costs for lines (or groups) of products or for accounting divisions, lies in the fact that a group of products will normally contain some items whose profits tend to offset the losses on items for which relief would be required on an individual product basis. For the same reason, more relief should be available if a company applies on the basis of its over-all operations than if it applies on the basis of a division or line of products. Relief up to allowable total costs plus a margin of profit is, therefore, given in such cases.

This order provides for two distinct methods of treatment, depending upon whether or not normal operating experience exists. Normal operating experience is defined in the order in rather broad terms so as to limit such cases to the clear-cut situations where OPA may justifiably rely upon current costs as a sound basis for prospective costs. Specifically, the following are the general considerations which will be examined by the Office of Price Administration in determining whether normal operating experience may be assumed:

1. Whether the company's application is based on a statement covering at least three months of actual operations.

2. Whether its sales volume in the period on which its application is based is at an annual rate in excess of both (a) 75% of its sales volume in the year 1941, and (b) 75% of its sales volume in the three month period immediately preceding the period on which its application is based.

3. Whether sales of the major groups of products in the accounting period on which the application is based were in approximately the same proportions as would be expected during the next year. If the proportions in the accounting period were significantly different from those of 1941, the applicant must affirmatively establish the fact that the new sales mix will continue.

4. Whether, in addition to the absence of a significant change in the proportions of sales of the major groups of products, the applicant can affirmatively establish the fact that the proportions of sales made to various classes of purchasers are representative of those which may be expected in the future, so that the average realization during the period will be representative of the future.

5. Whether the profit and loss statement on which the application is based reflects abnormal cost conditions such as a larger proportion of subcontracting than in 1941, or purchases from abnormally high cost sources of supply or abnormally costly methods of production brought about by stationary instead of line assembly, or hand instead of machine operations.

The methods of adjusting prices under this order have been broadly stated in the order. Specifically, where operating experience may be considered normal, allowable costs will be computed on the basis of current cost data or the financial statement for the most recent acceptable accounting period. In certain cases, however, adjustments will be made in factory overhead where it is apparent that this expense is at an inflated figure, resulting from wartime and transition dislocation. In view of this fact, therefore, in computing adjustments under this order in such cases the Office of Price Administration will use the current figure for factory overhead provided that it does not exceed the ratio which this expense bore to direct labor and materials in the normal peacetime period (usually 1941). In any event no adjustment will be made in factory overhead which will reduce the overhead below the amount permitted by the use of the technique employed in Supplementary Orders 118 and 119 for projecting indirect labor and materials costs. Adjustments will also be made in general selling and administrative expenses where it is apparent that these expenses are abnormal as a result of wartime and transition dislocation. In such cases the ratio that general selling and administrative expenses bore to the net sales in the normal peacetime period, (usually 1941), will be applied to current sales reflecting 1941 prices.

In situations where there has been no recent normal operating experience, use will be made of the projection technique employed in Supplementary Orders 118 and 119 for adjusting normal pre-war costs, with one exception. When an adjustment is based on unit cost data submitted by the company, the separation of indirect materials and indirect labor from factory overhead expense allocated to a product is both administratively difficult and logically of little significance. In such cases, therefore, factory overhead expense is treated on an overall basis and made to bear the same relationship to the sum of direct labor and materials as it bore in the normal pre-war period.

In all cases where the application is made on the overall basis the adjustments will be computed upon the applicant's overall profit and loss statement. In cases where operating experience may be considered normal, there will be allowed the same ratio of profit to current net worth as in 1936-1939. In all other cases, the applicant's 1936-1939 profit ratio to net sales will be allowed. The resulting adjustment, expressed as a percentage increase factor, will be applied only to the maximum prices of the products covered by the listed regulations.

In the machinery field, it has frequently been found impossible to clearly define an industry, and it is partially for this reason that price adjustments heretofore have generally followed along the individual adjustment lines rather than the industry-wide basis. There are and will be, of course, certain industries which can be clearly defined and surveyed for the purpose of ascertaining industry-wide price increase factors, and this order will make provision for such surveys and adjustments. In view of these facts, as previously stated, adjustments on an overall basis, where projected costs are used, will reflect the applicant's own 1936-1939 profit experience. The use of this profit factor, however, will be confined to cases where no industry survey has been made or is contemplated. In all other cases, as in Supplementary Order 119, one-half of the industry profit

factor which has been ascertained by the Office will be reflected in the price adjustment applicable to that portion of the applicant's sales to which the industry-wide price increase factor has been or will be applied.

It is recognized that, in some instances, certain applicants will either have had abnormally unfavorable profit experience in the base period years or will have had no operating experience in those years. In such cases, of course, where an industry profit factor has been established, there will be no difficulty. Where no industry survey has been made or is contemplated, however, it is recognized that some provision for a reasonable profit factor in the over-all adjustments should be made. From the experience in the machinery field, the Administrator has found an 8% profit factor would represent an average profit factor for all industries. On over-all adjustment cases where no industry profit factor has been determined the average profit factor of 8% will be allowed companies which were not in business in the base period years, and all applicants will be allowed at least 4%, one-half the average profit factor.

The vast majority of machinery manufacturers are multiple line producers who would qualify under the standards of Supplementary Orders 118 and 119 as reconverting manufacturers only as to a portion of their total production. Placing machinery products under that order will engender confusion among the machinery manufacturers; it would complicate the adjustment problems of the Administrator unduly. In fact, there would be many cases in which applicants would be unable to obtain overall price adjustment under this order where a portion of their products was subject to the reconversion orders. As has been pointed out, the treatment of manufacturers in adjustments under this order as to reconversion products will follow the lines of the reconversion orders where the applicant seeks over-all adjustments, and although it is recognized that the standards in this order for adjustments of anything less than the entire production of the applicant depart from those contained in the reconversion orders, it is the opinion of the Administrator that the provisions of this order will encourage the necessary production in this field, and that, in most cases, the applicant will receive adjustments which will be comparable to those which might have been afforded under the reconversion orders. For these reasons, the issuance of this order will be accompanied by an amendment to Supplementary Order 118 and Supplementary Order 119, deleting from the appendices of these orders all machinery items. As a result, all adjustments in the machinery field will be processed under the provisions of this order and will receive uniform treatment.

For the most part, the machinery price field does not have presented the problem of resellers which is present in the other branches of the Office. There are and will be, however, occasions when price adjustments on an industry-wide or an individual basis will require consideration of the reseller problem. As stated in the order, this problem will be treated in accordance with the Administrator's general policies on resellers' cost absorptions.

This order provides that adjustments in prices will be predicated upon adjustments in costs which will reflect only such increases in basic wage schedules of factory workers and in the level of materials prices as may be recognized under the provisions of Executive Orders 9599 and 9651, directives of the Office of Stabilization Administration and standards of the Office of Price Administration which are developed thereunder. Applications for adjustment in price may also be made in cases where there is prospect of wage increases which may be includible under these standards.

Provision is also made for increasing maximum prices of some products of an applicant when the applicant accepts new maximum prices for other products which are lower than the current selling prices. Where over-all adjustment is made or where adjustment is made for a plant, division or line of products, Office of Price Administration may apply the adjustment in greater amount to some products of the applicant than to others. In either case, this type of balanced adjustment will be made only if it does not result in increased total realization by the applicant, and if the general level of the applicant's prices to consumers remain the same.

Issued this 11th day of December 1945.

CHESTER BOWLES,
Administrator.

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

TUESDAY, APRIL 30, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to recess on yesterday, Monday, April 29, 1946, in room 301, Senate Office Building, Senator Robert F. Wagner (chairman) presiding.

Present: Senators Wagner (chairman), Bankhead, Barkley, Taylor, Mitchell, Carville, Taft, and Buck.

The CHAIRMAN. The committee will come to order.

First, I would like to read a telegram which I have received from the managing director of the American Business Congress, which is as follows [reading]:

THE AMERICAN BUSINESS CONGRESS,
New York City, April 29, 1946.

Senator ROBERT F. WAGNER,
*Chairman, Senate Banking and Currency Committee,
Washington 25, D. C.:*

Average business regards OPA as the cornerstone of reconversion. Curtailment of anti-inflation laws would negate Wage Stabilization Board's steadying effect over the salary pattern and Civilian Production Administration's effort to keep goods moving through priorities and set-asides. Proposed House amendments would hobble price control to extent making entire program ineffectual. In recent months OPA has proved its capacity to make adjustments justified by changing economic needs. It has relinquished controls over many items when justified by sufficient production. In some instances it has necessarily resumed control where prices threatened to run out of hand. The American Business Congress asks your help in continuing OPA and urges that OPA be empowered to regulate commercial and industrial rentals which have soared to fantastic heights in recent years.

HEYMAN ROTHBART,
Managing Director.

Senator TAFT. What is the American Business Congress?

The CHAIRMAN. As I understand it, it is a number of businessmen who have been organized into an American Business Congress.

Senator TAFT. I think we might have the officers and members of that organization listed with the telegram, perhaps?

(The following is a list of officers and directors of American Business Congress:)

NATIONAL PRESIDENT

George J. Seedman, president, Times Square Stores Corp.

OFFICERS OF NEW YORK UNIT

President: Joseph D. Brown, president, Poloron Products, Inc.

Vice president: Nat Bass, president, American Pressboard Co.

Treasurer: Alonzo H. Magee, president, New York Air Valve Corp.

Secretary: Harold M. Schwab, executive director, American Business Congress.
 Counsel: Thomas J. Donovan, co-chairman, mayor's committee on defense recreation.
 Associate counsel: Albert W. Clurman, attorney.

DIRECTORS

Abrams, Ben, president, Emerson Radio & Phonograph Corp.
 Blumenkrantz, A., president, General Instrument Corp.
 Botwinick, Benjamin, president, Taxicab Bureau, Inc.
 Brown, Joseph D., president, Poloron Products, Inc.
 Cummings, Stanley, executive secretary, National Association of Uniform Manufacturers, Inc.
 Elias, Eli, Elias Sportswear Co.
 Harrison, George, The Harrison Co.
 Joseph, Sylvan, former regional OPA director.
 Lebow, Victor, sales manager, Chester Roth Co., Inc.
 Quinto, Henry, Phil & H. Quinto.
 Shorin, Ira, Topps Chewing Gum.

The CHAIRMAN. Yes; I will ask that that be done.

Senator BARKLEY. It sounds like a rival of the National Association of Manufacturers.

Senator TAFT. I have noticed a number of organizations that seem to have sprung up merely for the purpose of continuing OPA, and I thought that perhaps this was one of them.

The CHAIRMAN. I suppose they are interested in business.

I should also like to incorporate in the record a letter from the general manager of the Institute of Boiler and Radiator Manufacturers, New York, N. Y., submitting his statement, together with three charts.

(The documents referred to are as follows:)

THE INSTITUTE OF BOILER AND RADIATOR MANUFACTURERS,
New York 17, N. Y., April 26, 1946.

Extension of Price Control Act.

Hon. ROBERT F. WAGNER,
*Chairman, Banking and Currency Committee,
 Washington, D. C.*

Dear Sir: In your letter of April 19, 1946, you state that my request for appearance before your committee cannot be granted. You suggest that a written statement be filed which will receive the attention of the committee members and that 20 additional copies be provided.

Pursuant thereto, I am sending to the clerk of the committee 21 copies of a brief statement pertaining to the effect of OPA pricing policies on the production of vitally needed heating equipment for residences.

It is respectfully requested that this statement be incorporated in the record of the committee hearings.

Very truly yours,

—————, *General Manager.*

THE INSTITUTE OF BOILER AND RADIATOR MANUFACTURERS,
New York 17, N. Y., April 26, 1946.

To the Senate Committee on Banking and Currency:

EXTENSION OF PRICE CONTROL ACT

This statement is presented on behalf of the members of this institute who comprise a large majority of the manufacturers of heating boilers and radiators.

PURPOSE OF STATEMENT

The purpose of this statement is to present the facts pertaining to the need for heating boilers and radiators and the effect which OPA price controls have had in creating a serious shortage.

ESSENTIALITY OF BOILERS AND RADIATORS

Housing units in most parts of the country are not usable unless heating equipment is supplied. Boilers and radiators are an essential part of such equipment.

There are several types of heating equipment which will be installed in the homes to be built under the veterans' emergency housing program. Warm-air furnaces, space heaters, floor furnaces, and stoves will all be used. However, unless production of boilers and radiators is maintained and sharply increased, it is inevitable that a large number of homes to be built during 1946 and succeeding years will be uninhabitable because of lack of heat. Boilers and radiators are particularly adaptable to multifamily units, apartments, duplex houses, and semi-detached houses. There will be a large number of such types of units built under the veterans' housing program because such types conserve lumber, brick, and other building materials that are in short supply.

The 1946 target of Mr. W. W. Wyatt, Housing Expediter, calls for 1,200,000 homes, of which 700,000 are supposed to be of the conventional type. The Civilian Production Administration estimates that at least 25 percent of those houses will require boilers and radiators. Two charts are attached which show number of houses required in 1946 and 1947 and the boiler requirements necessary to meet the Housing Expediter's goal for 1946. The latter chart indicates that with current boiler production running at the rate of 100,000 boilers per year, an additional 180,000 boilers are needed this year to take care of the veterans' program, plus necessary replacements in existing structures.

The chart entitled "Radiation Production and Shortages" shows that present production of radiators needs to be quadrupled to meet conservative estimates for 1946.

CAUSES OF SHORTAGE

Briefly stated, production of heating boilers is 50 percent below prewar normal and production of radiators is 75 percent below normal because OPA has not provided ceiling prices which permit manufacturers to regain even their cost of production with no allowance for overhead nor profit.

Present ceiling prices on boilers provide an average realization to the manufacturers of 8.4 cents per pound.

Present costs, as filed with OPA by a majority of the manufacturers, average 9.62 cents per pound. If a 6 percent net profit were added, the ceiling price should be 10.58 cents per pound, or an increase of 26 percent over present ceilings.

On radiators, OPA provided new ceilings on March 28, 1946, which will yield a net realization averaging 36½ cents per square foot. Present costs, plus a 6 percent net profit, total 44.6 cents per foot.

All of this means that—

- (a) each shipment contributes a loss to the manufacturer;
- (b) each shipment robs the manufacturer of part of his working capital;
- (c) manufacturers cannot afford to increase volume of these essential products.

CONCLUSIONS

Abandonment of price controls for this industry will lead to full production within a reasonable time. Of course, somewhat higher prices would ensue. However, it is my belief that the extent to which prices would be increased would be limited to actual costs plus a very limited profit. This has always been a relatively low-profit industry. The forces of competition both within and without the industry will restrain inflationary prices. Steam and hot-water heating systems cannot be sold at price levels which are not reasonably competitive with other types of heating systems.

The situation in which this industry finds itself, as briefly described above, will continue to have a very serious effect on the all-important program of providing adequate housing under livable conditions. We do not contend that had there been no price controls since the termination of the war, the industry would have been able to get back to their prewar volume. However, the curve of production, without question, would be tending sharply upward if the members of the industry could anticipate rewards in profits for initiative, efficiency, and progressiveness.

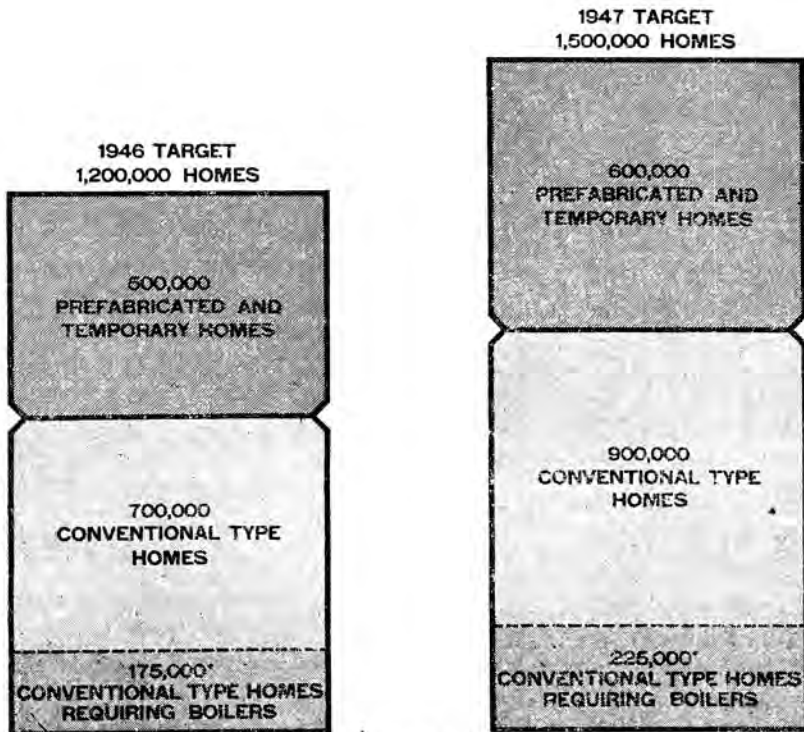
We believe that the restrictions now hampering industry have been tried long enough and that this industry should be given an opportunity to return to a free competitive market and thus assure maximum possible production. We believe that maximum production is the answer to controlling inflation.

Respectfully submitted,

THE INSTITUTE OF BOILER AND RADIATOR MANUFACTURERS,
R. E. AERY, *General Manager.*

NUMBER OF HOUSES REQUIRED

The report of Wilson W. Wyatt, Housing Expediter, to the President, dated Feb. 7, 1946, states that 2,700,000 homes must be started before the end of 1947.

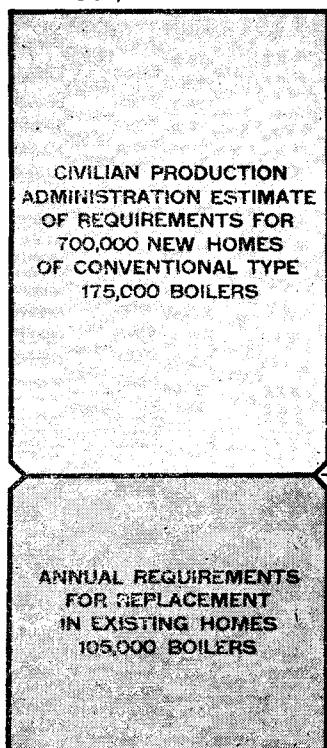


* Estimated by the Civilian Production Administration as 25% of the total.

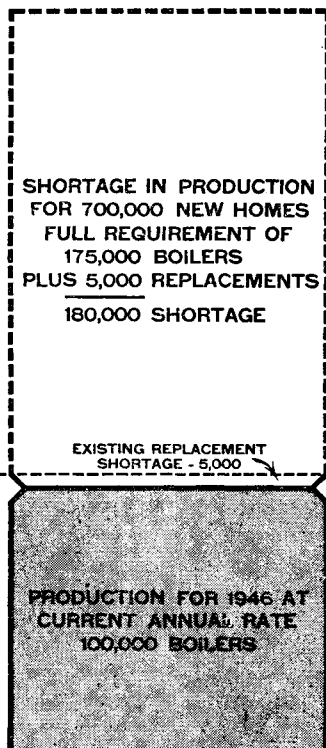
The Hoover Chart Co., N. Y.

1946 BOILER REQUIREMENTS PRODUCTION AND SHORTAGES

TOTAL REQUIREMENTS
280,000 BOILERS



**PRODUCTION & SHORTAGES
OF BOILERS**

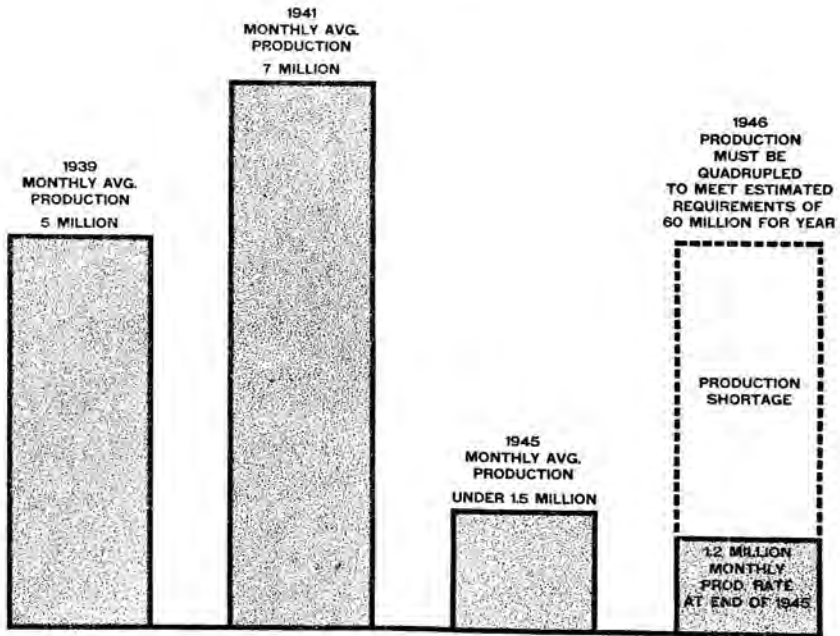


The Wheeler Chart Co., N. Y.

RADIATION PRODUCTION AND SHORTAGES

(MILLIONS OF SQUARE FEET - MONTHLY AVERAGES)

Source: - Monthly Report of John D. Small, CPÁ Administrator, dated January 28, 1946.



Statement by CPA Admin. "The major limiting factors in the production of cast iron radiation are shortages of labor and unprofitability -

The Warner Chart Co., N. Y.

The CHAIRMAN. The next witness is Mr. Harvey W. Moore.

STATEMENT OF HARVEY W. MOORE, REPRESENTING THE AMERICAN COTTON MANUFACTURERS ASSOCIATION, CONCORD, N. C.

The CHAIRMAN. Mr. Moore, you are appearing for Mr. Cannon?

Mr. MOORE. Yes, sir.

The CHAIRMAN. You are the executive vice president of the Brown Manufacturing Co., of Concord, N. C.

Mr. MOORE. That is correct, sir.

Mr. CHAIRMAN. Proceed.

Mr. MOORE. As you have stated, Mr. Chairman, I am pinch-hitting for Mr. Cannon, who is chairman of the board of the American Cotton Manufacturers Association, and I am speaking for that association which represents the southern textile mills consuming approximately 85 percent of the cotton consumed in the United States. Our members include something over 600 different units. The total number of spindles operating in the South is 17,000,000 out of a total of 23,000,000 in the United States and this represents an average of 30,000 spindles to the unit. While the average size of the unit is small and the industry properly classifies as smaller manufacturers, the southern mills represent an important part in the economy of the South and it furnishes weekly pay rolls and employment for over 400,000 employees and a market for the cotton farmers and their families representing over 12,000,000 people. The employees of the cotton mills in the South represent families totaling more than 2,000,000 people. The cotton economy touches the lives of upward of 20,000,000 people in a very direct manner.

The products manufactured by these mills include a large number of items which are essential to every day life in America. First, there are yarns of various types going into everything from hosiery to fuisseine, and then the fabrics include products for clothing, for household utilities, for industrial use, for agricultural use and a great variety of other uses.

To give you briefly the history of the effect of price control on cotton textiles the Price Stabilization Act became a law in February 1942.

Pearl Harbor occurred December 1941 and in May 1942 the first price limitation on cotton yarns became effective.

If I might digress right there, I think that limitation was put on because of the need of these yarns for the war effort; and if I may be so modest I would like to point out the wonderful work done by the textile industry during the war.

In July 1941 this was expanded and a substantial portion of cotton cloth was put under price ceilings. In October 1941 an escalator clause was adopted allowing the products of cotton textile mills to fluctuate automatically with the price of cotton. In May 1942 the escalator clause was canceled by OPA.

The consumption of raw cotton, which in turn rather closely reflects the production of cotton textile products for consumer use, was expanding until May 1942. Thus it was expanding as long as the escalator clause was in effect and as soon as the escalator clause was eliminated the consumption of raw cotton began to decrease and the annual decrease has been continuous since that time.

There have been many public statements issued by officials of OPA within recent weeks claiming an increase in industrial output at the present time and predicting further increase through this year. The basis of these predictions is not known, but it is clear that the statements do not apply to cotton textiles as is indicated by the authentic record of the United States Department of Agriculture covering the consumption of raw cotton as follows:

United States consumption of cotton

[By 1,000 bales]

	1941	1942	1943	1944	1945
January.....		948	917	819	850
February.....		892	880	811	782
March.....		967	997	903	858
April.....		1,000	939	776	770
May.....		958	802	833	830
June.....		968	918	806	786
July.....		994	840	723	673
August.....	872	925	843	842	740
September.....	878	960	872	793	701
October.....	956	973	847	794	760
November.....	849	913	859	837	743
December.....	888	936	851	761	652

ANNUAL

1936-37.....	7,950	1939-40.....	7,784	1942-43.....	11,100
1937-38.....	5,748	1940-41.....	9,722	1943-44.....	9,942
1938-39.....	6,858	1941-42.....	11,170	1944-45.....	9,576

It is to be noted that the peak of raw-cotton consumption for the crop year 1941-42 was 11,170,000 bales and since that time the trend has been steadily downward until the year 1944-45 in which only 9,576,000 bales were consumed. This was a decrease of 1,594,000 bales.

The predictions of increased textile production for the year 1946 could be based, therefore, only upon estimates as there are no figures available nor are there any facts available to support the optimistic estimates of the OPA as to what the present and future production might be.

Senator TAFT. Do you have any figures for January and February, and so forth, of this year, on cotton consumption?

Mr. MOORE. I have not, Senator.

Senator TAFT. Are there any such figures?

Mr. MOORE. I understand that there are not. I was told yesterday that they were not available.

However, had the production continued at the same rate of the consumption of the first 5 months of 1942, which was the peak production period, we would have consumed through April 1946, 5½ million bales of cotton more than was actually consumed and this would have represented a production of approximately 5,800,000,000 yards of cotton goods which are so badly needed by the consumers today. Had the escalator clause been allowed by the OPA to remain in effect until this time and had OPA been alert in approving prices which would reflect the rapidly increasing wage and conversion costs it is safe to say that a substantial part of this production would not have been lost. The attitude of the OPA toward the escalator clause which was and still is closely related to their attitude toward other increases to reflect mounting costs has reflected itself in delayed and inadequate increases

in cotton textile ceiling prices which have been the basis of the fundamental differences of opinion between the Agency and the industry, and these differences have resulted in narrowed margins which have handicapped production.

For instance, on March 8, 1946, when general increases were granted the cotton manufacturers to reflect wage increases, increases in price of cotton, and other costs, the typical cotton-textile fabric, print cloths, should have been increased at that time approximately 18 per cent. The actual authentic record showed a justification of an increase from 53 cents per pound to 62 cents per pound. Instead, however, the OPA allowed a price of 57.93 cents and to this they added an incentive, making a total of 60.83 cents per pound. This incentive was to encourage increased production, but the increased price did not adequately reflect increases in cost. Admittedly the OPA did not attempt to reflect the full replacement costs of cotton, and as a consequence the incentive was placed upon an inadequate basis and therefore lost much of its effect.

A similar picture could be shown in the case of sheetings, denims, many of the yarn numbers, and other major cotton textile items. We will not take your time with the details in support of this statement, for these figures are a matter of OPA record. The result of their failure to allow the inclusion of increased costs and the long delayed announcement of the decision inevitably caused a decrease in the consumption of cotton, a decrease in the production of goods, and an exaggerated and continuous shortage of cotton textile fabrics and garments.

When the cotton mills know beyond any doubt that their principal elements of costs have definitely and materially increased, and even the public knows this fact, and when an increase in ceiling prices to reflect such costs is inevitable to any reasonable thinking, and when the OPA has delayed for weeks or months in authorizing the needed action, the delay may involve the withholding of millions of yards, and it is perfectly natural for uncertainties to arise and for these uncertainties to affect the sale and shipment of goods to the market, just as the farmer who has been promised an increase in the price of his hogs or corn will naturally and justifiably delay their sale and shipment until the promise is made good.

Time and again the Price Administrator and the Stabilization Director have promised relief from such delays or have predicted action which was to be taken with reference to the cotton clothing program. The following list of promises taken from the Louisville, (Ky.) Times is historically correct and throws an interesting light on the inadequate operations of the instruments of price and production control:

June 20, 1944:

Government agencies, in their drive to return low-cost clothing to the market, today announced a program * * *

September 6, 1944:

Two Government war agencies * * * are cooperating to bring good quality, low-priced clothing back into the market * * *

January 3, 1945:

Low priced clothes output to be raised.

August 16, 1945:

Plentiful clothes stocks 4 months away.

October 3, 1945:

The OPA today promised an increase by next month in the supply of cheaper clothing.

February 21, 1946:

OPA drafts plan to raise clothes output.

April 3, 1946:

More fabric for cheaper clothes set.

April 13, 1946:

Stabilization Director Chester Bowles expressed confidence today that the shortage of inexpensive clothing will have eased considerably in 3 months—he appealed to the public to be patient a little longer.

A comparison of these promises and predictions with actual accomplishments will show that not a single one has come true or has been made good; and of all of the shortcomings of OPA these administrative shortcomings have had the most serious influence upon production.

As applied to the price of raw cotton I would also quote from a recent statement of an OPA official:

The evidence points very strongly to the fact that farmers have benefited only in part from the rise in the futures market prices of cotton.

From August to February, while the price of cotton on the futures exchange was rising 3.27 cents, the average farm price of cotton rose only 1.68 cents.

The facts in the case are that the quotations on the futures exchange apply to $\frac{1}{16}$ -inch Middling cotton and that this quality of cotton in the farmer's hands increased 3.46 cents. The OPA is in error, due to the fact that they are including lower grades than those quoted on the futures exchange. We contend correctly that the futures exchange more properly represents the price of our raw material.

It is regrettable that we must report to you after several years of experience under price control that in the cotton-textile industry price control has failed.

Its continuation is further emphasizing its failure to accomplish production.

Price control with cotton textiles has failed because it has not increased the production of cotton textiles. Actually it has brought about a steady decrease in raw cotton consumption.

This failure is due directly to the fact that the policy of the agency has been to prevent price increase to the consumer by forcing at least a partial absorption of cost increases by the manufacturer and the distributor. This squeezing of the differences between the costs and the selling prices can have only one effect, and that is to discourage production. The reason given for the long and continued decrease in production since the peak early in 1942 has been that the decrease has resulted from a decrease in manpower. This conclusion appears erroneous when cotton textile production is compared with production in cotton, wool, and rayon products. The consumption of wool in 1945 was the highest ever reached in this country. Rayon was at its highest in both percentage and poundage used. However, cotton had declined from 81 percent of the total to 76 percent of the total poundage used. The rayon was manufactured in the same plants

and on the same machinery and with the same employees and at the same wage scales as cotton. We have seen admissions of the OPA to the effect that the producers of rayon yarn have received exceptional profits. We know that the production of rayon yarns has increased, while the production of cotton textiles has decreased, and, as pointed out already in this testimony, the major cause of this difference has been the inadequate ceiling prices accorded cotton yarns and fabrics by the OPA.

Senator BANKHEAD. That reduction in consumption of cotton was not due to the fact that there was not an incessant demand for it?

Mr. MOORE. No, sir.

Senator BANKHEAD. The market was begging for it, was it not?

Mr. MOORE. Yes, sir.

Senator BANKHEAD. So, we will have to look somewhere else for the reason, rather than the one attributed by the OPA?

Mr. MOORE. Yes, sir.

Senator BARKLEY. Was any part of that decrease in cotton consumption and increase in rayon consumption due to the fact that more people want rayon and wool?

Mr. MOORE. I believe the women of our country prefer cotton to rayon.

Senator BANKHEAD. I want to point out to the Senator that there was a strong demand for all of these things.

Mr. MOORE. Yes.

Senator BUCK. Has there been any cotton imported into this country in the last 4 or 5 years?

Mr. MOORE. I cannot answer that question except by rumor, more than has been intimated to me that there had been some cotton imported from Brazil. But that is rumor only; that is not of my own knowledge.

Senator BANKHEAD. There are 9,000,000 bales here now. We do not need to import any.

Senator BUCK. They could not get it processed?

Senator BANKHEAD. That is the point. The cotton warehouses have been swelling with cotton for years.

Senator BUCK. Can they not do something about it?

Senator BANKHEAD. At the beginning of next August, the new crop year, they will still have 9,000,000 bales in the warehouses that are available in this country, before the new crop reaches the market. There is no question of supply.

Mr. MOORE. The cotton-textile price controls have also failed because they have accentuated rather than rectified the shortage and scarcity in the supply of garments for household utilities and industrial fabrics made from cotton textiles.

This fact seems hardly necessary for amplification for we all know from personal experience of the shortage of many of the cotton-textile items which are essential to our daily use. We might state, however, that this failure to correct the scarcity of goods is a reflection of unsound provisions of price control and the limiting of machinery and distribution. Actually, however, I would like to say in defense of OPA and CPA that what they are trying to do is such a complicated and serious responsibility that it would probably be an impossible task even if all of the best minds in the industry were concentrated

upon it, for it is designed to circumvent the inevitable law of supply and demand.

Price controls on cotton textiles have also failed because they have resulted in the development of a vicious black market which is widespread.

It is a basic fact that the comprehensive type of Federal regulation such as price control can succeed only with complete public patriotic support; for government cannot afford the cost of a national policing system which is sufficiently extensive to cover every individual and every operation. It is only during the emergency and the patriotic zeal of a war period that such a control can be effectively operated; and now that the war is over the OPA is in the position of trying to do a job which it is utterly impossible of enforcing.

To be more specific as it applies to textiles, it is quite clear that inadequate prices accorded the manufacturers inevitably result in inadequate prices accorded the distributor and this gives rise to the widespread development of black-marketeers in both fields.

Senator TAFT. Has there been any favoring of low-price yarn and cloth as against high-priced yarn and cloth? Have the regulations changed the character of the goods that are made?

Mr. MOORE. There has been an attempt, Senator, to do that, to bring the low-priced garments on the market. It has been very difficult. Later on I will refer to it.

Senator TAFT. Do you have an MAP?

Mr. MOORE. I do not; no, sir.

Senator TAFT. Does the industry have one?

Mr. MOORE. Yes; but it does not affect me personally.

Senator TAFT. There was a lady here the other day who testified that she could not buy the cheapest grades at all for dresses, \$2.95 dresses. At least, that there was a very limited supply.

Mr. MOORE. That is right, sir.

Senator TAFT. That is brought about by what?

Mr. MOORE. By styling, which I will refer to later. Apparently manufacturers of those cheap garments change the styling, or were allowed to change the styling, getting higher prices, and they went up into a higher bracket.

Senator TAFT. What I want to know is whether the cheapest type of cotton yarn has practically ceased to be made. Have the mills stopped making it?

Mr. MOORE. No, sir.

Senator TAFT. Is there a lower profit on it as compared with the more expensive yarn?

Mr. MOORE. I would say no, except as you get into the mixtures. CPA is freezing us again in order to level that off.

Senator BANKHEAD. Explain that change in styling in order to get an increased price. Is it the same cloth?

Mr. MOORE. Yes; practically the same item. You take a piece of braid off this side and put it on the other [illustrating] and call it a different style; and the OPA grants a higher price. But you immediately put them into a higher bracket.

Senator BANKHEAD. The same goods, the same quality?

Mr. MOORE. Yes, sir.

Senator BANKHEAD. There is a difference of a button or a piece of braid?

Mr. MOORE. Yes, sir.

Senator BANKHEAD. So, they shift over, and the OPA gives them a higher price?

Mr. MOORE. Yes, sir.

Senator BARKLEY. They are always shifting styles. They do not have dresses looking like the same thing year after year. Whether there is an OPA or not, there would be a change in styles.

Mr. MOORE. That is quite true; but in this instance the change is made in order to put the product into a higher-priced bracket.

The CHAIRMAN. They make more money on it?

Mr. MOORE. Yes, sir.

Senator BANKHEAD. I have been complaining for about 2 years about that, and begging them not to do it.

Mr. MOORE. Price control also has failed because it has not prevented the increase of an inflationary trend. As everyone knows from practical experience, it is impossible to measure inflation accurately or adequately by theoretical index points. The force of inflation is felt in the actual practice as the black market in almost every field touches the American home. There are probably very few industries that have escaped the black market as effectively as has the cotton textile industry, for very few of the manufacturers of cotton textiles for whom I am speaking, sell their products to the consumer or even to the distributor. They do not make finished goods. Nevertheless, as every housewife knows, the persistent upgrading and frequent changes in styling have had their effect in the field of products which are made from cotton textiles and the prices of such products in many instances are shocking. I believe that if price controls in cotton textiles were lifted immediately that we could much more safely trust the honest manufacturer and dealers uncontrolled in keeping the price down than we can trust the black marketeer under price control.

There have been frequent references to the profits of the cotton-textile industry and the intimation that the industry has been receiving abnormal profits during this war period. The facts are that during the war period the industry has made a reasonable profit—we hope that it always will. It would be abnormal and unusual to expect an industry to continue to exist unless its operations are based upon a reasonable profit. The abnormal figures which have been publicized frequently, however, are so far from the fact as to necessitate a recognition at this point. In the first place they are admittedly based upon profits before taxes. Now, it is an elementary fact which we all know that taxes do not go to the stockholders but go to the Government. The only fair basis of calculation of profits to the stockholders, therefore, is one of net profits after taxes. Most of the statements about taxes have been made in connection with statements of industry that prices have not been adequate to enable the mills to successfully operate or to stimulate production. The reference was to the manufacturer of unfinished cotton yarn and fabrics. The profit figures which have been supplied by governmental agencies to answer this accusation have been figures which not only include cotton manufacturing but also cotton profits and profits on fabric finishing and converting as well, and they have not only included the figures on cotton but also the figures on rayon, silk, wool, and other competitive fabrics.

It is unreasonable to assume that there are any abnormal profits when the industry is now and for the past 10 years has been in the process of liquidation, as indicated by the schedule of decrease of spindles in place in America. In 1935 there were 30,100,000 spindles as compared with 23,800,000 spindles in 1945, which is a loss of approximately 25 percent. It should be particularly noted that this decrease in spindles has continued even during the supposedly profitable war period.

Senator BARKLEY. Can you discuss a case involving that? Of course part of it occurred between 1935 and 1941, when we were not at war. That decrease was going on, and it was not due to OPA or anything the Government was doing?

Mr. MOORE. No, sir.

Senator BARKLEY. What was the cause of it?

Mr. MOORE. It was due to the fact that millmen did not find it profitable to operate those spindles, and of course it was a proposition of supply and demand.

Senator BARKLEY. Would competitive articles have anything to do with it—the tendency to wear other things besides purely cotton goods?

Mr. MOORE. I would say possibly that it must have had some effect.

Senator BARKLEY. I have been cognizant for a long time of the complaint, through the press and magazines and trade journals, of the increase in the use of other fabrics than cotton, which has had a tendency to reduce the amount of cotton consumed and, therefore, the number of spindles in operation. That is wholly independent of anything the Government did. It is due to the taste of the people, is it not?

Mr. MOORE. That is correct, sir.

Senator BARKLEY. So you do not attribute all this decrease to the OPA?

Mr. MOORE. No; I do not.

Senator BANKHEAD. During the war it could not be attributed to the taste of the people?

Mr. MOORE. I used the year 1935 so that I would not be claiming that it was all due to OPA.

Senator BARKLEY. It was going on even before 1935?

Mr. MOORE. Yes.

Senator BANKHEAD. Do you know what it has been since 1941?

Mr. MOORE. No, sir; I do not. I am sorry.

In conclusion, I would remind you that the effect of partial control is to produce a lopsided economy. Inadequate prices on meat cause the farmer to withhold his cattle and hogs and increase the number of cattle and hogs on the farm which calls for more food. Consumption of food by cattle and hogs means a shortage of corn; a shortage of corn means a shortage of cornstarch; a serious shortage of cornstarch such as now threatens, means a shutting down of the cotton textile mills which are dependent upon starch. If, therefore, price control for the entire economy is difficult; control for a portion of the economy is even more difficult.

In view of the failure of price control in the field in which I am best informed and in which we are most interested, we urge you gentlemen to recommend the abolition of price control. We are afraid that if it

cannot succeed as a whole that it will be more difficult to succeed as a partial control.

However, in the event that the abolition of price control would in your judgment leave our economy endangered by critical shortages in any particular items, we believe that you can best protect the public by setting up separate agencies for the continuation of control on such critical items.

Should, however, in the judgment of your committee, it be unwise to abolish the OPA, at least we would urge you to recommend the lifting of all controls on cotton textiles and the outlawing of all efforts which might be designed to depress the price of cotton.

We are confident that unless OPA learns the art of quickly granting prices to quickly reflect increases in costs the price control in cotton textiles will continue to fail and with a reduced personnel and inadequate knowledge of the problems of cotton textile production, we have no confidence in the fact that OPA can or will learn that art.

If by chance it is determined——

Senator BARKLEY. Do you think if it is to be done it will be by chance?

Mr. MOORE. If in your best judgment it is determined that price control must continue on cotton textiles, then we would urge, gentlemen, that it is necessary to strengthen the provisions covering such controls so as to make them workable and effective. We must strengthen the Bankhead-Brown amendment to reflect the parity price of cotton or the current replacement costs of cotton whichever is the greater and to reflect all current conversion costs plus a reasonable profit; and to assure a speedy and effective application of the Bankhead-Brown amendment. We urge the adoption of an automatic escalator clause covering the price of cotton. Furthermore, since the war is over and we are rapidly approaching the end of the emergency period, and since cotton textiles have long since completed such simple steps as were needed for reconversion, we urge that there must be set up in the act a simple and workable provision for decontrol, so that there may be an early and an orderly liquidation of controls.

Senator BANKHEAD. Let me ask you this. You have said——

at least we would urge you to recommend the lifting of all controls on cotton textiles and the outlawing of all efforts which might be designed to depress the price of cotton.

That means all cotton goods?

Mr. MOORE. Yes.

Senator BANKHEAD. What do you mean by that?

Mr. MOORE. Senator; we mean by that, that there is apparently a desire on the part of OPA to depress the price of cotton. We are not in sympathy with it. The men who raise this cotton come from our part of the country. We sell them our goods and we are for their interests.

Senator BANKHEAD. Do you recognize that as the basis of the entire economy of cotton?

Mr. MOORE. Yes, sir.

Senator BANKHEAD. The cotton farmer's ability to produce and to continue to produce cotton in sufficient quantity to supply the needs of the industry?

Mr. MOORE. Yes, sir.

Senator BANKHEAD. And the textile mills do not object to a reasonable price for cotton?

Mr. MOORE. No, sir.

Senator BARKLEY. If you lift all controls on cotton textiles you take the OPA out of the cotton field, do you not?

Mr. MOORE. We ask that.

Senator BARKLEY. That is what you are asking?

Mr. MOORE. Yes, sir.

Senator BARKLEY. It would not be necessary to outlaw any efforts to depress the price of cotton, because OPA would not have any authority, then, to do anything one way or the other?

Mr. MOORE. That is right.

Senator BANKHEAD. You mean, if they are left in that field you want them outlawed on depressing the price of cotton?

Mr. MOORE. Yes, sir. I am not in sympathy at all with that.

Senator BARKLEY. You, on behalf of the Cotton Textile Manufacturers Association, recommend that we take controls off cotton textiles. The meat people want us to take them off meat. The woolen manufacturers want us to take them off woolen goods. Each category wants us to lift controls from them. If we complied with their requests we might as well repeal the OPA Act altogether.

Mr. MOORE. That is correct.

Senator BARKLEY. And that is what you want?

Mr. MOORE. No; I am speaking only for the cotton textiles.

Senator BARKLEY. You recommend the lifting of all price controls, because you say that if they cannot succeed in cotton they cannot succeed in anything else?

Mr. MOORE. Yes. I am asking for that.

Senator BARKLEY. So, you are asking that we do not extent OPA at all?

Mr. MOORE. Yes, sir.

Senator BARKLEY. That is what I thought.

Mr. MOORE. That is correct.

Senator TAFT. What, in your opinion, would be the effect on cotton goods if control were removed? It would necessarily mean an increase in price, would it not?

Mr. MOORE. Yes, sir.

Senator TAFT. How much of an increase?

Mr. MOORE. I would say a minimum immediately of 20 percent.

Senator TAFT. Do you think it would go higher than that?

Mr. MOORE. Of course, it is more or less guesswork, but I doubt if it would, sir. I doubt personally whether the mills, if the controls were taken off, would be willing to sell textiles at enormously high prices, except spot goods, senator.

Senator TAFT. How long would it take to increase production enough to get competition decreasing the price again? How long would you think that would take?

Mr. MOORE. I would say, 6 to 9 months.

Senator TAFT. Can production be increased at present prices?

Mr. MOORE. We think that a proper price will increase it.

Senator BANKHEAD. What do the mills need?

Mr. MOORE. We need the incentive of higher prices.

Senator BANKHEAD. How would you go about increasing production if you had that incentive?

Mr. MOORE. We would be better able to pay these extra costs that we have to pay for time and a half and for a third shift.

Senator BANKHEAD. That is sometimes called the "dead man's shift," because it is in the middle of the night and it is difficult to get people to work on that shift, is it not?

Mr. MOORE. Very difficult, Senator.

Senator BANKHEAD. Without using the third shift the capacity of your mills has to be put into use with two shifts now?

Mr. MOORE. Yes.

Senator BANKHEAD. And you need to put the third shift on, the "dead man's shift"?

Mr. MOORE. Yes, sir.

Senator BANKHEAD. And that costs more than for the employees working on the other shifts?

Mr. MOORE. Yes, sir.

Senator BANKHEAD. Do you have much overtime?

Mr. MOORE. If we had the incentive to which I have referred, you would find the mills running 8 hours on Saturday at time and a half; but where you are working on a close margin the mills are not going to do that, and it mounts up fast.

Senator BANKHEAD. During this high period of cotton consumption of nearly 11,000,000 bales you did all of those things?

Mr. MOORE. Yes, sir.

Senator BANKHEAD. You did everything to increase production?

Mr. MOORE. Yes.

Senator BANKHEAD. You had the incentive of the war?

Mr. MOORE. Yes.

Senator BANKHEAD. And now they want you to give increased production on the basis of two shifts, not taking care of extra time and extra expense?

Mr. MOORE. That is correct, sir.

Senator TAFT. Mr. Moore, in order to make your figures complete, some figures have been handed me from the Agricultural Department, indicating that the consumption in January 1946 was 811,000 bales; February, 747,000 bales; March, 808,000 bales.

Mr. MOORE. Yes, sir. You will notice, Senator, that that is a decrease from similar months in 1945.

Senator TAFT. Somewhat higher than the last 6 months of 1945, but lower for the corresponding months?

Mr. MOORE. Yes.

Senator BUCK. What do you think the situation will be a year from now if we retain controls in this industry? Will it be better or worse?

Mr. MOORE. I think this, that if you gentlemen grant this appeal so we will get proper incentive prices, I think we will increase production; but we have got to have incentive prices.

Senator BUCK. If it is not so granted, what will be the result?

Mr. MOORE. I think that our production will continue to decline or remain the same.

Senator BUCK. You do not think it can improve under these controls?

Mr. MOORE. No, sir, I do not; not with a limit on pricing and a limit on profit.

The CHAIRMAN. Thank you, Mr. Moore.

The next witness is Mr. C. T. Murchison, president of the Cotton Textile Institute, Inc.

STATEMENT OF C. T. MURCHISON, PRESIDENT, THE COTTON TEXTILE INSTITUTE, INC., NEW YORK, N. Y.

The CHAIRMAN. You are the president of the Cotton Textile Institute, Inc.?

Mr. MURCHISON. Yes, sir; with headquarters in New York City, at 320 Broadway.

Senator BANKHEAD. What is the difference between your organization and the one which Dr. Jacobs is the head of?

Mr. MURCHISON. Dr. Jacobs is the head of the American Cotton Manufacturers Association, which is the southern division of the industry. The Cotton Textile Institute is the central trade association whose members are in all sections of the country. We are Nationwide.

Senator BANKHEAD. It covers all of New England?

Mr. MURCHISON. Yes, sir; it covers all of New England as well as the South. Our membership includes 75 percent of the cotton spindles of the United States.

The cotton-textile and cotton-clothing situation today, more than 6 months after VJ-day, is more critical for civilians than at any time during the war. There is, as all of you know, an extreme shortage of shirts, pajamas, underwear, work clothing, dresses, and children's clothing. Staple items, which the masses customarily buy, have practically disappeared; and when these garments are available, all too frequently they are very expensive and of poor quality.

During the war, when tremendous amounts of cotton yarns and fabrics were diverted to direct and indirect military use, the public accepted the shortages and substitutes as unavoidable concomitants of war. The continuing shortages after more than 6 months of peace, however, have become a source of annoyance mixed with anger, which refuses to be quieted by the explanations and promises of the several Government agencies concerned with the problem.

The inconvenience, annoyance, and expense to the consumers, important though they are, are only one aspect of the cotton textile shortage. Less well recognized, but of great importance, is the drag of the textile shortage on the reconversion plans of industrial consumers of cotton textiles. To cite only two cases, unless the production of tire cord and automobile fabrics is increased, the tire and automobile industries will not achieve their production goals.

There is no single nor simple explanation of the shortages, high prices, and quality deterioration of cotton clothing. The cotton-textile industry and the allied industries which depend upon it for their source of supply represent a vast and complex manufacturing and marketing structure, embracing literally thousands of plants subject to a variety of controls and economic forces. Whatever difference of opinion there may be concerning the various aspects of the problem, upon one fact there is complete and unanimous agreement among all parties concerned: The fundamental cause of the

problem is the over-all shortage of cotton-textile yarns and fabrics and the severe shortage of staple yarns and fabrics.

Until both of these shortages are eliminated, especially the latter, no amount of Government control directed at this industry or its allied industries, whether by OPA, CPA, or both, can solve the cotton clothing problem. It is to this question—increased production—that I will address my remarks.

At the outset I desire to state as emphatically as I can that the lag in cotton textile production cannot be attributed to any reconversion difficulties of a physical nature. This industry absorbed with surprising ease the impact of war contract terminations, and such equipment adjustments as were called for were quickly made. Nor was the industry confronted by any material shortages which hampered production. It did not require any expansion in productive facilities, because those in place were not, and are not today, fully utilized; our chief raw material, cotton, is in abundant supply; and the release of workers from war industries offered the industry an opportunity to expand its labor force on the basis of the highest wages ever paid in its history.

The chief difficulty since 1943 and one which is growing in intensity every day is the failure of the OPA to use its vast power in a manner to encourage the maximum production of cotton textiles and its insistence upon the use of a formula which is not in harmony with either the needs of the industry or the country. It is this formula and its rigid application that are responsible for the growing distortion of the industry's production pattern and the failure of total production to increase in amounts to satisfy the textile requirements of the country.

These results were not unforeseen by the industry. Two years ago, in its representation to this committee, the industry predicted that the application of the over-all profit theory, the so-called industry earnings standard, would compel the mills, whenever possible, to shift their production from the nonprofitable items to profitable items. It also emphasized that cotton and labor costs represent the major items in its cost structure, that both were constantly rising, and that unless prompt adjustments were made in price ceilings, total production would decline, because mills would be compelled to curtail their high-cost production.

In response to the pleas of this industry and of representatives of the cotton farmers, whose product had failed to reach the parity level at that time, Congress added to the price-control law the Bankhead-Brown amendment. The purpose of the amendment, as is clearly indicated in the House and Senate committee reports, was to achieve two objectives: (1) Parity price for raw cotton, and (2) an increased and balanced production of cotton textiles. The manner in which these objectives were to be achieved were spelled out in detail; by pricing separately all major items so as to include cotton costs at the landed mill parity equivalent, a weighted average of mill conversion costs, and a reasonable profit.

Here was an opportunity for OPA to employ to the utmost its powers to encourage the production of those items in shortest supply. However, since Congress did not define a "reasonable profit," OPA reasserted its allegiance to the principles of the industry earnings standard and allowed for each item a profit equal to the return on the

net worth on that item during the base period, 1936-39. This period, as some members of the committee know, was a period of intense competition and liquidation in this industry and especially so for the staple items. Accordingly, while the industry obtained relief for its major items, the profitability of each item was determined not by the current need for the item but by the performance of the item in the base period—a period in which mills reporting financial deficits ranged from a low of 36 percent to a high of 61 percent of all mills reporting to the Internal Revenue Bureau. Thus staple items which had made the least profit in the base period were given the least favorable adjustment at a time when the demand for them was at an all-time high.

The employment of this formula not only permitted OPA to preserve one of its most treasured policies—the base period yardstick—it also allowed it to invoke what we believe to be its most powerful technique to hold the line—interminable delay. To determine the base-period return on net worth of each item, long cost studies had to be made with the result that some items were not repriced in accordance with the requirements of the amendment for almost a year.

Before all items were repriced under the amendment, the Administrator of the OPA filed with this committee a new interpretation of the amendment. Briefly, he reserved the right to reduce ceiling prices whenever the actual cost of cotton was below the parity price and stated that adjustments in prices to meet new cost conditions would be made primarily in accordance with the industry earnings standard.

After considering the Administrator's statement of policy with respect to his obligations under the amendment, the committee made the following report [reading]:

The committee insists that the purpose of the amendment be effectively carried out in accordance with the intent of Congress at the time of its enactment. The committee does not desire its recommendation that the amendment be continued without change to be construed as indicating approval of any construction which is inconsistent with its original purpose. From the history of the amendment and from its provisions, it is evident that its original purpose of assuring that ceiling prices on cotton textile items do not prevent cotton producers from receiving parity will not be carried out unless the maximum price for each major cotton-textile item is fixed and maintained at not less than the sum of the following:

1. The cotton cost (which must be computed at not less than the landed mill parity equivalent for the grade and staple of cotton used; except that, after the initial adjustments required under the amendment have been made, the amendment does not require the continued use of a cotton cost figure which is, and for a representative period has been, above or below the actual cotton costs);
2. A weighted average of mill conversion costs; and
3. A reasonable profit.

The conference committee also studied the matter, and in almost identical language reached the same conclusion and, significantly, added the following statement:

The conferees are advised that the Price Administrator has informed the chairman of the Senate Banking and Currency Committee that the policy which he intends to follow in administering the amendment will be in full accord with this opinion as to its requirements.

Accordingly, in reenacting the amendment the Congress made its intent clear and unmistakable. The only variation from the above formula which the statute permits is the variation authorized by the parenthetical clause which relates solely to the item of cotton cost and does not relate to or in any way modify the statutory mandate

that the OPA, in fixing and maintaining prices for cotton textiles, shall price each major cotton-textile item separately. Since the congressional restatement almost a year ago it has assumed increased importance due to the extended rise in the most important item in our cost structure—raw cotton.

Until a few months ago the Administrator's attitude toward the amendment has been influenced by his conviction that the price of cotton would not and could not reach the parity level. On more than one occasion in 1945 the Administrator expressed the opinion that the price of cotton would not advance beyond the then current level. Indeed, in a statement filed with this committee on March 1, 1945, he stated that "at this stage of the war there is little reason to anticipate a further rise in the cotton market," and on March 21 advised the committee that he would adjust prices downward if cotton prices failed to reach and maintain parity.

Contrary to the Administrator's belief that there was little reason to anticipate a further advance, the average price of cotton in the 10 spot markets—Middling $\frac{1}{16}$ -inch—advanced from 22.69 cents in July 1945 to 27.75 cents on April 25, 1946; the landed mill parity equivalent at mill B points increased during the same period from 23.94 cents to 24.89 cents. Certain grades and staples have advanced even more, in some cases 2 to 3 cents per pound above the parity level.

Senator TAYLOR. Well, Mr. Chairman, could the witness tell us why cotton is going up this way when there is supposed to be a surplus?

Mr. MURCHISON. I cannot explain the cotton market, Senator. I wish I could.

Senator TAYLOR. It is not logical, is it?

Mr. MURCHISON. Well, it must be logical or the market forces would not so consistently be drawing cotton up.

Senator BANKHEAD. Doesn't it naturally follow the increased cost of production?

Mr. MURCHISON. I would think it would, Senator, and certainly there has been a great expansion in the export volume, and the visible supplies of cotton are steadily diminishing.

Senator BARKLEY. You still have 9,000,000 bales surplus, I believe somebody testified.

Mr. MURCHISON. Well, the estimate, Senator, is that by the end of this present cotton year—that is, up to August 1, the carry-over will probably not exceed $7\frac{1}{2}$ million bales, which is not far in excess of what we used to regard as a normal carry-over; and a considerable percentage of that is low-grade cotton which is not satisfactory to the American consumer.

Senator BARKLEY. Well, has the price of raw cotton which has increased from twenty-two-point-something to twenty-seven three-fourths over the last year and 2 months—no; about 10 months—has that been out of proportion to the reduction in the surplus cotton on hand?

Mr. MURCHISON. Well, it has certainly reflected the reduction in the surplus, and, of course, behavior in the cotton market also reflects future expectations.

Senator BARKLEY. Yes; I know the behavior in the cotton market—that part of it is speculative. It is somewhat like the behavior of the

stock market, which is speculative. It is not always based on solid facts, as we have known in this country for many years.

I wonder what relation the meager reduction in the cotton surplus had to the rather substantial increase in cotton prices. Of course, these increased prices have not gone to the farmer. They have gone to the fellow who has been speculating in the cotton. That has nearly always happened, not only with reference to cotton but wheat and everything else. After the farmer gets rid of it, it goes up.

Mr. MURCHISON. Much of the sharp increase in prices occurred before the farmer had sold his crop. It began in July.

Senator TAFT. The whole purpose of the loan policy is to enable the farmer to get the price on his cotton.

Senator BARKLEY. I understand that. It is supposed to.

Senator BANKHEAD. This rise in cotton began in July?

Mr. MURCHISON. Yes.

Senator BANKHEAD. That is before the opening of the market season?

Mr. MURCHISON. That is right.

Senator BANKHEAD. So they got part of the increase and they certainly got it all through the selling season of cotton after August. They sold the whole crop after that.

Mr. MURCHISON. Yes.

Senator TAFT. That would be from July up to about October.

Senator BANKHEAD. Oh, they are picking cotton until February.

Mr. MURCHISON. I don't have those prices by months here.

Senator BARKLEY. All I am asking is information as to whether a large part of the increase has occurred since the farmer took his cotton to the gin.

Mr. MURCHISON. There has been some increase since that time, but, as Senator Bankhead pointed out the farmer was placing his cotton in the loan. He was protecting his position in the market.

Senator BARKLEY. He could only get 90 percent of the parity position in the loan.

Senator BANKHEAD. He has been selling all that cotton, or most of it, at the present prices.

Senator TAFT. How much cotton does the Commodity Credit Corporation own, do you know?

Mr. MURCHISON. I am not very definite as to the figure. I think it is now in the neighborhood of 5,000,000 bales altogether.

Senator BANKHEAD. My last information was that the 1st of August they would own only a million and a half bales.

Senator TAFT. Are they continuing to reduce their holdings?

Mr. MURCHISON. Well, now——

Senator BANKHEAD. Yes; every day.

Senator TAFT. This price is not the result of the Government holding cotton?

Senator BANKHEAD. That is right.

Senator TAFT. It is the result of owners insisting on a higher price?

Mr. MURCHISON. I think it is important to bear in mind that the export movement of cotton is much higher than it has been before the war, approximating 3½ million bales and will probably go higher, and the current crop of cotton is around 9,000,000 bales. It required the entire crop of cotton this year to satisfy domestic consumption.

So the entire export supply had to be taken from preexisting stocks.

If that continues next year it means that next year's crop would have to be 12,000,000 bales, if the domestic industry consumed 9,000,000, in order to provide 3,000,000 for export.

If the export movement is considerably beyond 3,000,000 it would certainly bring out the present carry-over of cotton way beyond normal proportions.

The CHAIRMAN. Do you think that answers the question as to the increased price now?

Mr. MURCHISON. Oh, I think undoubtedly that is a very important factor.

Senator TAFT. The more money that is loaned to foreign countries the more pressure there will be to raise the price of cotton.

Senator BARKLEY. That is supposed to be an argument against the British loan.

Mr. MURCHISON. Well, I think the farmers would welcome anything that would enable foreign countries to buy more cotton.

Senator TAFT. Of course. The more money we loan abroad the greater foreign buying there will be. Isn't that inevitable?

Mr. MURCHISON. That has played its part in it.

Senator BARKLEY. And the more money we loan to anybody in the United States the more people will buy, too.

Senator TAFT. Surely.

Senator BARKLEY. I would like to ask you this, Dr. Murchison: Has the increase in the price of cotton from 22 plus to 27 plus been caused in any respect or to any degree by the holding of cotton off the market by those who have it, no matter who they are, hoping to get a still higher price for it?

Mr. MURCHISON. Senator, cotton has been moving into consumption. I think it could hardly be maintained it has been held from the market, because the mills have bought cotton and they have maintained their normal stocks and they have consumed cotton at the maximum rate possible.

Under the circumstances I would say the difficulty is not in the price of the raw cotton, but in the price of the product.

Senator BUCK. This million and a half bales that Senator Bankhead speaks of in the control of the Commodity Credit Corporation, do they actually own that?

Senator BANKHEAD. No. They just hold loans on it. They have foreclosed a few loans and put the cotton in the pool for the benefit of the farmer. As they sell cotton out of that pool they distribute the money, including the increase in price.

Senator BUCK. Some part of it they probably had to take over?

Senator BANKHEAD. Yes; when the mortgage was at maturity the farmer didn't want to sell it or they could not pay the loan or some way they just didn't want to do it, so the Commodity Credit Corporation took it; but ordinarily they hold it in trust for the farmers until they sell it, and when they sell it they distribute the proceeds among the members of the pool.

Senator BUCK. Yes.

The CHAIRMAN. All right, Doctor.

Senator BANKHEAD. They do own some, but they have sold most of what they own.

Mr. MURCHISON. Nothing yet undertaken by the OPA has yet stopped the advancing trend. On January 11, 1946, the Administrator

announced his intention to place a ceiling on raw cotton and on April 9 margins in the futures markets was increased. Since then the average price of Middling 15/16" in the 10 spot markets increased another 3.28 cents.

Senator TAFT. Since January you mean?

Mr. MURCHISON. Since January. New York futures for July of the same grade and staple reached a level of 28.92 cents, the highest price in 21 years—that was 2 or 3 weeks ago.

The consequences of the sharp advance in the price of cotton has been not only to cause a squeeze on all mills but to wipe out completely the profit on many items. The squeeze has been especially severe on work-clothing fabrics and the staple items, because cotton represents a larger portion of the total costs and the profit margins, due to the net-worth formula, were lower. These are precisely the items that are in shortest supply and most urgently needed.

On carded yarns the cost of cotton is approximately 50 percent of the total cost of the product.

Several months ago the industry, through the appropriate committee, appealed to the OPA for price relief in accordance with the requirements of the amendment. The Administrator refused to recognize the applicability of the amendment to the current situation. It is his position that the use of the pricing standard laid down by the amendment is limited to the situation in which the market price of cotton is below or at parity, and that when the market price of cotton exceeds parity, the industry must absorb the higher price under the application of the industry's earnings standard.

Senator BANKHEAD. What is that industry's earnings standard?

Mr. MURCHISON. That means the over-all profits are measured rather than the profits major item by major item.

Senator BANKHEAD. They want to rescrumble the items they have?

Mr. MURCHISON. That is right take the over-all business. Say your cotton mill was operating a bank or a store; the total profits of the company would be considered in determining the price rather than the profit on the particular cotton item.

Senator BANKHEAD. That is an abandonment of the principle involved in that amendment.

Mr. MURCHISON. That is exactly right, sir.

The Administrator on February 7, 1946, said [reading]:

Our position is that the use of the special standard for pricing occasioned by the Bankhead-Brown amendment is limited to the situation in which the market price of cotton is below or at parity. Our obligation and our policy in general, under the Stabilization Act of 1942, is to limit price increases to the minimum required by law. (This standard is, of course, supplemented by Executive Order No. 9599 which authorizes the Administrator to make necessary adjustments in order to effect an orderly transition from a war to a peacetime economy.) We acknowledge that the language of the Bankhead-Brown amendment and the Senate report does not expressly prevent the Administrator from going beyond the minimum. Our position is, however, first, that it does not require him to do so; second, that, in view of the entire legislative history the language of the Senate report should not be interpreted that he should do so; third, that he cannot justify doing so under the Stabilization Act; and, fourth, that he has no basis for a discretionary action under the Executive order.

I might make the observation there that this statement indicates a purely legalistic view of price determination, totally divorced from the economics of the case being considered.

The OPA has not receded from this position. On March 8 it granted some adjustments in textile prices, but in the price determination it expressly refused to allow the inclusion of actual cotton costs. It merely included the average price for the period February 18-26, based on May futures, minus 50 points. This calculation is considerably less favorable than that allowed a year ago, when it added to the parity price a cushion of 25 points for fluctuations in parity and 35 points for carrying charges. Since the price order was issued, cotton prices have advanced to new highs, wiping out much of the inadequate relief afforded by the order a little more than a month before.

As a result of the position of the OPA this industry is in exactly the same position it was in 2 years ago, despite the existence of the Bankhead-Brown amendment. At precisely the time when the expansion in production is most needed, an expansion that can be achieved only by an extension of running time through third shift and overtime operation, both of which are higher-cost operations, the OPA, in the face of a congressional mandate, is forcing upon the industry the absorption of increases in the cost of the largest item in its cost structure—cotton.

The consequences of this policy will be those which the industry has experienced before under the same conditions:

- (1) Mills unable to produce staple items at a profit will be forced to shift, to the fullest extent possible, to higher-price, higher-profit items; and
- (2) Mills tied down to low- or no-profit items by production directives of the CPA will not be able to maintain their present rates of production.

The net effect of these developments will be a further distortion of the industry's production pattern and a decline in total production.

The members of this committee are aware that the textile shortage today is the Nation's No. 1 commodity shortage. The elimination of this shortage is not possible through a pricing mechanism which is based upon a refusal to include current costs and a profit formula rooted in a period which witnessed the liquidation of more than 4,000,000 spindles.

In view of the urgency of the cotton-textile situation and the failure of the OPA to recognize the effects of its policies upon textile production, we recommend to the Congress that it resolve the differences between the industry and the OPA on the interpretation of the amendment by the adoption of the following amendment to section 3 of the act:

Amendment to section 3 of the Stabilization Act of 1942:

Section 3 of the Stabilization Act of 1942, as amended, is amended by adding at the end thereof the following new paragraph:

"On and after the date of the enactment of this paragraph, it shall be unlawful to establish, or maintain, any maximum price for any commodity processed or manufactured in whole or substantial part from cotton or cotton yarn unless the maximum price for each major cotton textile item is fixed and maintained at not less than the sum of the following:

"A. The cotton cost, delivered at mill (which must be computed at actual cost if the price of cotton is above parity and in any event at not less than the landed mill parity equivalent for the grade and staple of cotton used);

"B. A weighted average of mill-conversion costs; and

"C. A reasonable profit."

Senator TAFT. Would we do any more there than to say that we mean what we said before?

Mr. MURCHISON. That is exactly right, Senator; it is what was said before, simply in more explicit language.

Senator BANKHEAD. We have said it two or three times before.

Senator TAFT. I know. Do you not think we ought to say at the end, "And this time, by God, we mean it"?

Senator BANKHEAD. Yes, or something equivalent.

Senator BARKLEY. Is there any more reason for an amendment of this sort, even though it is a reiteration, on cotton goods than in regard to wool or any other product made out of an agricultural product into which the parity equation enters?

Mr. MURCHISON. I think that is right, Senator, barring special factors in the situation which I don't know about, but assuming an agricultural commodity which has been made the objective of parity price by Congress, I think you are absolutely right.

Senator BARKLEY. Of course, you are interested only in the cotton end of it.

Mr. MURCHISON. That is right.

Senator BARKLEY. That is your special interest. I am familiar with what happened in the committee in regard to it, but I have never been convinced that a special treatment should be given to cotton that was not equitably or logically applicable to every other finished product made out of an agricultural product.

Mr. MURCHISON. We certainly have no objection to the extension of this.

Senator BARKLEY. That would apply to wool; it would apply to meat; it would apply to tobacco; it would apply to everything that is made out of an agricultural product.

Senator TAFT. If you offer that change, I will vote for it.

Senator BARKLEY. I don't doubt you would. I am not offering it. I am just trying to ascertain whether there is any logical reason for treating cotton goods different from any others.

Senator CAPEHART. What would be wrong with offering it?

Senator BARKLEY. I will discuss that with you in executive session. I might say I offered an amendment similar to that in the extension a year or so ago with respect to meat, about which there was some dispute as to interpretation. A representative of the OPA and of the meat industry came over to me and asked what was meant by my amendment. I had to explain it to them. I don't think it left any impression. I explained it to the Senate. I read them what I said about it in the Senate and still did not convince them that I meant what I said.

The CHAIRMAN. You won that amendment; did you not?

Senator BARKLEY. I won in the Senate, but I lost in OPA.

Senator CAPEHART. They are a law unto themselves. I have known that for years.

Senator BARKLEY. This is off the record.

(There was discussion off the record.)

Senator TAFT. Mr. Murchison, you stated some objection to the reasonable profit theory. In most formulas that we have considered and tried to set we have made a margin instead of a profit. I mean we have eliminated this basis of return on net worth entirely and simply based it on a historical margin of some kind. I take it as far

as your industry is concerned, you prefer to retain reasonable profit now?

Mr. MURCHISON. We would define reasonable profit as a reasonable profit per unit based on the historical method of calculation.

Senator TAFT. So that a general amendment along that line you would not object to?

Mr. MURCHISON. It would be very much in order. I would say it would contribute very greatly to a situation which would expand production. In the previous pages of my statement I pointed out the profit formula used militated against the production of the staple item because in the base period they had all lost money and by the application of the net worth formula, with the base period of 1936-39, that an unfavorable ratio was maintained and was one of the major reasons for the great struggle we have had all along to keep up the production of the low end item.

Senator TAFT. One of my objections to the Wolcott amendment is that it does apply reasonable profit on everything. I don't like the theory of basing it on profits. I much prefer to base it on a historical margin per unit or profit per unit.

Mr. MURCHISON. A historical margin per unit on a truly representative base period would be a sound economic procedure to follow.

Senator BANKHEAD. The figures that I have seen show on a comparison between the net worth formula and the net sales formula that the net worth shows a considerably higher percentage of profit on textiles than does the net sales profit. Have you looked into that?

Mr. MURCHISON. Well, by measuring profits as a percentage of net worth you get what appears to be a higher figure.

Senator BANKHEAD. That is what I say.

Mr. MURCHISON. Which is, more or less, meaningless.

Senator BANKHEAD. Which on its face indicates that textiles have made a big profit when it is historically not in fact based on the actual operations of the mill.

Mr. MURCHISON. In the public mind there is no clear conception of what you mean by profit and ratio. You can say, Here is an industry making 10-percent profit, and while it may be 10 percent on net worth, the net worth may constitute a very small amount, while a very small industry profit of 1 percent based on sales would represent more money. That is something that is not generally understood and the talk and discussion throughout the country on that point has been very loose.

Senator BANKHEAD. It was developed here the other day that this net worth formula that they use now is what the OPA since its organization has adjusted their calculations with reference to price control on.

Mr. MURCHISON. That is right.

Senator BANKHEAD. But it is not one of the standards in trade.

Mr. MURCHISON. It was not generally customary throughout industry anywhere to use net worth as a basis of computing profits. Industry profits should be based on sales and a sales ratio to net worth can vary tremendously, by thousands of percent.

Senator BARKLEY. You don't advocate an amendment of this law so as to guarantee a profit to every concern that is engaged in the manufacture of cotton textiles, do you?

Mr. MURCHISON. I don't think any law could guarantee a profit, Senator—not under a competitive system.

Senator BARKLEY. There are always certain laggards in our industry that don't make a profit; did not make one before the war and may not make one after the war. In order to fix a price high enough then for them to make a profit you would have to fix it too high for those that are successfully and efficiently operated.

Mr. MURCHISON. We have not requested a price ceiling that would give a reasonable profit to every individual. We specify a weighted average.

Senator BARKLEY. You want a profit for different types of products, do you, a fair average?

Mr. MURCHISON. That is right. It would be an average for the entire group, Senator.

Senator BARKLEY. If anybody cannot make a profit under that he would have to fall by the wayside?

Mr. MURCHISON. He would have to have an individual adjustment, or fall by the wayside.

Senator TAFT. Without registering approval or disapproval of the House amendment it is clear to me that the press and radio commentators have grossly misinformed the public on this point of guaranteeing profits that you mention.

I have never read an amendment guaranteeing a profit to anybody. The only amendments were that OPA must be prohibited from preventing industries from making a profit. There is no guaranty that they should make a profit. I think the use of the word "guarantee" as it has been used is unjustifiable. It is a very great distortion of what actually happens and in justice to the House I think it should be said that it did not guarantee anybody anything.

Senator BARKLEY. I was not speaking of the House amendments. I was just speaking generally of the theory that some people have advocated that prices ought to be high enough on all commodities to give reasonable assurance of a profit by every concern that is engaged in the manufacture of those commodities.

Senator BANKHEAD. There is a distinction between a guaranty and giving an assurance that it may be done.

Senator BARKLEY. We cannot guarantee profits to anybody.

Senator BANKHEAD. Of course we cannot, but there is not much difference between a guaranty and a provision OPA must fix prices under which they won't make a profit.

Senator BARKLEY. Well, if it is so low they cannot make a profit there is a big difference. If you fix a price where it is possible, then there is no responsibility that they will get their profits up to that point as a guaranty.

Mr. MURCHISON. That is right. The purpose of the amendment as I understand it is merely that the price should include costs based on an average to provide a profit based on an average. If the individual operating under that formula cannot make his profit, that is his lookout. There certainly is no guaranty of a profit there.

The CHAIRMAN. Well, I don't want to go into that discussion here, but I think it does guarantee a profit when you say that a particular industry must have a reasonable profit—is that not a guaranty?

Mr. MURCHISON. No; that means the profit—the computation of a profit must be included in the price. Now, whether the individual can

actually make that profit depends on his efficiency, because the calculation is based on a group average.

Senator TAFT. And also depends on whether he can get the price. There is no guaranteed price.

Mr. MURCHISON. That is right.

Senator TAFT. Let us assume that temporarily they can reach the ceiling point without difficulty, but the time is rapidly coming when they may not be able to do so. So it is in no sense a guaranty.

The CHAIRMAN. Well, go ahead.

Mr. MURCHISON. The clarification of the amendment and its prompt and continuous application are the minimum relief this industry requires to maintain balanced and expanding production and continuity in shipments. Promptness, however, is not an attribute of OPA policy or operations.

Right there I should like to explain what I mean by continuity in shipments. The very slow procedure and very complicated procedure followed by OPA means that the issuance of a particular price order will come out 6 or 8 weeks or 3 or 4 months after the content of that order has been anticipated and in effect agreed upon between industry and the OPA pending the actual official issuance of that order.

Naturally, goods are withheld. Any businessman would be very foolish to ship his products out at a loss when he knows that a price increase is pending and he is waiting merely to have official confirmation in the order. So as a result of this system shipments into the market have been very sporadic, and that is true not only of primary producers, but of all the subsequent processors and there are many of them.

Cotton goods will go through the hands of 3 or 5 or 7 or 10 subsequent processors before they reach the final consumer, depending upon the final end use of the product. All down the line there these goods are held up in their normal flow by this particular procedure of pricing, which I think is one of the most serious objections which can be made to OPA policy. It certainly ought to be remedied as an administrative matter. I don't see how it can be done by legislative method, but I will say this: That it is my belief that a very large percentage of the goods that now should be on retailers' shelves have been held back because of this particular price procedure to which I refer.

Senator BANKHEAD. How can we get them out and get them to the people?

Mr. MURCHISON. That is just it, Senator. I will tell you one specific instance I could mention——

Senator BANKHEAD. We want your idea as to what change could be made administratively.

Mr. MURCHISON. It merely calls for promptness.

Senator BANKHEAD. In what?

Mr. MURCHISON. When it has been agreed between industry and OPA that a price adjustment is necessary and desirable, then that thing should be done just as quickly as possible, not held over periods running into weeks.

Senator BANKHEAD. And months.

Mr. MURCHISON. And months. I will just mention one case. Take colored yarn. I could tell you the story of natural yarn, but that would take so long.

In the case of colored yarn there was a substantial agreement between the industry and the OPA on a given date back in February, I think, that price adjustment was necessary because of the sharp increase that had taken place in raw cotton.

Senator HICKENLOOPER. Was OPA a party to that agreement?

Mr. MURCHISON. Yes; but when I use the word "agreement" I am not using that in the contractual sense.

Senator HICKENLOOPER. You said there was an agreement between the producer and the industry; I wondered if OPA was in on those conferences.

Mr. MURCHISON. If I said that I didn't use the words I intended to. I meant the Industry Advisory Committee and OPA. There was an informal agreement to that effect. I didn't mean that in any contractual sense, but in the sense of an understanding that a price adjustment would be made.

Senator BANKHEAD. And the amount agreed on?

Mr. MURCHISON. Virtually so, Senator, yet it was approximately 2 months before that order actually made its appearance. The yarn producers who had a loss on the product could do nothing but pile it in warehouses and wait for that order to come out. OPA would not give them open billing; they could not ship the goods and wait.

Now, we have a situation there where one-sixth of a year's production of an item was held back for no reason except a purely technical reason, a purely administrative thing.

Senator TAFT. It finally came out just at the amount that was originally agreed on?

Mr. MURCHISON. It came out as was expected. I won't say exactly the amount agreed upon, but approximately.

Senator BANKHEAD. And a week ago it came out?

Mr. MURCHISON. Yes.

Senator HICKENLOOPER. Until that order had been officially issued shipments would have been in violation of the law had they shipped at the eventual established price?

Mr. MURCHISON. That is right. So, with OPA now insisting and informing the public of the great scarcity of goods, that creates a psychology of scarcity. Then with the OPA procedure slowing down the flow of goods in the markets, you get a combination there of two circumstances which are creating throughout the country a condition of artificial scarcity out of all proportion to the actual rate of production.

Gentlemen of the committee, I think there is a point here that should be borne in mind, that the peacetime employment in the United States right now is at new peacetime highs. More people are at work turning out goods than have ever been at work during any peacetime period. That has been true since VJ-day. The expected reduction in employment did not materialize. Then why all this scarcity?

Where are all these goods going? There is a very strange and complicated situation we are dealing with here and one that to me is very mystifying.

Senator BANKHEAD. Are the merchant's shelves filling up?

Mr. MURCHISON. It is not visible, if that is true, Senator. As a matter of fact, it is harder for a man right now to get his clothing equipment than it was 7 months ago, yet industry is producing just as much goods, and perhaps more. Where are they going?

The Army is no longer taking them. To insist that OPA is preserving the economic soundness of the country in face of a fact like this is certainly a very, very grave assumption. I don't think it will bear analysis from the standpoint of the facts.

So the reluctance of OPA to recognize the trend of costs, the delay in making the necessary adjustments after their restraining influence has been recognized, are the chief cause of the great shortages and maldistribution of cotton textiles and cotton garments.

We recommend, therefore, that the OPA be directed to maintain ceilings on a current cost basis. Specifically, for this industry we urge the adoption of an escalator clause which will permit ceilings on cotton textile yarns and fabrics to reflect the current actual cost of raw cotton, for the industry as a whole the largest single item in its cost structure.

With that kind of a price set-up there would be no reason at all why goods should not flow promptly and smoothly into the markets as they are produced.

Essential as this relief is, we can give you no firm assurance that the industry will be able to supply the types of goods the public wants and in the amounts it requires. It must be clear to everyone by this time, that as long as the OPA continues with its present philosophy and formulas the production pattern of this and other industries will be determined not by the market but by OPA ceilings. As long as profits on an item continue to be determined by the profit performance of the item in a depressed base period, just so long will the distortion of production continue.

Similarly, we can give you no assurance that there will be an equitable distribution of such yarns and fabrics as are made. The industry has less and less control over this with every passing day. The constantly expanding control of the Civilian Production Administration over the production and distribution of goods no longer permits the industry to exercise its judgment, based on its years of intimate relation with the market.

I am not exaggerating the situation when I say that today, a year after VE-day and 7 months after VJ-day, the amount and complexity of controls exceed those imposed by the WPB at the peak of the war effort.

Whatever the situation may be in other industries, the cotton textile industry is operating under a situation which has all the characteristics of a planned economy. I want to emphasize this point because if the maldistribution of textiles continues or assumes even more serious proportions, as I believe will be the case, the industry wants the country to know where the responsibility for it rests.

The board of directors of the Cotton Textile Institute has given serious consideration during the last 4 months to the extension of the OPA. They have not specifically instructed me to recommend either the extension or the abandonment of the law. Candor compels me to state, however, that its extension is viewed with grave misgivings by the majority of the industry.

It is the belief of the majority that if the act is extended it should be for as short a period as is possible and that provision be made in the law for the complete abolishment of the Office of Price Administration at the end of the period.

To facilitate the transition from a controlled economy to a free market, we urge that the Congress include in the extension of the law an amendment requiring that specified commodities or groups of commodities be released from price control upon satisfaction of acute demands. If such a decontrol amendment is included, it will be effective only if the standards and criteria establishing such decontrol are laid down by Congress and not left to discretionary action of the Office of Price Administration.

Senator BANKHEAD. Thank you, sir. That is a very full and informative statement. It is a very good statement.

Senator CAPEHART. Mr. Chairman, may I ask a question?

Senator BANKHEAD. Yes, Senator; of course.

Senator CAPEHART. In respect to this last statement, which I agree with in principle, I would like to see the Congress adopt some sort of a formula. Do you have in mind any formula for the cotton textile industry, say 150 percent production above the year 1939, when price control would be removed? Would that be fair, would it be possible to administer, and it is keen cut enough to be easily administered?

Senator BANKHEAD. One hundred and fifty percent above what period?

Senator CAPEHART. The year 1939. I am just using the year and the amount more to get his viewpoint, rather than whether or not they are the proper figures.

Mr. MURCHISON. I think that large an increase in production cannot be obtained, Senator. In 1939 the total yardage of cotton woven goods produced was 8,287,000,000 yards. That is linear yards.

Senator CAPEHART. That is 1939?

Mr. MURCHISON. 1939. In 1945 it was 8,724,000,000. You see, only one-half billion yards more.

Senator CAPEHART. What, in your opinion, is the amount that is needed for the next 12 months? You said 8,000,000,000 there, I believe. Do you think the Nation needs 12,000,000,000, 10,000,000,000 14,000,000,000, or what?

Mr. MURCHISON. The year of maximum production was 1942 when the industry strained every possible resource, and then production was only 11,108,000,000 yards.

Senator CAPEHART. You think that would be tops for the next 12 months?

Mr. MURCHISON. That certainly would be tops.

Senator CAPEHART. Under the most favorable conditions you think possibly 11 to 12 billion would be tops?

Mr. MURCHISON. I doubt if conditions so favorable could be obtained this year. I seriously question whether this year's industry could get above 10 billion yards. I think that is expecting too much. It is more reasonable to expect about 9½ billion maximum that could be reached.

Senator CAPEHART. Is it a practical matter for Congress to set up a formula in the textile industry? I mean the problem is not so complex that a workable and sensible formula could be established?

Mr. MURCHISON. I think it could be. It would have to be more or less arbitrary. I don't think we could use a base period, because since the base period the population of the country has grown so much. The purchasing power has grown so much. The old criteria would not apply. I believe that a steady consumption of cotton at

the rate of 9 to 9½ million bales would provide this country with all the cotton yardage it needs.

Senator BANKHEAD. That is after you catch up with this terrible scarcity, or would you do it right away?

Mr. MURCHISON. I think we could do it at present, Senator.

Senator CAPEHART. Mr. Chairman, is there a representative here from OPA who might tell us what the department considers the civilian need to be during the next 12 months, in relation to this 8 billion or 11 billion he is talking about?

The CHAIRMAN. Yes.

Senator CAPEHART. In order to meet the demand for the next 12 months, what capacity or what volume do you anticipate would be needed?

Mr. SELLS. I think it would be misleading to make a statement in estimation of total numbers, because the dislocations of different construction are quite variable. For example—

Senator CAPEHART. Pardon me. Do you mean you just don't know? You don't have the slightest idea?

Mr. SELLS. I don't think anyone could give you an accurate figure on that. I think if we had a full year of production at the level of 10,000,000,000 yards of woven goods we would go a long way toward satisfying the need.

Senator CAPEHART. Are you as indefinite on all other civilian requirements as you are in respect to cotton textiles?

Mr. SELLS. I think not.

Senator CAPEHART. It is possible that on shoes and other things you are definite, but you don't know in this particular industry?

Mr. SELLS. In the case of shoes at the present time industry is producing over 42,000,000 pairs—or did produce over 42,000,000 pairs in the last month. The highest prewar month was about 34,000,000 pairs. At the present time the retail inventories in the shoe field are approximately one-fourth of normal.

Senator CAPEHART. Well, pardon me. In other words, as far as cotton textiles are concerned, you have no idea of what quantities are needed to supply the demand for the next 12 months?

Mr. SELLS. I think we could say this: If we began to see inventories in stores accumulating—

Senator CAPEHART. Wait a minute. I understand that, but you don't know in cotton textiles—you feel reasonably certain you do know on all other items what we need for the next 12 months?

Mr. SELLS. I think we could probably make a fairer estimate on certain commodities.

Senator CAPEHART. You are also capable of arriving at the maximum output of these different industries, are you not?

Mr. SELLS. You are asking two different questions.

Senator CAPEHART. Well, never mind the first one. Answer the second one. Are you capable—

The CHAIRMAN. Is he not permitted to answer your questions?

Senator CAPEHART. Well—

Mr. SELLS. I would like to point out if I may—

Senator CAPEHART. No; just forget it.

The CHAIRMAN. Well, let him answer the question.

Mr. SELLS. Thank you, Mr. Chairman.

Senator TAFT. May I ask the question: Is the cotton-textile industry decontrolled under the Gossett amendment?

Mr. SELLS. I think, if your question is to compare the present rate of production with 1939—is that it?

Senator TAFT. No; under the Gossett amendment passed by the House, is the cotton-textile industry decontrolled at a certain point?

Mr. SELLS. The standard there would be to compare the present reduction rate with 1939.

Mr. MURCHISON. No; from the middle of 1940 to the middle of 1941.

Senator TAFT. What do you think of that standard, Mr. Murchison?

Mr. MURCHISON. I think that standard would be about as reasonable as any we could devise.

Senator TAFT. It has been suggested if we adopted a decontrol standard at all based on production it should be 120 percent of prewar, 1939, rather than 100 percent because of the increase in the number of people employed; the increase in population, and so forth. That would bring you up to something like ten million and a half and you would not be decontrolled under the 120-percent standard during the next year or 2.

Mr. MURCHISON. 1939—20 percent of that would be—

Senator TAFT. About ten million three, or something like that.

Mr. MURCHISON. About one billion six added onto that would be about nine-eight, or nine-nine. I think that would be a perfectly reasonable figure.

Senator TAFT. If you reached a production of nine-nine, you think you would be catching up on demand?

Mr. MURCHISON. We really would. We would not be long in catching up. We would be caught up pretty soon.

Senator TAFT. Now, do you wish to say anything in reply to that?

Mr. SELLS. Yes, sir; the point I wanted to make, also with regard to Senator Capehart's question, that production by itself is not an adequate index because we have to consider demand. Demand may change, or production may change.

Senator TAFT. Yes; I understand there are legitimate criticisms to basing any decontrol purely on production.

Senator CAPEHART. I was not trying to embarrass the witness. I was trying to see if he could not apply a little business principle to his problem, Mr. Chairman. I was trying to find out if it was possible for OPA to arrive in all industries at the amount of goods needed for the next 12 months. Then if it was possible for them to arrive at that, then it was possible for them to also arrive at production facilities, maximum productive facilities of all the industries.

Now, if you could reasonably arrive at those two things, then I believe that we here in Congress would be able to sit down and say OPA might—we might be able to eliminate OPA when production arrived at X amount above a mean year's production. I was not trying to embarrass the witness at all. I was simply trying to see if we could not arrive at a little business formula.

Mr. SELLS. Well, Senator, here is the point I had in mind, which I think is quite important in considering that question. There is a

very important difference between satisfying need or requirements and satisfying demands.

Senator CAPEHART. Well, I understand that perfectly well and I understand there has been a change and by virtue of the same thing we must have some sort of a formula to go by.

Mr. SELLS. If you were to compute, for example, how many automobiles do we need, you might have as a standard that everybody needs one. Actually, from the standpoint of price control, the pressure on rising prices will be measured by the number of people who are trying to buy in any one given time, which is not directly related to the amount needed.

Senator TAFT. Instead of trying to find a formula which is a very difficult thing to do, would it be possible to write a schedule? That is, just take a dozen or 2 dozen of the leading industries of the United States and say when production in that industry reaches so many yards in this industry and so many cattle in some other industry, then it shall be decontrolled?

In other words, if Congress undertook not to write a general principle, but simply to try to deal with the main things then in fixing that standard on production you could take into account your very reason why in a particular industry there was more demand or less demand, or some other factor that would put that figure at a different point? Do you think such a schedule could be written into the act?

Mr. SELLS. I think it would be worth exploring, Senator Taft. I think we also should consider and examine the inventory situation in retail stores at various times, because demand may change suddenly, even before you reach that level and then you might be able to decontrol.

Senator TAFT. Well, I think you should explore it. I suggest that Mr. Bowles might come in here with some such plan and let us see what his plan is for decontrol. I don't think, myself, this cotton-textile industry should be decontrolled at the moment. That is my judgment.

What do you think as to where prices would go if we took all controls off of cotton goods? Where do you think they would go right at this moment or the 1st of July?

Mr. MURCHISON. I am not at all sure they would rise substantially, Senator. I think the industry learned a good deal from the experience of 1919-20.

Senator TAFT. I am a little afraid that an industry of this kind, where you have so many scattered units—I am not so much afraid of automobiles where you have a limited number of companies all concentrated in one area and in keen competition, but where you have this large number of units scattered all around, do you not think the price would go up too high?

Mr. MURCHISON. Even if self-discipline did not effectively keep prices down, I think the sharp increase in production would bring it down pretty rapidly. I would like to have Dr. Michl, our economist, state why.

Senator TAFT. All right. I would like to have him answer that question.

**STATEMENT OF H. E. MICHL, ECONOMIST, COTTON TEXTILE
INSTITUTE**

Mr. MICHL. Let me say immediately, Senator, I would not try to put any percentage figure on what the readjustment would be. What you would get in the cotton-textile industry, and I assume you would get it in any other industry, is an immediate readjustment of all prices. Clearly the so-called staple items on which we have had the smallest profit margin, are losing money. They would go up.

Senator BANKHEAD. Why?

Mr. MICHL. Because the price on them today is too low. On the other hand, there isn't any doubt in my mind and in the mind of anybody in the market that if Congress were to abandon the OPA tomorrow certain cotton-textile prices would decline immediately.

Coming back to the statement that Dr. Murchison made earlier, the industry—and I assume this is true of all industries—is not producing to the market demand. The industry is producing to OPA ceilings. We know that certain of our fabrics are being produced today only because the ceiling price is more profitable than on others. They would immediately drop because the forthcoming production of staple items would no longer make them a good buy for the consuming industries.

You would have an averaging out. Certain high-priced fabrics would come down and certain stable fabrics would go up and it is likely that the net cost, being in better balance, would be only slightly higher than it is today.

Senator TAFT. I suppose that an industry being given the right to reprice—are there any items where they would immediately say “Now, we must have 20 percent more” or would 10 percent probably be the limit of the first repricing of these staple goods?

Mr. MICHL. I would say that on the majority of items it would probably run about 10 percent.

Senator TAFT. That is the manufacturer will say, “I need 10 percent more to get a fair margin on these goods”?

Mr. MICHL. That is right.

Senator TAFT. Then the question is whether the demand would force that up further?

Mr. MICHL. That is right.

Senator TAYLOR. Mr. Chairman.

The CHAIRMAN. Yes.

Senator TAYLOR. Mr. Michl, you said a while ago if textiles were decontrolled the high-priced items would come down and the low-priced items would go up. In other words, those who were able to buy would get a break and the common everyday people would have to pay more and throw our economy out of balance again—we would have another spiral—more wages, and so on?

Mr. MICHL. That would not be true, Senator, because today in certain of those low-priced items, where the margin is low, what you call the common man with little money has a low price for that fabric but is unable to buy the fabric, because it is not being made in the amount that the public normally buys.

In other words, a woman who would like to go out and buy a pair of denim overalls for her children has a difficult time getting denim, because denim is not high enough. She can get play clothes for them

made out of fabrics that were made for the military which yield a higher profit, and that would be true of other items.

Mr. MURCHISON. You have a perfect example in shirts. The stores are full of sport shirts, from \$5 to \$25 apiece. If you go in to buy a good standard shirt, you cannot buy it.

Senator HICKENLOOPER. The fact of the matter is that the average man of low income is actually being driven into the luxury class in order to get things that otherwise would be necessities at a low price.

Mr. MURCHISON. That, I think, is right, Senator.

Senator HICKENLOOPER. So that the average man is being penalized two or three times on the price of the necessities he has to have, because the lower-priced merchandise is in effect off the market.

Mr. MURCHISON. That is right.

The CHAIRMAN. How can that be corrected, Mr. Michl?

Mr. MICHL. First of all, we have to get more production in cotton textiles. Until the over-all production of cotton textiles increases, no other method can work. We have got to get the materials in order to make the garments.

It seems to me, Senator, that the way this can be made to work is this: It cannot be written into any legislation. It is an administrative matter. If the OPA would come to this industry as the War Production Board and the Military did during the war and say, "We believe that the market needs X million pounds of denim—" there are only about 10 mills that make denim. Give those mills a price that will permit them to work their denim mills to the limit.

In other words, I would say that for the low end items—and this is applicable not only to cotton textiles, but probably to other industries—we need more generous pricing on those items than we need for all of our items. In other words, for those particular low end items which the public needs, forget any particular formula which the OPA has been using since its existence.

I would go so far as to say, Senator, that in those items a cost-plus pricing provision would not only do no injury to the country's economy, but would actually help it.

Senator BANKHEAD. Is the production now lower than it has been for the last 4 years in textiles?

Mr. MICHL. No. Do you mean at this moment?

Senator BANKHEAD. Well, I mean in the last few weeks, or the last month or two.

Mr. MICHL. According to the CPA production for the first quarter of the year is up over the preceding year. Of course, we are considerably below 1942 which was the banner year for cotton textiles.

Senator BANKHEAD. Well, you are down to a consumption of less than 9,000,000 bales.

Mr. MICHL. Last year we produced 8,700,000,000 yards.

Senator BANKHEAD. That is about the same as 8¾ million bales, is it not?

Mr. MURCHISON. That is right.

Senator BANKHEAD. Almost a pound to the yard?

Mr. MURCHISON. Certainly, so far as any 3- or 4-month period we are down right at the bottom, you might say.

Senator BANKHEAD. That is what I am asking. This witness seems to think that is not right.

Mr. MURCHISON. Well, if you think of just the last few weeks—

Senator BANKHEAD. I told him it was not at the moment. For the last 2 or 3 weeks, or a month, consumption is down to about 8¼ million bales of cotton.

Mr. MURCHISON. That is right. I don't think we really know whether consumption is moving up or not until around June, until we have had a longer period of time.

Mr. MICHL. Senator Wagner, coming back to the question you asked, I have before me a study of the denim mills which, as you know, produces fabric for overalls.

The CHAIRMAN. We heard about that last year.

Mr. MICHL. There are eight mills producing denim. As of March 8 on the price ceilings that then prevailed, before the recent increase, on the basis of the individual mill cost as of that date, everyone of the eight mills was losing money, and the weighted average of those mills' loss was 0.514 cents per yard. After the 5-percent incentive ceiling price increase which the OPA gave, only five companies were operating at a profit. After the 5-percent increase three of them continued to operate at a loss, and the weighted average profit for the eight mills was only 0.742 cents a yard.

The CHAIRMAN. I think we have finished, have we, Doctor?

Mr. MURCHISON. Well, I hope I have satisfied the committee, Senator. I should like to add that Mr. Russell Fisher, president of the National Association of Cotton Manufacturers, was scheduled to appear this morning and very kindly yielded his time to me. So I wish to acknowledge that for the record and to say that with his approval I was speaking for the National Association of Cotton Manufacturers as well as the Cotton Textile Institute. Of course, the American Association was represented by Mr. Harvey Moore this morning.

Senator BANKHEAD. I was not here when the committee met, but was there any statement about Mr. Cannon's absence?

Mr. MURCHISON. Mr. Jacobs, I believe, is here.

Senator BANKHEAD. He is first on the list here.

Mr. JACOBS. His brother was ill, Senator, and he could not appear due to illness in his family.

The CHAIRMAN. The general executive board of the Amalgamated Clothing Workers of America—they are interested in textiles?

Mr. MICHL. Their interest would be primarily in woolens because they represent the men's clothing industry, although they may have some interest in cottons.

The CHAIRMAN. I have a long telegram from them which I think it would be worth while reading now:

HON. ROBERT F. WAGNER,

Chairman:

The General Executive Board of the Amalgamated Clothing Workers of America, speaking on behalf of 325,000 members in 37 States of the Union, urges complete rejection of House Amendments designed to cripple effectiveness of OPA and calls for at least year's extension of genuine price controls after next June.

We regard OPA continuation as an effective instrumentality and prime factor in preventing runaway inflation with resultant chaos of drastic reduction in purchasing power, creation severe unemployment and business bankruptcies.

Experience following World War I revealed economic and industrial perils implicit in uncontrolled prices. Workers in clothing industry suffered untold privations while reputable firms were driven out of business. This experience was duplicated in all other American industries.

The United States Senate has within its power to prevent industrial chaos which is bound to effect not only our home economy but world recovery and the hope of lasting peace.

We urge you to reject crippling OPA amendments in toto and help pass a bill which will help maintain purchasing power and high standards of American life. Our 325,000 members, their friends and families demand it. Organized labor everywhere and the common people generally demand it.

That is signed by Sidney Hillman, president of the Amalgamated Clothing Workers of America.

Senator BUCK. Cleared with Sidney.

The CHAIRMAN. Yes.

Is Mr. Downs here?

(Mr. Murchison and Mr. Michl thereupon withdrew from the committee table.)

The CHAIRMAN. Mr. James E. Downs, is he here? If he is here let him come forward.

(There was no response.)

The CHAIRMAN. Is Mr. George M. Englar here?

(There was no response.)

The CHAIRMAN. Or Mr. Glenwood J. Sherrard?

(There was no response.)

The CHAIRMAN. All right. The committee will take a recess until 3 o'clock.

(Whereupon, at 12:15 p. m., a recess was taken until 3 p. m. of the same day.)

AFTERNOON SESSION

(The committee reconvened at 3 p. m., upon the expiration of the recess.)

The CHAIRMAN. The committee will come to order.

Is Mr. Englar here?

Mr. ENGLAR. Yes, sir.

The CHAIRMAN. I want to apologize to you for not having more Senators here, but there is an important meeting at which there is apt to be a vote at any time, so you will be interrupted in case we have to go for a vote.

Mr. ENGLAR. All right, Senator.

The CHAIRMAN. Very well.

STATEMENT OF GEORGE M. ENGLAR, PRESIDENT, NATIONAL APARTMENT OWNERS ASSOCIATION, BALTIMORE, MD.

The CHAIRMAN. Mr. Englar, you are the president of the National Apartment Owners Association?

Mr. ENGLAR. Yes, sir.

The CHAIRMAN. Very well. We shall hear from you.

Mr. ENGLAR. My name is George M. Englar. I live in the Roland Park Apartments, Baltimore, Md. I am president of the National Apartment Owners Association.

I want to thank the chairman and members of this committee for the time allotted me to bring before you the plight of the residential rental industry, but it is impossible in 30 minutes to bring to you all the arguments that justify an increase in rental ceilings in order that the injustices of rent control under OPA shall cease.

In order to save time, there is attached to the copy of this testimony that has been furnished you the presentation made by us before the House Banking and Currency Committee on March 11, 1946. I refer you to my background on page 1.

I am a tenant. The OPA fixed the rent on my apartment at \$150. It originally rented for \$300. The cost of the building in which I live and the land under it was approximately \$900,000. It was purchased by the present company in December 1943 for \$400,000. With the present rent ceiling in effect, after fixed charges it showed a loss of \$1,459.49 in 1944.

Our industry did not object to rent control as a war measure; but the war is over and our peacetime economy is being drafted. Are the owners of rental property to continue with rents 15 percent below the 18 prewar years with wages 68 percent above?

If rents were increased 15 percent to the 18-year average, the cost of living would only rise 3 percent.

To hold rents down in the face of this fact alone is certainly most arbitrary, unreasonable, and confiscatory.

Our position is set out briefly in a letter written February 9, 1946, to the distinguished Senator from Maryland, a member of your committee, Senator Radcliffe. [Reading:]

When the Price Control Act came up for renewal in the spring of 1944, you were most helpful in bringing about an amendment to the act that, with any reasonable interpretation, would have accomplished what we considered fair, but the subsequent interpretation of the intent of Congress by Mr. Bowles left us without 1 cent of relief and we are still only able to receive the rent prevailing April 1, 1941.

You will also recall that when the Price Extension Act came up in 1945, the general attitude in Congress was that the war would soon be over and that rent control would terminate.

The war is now over, but more areas are now under rent control than at any time during the war. We believe the fact that residential rent control is about the only thing where price control has been effective and this is probably one of the reasons why Mr. Bowles is so anxious to extend it. My personal opinion is that the entire system of price control has so upset the economy of the country, we will never get production so long as price control is in effect. At the same time, we are in favor of reasonable rent control until the present vacancy situation is corrected or the States themselves take over the responsibility. We think the best thing that could happen to the country would be for the entire Office of Price Administration to be abolished, and the rent control end of it be placed under some other Government bureau that would be reasonable in the administration. In no event, do we think that rent control should be extended beyond March 31, 1947.

Instead of the people who have supplied homes for millions of our population being given some credit for having furnished housing accommodations at a sacrifice, in many instances, without any real return on their investment, they are not only asked to continue rents at an artificially low level, but to pay increased operating expenses, see their properties deteriorate, and then be confronted by biased inflammatory official propaganda on the radio through the press, and speeches by the bureaucrats.

The most serious aspect of this situation, it seems to me to be the fact that the present OPA policies simply stifle all construction work. Certainly, we are not going to undertake to build new apartments or reconvert houses to provide living accommodations while there is such an inflexible control of rents. If rents were permitted to be increased in proportion to the increase in operating expenses, I believe the housing shortage could be overcome, but such a suggestion last year received an emphatic "No" from Mr. Bowles. It looks very much to me as if it is a plan of a CIO-PAC group that has so much influence with Mr. Bowles, to stifle all enterprise and building construction and gradually run down the properties that are now in private hands so that they cannot compete with the Government Housing program that is now being so strongly urged by the CIO-PAC group in Washington.

Senator TAYLOR. Mr. Chairman.

The CHAIRMAN. Yes, sir.

Senator TAYLOR. Mr. Englar, you understand, of course, that Senator Taft is one of the sponsors of this housing program.

Mr. ENGLAR. I do, sir.

Senator TAYLOR. That is all I wanted to say.

Mr. ENGLAR. My letter to Senator Radcliffe still expresses my opinion.

That is the end of the letter to Senator Radcliffe.

Even during the war every medium was used by OPA to pillory landlords as unpatriotic, greedy, and selfish citizens. The pressure to extend rent control has resulted in tenants being told directly on the Saturday afternoon radio program, OPA's Mail Bag, that they must be suspicious of all landlords who will rob and abuse them.

The recent articles in Collier's were an illustration. To furnish the material for such vicious propaganda, the records of OPA were combed to find eight landlords whose shortcomings were used to damn 8,000,000 owners of residential rental property.

We believe this procedure is planned to create sentiment for continuance of bureaucratic control. Mr. Bowles apparently believes his primary function to be the elimination of the American system of free enterprise by destroying profits instead of administering price control for the general welfare of all groups.

Senator TAYLOR. Mr. Chairman, I want to repeat something I have said previously several times.

Surely you do not mean that you think Mr. Bowles wants to destroy our free-enterprise system. He is a businessman himself, and he is serving at a great sacrifice in this position. He certainly does not want to perpetuate it just for the joy of having controls. I am sure he wants to get out of this miserable job as soon as he possibly can, and I found that to be the case with nearly all of the top-flight executives of OPA. They are all down here on loan from business enterprises and at a financial sacrifice, most of them, and they are anxious to get back. I just cannot see any justification for making a statement like that, in view of those facts.

Mr. ENGLAR. Anyone who has had experience with real estate during the last 5 years will know that the fundamental philosophy of OPA is the abolition of profits, the regulation of profits, and the stifling of private enterprise.

The CIO-PAC group is raising \$6,000,000 for the coming congressional campaign. The money not used in the effort to elect Congressmen who will vote as it directs will probably be used to bring groups to Washington next year to urge everything their principal ally in the Administration asks. I predict that in 1947 Mr. Bowles will again be telling Congress an emergency exists, and that if OPA is extended one more year from June 30, 1947, everything will be O. K. and that he will win the battle of inflation, which, in fact, was lost some time ago, as authentic charts clearly show.

The war is over. Let us put an end to the doctrine that scarcity will bring the Utopia so eloquently pictured by this master advertising genius. The economy of scarcity never benefited any citizen permanently and is only being used to widen the gap between supply and demand and thereby make rent control a permanent part of our Government.

Senator TAYLOR. Of course, you have seen the Federal Reserve figures that production is—what is it? 169?

Senator MITCHELL. One hundred sixty-nine percent.

Senator TAYLOR. One hundred sixty-nine percent, 1935-39 average.

Mr. ENGLAR. Well, it is not in the housing industry.

Senator TAYLOR. No; it is not in the housing industry. That is right.

Mr. ENGLAR. That is the reason we have this wide gap between supply and demand.

Profound announcements by OPA that rent regulations have saved millions of dollars, are only true when it is understood that property owners have been relieved of exactly that same amount. Furthermore, the rents saved by the tenants do not provide 1 cent of taxes to the Federal Government. If, as Mr. Bowles alleges, our requests would cost tenants \$600,000,000 a year, income taxes of 150 to 200 million dollars would have to be paid if our properties were not in the "red."

How much inflation has Mr. Bowles saved us from, despite billions spent on subsidies? If rents were normal as they should be, the cost of living would be close to that at the peak of World War I inflation. A study of the Wenzlick chart, based on the Bureau of Labor figures, should convince you that the claim that OPA has saved us from inflation is just as fallacious as its argument that landlords are making more money under rent control than before. It is superficial for Mr. Bowles to imply that the inflationary pressures spring spontaneously from speculative fever, on the one hand, or selfishness of businessmen on the other. Political acts, policies, and decisions have set in motion the factors which underlie the inflationary pressures. There appears to be political reluctance to uncover the realities and face the day of reckoning.

To continue to permit OPA to block fair rents by hiding behind the pretense that increasing the rent ceilings to offset the rise in costs, on the theory that this results in inflation is dodging the issue. It is not fair to real estate, the foundation of our country's wealth, to ignore the fact that other elements in the national economy have already substantially increased.

Does OPA think that the business can survive its philosophy that the increase in wages can be absorbed by increased production? Even admitting that such philosophy is correct, how can our rental industry increase production? We have been at 100 percent capacity for several years, and our equipment is worn out with 5 years of peak operation, without adequate maintenance.

Senator MITCHELL. What was the percent of capacity in the years prior to that?

Mr. ENGLAR. The rental average occupancy of apartments was about 90 percent. Some of our buildings with low rent schedules were 100 percent occupied, but our average occupancy in Baltimore—I don't know all over the country because I have not seen the figures, but our average occupancy there was about 90 percent before the war activity.

Senator MITCHELL. For the war activity?

Mr. ENGLAR. Before the war activity.

Senator MITCHELL. Before the war activity; yes.

Mr. ENGLAR. We filled up 100 percent in about 1940, but before that we had about 10 percent without occupancy.

Senator MITCHELL. How do you figure the cost of 10 percent unoccupied apartments in your industry? What does that mean to the apartment industry?

Mr. ENGLAR. It roughly represents 10 percent of our gross income. A hundred thousand dollar building had an income of \$90,000 at 90 percent occupancy.

Senator MITCHELL. So it has a material meaning to the owner of the apartment.

Mr. ENGLAR. There is no doubt about that.

Mr. Bowles' favorite argument that increased production will absorb increasing costs, will not hold with our industry, and his boom-and-bust scareline to us is just Bust. Frozen rents with operating expenses increasing yearly spell that.

An illustration of OPA methods to mislead the public is the "Cost of living in two wars" chart published April 8, 1946, in connection with a letter to the President from Mr. Bowles and associates. Fortunately, the housewives of the Nation will see that something doesn't click. Mr. Bowles has outpropagandized himself because his chart shows only 3.4 percent increase in cost of living in the last three years. This chart together with our letter to the President has been inserted in our House presentation following the Wenzlick charts.

I might add, I received a reply to my letter yesterday from Mr. John Snyder.

The Wenzlick chart shows that the cost of living, based on the 18-year average, 1921-38, was 19 percent above normal on December 31, 1945, an increase of 9 percent in 3 years. It should be noted that the Bowles War I curve follows Wenzlick's but you would not recognize the War II propaganda curve.

The law of supply and demand is so far out of balance in the housing industry the National Association has hesitated to ask for termination of rent control; but the longer rents are held below normal with everything else going up, the shortage in housing becomes more acute.

One amendment we suggest is so obvious a solution of the housing shortage we believe its favorable consideration is inevitable. It would not raise the rent on a single occupied unit.

We suggested in a letter to you on March 4 how the shortage in housing could be overcome without costing the Government 1 cent. We doubt if the subsidies recently voted will help the housing shortage when production of building material is so curtailed by OPA policies.

If new construction were exempted from rent control, and the manufacturers of this country were given an opportunity to produce building materials at a reasonable profit, the housing shortage would be solved. Maximum production will not be achieved until there is freedom to produce.

It is useless to expect builders to proceed to construct apartment houses in volume and risk their time and money when they are faced with the unfair and inequitable conditions imposed by OPA. If rental housing is to be produced, the Government must realize that the industry generally must receive fair treatment and builders of new apartments must be assured that they will be freed from controls

by an agency which gives no recognition to whether or not a reasonable return on investment is being earned.

Another cause of the housing shortage directly resulting from OPA policies of keeping rents down with wages going up is the fact this encourages persons who received increases in wages to occupy space not absolutely necessary. It is not unusual for one person to occupy from four to six rooms, and a survey recently made in Toledo showed that in 5 percent, or 5,000 of the dwelling units there, four rooms or more were occupied by one person.

There is another cause of the housing shortage that is directly attributable to OPA. When a landlord sees that he is unable to get a fair return by renting his property, because of frozen rents, he places his property on the market for sale; the property is then sold to some other tenant who is unable to find a property for rent, and as a result the tenant in that property must move because it has been sold. That tenant, in turn, seeks to rent another property, but is unable to do so; so he goes upon the open market and purchases a property. This round-robin method of removing tenants by new purchasers has caused the price of real estate to increase, and it has, therefore, defeated the very purpose for which price control had been put in operation. An increase in rent ceilings would remedy the housing shortage 100 times more effectively than rental ceilings on old houses. Mr. Bowles ought to know that his own policy of low rents and the necessity of tenants' finding living quarters, because the properties in which they lived had been sold because of low rents, is the direct cause of this shortage. Bureau of Labor statistics released recently showed increases of more than 50 percent on owner-occupancy of houses in 8 cities and substantial shifts from tenancy to owner-occupancy in 122 cities. The Government release was accompanied by a statement [reading]:

The fact that sales prices of houses were not controlled, while rents were, made it possible for owners to profit from the limited supplies of housing by withdrawing houses from the rental market and offering them for sale. As a result, tenants were forced to buy their residences, often at high prices, to outbid competing war workers.

What would be the effect of taking the ceilings off of rents and building materials? Rents would rise somewhat. This would provide the incentive to put up new buildings. The increased rent would offer an incentive for families to double up. Some of those who moved to cities during the war might find it desirable to go back to the farms and villages from which they came. Some landlords might try to make a killing. The wise landlord, seeing the day coming when he would have trouble keeping his houses filled, would think twice before raising his rents too high.

Rent probably constitutes a lower percentage of the family budget than at any time in our experience. Housing is now the cheapest item in the family budget. The head of one of the veterans' organizations stated to one of the Baltimore papers [reading]:

What we want to know is, why can't the OPA raise the ceiling on some of the apartments in town so that people who own them can put them on the market? We've got the money to pay for them, but the OPA, when you ask them about that, comes back with a lot of regulations.

The source of that article is in the House testimony.

Strikes: Our industry continues to be the pet peeve of OPA, but it about the only one that is producing almost 100 percent. In some of our cities, where feeling runs high against OPA's unreasonable attitude toward landlords, units are withheld from the market when they become vacant. The papers call it a landlords' strike. After 5 years of persecution, why shouldn't the landlord be permitted to allow his property to remain vacant, if present rents are insufficient for him to keep it in repair? If this committee would give me time to read to it some of the letters that literally flood our office from small property owners over the country showing the aroused public opinions against OPA unfairness to real-estate owners, I doubt if relief would be denied us again. If it is, I confidently believe the 27,000,000 owners of real estate will realize the class line that has been drawn in our economy and will fight fire with fire in the coming years.

Senator MITCHELL. Do you know how many hardship cases have been awarded additional rent by the OPA?

Mr. ENGLAR. Yes, sir. I have it in my testimony.

Senator MITCHELL. You will go into that, will you?

Mr. ENGLAR. I will go into that; yes, sir. It comes right next.

Relief to 1 out of 3,000: Those of you who recall the 1944 compromise between the House and the Senate know that Congress expected rents to be raised to meet increased operating expenses and taxes. You expected OPA to be fair, and, therefore, did not write the exact formula into the law. The formula OPA adopted provided that, before we were entitled to any relief, our net income had to drop below the 1938, 1939, 1940 level in an amount equal to 5 percent of our gross rents.

This meant, if we spent the customary one month's rent in 1938, 1939, and again in 1940, we had to spend that much in each of the war years before we were given any credit for the increase in labor or fuel costs. In one of our buildings, we spent \$15,000 just after the freeze date, for new heating equipment that saves about 40 percent in coal tonnage. This savings, although it cost us \$15,000, deprives us of relief under the OPA formula. OPA admits that out of 15,000,000 apartments under rent control, only 5,500 have received relief under the hardship amendment; that is, three one-hundredths of 1 percent, or 1 apartment out of 3,000.

Senator MITCHELL. Mr. Chairman, I wonder if anybody from the OPA is here to tell us their figures on that.

The CHAIRMAN. Yes; they are here.

Mr. ENGLAR. That is taken out of their reply in the House testimony.

Senator MITCHELL. I remember another figure, a much larger figure than that.

Mr. ENGLAR. I would like to refer to that in my testimony.

Senator MITCHELL. I would like to have that from Mr. Carson.

The CHAIRMAN. Yes.

Mr. CARSON. The figure under the 5 (a) (12) adjustment, which is a hardship adjustment, is now running between 5,500 and 6,000 units, Senator. That is units. But I think it is well to consider all

of the adjustments in that connection. There have been some 780,000 adjustments granted, which amounts to about 1 out of every 20 units under rent control. Those are adjustments for various factors in the regulation.

Senator MITCHELL. In other words, that 5,500 figure does not give the true picture of adjustment of rents under the OPA?

Mr. CARSON. I do not believe it does; no, sir.

Mr. ENGLAR. Well, it certainly does. They are OPA's own figures of adjustments under the hardship amendment. The figure the gentleman just referred to is the applications or petitions for increased services. If you put a new Frigidaire in an apartment or a new refrigerator in an apartment, you have to petition OPA, and your rent goes up \$1.50 or \$2.50. Now, that is not helping the landlord's income. They are the figures that are in that—that is the basis of the other figures that have been used here, and I found that out after my testimony before the House. They are petitions for increased services.

OPA boasts in large display cards on subway trains and railway cars that rents have not gone up. That is true, but it is not true that operating expenses have not gone up, as is alleged on the 23-page 8½ by 11 propaganda book OPA has distributed that bears the imprint of the United States Government Printing Office, 1945, which carries in large type the statement, "Operating expenses have not increased."

Senator MITCHELL. Do you know how much the net operating income in Baltimore has increased?

Mr. ENGLAR. Yes, sir. I will go into that, too, later.

Senator MITCHELL. You will go into that, too?

Mr. ENGLAR. That is in the House presentation.

That book is entitled "Has Rent Control Been Discriminatory?" The statement that operating expenses have not gone up is proof of misrepresentation by OPA and right here I will prove discrimination against the 8,000,000 unfortunates who own residential rental properties in this country.

Discrimination: In a statement made February 18, 1946, by the former OPA Administrator, Mr. Chester Bowles, before the House Banking and Currency Committee, he said [reading]:

Industrial and other wholesale prices, as well as retail prices, have been held very close to VJ-day levels, while thousands of collective-bargaining agreements involving substantial wage increases have been concluded in orderly fashion. I am told that 6,000,000 workers have received wage increases during this period.

On the next page of the Bowles' statement as released to the radio and press, he states [reading]:

Rents represent 19 percent of the cost-of-living line. This new policy will have little or no effect on rents; the rent line can and must be held. The prices of food and apparel must be kept from rising. On that all-important sector, there can be no retreat.

This is discrimination against us. That this is typical of the thinking in OPA is demonstrated by the present OPA Director, Mr. Porter, in his appearance before the same committee on March 29, 1946. After he argued against any increase in rental ceilings, Mrs. Jessie Sumner, Congresswoman from Illinois, asked him this question [reading]:

On the question of higher landlords' income on page 11 of your statement, you denounce the idea of a 15-percent increase for landlords. What is the difference

between your point of view, as a planned economist, between giving 15-percent increase to landlords who are not getting their increased costs? What is the difference between that and giving to wage earners in the CIO their 15 percent?

Mr. Porter answered:

I think one group needs it; the other one does not.

These are the words from the high command of OPA that clearly reflect the dangerous, consistent, underlying policy of that dictatorial department of the Government and surely proves discrimination against the owners of rental properties. It is a part of the effort CIOPA to build up executive dictatorship and destroy legislative prestige.

Senator MITCHELL. What is the CIOPA?

Mr. ENGLAR. Why, just what it says.

Senator MITCHELL. It is just CIOPA?

Mr. ENGLAR. Also it says PAC.

Senator TAFT. Mr. Englar, unfortunately we are going to have to vote at 4 o'clock, and while I do not want to cut you off, if you have anything you think is important, what do you think that we should do? What legislation are you proposing?

Mr. ENGLAR. We ask for, we suggest, four amendments. We particularly urge two amendments. One is that there be an exemption of new construction from rent control. We believe that that will bring onto the rental market at the present time thousands of units without waiting for the workings of either the veterans' bill or any of the other housing legislation. I know from a practical standpoint that there are thousands of units in Baltimore and other cities that would come into the market to solve this rental housing if people were not afraid of OPA regulations.

It was also testified before the House committee, by a woman from Dallas, Tex., a Mrs. Barrett, who came on, and she had very full information of a survey that had been made in the town of Dallas that there were at least 2,000 units there that would not come into the market with the present OPA regulations.

Senator RADCLIFFE. Mr. Englar, do you think the two systems could exist side by side, without any—

Mr. ENGLAR. Yes.

Senator RADCLIFFE. Effectively?

Mr. ENGLAR. I certainly answered, most effectively, in my House presentation. We make that suggestion owning a large number of existing apartment units. Now, I am not afraid, if these new units come into the market, that people are going to put such a high price on them, because if they do the people will remain in our units or come back to our units when the law of supply and demand is satisfied.

Senator TAFT. As a practical matter, Mr. Englar, though, considering a housing bill, the emphasis was so great on reasonable housing prices, and that means rentals also, for veterans, that I doubt if the Congress would be willing now to take this off. I was rather in favor of it, too, as an economic proposition; but for fear that the rentals, and so forth, will be beyond the means of the veterans, for whom practically all the new housing is to be constructed for some time, probably for a year, anyway, I think it makes that rather an impractical solution. I agree to the economics. The economic standpoint is probably sound,

but as a practical matter at the present time I do not think we are over far enough.

Mr. ENGLAR. I think that the veteran is looking for a place to live, and he would be entirely willing to live in one of our apartment houses at \$20 a room if the fellow that is in there now, that can afford a new apartment at \$30 a room, moves into the new construction. In other words, if the veteran himself cannot afford the higher price, there will be good houses vacated that would be available to him if the people in them wanted to move into the new apartment house.

Senator TAFT. You would retain the price control on new houses to be bought, but not on new houses to be rented?

Mr. ENGLAR. I see no reason—there is no inconsistency in that policy.

Senator TAFT. Houses would be built for rent then.

Mr. ENGLAR. That is what we want to get them to rent. I mean the rental situation.

Senator TAFT. No; the two go together. You have got to—

Mr. ENGLAR. A great many of the veterans do not want to buy houses. They come to us and say, "We want to rent an apartment. We don't want to buy a house."

Senator TAFT. Yes; but either you would have to take the price control off new houses and also off rentals on new houses or you would have to do neither, I think. I do not believe you can do one and not do the other.

Mr. ENGLAR. I do not believe from a practical standpoint it would interfere one bit.

Senator TAFT. We just passed a law giving them power to fix rents on new houses, so we would have to reverse that policy, it seems to me, if we are going to take the limit off rents on new houses.

Mr. ENGLAR. We have rent control on old houses, and we haven't any control on the prices on old houses.

Senator TAFT. Yes, that is true; but I do not think the—that is right.

Mr. ENGEL. It seems to me that the two things are not related at all, from a practical standpoint. That is the one amendment that we think is unselfishly offered, because it certainly would not do us any good to have rent control removed from new units; it would help the supply and demand.

Now, the other thing that we advocate very strongly is, we have had frozen rents, and I am sorry that you do not give me an opportunity to read the rest of my presentation, because we think that we have had rents frozen for 6 years, that increased labor costs have doubled, that the price of coal has gone way up from \$4.75 with us to \$8.10, and we ought to have an increase in rentals now.

Senator TAFT. Do you think that an alternative to that would be offered by providing more definite standard and an appeal in individual cases? Not just hardship cases; just any case.

Mr. ENGLAR. No, sir.

Senator TAFT. You see, an arbitrary 15-percent increase has the objection that there may be landlords who have had no increase. A man who rents an entire house, for instance, may or may not have an increase. He may or may not have repairs to make at the moment when repairs cost so much more. You may lease his house for 5 years, and the 5-year lease runs out; and he, as compared to an apart-

ment house owner, for instance, who has all the expenses of operation, may not be entitled to any increase, or less than 15 percent.

Mr. ENGLAR. But, Senator Taft, when rents were frozen, they were frozen on an across-the-board basis in any given area; and consequently if a man had a house rented at \$20, and another fellow had one rented at \$40, they were frozen at that figure. The third amendment that we put in is that there be a reasonable return, but OPA says that is impossible to administer.

Senator TAFT. Well, I know they said that before, and I do not think it is true. I mean I have always been rather in favor of a reasonable adjustment of rents, but I do not know that this flat percentage increase can be justified. I mean one may have 25 percent increase, another man may have 5, and you just give them all 15, which seems to me rather unfair.

Mr. ENGLAR. We tried to get some relief and some adjustment, and certainly 2 years ago when that hardship amendment was put in there everybody thought that it would work, but with OPA's administration of it and regulation of it we have had right here in my own testimony 1 unit out of 3,000. Now, we control 600 units in Baltimore, and we have not been able to get relief on a single one of them, although our operating expenses have gone way up.

Senator TAFT. Did the House put in anything at all? Is there anything on that?

Mr. ENGLAR. No; this amendment was not—the only amendment that was put in in the House was the fair-return amendment, and that was defeated 89 to 106, I think.

Now, if I may continue with my statement:

We submit that such expressions from those high in authority have no place in the America of Thomas Jefferson and Abraham Lincoln. It is likewise undemocratic to permit tenants to offer bribes for apartments with immunity and fine owners for taking them.

Before the House committee, I stated [reading]:

After serving as a voting trustee by appointment from Hon. John C. Knox, senior United States judge in the Southern District of New York, I became president of the corporation owning a large Park Avenue property in New York. I am not the landlord. Actually the building is owned by 1,200 investors, who for many years received no return and last year received 1 percent, while wealthy tenants have the benefits of rents 50 percent of those originally paid.

The following Saturday I was called by the Maryland Rent Director of OPA and asked which Park Avenue property that I referred to. I advised him it was 1088 Park Avenue and that it was the same property I had discussed with Mr. Bowles last September.

On April 10, 1946, we received from Haskins & Sells the auditor's report for the year ending February 28, 1946, and comparison with the previous year. Our labor cost increased from \$47,548 to \$54,073, our fuel from \$7,610 to \$9,471, while our net income, before depreciation and interest on \$1,820,166 outstanding first mortgage bonds, dropped from \$58,619 to \$53,592. Depreciation, according to the Haskins & Sells report, was \$52,248, leaving \$1,244 or less than one-tenth of 1 percent in the first-mortgage bonds. That anything was earned for interest is due to the fact that \$12,054 or only a little more than 5 percent of gross income was spent on repairs, renewals, and replacements. This means the deferred maintenance accumulated was at least 3 percent.

Is it fair to the 1,200 owners of this property for rents to remain frozen while the hourly wages of uniformed help and porters is being raised from 51 to 65 cents per hour in New York?

The Bridgeport survey: Mr. Bowles in his appearance before the committee on February 18, 1946, referred to a survey made by the Chamber of Commerce of Bridgeport, Conn. This survey has been widely publicized. It indicated that unless price controls were removed or relaxed, 8,700 workers would be thrown out of work by February 15, 1946. Mr. Bowles told Congress [reading]:

We have no information yet as to conditions on that date, but up to January 15, 4,800 workers had been added to employment rolls in Bridgeport.

I thought this statement of Mr. Bowles was a half truth, but it was hardly that. I have a friend who is a high official in one of the large manufacturing companies there. I wrote him and asked him the facts. He sent me the complete survey, which every Member of Congress ought to see. He stated that [reading]:

As of February 15, the United States Employment Service had 10,000 applicants for jobs in Bridgeport and the jobs available were about 800.

Why didn't Mr. Bowles tell Congress that instead of stating:

Up to January 15, 4,800 workers had been added to employment rolls in Bridgeport.

Rental surveys: On pages 5, 6, 7 of our presentation before the House committee, I attacked the surveys made by OPA because OPA officials have used these surveys to justify a continuation of rent control without raising ceilings. As an experienced operator, I know the surveys, as reported, are not representative of conditions in the industry. OPA's reply admits 64 cities were surveyed in 1942. Why were only 39 cities reported? Why were 26 of these cities dropped from the list when the 1944 survey was reported to the House?

OPA reports large increases in the net income of owners.

Chart 9 of the 1946 survey shows that in 1942, apartments in these cities averaged earnings of \$154 a year to pay interest and depreciation, et cetera, and \$158 per apartment in 1944.

The avaricious landlord received an annual income of \$4 more for 1944 than in 1942. Fuel alone, the OPA's chart shows, increased \$3 per apartment; labor \$3 per apartment; repairs and maintenance were only \$2 per apartment less.

We submit these figures to prove conclusively that landlords did not make more money after rent control was effective than before, in these 36 cities selected by Mr. Bowles.

Bureau of Labor Statistics figures published in the same survey show that the average hourly earnings of repair and maintenance labor, using 100 as the 1939 base, was 143.8 in September 1945, against 112.3 in January 1942.

We do not believe any member of this committee can possibly follow Mr. Bowles' reasoning that by receiving \$4 more per unit and spending \$6 more for wages and fuel, landlords were making more money under rent control in 1944 than in 1942, when only \$2 less per apartment was spent on maintenance and repairs without giving any effect to deferred maintenance. OPA accountants admit that deferred maintenance is 2 percent of the gross rents; we maintain it is closer to 4 percent.

Let us see what the 39-city 1943 survey showed that has been so frequently quoted all these years by Mr. Bowles and Mr. Carson. It showed a net operating income of \$234 per unit in 1942 against \$183 in 1939. In 1939 the buildings were being maintained and many were being improved to meet competition. In 1942, because of the war, they could not be kept up.

Does the fact that an apartment was not papered or painted in 1942 with this extra income of \$51 justify a continuance of the same rent through 1943, 1944, 1945, 1946, and, as now proposed, until June 30, 1947?

OPA argued before you in 1944 that work done for tenants in 1939, 1940, and 1941 made renovations unnecessary in 1942. That might have been true for interior work in the early stages of rent control, but add 4 more years and the exterior must be painted, the roof fixed, new gas ranges and refrigerators must be purchased, and the interior work must certainly be done.

Fair play: If all who believe in our democratic system of free enterprise would think a little more clearly and be a little less fearful of the possibility of public resentment when justice is done, our request for a 15-percent over-all increase in rents and a fair return on investment property would not have been reported, "Congress allergic to election-year hot potato."

On the other hand, the United Press got the following impression from the hearing before the House Banking and Currency Committee. Congressman Crawford believes OPA is setting the stage for a renters' rebellion in case of future depressions. Crawford charged that OPA rent-control propaganda was teaching the people to "hate the persons who built the homes they are living in" and to "distrust ownership."

We all know that housing, generally, is not owned by people of great wealth, but by plain citizens from all callings who have invested their life savings in housing with the hope of creating a nest egg for old age. Our country has no worthier citizens. To single them out for persecution is outrageous.

Gentlemen, our national association has in the past called your attention to the injustices being heaped on the owners of residential rental property. We have made constructive suggestions. The relief you intended under the hardship amendment has been denied. It is impossible to get fair treatment from OPA.

At this point there is one thing I would like to add. Yesterday's Baltimore Sun quoted former Congressman John A. Meyer, who was until recently the chief rent attorney of the OPA in Maryland, as follows, which bears out exactly the testimony that I have given here, that the OPA regulations were so framed that the intent of Congress was completely nullified [reading]:

Former Representative John A. Meyer yesterday disclosed what he has in mind as a basis for his campaign for the Democratic nomination to return to Congress in the Fourth District.

Mr. Meyer, until a few days ago the chief rent attorney for the Maryland district and Baltimore defense area of the OPA, delayed a public statement on his candidacy until termination of his connection with the Federal agency.

He is opposing Representative Fallon, who is campaigning for renomination with the support of the Curran organization. Mr. Meyer hopes to gain the backing of a consolidation of political forces backing the governorship candidacy of William Preston Lane, Jr., in the Fourth District.

"I feel that the experience acquired by studying the operation of a large Government agency in my capacity as chief rent attorney will, upon my being re-

turned to Congress, help considerably in the preparation and enactment of new and workable legislation for the many Federal agencies," Mr. Meyer said.

"I have witnessed how easy it is for the agencies in their desire to create a rigid regulation to digress from the language and meaning of the act as written by the Congress, and in so many cases when the agency has formulated its interpretation of the acts of Congress and incorporated them in so-called regulations, the regulation as formally promulgated and recorded—as it must be in the Federal Register—has, indeed, lost much of its original legislative intent.

"I am convinced if a Congressman is fortunate enough by training to combine a knowledge of the operation of administrative agencies with that of the legislative body, then in the drafting of future legislation he will be better prepared to see up the necessary bulwarks and limitations to compel the agencies to remain within the framework of the congressional act.

"I am anxious to take up my duties at Washington where I left off at the close of the Seventy-seventh Congress and restore to the people of the Fourth District the progressive, articulate and, above all, direct and personal representation to which they had been accustomed during my previous tenure of office."

Senator TAFT. What would you think of a regulation that simply said that rent should be increased in proportion to the actual costs increase over a date on which rents were frozen?

Mr. ENGLAR. We would have the same experience we had 2 years ago.

Senator TAFT. Would that be a fairly simple method of calculating it, though? I mean could a person come in and show that there were so many dollars, a hundred dollars; that means that the annual rent would be \$100 more than you had?

Mr. ENGLAR. I could tell you in 15 minutes exactly how much increased rent we would be entitled to if I could sit down and say, "Here are the figures; here are our increased costs," and we might figure out 9½ percent, might figure out 14 percent, in various buildings. But the OPA regulations and administration might never get around to the point that we could do that.

Senator TAFT. That is an objection, of course, to any amendments to this act.

Mr. ENGLAR. No. That is the reason that I say a flat increase is the only sensible way of solving the question, whether it is 10 percent or 15 percent. I make out the point for 15 percent that our properties have been run down during the past 5 years, and they have not had the money spent on them. That is covered in my last territory. Our costs have not gone up 15 percent, but if we put our properties back into the shape they were at the beginning of the war, 15 percent would not come anywhere near covering it.

Senator RADCLIFFE. You would object, I take it, to any discretionary power? You would want 15 percent?

Mr. ENGLAR. I think it ought to be spelled out flat, something flat, some relief.

Senator RADCLIFFE. Here are these four amendments you are urging. Is this a part of your statement?

Mr. ENGLAR. Yes; that is part of my statement. The two top amendments are the ones that we are particularly strongly urging.

Senator RADCLIFFE. We want that to go in the record, I take it, of course.

Mr. ENGLAR. Yes; I have submitted that here.

(The amendments referred to are as follows:)

FOUR AMENDMENTS, URGED BY NATIONAL APARTMENT OWNERS ASSOCIATION,
BALTIMORE, MD., TO ANY EXTENSION OF THE EMERGENCY PRICE CONTROL
ACT

SUMMARY

The four amendments urged to any extension of the Emergency Price Control Act are stated hereafter together with a brief summary of the basic reasons therefor.

Provide for a modest over-all increase in the general rent level to offset increased costs and deferred maintenance.

For this purpose insert the following after the third sentence of section 2 (b):

"The Administrator shall authorize an increase of 15 percent, effective on and after July 1, 1946, in the maximum rent in effect on that date in all defense-rental areas which have been designated prior to that date and in designating a defense-rental area on or after July 1, 1946, the Administrator shall, upon designating the maximum rent date, provide for an increase of 15 percent in any rent in effect on the date determining the maximum rent."

Rents generally are at low prewar levels. A fair and reasonable adjustment should be provided to maintain the stability of real estate and protect the savings of the millions of people of small means who have a stake in its ownership and underlying securities.

Recognize that an owner is entitled to a reasonable return on the fair value of his property:

For this purpose insert the following after the first sentence of section 2 (c):

"The Administrator shall, when so requested in cases of individual properties, make adjustments of the maximum rents of the housing units in an individual property as necessary to provide sufficient income to cover all current costs of operation, administration, repairs, current and deferred maintenance at 2 percent per annum, insurance, taxes (other than income taxes), depreciation, and in addition thereto, a reasonable return on the fair value of the property."

The principle of private enterprise and the right to compensation for labor and capital invested, require that no law should prevent the earning of a reasonable return on the fair value.

Exempt newly created housing units, whether created by new construction, or major alteration from rent control.

For this purpose add a subsection as follows to section 2:

"No regulation or order issued under this act shall, after the effective date of this subsection, apply to any additional housing space created subsequent to October 1, 1945, by alterations necessitating some structural change or new construction."

This is essential if the housing shortage is to be overcome.

Require the withdrawal of OPA Federal residential rent control from States adopting their own residential rent-control laws:

For this purpose add the following subsection to section 2:

"When any State or any subdivision is prepared to undertake the control of the rent of housing accommodations located in areas within its boundaries and finds its housing conditions warrant such control and adopts a law or ordinance providing for the control of the rent of housing accommodations in such areas as the local authorities find require such control, section 2 (b) of this act and the provisions of any other section of this act relating to rent shall no longer apply to any such area. The Administrator, within 30 days after the effective date of such law shall issue a regulation or order abolishing the controls upon rents imposed in such area by authority of this act and is prohibited from reestablishing such controls."

The principles of home rule and States' rights call for this amendment.

(Resolution of California State Apartment Conference, submitted by Mr. Englar, is as follows:)

RESOLUTION

Whereas the national housing urgency is admittedly of paramount importance to all; and

Whereas the continuance of rent control in its present form is seriously impeding and delaying progress and is creating a chaotic and vicious black-market operation in shelter; and

Whereas the continuance of present restrictive controls or passage of new laws is not going to build houses for our veterans or satisfy the national need; and

Whereas the present OPA regulations and their bureaucratic administration have checked the entire spirit of progress and free enterprise to the extent that the entire national program of employment and industry is seriously jeopardized; and

Whereas the National Apartment Owners Association and others have submitted to the Banking and Currency Committee of the House of Representatives a just and reasonable program of amendments to rent regulations which are a minimum necessity to free the bottleneck in the critical housing condition; and

Whereas the Banking and Currency Committee has rejected all amendments so offered: Now, therefore be it

Resolved, That this conference in executive-committee session urgently recommends to the National Apartment Owners Association the adoption of a policy seeking immediate termination of the Office of Price Administration and control over rents.

Dated at Fresno, Calif., this 12th day of April 1946.

CALIFORNIA STATE APARTMENT CONFERENCE,
By E. P. CONSER, *Secretary-Treasurer*.

Senator RADCLIFFE. Mr. Englar, what is this that you have here?

Mr. ENGLAR. That is the House presentation.

Senator RADCLIFFE. That is the House presentation.

Mr. ENGLAR. It is documentary to what I said here. Rather than take the time of going into the details or the surveys, and all that, I simply submit it to the committee.

Senator RADCLIFFE. But you want these two pages printed under the statement?

(Referred to above.)

Mr. ENGLAR. Yes. The other presentation is already a matter in the Congressional Record as the House proceedings.

Many of our local associations think we have not been militant enough; and a resolution of the California State conference I attach as an exhibit calls for complete termination of rent control to solve the veterans' housing problem and bring justice to the one group that has not been subsidized or had increases. Eight million of us ask your favorable consideration of our request for a 15-percent increase. If this is denied, there is no justice and I shall recommend that the policy of the national association be changed and demand the end of rent control instead of an increase in ceilings. We are entitled to fair treatment, and, if justice is now denied, we will take a lesson from the other groups that have gotten what they ask. I hope this will not be necessary.

We ask this committee for fair treatment and fair rents. Relief must be spelled out, and we ask, in addition to the amendment exempting new construction from rent control, for an amendment specifically directing:

A reasonable over-all increase in ceiling rents to meet increased operating expenses and provide funds for the maintenance that has been deferred during the war. This must be done to preserve our properties.

We ask that the Administrator be directed to authorize an increase of 15 percent in present rental ceilings in connection with any extension of rent control. This would bring rents to the average of the 1920 and 1938 period. Isn't that reasonable when everything else is far above?

Gentlemen, if you will give us relief we do not ask you to abolish rent control.

But if controls are extended, justice demands fair rents.

The CHAIRMAN. Thank you, Mr. Englar.

Mr. ENGLAR. Thank you, sir.

The CHAIRMAN. Is Mr. Sherrard here?

Mr. SHERRARD. Yes, sir.

The CHAIRMAN. After we vote—we shall be voting within five more minutes now—we are coming back, so that we may hear you then.

Mr. SHERRARD. I will be here, sir.

The CHAIRMAN. All right. The committee will recess, then.

Senator TAFT. Until after the vote?

The CHAIRMAN. Until after the vote; exactly.

The committee will come to order. We will next hear Mr. Glenwood J. Sherrard.

STATEMENT OF GLENWOOD J. SHERRARD, CHAIRMAN, BOARD OF DIRECTORS, AMERICAN HOTEL ASSOCIATION

Mr. SHERRARD. Mr. Chairman and gentlemen of the committee my name is Glenwood J. Sherrard. I am president and managing director of the Parker House, in Boston, and chairman of the board of directors of the American Hotel Association.

Pursuant to the request of your chairman that we limit our presentation, I will attempt to incorporate into my statement the material which we had hoped to present through three of our national officers. I find myself unable, however, to deal adequately with the legal part of our testimony, so I hope you will permit me to introduce the statement of our legal counsel who will recommend specific amendments to the enforcement procedure of OPA, in the field of rent control.

According to the 1940 census, there were 27,987 hotels with a grand total of 1,444,390 rooms, having an estimated valuation of \$5,000,000,000, and doing an estimated annual business of over 1½ billion dollars. Our association membership embraces about 65 percent of the Nation's hotel rooms. The hotel industry is made up of many small units, located in every city of the country. The census shows that 89 percent of all hotels have less than 100 rooms, and 83 percent were operated by individual proprietors or partnerships.

We should like to emphasize two basic reasons why hotel rent regulations have proven especially burdensome.

First, rent control was largely drawn to cover family dwellings and apartments, where bare space was rented by the month. A hotel not only rents space to its guests, but up to 50 percent, and in many instances 60 percent, of our costs spring from services rendered. It is in the field of services where maximum cost increases have been experienced since 1941, causing a greater squeeze of costs in our business than would be expected to develop in the rental of space alone.

Second, the base period of 1939 and 1940, prescribed for us in the hotel rent regulations, found the industry failing to earn even the interest on a fair valuation. Average earnings, before interest, for those two base years, for our industry throughout the country, approximated 1 percent. Before being eligible for relief, under the hardship clause, a hotel would have to be earning less than in the base period. In the majority of hotels, this would mean they would have to be actually losing money, in spite of their all-time record business volume, before they could seek relief. We do not feel that your committee

meant to demand that we wear out our properties without receiving any return before escaping the rigid formula imposed on us by rent control.

For 2 years the hotel rent regulations contained no hardship clause at all. I remember calling this fact to the attention of your committee in 1944. Your committee directed the Administrator to amend the regulations and to provide such a section. This was done; but typical of the rigidity with which the regulations have been administered, the provision was so restrictive that to my knowledge only two hotels in all America have qualified for adjustments of 5 percent in their rates.

We realize full well that business generally has an obligation to assist in guarding against run-away inflation, and we must not complain if by any degree of ingenuity we can perform in such a way as to absorb continued cost increases. But I am very sure, gentlemen, that no other industry appearing before you has so great a record of business failures in the past. From 1932 to 1939, 81 percent of the Nation's hotels went through bankruptcy, foreclosure, or some other form of reorganization. We were just emerging from that dark decade when rent control came along and froze us to those loss years, giving us no opportunity whatsoever to accumulate reserves with which to rehabilitate our worn-out properties, and to tide us over some future period of decreased business. Our daily fear is that increasing costs and/or declining total revenues will wipe out our narrowing profit margin.

Senator MITCHELL. With regard to your narrowing profit margin, do you know the accounting firm of Horwath & Horwath?

Mr. SHERRARD. I do, sir.

Senator MITCHELL. Are they specialists in hotel accounting?

Mr. SHERRARD. Yes; they are.

Senator MITCHELL. I wonder if you have noted the statement in connection with their charts?

Mr. SHERRARD. Yes, sir.

Senator MITCHELL. I understand they get out an annual report on hotel earnings?

Mr. SHERRARD. That is right.

Senator MITCHELL. The outline is that they select 100 hotels in the country which they think are representative of the industry, and in the introductory statement it says [reading]:

The 1944 report shows the hotel industry of this country at its peak; it may never again attain a return of 10.67 percent on investment before income and excess-profits taxes.

Then, turning over to the next page, we have a barometer of hotel earnings, 1934-44; and in the base period of 1939 to 1944, 1939 shows earnings of 0.41 percent. 1940 shows earnings of 1.83 percent. In 1941 the earnings jumped to 2.52 percent. In 1942, 6.40 percent. In 1943, 10.09 percent, and in 1944 it jumped to 10.67 percent.

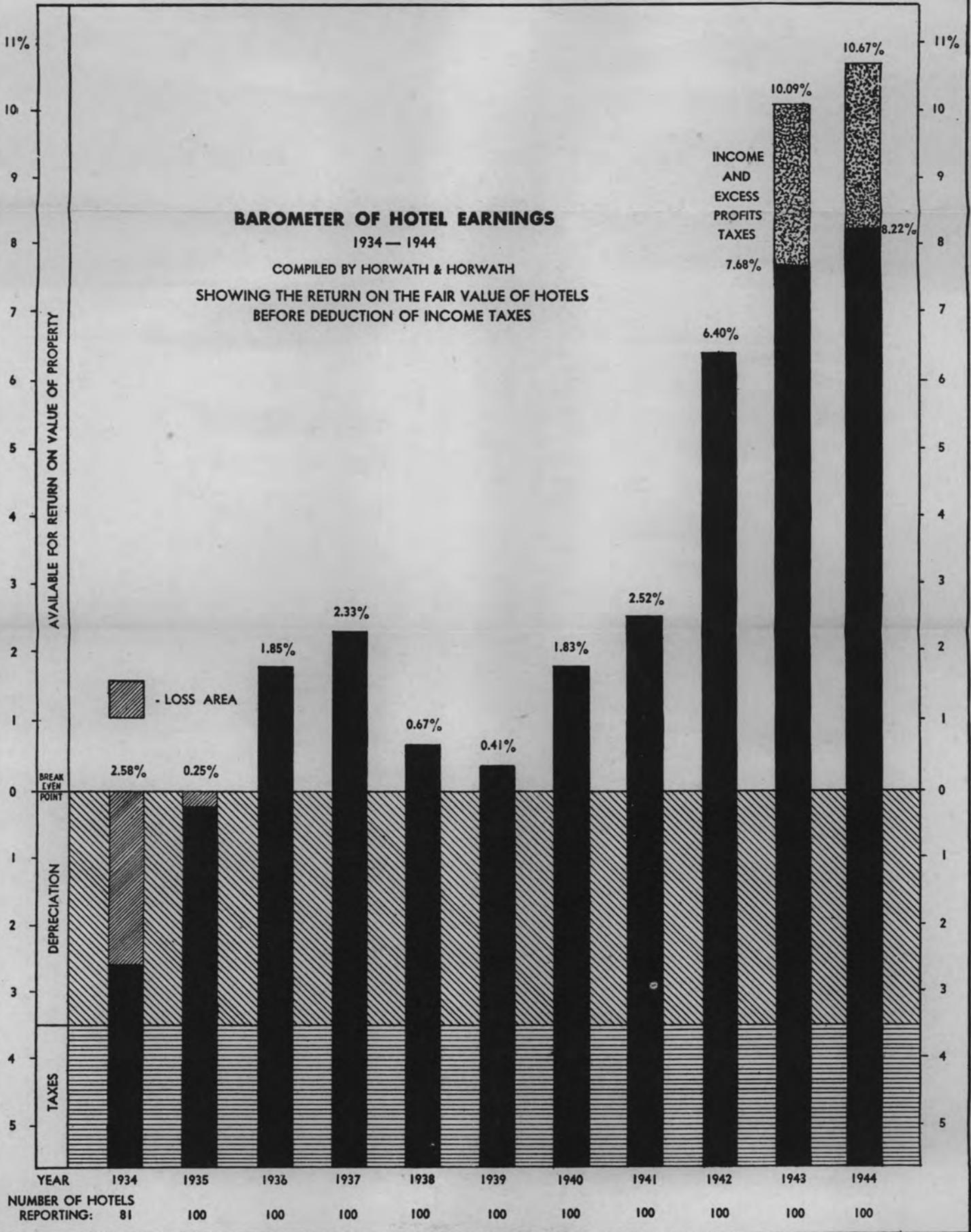
Mr. SHERRARD. What page is that, may I ask, Senator?

Senator MITCHELL. It is the page opposite page 5 of the report.

Mr. SHERRARD. Would the Senator mind turning to page 9? It states there [reading]:

Earnings since 1936, the first year since the beginning of the depression that showed any return on capital, are as follows—

Senator MITCHELL. That agrees with the other exhibit.



Mr. SHERRARD. This is the return on capital. The other one, sir is before interest and taxes.

Senator MITCHELL. In 1944 it was 8.22 percent. The same increase followed right through. If you subtract the income and excess-profits taxes it goes right up the scale. You referred to a narrowing profit margin, but no matter how you figure it you have a widening profit margin. Deducting income and excess-profits taxes the 1943 return is 7.68 percent and that of 1944, 8.22.

Mr. SHERRARD. And the 1945 has turned the other way?

Senator MITCHELL. 1945 is not here. I was informed that 1945 ran along pretty well with 1944, but I have no information on that.

Mr. SHERRARD. From the information I have, it has turned the other way. In my own hotel the payroll alone has gone up over \$100,000 last year, in a 600-room hotel.

Senator MITCHELL. But you have had an increasing profit margin right through those years?

Mr. SHERRARD. We have had tremendous occupancy, sir, and we have had much better business than probably the industry has ever known at any time, but our break-even point is increasing all the time. We used to be able to operate a hotel on 65-percent occupancy. Now it is going up somewhere between 82 and 85 percent.

Senator MITCHELL. The figure of 8.22, using your figure on page 9, is considerably different from 1.85 in 1936; 2.33 in 1937; 0.67 in 1938; 0.41 in 1939; 1.83 in 1940; 2.52 in 1941; 6.40 in 1942; 7.68 in 1943 and 8.22 in 1944, an average over that period of 3.55.

Mr. SHERRARD. I stated, sir, that from 1932 to 1939, 81 percent of the Nation's hotels went through reorganization. There is no question but that business is better now than it was then.

Senator MITCHELL. It shows an increasing margin; and it is on the fair valuation of the hotel; it is not on what they might have gone through.

Mr. SHERRARD. It is not on valuation, sir; it is on their invested capital.

Pardon me. I find I am in error on that.

Senator MITCHELL. It just appears to me that there is a discrepancy in your statement and the actual facts. Of course, we cannot know, until we get the 1945 figures, what is happening now.

Mr. SHERRARD. I do not think you will find there is a discrepancy in my statement. I am not questioning these facts; but if you will analyze it you will find that while it shows increases now, the turn is here very definitely. We did not ask for any relief during that period.

Senator MITCHELL. All I am talking about is the return on a fair valuation, which has gone from 0.41 percent in 1939, to 10.67 percent in 1944.

Mr. SHERRARD. 8.22 percent.

Senator MITCHELL. The 1939 figure does not consider taxes; so that comparison would have to be made with the 10.67 figure.

Mr. SHERRARD. 1939 is 0.41 percent, sir.

Senator MITCHELL. Not taking anything out for excess-profits taxes, and so forth.

Mr. SHERRARD. If you take page 9, the comparison is the same. It shows what you earned on invested capital; and, after all, that is the basis of doing business.

Senator MITCHELL. It looks to me as if the hotel business is doing pretty well.

Mr. SHERRARD. In some cases.

Senator CARVILLE. I was wondering whether depreciation on equipment was taken into consideration also. How about getting depreciation on equipment over the period of the last few years?

Mr. SHERRARD. No hotel today has been able to get equipment. There is no hotel in this country that is in the condition that it should be. What we have has worn out, and we have not been able to get any replacements. There is no hotel in the country that does not need sheets, bed pads, and a thousand other articles that I could name. There is no such thing as a bed pad being produced today. So there has not been a proper allowance made for maintenance; and in our business a great many things were charged to maintenance that were not depreciation, like glassware, and so on.

Senator MITCHELL. Can you turn to page 8 and tell me what that means—"Repairs and maintenance"? It apparently indicates that the expenditure was 10.6 percent in 1944 and was 11 percent in 1937. So that would only be a cut of 0.4 of 1 percent.

Mr. SHERRARD. It would be a greater cut than that, on account of the increased costs, sir.

Senator MITCHELL. But the money expended would be about the same?

Mr. SHERRARD. Yes; but you do not get as much for the money.

Senator MITCHELL. That may be true, but it does not change your statement.

Senator BUCK. I understood you to say that in your opinion you have reached the peak?

Mr. SHERRARD. We have passed the peak, sir.

Senator MITCHELL. Mr. Chairman, I ask that the Horwath & Horwath report be incorporated into the record.

The CHAIRMAN. That may be done.

(The report referred to is as follows:)

HOTEL OPERATIONS IN 1944

OPERATING RATIOS OF 100 HOTELS LOCATED IN 50 CITIES

(Thirteenth annual study by Horwath & Horwath, specialists in hotel accounting)

INTRODUCTION

In presenting another of our annual studies of hotel operations—this one the thirteenth of the series, and covering the year 1944—we wish again to call attention to a feature of it which insures the reliability of the variations from the preceding year and increases the value of the comparative statistics. It is the practice which we have long pursued of using for our basis as many as possible of the same hotels year after year. For instance, of the total number of 100, all but 4 were included in the 1943 study.

As is probably quite well understood by this time, for it has been frequently explained, we limit our base to 100 for the reason that a larger number would add to the trouble and retard the report without furnishing any more authentic or definite figures. For, in our opinion, these hundred are representative of the industry. This year's hotels, for example, are located in 50 cities all over the United States. They have 50,000 rooms; they represent an investment of \$225,000,000; and their combined annual sales exclusive of store rentals total approximately \$150,000,000, which is about 10 percent of the hotel business of the country.

The 1944 report shows the hotel industry of this country at its peak; it may never again attain a return of 10.67 percent on investment before income and excess-profits taxes. For this reason the report would have little value for a general student of hotel statistics, for none of the medians or ratios are typical. The same thing was true of those for 1943; and, for converse reasons, the same thing was true of the depression years.

The hotel industry, like most others, is judged, not by the peaks or valleys, but by the even stretches. However, it is an interesting experience to climb to the heights occasionally—and this report presents a panoramic picture from the highest point hotels have ever reached.

HORWATH & HORWATH.

Our annual study is again based on 100 hotels, and as 96 of these same ones were also used for 1943, the variations between the two war years are about as exact as would be possible. Furthermore, the majority of the same hotels have been used year after year since we decided upon 100 as our basic number, and therefore a comparison of this year's figures with those given in our studies for the final years of the last decade will furnish a clear picture of the effect of war's activities on the hotel business.

As in the foregoing 9 years, we divide the hotels into three groups:

Transient hotels of less than 500 rooms (detailed figures on pp. 18-23).....	50
Transient hotels of more than 500 rooms (detailed figures on pp. 24-26).....	25
Residential hotels (detailed figures on pp. 27-29).....	25

In each group the hotels are listed according to size (number of rooms) with No. 1 the smallest, the one exception being the large transients of more than 1,000 rooms; these are not given in regular order because that might be a means of identification. Thus any individual hotel can make detailed comparisons within its own type and size.

The results of 1944, like those of the three preceding years, are measured by two different methods, which are fully explained later on, and in addition there are sufficient details on such expenses as pay roll, advertising, repairs, etc., to enable any hotel to ascertain why its showing was better than, or not so good as, the typical results.

Again, as in our former reports, we use as the typical figure the median, which is the middle figure in a column arranged consecutively. The medians for the three groups are summarized in table 1 on pages 6 and 7, and the composite medians for the 100 hotels are shown in comparison with those of previous years in table 2 on page 8. In table 3, pages 10 and 11, is a comparison of each of the three groups with the same groups for 1943. An explanation of the terms used in the tables and the text is given on page 32.

It must be borne in mind that the medians are taken only from the figures shown in the various columns, without considering the hotels for which no figures were available. For instance, in the guest laundry column of the transient hotels of more than 500 rooms on page 24, the median is based on the 18 figures in the column because seven of the 25 hotels handle their guest laundry as a concession and the commissions are included in "Other income."

TABLE 1.—*Summary of 1944 study*

[All figures are medians]

(See pp. 18-29 for detailed ratios)

	Grand total 100 hotels	Transient hotels		Residential hotels (pp. 27-29)
		Under 500 rooms (pp. 18-23)	Over 500 rooms (pp. 24-26)	
Earnings, exclusive of store rentals, number of times average room rate.....	172	173	196	139
Earnings, including store rentals, number of times taxes.....	7.55	9.62	7.23	4.92
House profit, including store rentals:				
Ratio to room sales.....percent.....	56	57	62	41
Ratio to total sales.....do.....	25	25	25	26
House profit, exclusive of store rentals:				
Ratio to room sales.....do.....	53	54	59	39
Ratio to total sales.....do.....	24	24	23	24
Percentage of occupancy.....do.....	92	86	92	97

TABLE 1.—*Summary of 1944 study*—Continued

[All figures are medians]

	Grand total 100 hotels	Transient hotels		Residential hotels (pp. 27-29)
		Under 500 rooms (pp. 18-23)	Over 500 rooms (pp. 24-26)	
Average sale per occupied room.....	\$3.38	\$3.22	\$4.32	\$2.56
Pay roll, ratio to total sales, exclusive of store rentals.. percent..	32.0	31.1	32.4	34.0
Sales:				
Food, ratio to room sales..... do.....	64	71	79	35
Beverages, ratio to food sales..... do.....	62	64	62	54
Telephone, ratio to room sales..... do.....	7.1	7.4	8.5	4.8
Valet, ratio to room sales..... do.....	1.6	1.4	2.0	1.5
Guest laundry, ratio to room sales..... do.....	2.3	3.6	2.1	1.7
Store rentals, ratio to room sales..... do.....	2.9	2.8	4.1	2.7
Profit on all departments except rooms, restaurant, and stores, ratio to room sales..... percent.....	3.2	3.2	6.1	1.4
Rooms department, ratios to room sales:				
Salaries and wages..... do.....	20.6	19.8	22.5	20.1
Employees' meals..... do.....	.4	.3	.4	.4
Laundry..... do.....	3.3	3.6	3.0	2.7
Linen..... do.....	1.5	1.3	1.5	1.5
Guest supplies..... do.....	.7	.7	.7	.5
Contract cleaning..... do.....	.5	.4	.7	.3
All other cleaning supplies and expenses..... do.....	.6	.6	.5	.8
All other expenses..... do.....	1.1	1.0	1.4	1.0
Total expenses..... do.....	28.9	28.5	30.3	28.3
Departmental profit..... do.....	71.1	71.5	69.7	71.7
Restaurant department—Merchandise costs: ¹				
Food cost per dollar sale..... cents.....	38.3	39.8	35.2	38.9
Beverage cost per dollar sale..... do.....	35.8	38.6	33.4	36.0
Restaurant department, ratios to total restaurant sales:				
Salaries and wages..... percent.....	27.3	26.1	26.6	33.3
Employees' meals..... do.....	3.0	3.0	2.5	3.6
Music and entertainment (less cover charges)..... do.....	3.1	2.4	4.3	1.3
Laundry..... do.....	1.2	1.2	1.2	1.4
Kitchen fuel..... do.....	.4	.3	.3	.7
China, glass, silver, linen..... do.....	1.9	1.8	2.5	1.8
Cleaning..... do.....	.4	.4	.4	.4
Menus, printing and stationery..... do.....	.5	.5	.5	.7
All other expenses..... do.....	2.0	1.9	1.8	2.6
Total expenses..... do.....	41.7	36.6	42.3	46.0
Departmental profit..... do.....	20.9	21.9	24.1	15.6
Administrative and general expenses:				
Ratio to room sales..... do.....	17.6	19.5	18.5	13.2
Ratio to total sales..... do.....	8.1	8.5	7.3	8.0
Detail of administrative and general expenses, ratios to room sales:				
Salaries and wages..... percent.....	7.3	8.2	7.4	5.4
Workmen's compensation insurance..... do.....	.6	.6	.7	.5
Other insurance, except fire..... do.....	.6	.6	.7	.6
Management fees and executive office expenses..... do.....	.7	.7	.2	1.1
Social-security taxes..... do.....	2.1	2.0	2.4	2.0
Bad debts..... do.....	.4	.4	.4	.2
All other expenses..... do.....	4.5	5.5	4.6	3.4
Advertising and business promotion:				
Ratio to room sales..... do.....	2.6	2.4	4.0	1.3
Ratio to total sales..... do.....	1.2	1.0	1.7	.8
Heat, light, power, refrigeration:				
Ratio to room sales..... do.....	11.7	12.0	10.0	12.9
Cost per available room..... do.....	\$120	\$116	\$140	\$118
Percentage of hotels which purchase:				
Steam..... percent.....	27	28	36	16
Electricity..... do.....	92	94	80	100
Repairs and maintenance:				
Ratio to room sales..... do.....	10.6	10.2	12.5	10.6
Cost per available room..... do.....	\$116	\$99	\$178	\$109
Replacements, improvements, additions, except china, glass, silver, and linen:				
Ratio to room sales..... percent.....	2.3	2.3	2.9	2.3
Cost per available room..... do.....	\$25	\$26	\$32	\$17

¹ After credit for employees' meals.

TABLE 2.—Comparison of 1944 data (all hotels) with those of prior years

[All figures are medians]

	1944	1943	1942	1941	1940	1939	1938	1937
Earnings, exclusive of store rentals:								
Number of times average room rate	172	150	116	98				
Earnings, including store rentals:								
Number of times taxes	7.55	7.28	5.57	3.77	3.45	2.79	2.91	3.68
House profit, including store rentals:								
Ratio to room sales..... percent	56	55	49	45	42	40	38	41
Ratio to total sales..... do	25	26	24	21	20	18	20	21
House profit, exclusive of store rentals:								
Ratio to room sales..... do	53	54	45	40	39	35	35	37
Ratio to total sales..... do	24	24	21	19	19	16	17	20
Percentage of occupancy..... do	92	89	77	72	67	63	62	69
Average sale per occupied room	\$3.38	\$3.15	\$3.03	\$2.93	\$2.89	\$2.84	\$2.83	\$2.77
Pay roll, ratio to total sales exclusive of store rentals..... percent	32.0	31.2	32.2	33.1	33.5	34	33	31
Sales:								
Food, ratio to room sales..... do	64	62	59	57	58	58	63	59
Beverages, ratio to food sales..... do	62	61	61	58	56	54	48	47
Telephone, ratio to room sales..... do	7.1	7.0	6.9	6.8	7.5			
Valet, ratio to room sales..... do	1.6	1.7	1.9	2.1	2.2			
Guest laundry, ratio to room sales..... do	2.3	2.3	2.5	2.5	2.5			
Store rentals, ratio to room sales..... do	2.9	3.1	3.5	3.8	3.8	5	3	4
Profit on all departments except rooms, restaurant, and stores; ratio to room sales..... do	3.2	3.6	3.9	4.1	4.7	4	5	
Rooms department, ratios to room sales:								
Salaries and wages..... percent	20.6	20.0	20.0	20.3	20.9	21	21	20
Departmental profit..... do	71.1	71.9	71.3	70.9	70.5	70	70	72
Restaurant department, merchandise costs: ¹								
Food cost per dollar sale..... cents	38.3	38.7	42.7	41	39	39	39	41
Beverage cost per dollar sale..... do	35.8	35.5	35.2	36	36	37	37	38
Restaurant department, ratios to total restaurant sales:								
Salaries and wages..... percent	27.3	26.6	27.6	28.5	29.2	30	30	27
Departmental profit..... do	20.9	22.7	16.5	15.3	13.5	12	13	13
Administrative and general expenses:								
Ratio to room sales..... percent	17.6	17.5	18.0	19.2	19.9	20	20	17
Ratio to total sales..... do	8.1	7.9	8.3	9.1	9.5	10	9	9
Advertising and business promotion:								
Ratio to room sales..... percent	2.6	2.7	4.1	5.4	5.7	6	6	5
Ratio to total sales..... do	1.2	1.2	2.0	2.3	2.5	3	3	2
Heat, light, power, refrigeration:								
Ratio to room sales..... percent	11.7	11.9	12.7	13.8	14.5	15	15	15
Cost per available room..... do	\$120	\$112	\$101	\$98	\$97	\$95	\$96	\$92
Repairs and maintenance:								
Ratio to room sales..... percent	10.6	10.0	10.0	10.8	9.7	10	11	11
Cost per available room..... do	\$116	\$96	\$82	\$76	\$68	\$63	\$60	\$72

¹ After credit for employees' meals.

GENERAL RESULTS

1944 EARNINGS IN RELATION TO CAPITAL

Since the primary object in any business is to make money, the most important figure in a financial report is that showing the profit. On the basis of the 100 hotels included in our study, the hotel industry earned 10.67 percent in 1944 on the fair value of the property. But nearly a quarter of this was paid for income and excess-profits taxes, and so the net return was 8.22 percent. All this is shown on the chart on page 4 which gives a graphic picture of earnings for the last 11 years.

Prior to 1943 we did not consider income and excess-profits taxes because, even though many hotels had net incomes in 1942 and some in 1941, the carry-over of losses from preceding years offset the profits in most cases and relatively few hotels paid such taxes. The proportion of net earnings payable for income and excess-profits taxes for 1944 was determined on the basis of the tax data of 76 of the 100

hotels included in this study. The other 24 are owned by individuals or partnerships, or corporations which also carry on other businesses.

Earnings since 1936, the first year since the beginning of the depression that showed any return on capital, are as follows:

	Percent		Percent
1936.....	1.85	1942.....	6.40
1937.....	2.33	1943.....	7.68
1938.....	.67	1944.....	8.22
1939.....	.41		
1940.....	1.83	Average.....	3.55
1941.....	2.52		

The "fair value" is based on tax studies which have shown that the real estate (land and building) is worth approximately 40 times the amount of real estate taxes; to this is added the present value of the furniture and equipment, which bears a fairly constant relation to the value of the building.

The actual interest charges of hotels are of very little significance because of (1) the various proportions of interest-bearing obligations to the total investment, (2) temporary reductions in fixed interest rates, and (3) the substitution of income bonds for those bearing fixed rates of interest. Therefore the only sound basis for comparison is the return on the present value of the total investment.

For the purpose of comparing individual operating results all earnings figures in the various tables are based on earnings before deduction of income and excess-profits taxes.

BASES FOR RATING THE HOTELS

In addition to the comprehensive picture just described of the relation of earnings to capital for the industry as a whole, the hotels are rated within their own groups (small transients, large transients, and residential) according to two methods:

1. The number of times the average room rate was earned.
2. The number of times the taxes were earned.

By earnings we mean the house profit, which is the result after deduction from the total gross income of all direct and indirect operating expenses including insurance on building and contents, but not taxes, interest, depreciation or any other expenses connected with the capital structure. In method No. 1 we divide the annual house profit per available room (exclusive of store rentals) by the average sale per occupied room; in method No. 2 we divide the total house profit (including store rentals) by the real estate and personal property taxes. We repeat here the reasons for the two bases and the various points involved, as explained in our previous studies:

TABLE 3.—Comparison of 1944 with 1943, by type of hotel

[All figures are medians]

	Transient hotels				Residential hotels	
	Under 500 rooms		Over 500 rooms		1944	1943
	1944	1943	1944	1943		
Earnings, exclusive of store rentals: Number of times average room rate.....	173	152	196	190	139	128
Earnings, including store rentals: Number of times taxes.....	9.62	9.50	7.23	6.57	4.92	3.97
House profit, including store rentals:						
Ratio to room sales.....percent.....	57	59	62	64	41	43
Ratio to total sales.....do.....	25	26	25	26	26	28
House profit, exclusive of store rentals:						
Ratio to room sales.....percent.....	54	55	59	58	39	40
Ratio to total sales.....do.....	24	24	23	24	24	26
Percentage of occupancy.....do.....	86	85	92	89	97	93
Average sale per occupied room.....	\$3.22	\$3.13	\$4.32	\$4.12	\$2.56	\$2.64
Pay roll, ratio to total sales, exclusive of store rentals.....percent.....	31.1	30.2	32.4	31.7	34.0	35.2
Sales:						
Food, ratio to room sales.....do.....	71	68	79	80	35	38
Beverages, ratio to food sales.....do.....	64	60	62	67	54	52

TABLE 3.—Comparison of 1944 with 1943, by type of hotel—Continued

[All figures are medians]

	Transient hotels				Residential hotels	
	Under 500 rooms		Over 500 rooms		1944	1943
	1944	1943	1944	1943		
Sales—Continued						
Telephone, ratio to room sales percent.....	7.4	7.6	8.5	8.5	4.8	5.1
Valet, ratio to room sales..... do.....	1.4	1.6	2.0	2.0	1.5	1.4
Guest laundry, ratio to room sales percent.....	3.6	3.2	2.1	2.1	1.7	1.4
Store rentals, ratio to room sales..... do.....	2.8	3.0	4.1	3.7	2.7	2.8
Profit on all departments except rooms, restaurant, and stores: Ratio to room sales..... percent.....	3.2	3.7	6.1	7.0	1.4	1.7
Rooms department, ratios to room sales:						
Salaries and wages..... percent.....	19.8	18.8	22.5	21.4	20.1	19.9
Employees' meals..... do.....	.3	.3	.4	.3	.4	.4
Laundry..... do.....	3.6	3.4	3.0	2.8	2.7	2.5
Linen..... do.....	1.3	1.2	1.5	1.9	1.5	1.2
Guest supplies..... do.....	.7	.8	.7	.8	.5	.5
Contract cleaning..... do.....	.4	.4	.7	.6	.3	.3
All other cleaning supplies and expenses..... percent.....	.6	.5	.5	.5	.8	.7
All other expenses..... do.....	1.0	.9	1.4	1.4	1.0	1.0
Total expenses..... do.....	28.5	27.7	30.3	28.9	28.3	27.7
Departmental profit..... do.....	71.5	72.3	69.7	71.1	71.7	72.3
Restaurant department, merchandise costs:¹						
Food cost per dollar sale..... cents.....	39.8	40.0	35.2	35.9	38.9	39.2
Beverage cost per dollar sale..... do.....	38.6	36.8	33.4	33.9	36.0	35.4
Restaurant department, ratios to total restaurant sales:						
Salaries and wages..... percent.....	26.1	25.3	26.6	25.4	33.3	32.1
Employees' meals..... do.....	3.0	3.4	2.5	2.4	3.6	3.9
Music and entertainment (less cover charges)..... percent.....	2.4	3.1	4.3	4.9	1.3	2.7
Laundry..... do.....	1.2	1.3	1.2	1.2	1.4	1.4
Kitchen fuel..... do.....	.3	.4	.3	.3	.7	.8
China, glass, silver, linen..... do.....	1.8	1.9	2.5	2.3	1.8	2.0
Cleaning..... do.....	.4	.4	.4	.4	.4	.4
Menus, printing, and stationery..... percent.....	.5	.6	.5	.6	.7	.8
All other expenses..... do.....	1.9	2.3	1.8	1.9	2.6	2.6
Total expenses..... do.....	36.6	37.5	42.3	40.3	46.0	46.5
Departmental profit..... do.....	21.9	23.4	24.1	25.6	15.6	14.7
Administrative and general expenses:						
Ratio to room sales..... do.....	19.5	18.8	18.5	17.9	13.2	13.3
Ratio to total sales..... do.....	8.5	8.4	7.3	7.3	8.0	8.0
Detail of administrative and general expenses, ratios to room sales:						
Salaries and wages..... percent.....	8.2	8.1	7.4	7.2	5.4	5.2
Workmen's compensation insurance..... percent.....	.6	.5	.7	.7	.5	.5
Other insurance, except fire..... do.....	.6	.6	.7	.7	.6	.6
Management fees and executive office expenses..... percent.....	.7	1.3	.2	.4	1.1	1.4
Social security taxes..... do.....	2.0	2.3	2.4	3.0	2.0	2.2
Bad debts..... do.....	.4	.6	.4	.5	.2	.3
All other expenses..... do.....	5.5	5.0	4.6	3.9	3.4	2.9
Advertising and business promotion:						
Ratio to room sales..... do.....	2.4	2.4	4.0	4.2	1.3	1.4
Ratio to total sales..... do.....	1.0	1.1	1.7	1.8	.8	1.0
Heat, light, power, and refrigeration:						
Ratio to room sales..... do.....	12.0	12.1	10.0	10.3	12.9	12.8
Cost per available room..... do.....	\$116	\$106	\$140	\$132	\$118	\$105
Percentage of hotels which purchase:						
Steam..... percent.....	28.0	30.0	36.0	44.0	16.0	16.0
Electricity..... do.....	94.0	96.0	80.0	84.0	100.0	96.0
Repairs and maintenance:						
Ratio to room sales..... do.....	10.2	8.6	12.5	11.5	10.6	10.6
Cost per available room..... do.....	\$99	\$74	\$178	\$166	\$109	\$89
Replacements, improvements, additions (except china, glass, silver, and linen):						
Ratio to room sales..... percent.....	2.3	2.6	2.9	3.6	2.3	2.2
Cost per available room..... do.....	\$26		\$32		\$17	

¹ After credit for employees' meals.

NUMBER OF TIMES TAXES WERE EARNED

Obviously the relative ability to earn interest charges is not a good measure of financial results because of the different proportions of interest-bearing obligations to the total investment. Nor is the ratio of house profit to total sales or to room sales a fair standard of measurement, for a hotel with extensive restaurant and banquet facilities usually shows a higher ratio of house profit to room sales and a lower ratio to total sales than one that can do only a modest restaurant business. Even the ratio of house profit to the total capital is not reliable as a measure because, as a result of the many foreclosures and reorganizations, the present capital of many hotel companies bears little relation to the actual value of the net assets.

After a careful study of the matter, we adopted the ratio of house profit to the taxes on the hotel property as a satisfactory standard of measurement. Assessment policies of cities vary widely, but a low assessed value is almost invariably coupled with a high tax rate, and vice versa, so that the ratio of property values to real-estate taxes is fairly consistent. Therefore a hotel that produces a house profit equivalent to three times the amount of its real-estate taxes earns more in proportion to the value of the property than another hotel that has a house profit of twice its taxes.

While the ratio of house profit to real-estate taxes is a good measure of the comparative financial returns of hotels, though not a perfect one, it is not necessarily an index of the efficiency of management. It is an established fact, for example, that the hotels with the highest-priced rooms were affected earlier and more seriously by the depression and made much slower progress toward recovery than hotels with low-priced rooms, and this regardless of the capability of the managements.

NUMBER OF TIMES AVERAGE RATE WAS EARNED

In the course of our continued search for better and better bases for comparison of hotel-operating results, it was discovered that some hotels pay proportionately much lower or much higher real estate and personal property taxes than the majority do. Of course in such cases the number of times taxes are earned is not a fair basis for comparing the operating results, for the reason that the amount of taxes is not a good measure of the value of the investment in the property.

It should be obvious that, everything else being equal, the larger hotel should earn more than the smaller one; therefore, in comparing the operating results of hotels of different sizes, the number of available rooms must be taken into account—that is, instead of comparing the total earnings of various hotels, the basis of comparison should be the average earnings per available room. But it should be obvious also that, everything else being equal, a hotel with high room rates should earn more than one with low rates. Consequently the earnings per available room should be judged in relation to the average room rate. This reasoning led to the application of a new basis for comparing operating results: The number of times the average room rate goes into the earnings per available room. The following examples illustrate the practical application of this basis of comparison:

	Hotel A	Hotel B	Hotel C
Number of available rooms.....	200	300	400
Average rate.....	\$2.50	\$4	\$3
Operating profit (exclusive of store rents).....	\$60,000	\$108,000	\$132,000
Operating profit per available room.....	\$300	\$360	\$330
Number of times average rate earned.....	120	90	110

On the basis of the amount earned per available room, hotel B would seem to have the best record, but when the operating profit is examined in relation to the average rate, which roughly indicates the class of the hotel and the relative value of the investment in the property, it will be evident that hotel B did not do so well as either A or C.

It may be asked whether a hotel could not show relatively better earnings on this basis by reducing its room rates. The answer is no. Operating expenses

depend on the size and character of the hotel and they change little whether that hotel charges \$4 or \$5 for its rooms. Consequently, if a hotel that should have an average rate of \$5 reduces the average to \$4, practically all the difference of \$1 comes out of the operating profit, with the result that the hotel cannot produce good earnings on any comparative basis, as experience shows that increase in occupancy resulting from rate reduction very seldom can compensate for the loss of operating profit caused by the lowering of rates.

NUMBER OF TIMES THE AVERAGE ROOM RATE WAS EARNED IN 1944

The transient hotels of more than 500 rooms made the best showing on this basis, with 196 times; the small transients were next with 173 and the residential last, with 139 times. Following is a comparison with the results for 1941, 1942, and 1943:

	1944	1943	1942	1941
Small transients.....	173	152	118	100
Large transients.....	196	190	130	97
Residential.....	139	128	103	91

All these earnings figures are before deduction of income and excess-profit taxes.

NUMBER OF TIMES THE TAXES WERE EARNED

Hotels earned their taxes 7.55 times compared with 7.28 times in 1943, 5.57 times in 1942, 3.77 times in 1941, 3.45 times in 1940, and 2.79 times in 1939. Each of the three groups made a better showing than in 1943.

All these earnings, too, are before deduction of income and excess-profit taxes.

TREND OF HOTEL BUSINESS IN RECENT YEARS

While there was a gradual improvement in hotel operating results in the last prewar years from the worst period of the depression, the graphic chart on page 4 shows that prior to 1942 there was little return on capital. One of the reasons is that the sales in those years never reached satisfactory levels. This is brought out by the table on the Trend of Business, page 14, compiled from the monthly figures of several hundred hotels all over the country. The index numbers for the last 5 years, with 1929 considered as 100, are as follows:

	Room sales	Restaurant sales	Room rate	Number of occupied rooms
1929.....	100	100	100	100
1940.....	76	96	81	92
1941.....	82	105	84	97
1942.....	93	123	87	106
1943.....	114	164	94	122
1944.....	124	185	98	127

Again it should be pointed out that 1929 is used as a base not because it was an exceptional year for hotels, as the occupancy was only 70 percent, but because it was the last full year before the depression began to have its effect. The year 1941 was the first in which restaurant sales—including food, beer, wines, and liquors—exceeded the restaurant sales of the prohibition year of 1929. As to room sales, while for every 100 rooms occupied in 1929 there were 127 occupied in 1944 and 122 in 1943, the average room rate has never yet reached the pre-depression level: In 1944 it was 98 cents to every \$1 in 1929, and in 1943, 94 cents.

TABLE 4.—*Summary of 1944 changes in hotel sales and occupancy*

[Totals for entire country from Trend of Business in Hotels, by Horwath & Horwath]

1944	Percentage of increase over 1943						Actual occupancy in 1944
	Total sales ¹	Room sales	Total restaurant sales	Food sales	Beverage sales	Room rate ²	
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
January.....	18	14	22	21	23	6	87
February.....	17	13	21	20	22	5	88
March.....	16	12	19	19	20	6	88
April.....	14	11	18	18	17	5	88
May.....	9	7	10	11	8	4	88
June.....	12	10	14	15	12	5	88
July.....	8	8	7	8	6	5	82
August.....	7	7	7	7	6	3	89
September.....	8	7	9	9	8	3	89
October.....	8	7	9	13	4	2	90
November.....	9	5	12	14	8	3	88
December.....	9	7	10	14	5	4	83
Year.....	11	9	13	14	12	4	87

[Index numbers 1929=100]

	Total sales ¹	Room sales	Restaurant sales	Room rate ²	Occupancy
1928.....	98	97	98	100	97
1929.....	100	100	100	100	100
1930.....	90	91	88	97	93
1931.....	73	76	70	89	84
1932.....	55	58	52	79	73
1933.....	51	52	49	71	73
1934.....	63	59	69	71	80
1935.....	71	64	80	72	86
1936.....	79	72	89	75	93
1937.....	85	78	95	80	94
1938.....	80	72	88	81	87
1939.....	82	74	90	82	90
1940.....	85	76	96	81	92
1941.....	93	82	105	84	97
1942.....	107	93	123	87	106
1943.....	137	114	164	94	122
1944.....	152	124	185	98	127

¹ Room and restaurant only.² Average daily rent per occupied room.

OTHER OPERATING RESULTS

While the percentage of occupancy and the average room rate were both higher than in 1943, the ratio of rooms profit to sales was slightly lower because of the heavier pay roll. And for the restaurant also, despite a larger volume of sales, the profit ratio was lower than in 1943, because of advances in pay roll and cost of supplies.

MAINTENANCE, IMPROVEMENTS, ADDITIONS, ETC.

In this report we again included the expenditures for replacements, improvements, etc., as distinguished from the ordinary repairs and maintenance that are charged to operating expenses. The average for the 100 hotels in 1944 was 2.3 percent of room sales for new installations and replacements of major items, while repairs and upkeep averaged 10.6 percent, making a total cost of 12.9 percent of room sales as compared with 12.6 in 1943.

PAY ROLL PLUS MEALS, SOCIAL SECURITY TAXES, ETC.

The ratio of cash pay roll to sales is shown for each group of hotels. In addition to the cash paid out for salaries and wages, there are other items that swell the labor cost approximately 12 to 15 percent. Following is a short summary,

prepared from such information as was available, meals being included for only the rooms and the restaurant employees, not for those of any other department:

	Ratio to total sales not including store rentals (percent)			
	Total	Small transients	Large transients	Residentials
Cash pay rolls.....	32.0	31.1	32.4	34.0
Employees' meals (rooms and restaurant only).....	1.6	1.7	1.4	1.4
Social-security taxes.....	1.0	.9	.9	1.2
Compensation insurance.....	.3	.3	.3	.3
Total.....	34.9	34.0	35.0	36.9

Many hotels spend substantial amounts on other forms of employee insurance, such as group life, sickness and accident, and also on various other employee welfare activities.

AIR-CONDITIONED SPACE IN 1944

Because war conditions prevented the installation of new air-conditioning systems, there was little change in 1944 in the proportion of the hotel space which is air-conditioned.

STEAM AND ELECTRICITY

Twenty-seven percent of the 100 hotels purchased steam and 8 percent generated their own electric current, as is shown in the table on page 7. Twenty-eight percent of the small and 36 percent of the large transients purchased steam, but only 16 percent of the residentials. The great majority of hotels purchased electricity in 1944: 94 percent of the small transients, 80 percent of the large transients, and all of the residentials.

TRANSIENT HOTELS OF LESS THAN 500 ROOMS

The figures of the individual hotels are shown on pages 18 to 23, and the summaries on pages 6 and 7.

This group, as usual, had the best results on the basis of the number of times taxes were earned. However, on the basis of number of times rates were earned, these small hotels again lagged behind the large transients. The ratio of house profit to total sales, both with and without store rents, is practically the same as for the large transients, which again indicates that the superior showing of the small transient hotels on the basis of "number of times taxes earned" is not the result of more economical management, but of other factors. Incidentally, a close comparative study of the operating profit ratios cannot fail to convince the careful analyst that the "number of times average room rate was earned" is a much better indication of management efficiency than the "number of times taxes were earned."

The ratios of departmental profits for both rooms and restaurant were somewhat lower in 1944 than in 1943: Rooms, 71.5 percent of sales compared with 72.3 percent the year before; restaurant, 21.9 percent compared with 23.4 percent. The food cost was down very slightly, being 39.8 percent compared with 40 percent in 1943, and the beverage cost was up, to 38.6 percent of from 36.8 percent. The ratio of advertising and business promotion to room sales was exactly the same as the year before and that of heat, light, and power was virtually the same. However, that of repairs and maintenance was up considerably, to 10.2 percent from 8.6 percent in 1943, while that of replacements, improvements, and additions was down a little because of the continued wartime restrictions.

TRANSIENT HOTELS OF MORE THAN 500 ROOMS

The detailed figures for this group are shown on pages 24, 25, and 26 and the summaries on pages 6 and 7.

The ratios of operating expenses are usually higher in hotels of more than 500 rooms than in smaller hotels. This is particularly true of the ratios of pay roll, advertising, and repairs and maintenance. Actually the size has very little to do with this difference; the explanation is that the larger hotels are in larger cities where wage rates and many other expenses are higher than in smaller places.

It will be found that for a hotel of 300 or 400 rooms located in one of our largest cities, the operating ratios will be nearer those of the hotels of more than 500 rooms than those of the smaller hotels.

With regard to the cost of advertising, it should be borne in mind that the large hotel obtains a sufficient amount of business from a dozen or more other cities to make direct advertising in those cities a profitable investment. This is not the case with the small hotel. Consequently, large hotels generally spend much more of their sales for advertising than do small ones; for instance, the ratio to room sales for this group was 4 percent compared with 2.4 percent for the hotels of less than 500 rooms.

RESIDENTIAL HOTELS

The figures for the individual hotels are shown on pages 27, 28, and 29 and the summaries on pages 6 and 7.

The residential hotels never show as good results as the transients for various reasons, some of which are the ratio of restaurant sales to room sales is lower and there is seldom much profit from that department and often a loss; pay-roll ratios are high; profits from minor departments are small; and, because the sales are low in relation to the real-estate value, the proportion of taxes to total income is the highest of the three groups.

Attention was called in our report last year to the steady improvement during the last few years in the restaurant departments of residential hotels. That improvement continued in 1944. The food cost per dollar sale at 38.9 cents is down fractionally from last year and sharply, by nearly 4 cents, from 2 years ago, while the beverage cost has been kept steady despite higher purchase prices and heavier taxes.

The progress in recent years is clearly brought out by the following comparison of the results of the 25 residential hotels included in our annual studies:

	Departmental profit or loss medians	Number of hotels showing loss on restaurant
1938.....	1 percent loss.....	12
1939.....	0.....	10
1940.....	3.8 percent profit.....	9
1941.....	6.7 percent profit.....	8
1942.....	8 percent profit.....	4
1943.....	14.7 percent profit.....	1
1944.....	15.6 percent profit.....	2

The improvement in the operating results of residential hotels compares very favorably with those in both classifications of transients.

CONCLUSION

In order that our habitual readers will feel completely at home with this study—knowing exactly where to look for all the various data and how to make the comparisons of their individual hotels with the medians here furnished—we have again followed the same plan, both with regard to contents and presentation, as in the last several years. Insofar as was possible we have even used much the same text, revising it, of course, to make it apply to the year 1944.

Besides the analyses which it was possible to give here, many others can be made from the store of statistical data supplied. In making comparisons of individual hotels, be sure that all the factors causing the differences are taken into consideration and also that the terms as explained on page 32 are clearly understood.

We wish to point out specifically that the results of the 100 hotels as shown in our schedules do not include real estate, personal property, and franchise taxes, interest, depreciation, any of the payments required for amortization of indebtedness, or any other expenses connected with the capital investment, except fire insurance on building and contents. Nor do the expenses deducted in this report include income and excess profits taxes.

Any of our offices will be glad to explain anything in the booklet which may not be clear to the reader.

HORWATH & HORWATH.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 999

Analysis of 50 transient hotels of less than 500 rooms in 44 cities (listed according to the number of rooms available)

[Figures in parentheses indicate position hotel would occupy in the column with No. 1 the highest]

Hotel No.	Number of rooms available	Percentage of occupancy	Average room rate	Earnings in 1944									
				Number of times room rate was earned, not including store rentals and after deduction of fire insurance	Including store rentals and after deduction of fire insurance		Not including store rentals and after deduction of fire insurance—		House profit ratios—				
					Number of times taxes were earned	House profit ratios—		House profit ratios—		House profit ratios—			
						To room sales	To total sales	To room sales	To total sales	To room sales	To total sales		
		<i>Percent</i>			<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1	(1)	(44) 70	\$2.75-\$3.00	(48) 75	(46) 4.43	(46) 32	(47) 13	(46) 29	(46) 12	(46) 29	(46) 12	(46) 12	
2	(1)	(50) 43	3.00- 3.25	(43) 107	(27) 9.35	(10) 75	(28) 24	(11) 70	(30) 22	(11) 70	(30) 22	(30) 22	
3	100-150	(42) 71	2.25- 2.50	(36) 126	(24) 9.88	(38) 46	(42) 17	(36) 46	(42) 17	(36) 46	(42) 17	(42) 17	
4	100-150	(37) 76	2.25- 2.50	(45) 99	(38) 6.78	(42) 40	(48) 13	(43) 35	(47) 11	(43) 35	(47) 11	(47) 11	
5	100-150	(16) 92	2.75- 3.00	(19) 190	(13) 14.26	(26) 56	(35) 21	(22) 56	(33) 21	(22) 56	(33) 21	(33) 21	
6	100-150	(48) 54	2.75- 3.00	(50) 44	(48) 3.95	(49) 22	(49) 10	(48) 22	(48) 10	(48) 22	(48) 10	(48) 10	
7	100-150	(3) 97	4.00- 4.25	(13) 230	(7) 21.38	(16) 67	(19) 28	(16) 65	(17) 27	(16) 65	(17) 27	(17) 27	
8	100-150	(49) 50	3.00- 3.25	(46) 93	(43) 4.89	(30) 53	(38) 20	(32) 51	(38) 19	(32) 51	(38) 19	(38) 19	
9	100-150	(14) 92	4.25- 4.50	(27) 172	(8) 20.89	(32) 52	(3) 42	(30) 51	(2) 42	(30) 51	(2) 42	(2) 42	
10	150-200	(6) 97	2.25- 2.50	(17) 214	(33) 7.65	(21) 61	(17) 29	(19) 61	(11) 29	(19) 61	(11) 29	(11) 29	
11	150-200	(35) 78	3.00- 3.25	(33) 153	(6) 21.44	(24) 57	(13) 29	(26) 54	(16) 28	(26) 54	(16) 28	(16) 28	
12	150-200	(28) 83	3.50- 3.75	(12) 235	(9) 20.06	(5) 83	(4) 42	(7) 77	(4) 39	(7) 77	(4) 39	(4) 39	
13	150-200	(23) 90	3.00- 3.25	(14) 228	(12) 17.36	(11) 72	(7) 36	(12) 69	(8) 35	(12) 69	(8) 35	(8) 35	
14	150-200	(43) 70	3.50- 3.75	(24) 178	(10) 19.62	(13) 70	(15) 29	(13) 69	(13) 28	(13) 69	(13) 28	(13) 28	
15	150-200	(12) 94	2.75- 3.00	(21) 185	(31) 8.31	(14) 69	(1) 53	(25) 54	(3) 41	(25) 54	(3) 41	(3) 41	
16	150-200	(7) 96	3.75- 4.00	(15) 222	(21) 10.53	(19) 63	(12) 29	(17) 63	(10) 29	(17) 63	(10) 29	(10) 29	
17	200-250	(27) 91	2.00- 2.25	(2) 357	(47) 4.02	(50) 13	(50) 6	(50) 11	(50) 5	(50) 11	(50) 5	(50) 5	
18	200-250	(24) 89	5.50- 5.75	(9) 245	(2) 29.64	(8) 78	(14) 29	(8) 75	(14) 28	(8) 75	(14) 28	(14) 28	
19	200-250	(18) 92	2.00- 2.25	(47) 81	(44) 4.83	(48) 26	(39) 19	(47) 24	(40) 17	(47) 24	(40) 17	(40) 17	
20	200-250	(38) 76	2.50- 2.75	(37) 125	(41) 5.44	(36) 48	(32) 22	(38) 45	(34) 21	(38) 45	(34) 21	(34) 21	
21	200-250	(4) 97	4.00- 4.25	(16) 217	(11) 17.51	(20) 63	(40) 17	(18) 61	(41) 17	(18) 61	(41) 17	(41) 17	
22	200-250	(2) 98	3.50- 3.75	(10) 242	(16) 13.36	(17) 66	(8) 35	(14) 66	(7) 35	(14) 66	(7) 35	(7) 35	
23	250-300	(8) 96	4.00- 4.25	(6) 251	(3) 28.43	(12) 72	(10) 31	(10) 71	(9) 31	(10) 71	(9) 31	(9) 31	
24	250-300	(39) 76	3.00- 3.25	(30) 157	(20) 11.45	(18) 63	(9) 34	(34) 47	(24) 25	(34) 47	(24) 25	(24) 25	
25	250-300	(21) 91	2.50- 2.75	(8) 245	(29) 8.93	(9) 75	(22) 27	(9) 74	(19) 27	(9) 74	(19) 27	(19) 27	
26	250-300	(34) 78	3.75- 4.00	(35) 132	(23) 9.89	(37) 46	(37) 21	(39) 45	(35) 20	(39) 45	(35) 20	(35) 20	
27	250-300	(47) 60	2.50- 2.75	(49) 453	(45) 4.63	(47) 27	(46) 14	(49) 19	(49) 10	(49) 19	(49) 10	(49) 10	
28	250-300	(22) 90	2.75- 3.00	(20) 187	(28) 9.01	(22) 59	(36) 21	(21) 57	(37) 20	(21) 57	(37) 20	(37) 20	
29	250-300	(13) 92	4.00- 4.25	(5) 270	(5) 21.71	(6) 82	(6) 37	(4) 80	(6) 36	(6) 82	(6) 36	(6) 36	
30	250-300	(31) 82	3.00- 3.25	(22) 153	(25) 9.62	(39) 45	(24) 27	(37) 45	(20) 27	(37) 45	(20) 27	(20) 27	
31	300-350	(45) 66	3.50- 3.75	(31) 157	(40) 5.60	(15) 69	(27) 24	(15) 65	(27) 23	(15) 65	(27) 23	(27) 23	
32	300-350	(46) 63	2.75- 3.00	(39) 121	(35) 7.14	(29) 55	(26) 25	(28) 52	(26) 24	(28) 52	(26) 24	(26) 24	
33	300-350	(41) 73	3.00- 3.25	(42) 107	(49) 3.66	(41) 40	(43) 17	(41) 40	(43) 17	(41) 40	(43) 17	(43) 17	
34	300-350	(9) 95	3.75- 4.00	(3) 287	(15) 13.62	(3) 84	(5) 37	(3) 82	(5) 37	(3) 82	(5) 37	(5) 37	
35	300-350	(36) 77	3.00- 3.25	(11) 241	(1) 40.43	(2) 89	(18) 28	(2) 85	(18) 27	(2) 85	(18) 27	(18) 27	
36	300-350	(11) 95	2.75- 3.00	(26) 173	(30) 8.87	(33) 51	(23) 27	(33) 50	(21) 26	(33) 50	(21) 26	(21) 26	
37	300-350	(15) 92	5.75- 6.00	(4) 273	(22) 10.41	(4) 84	(21) 27	(5) 79	(23) 26	(5) 79	(23) 26	(23) 26	
38	300-350	(25) 88	3.75- 4.00	(28) 166	(18) 12.23	(34) 51	(34) 21	(31) 51	(32) 21	(31) 51	(32) 21	(32) 21	
39	300-350	(40) 75	3.50- 3.75	(40) 112	(17) 12.63	(40) 40	(45) 16	(40) 40	(44) 16	(40) 40	(44) 16	(44) 16	
40	350-400	(10) 95	3.25- 3.50	(23) 180	(19) 11.63	(31) 52	(2) 48	(29) 52	(1) 48	(29) 52	(1) 48	(1) 48	
41	350-400	(5) 97	2.75- 3.00	(38) 122	(39) 5.75	(45) 33	(41) 17	(45) 33	(39) 17	(45) 33	(39) 17	(39) 17	
42	350-400	(17) 92	5.00- 5.25	(1) 365	(4) 26.39	(1) 112	(11) 29	(1) 108	(12) 28	(1) 108	(12) 28	(12) 28	
43	350-400	(1) 99	2.75- 3.00	(18) 196	(37) 6.84	(27) 56	(25) 25	(24) 54	(25) 24	(24) 54	(25) 24	(25) 24	
44	400-450	(32) 81	3.75- 4.00	(7) 247	(14) 14.10	(7) 81	(16) 29	(6) 77	(15) 28	(6) 77	(15) 28	(15) 28	
45	400-450	(29) 82	3.25- 3.50	(44) 105	(50) 3.43	(43) 37	(44) 16	(44) 34	(45) 15	(44) 34	(45) 15	(45) 15	
46	400-450	(30) 82	3.25- 3.50	(29) 164	(34) 7.27	(25) 57	(29) 24	(23) 55	(29) 23	(23) 55	(29) 23	(29) 23	
47	450-500	(33) 79	4.00- 4.25	(34) 135	(26) 9.62	(35) 51	(31) 22	(35) 46	(36) 20	(35) 46	(36) 20	(36) 20	
48	450-500	(27) 85	2.50- 2.75	(22) 181	(32) 7.79	(23) 58	(30) 23	(20) 58	(28) 23	(20) 58	(28) 23	(28) 23	
49	450-500	(26) 85	3.25- 3.50	(41) 111	(36) 6.85	(44) 36	(33) 22	(42) 35	(31) 21	(42) 35	(31) 21	(31) 21	
50	450-500	(19) 91	5.75- 6.00	(25) 174	(42) 5.07	(28) 55	(20) 27	(27) 52	(22) 26	(27) 52	(22) 26	(22) 26	
Median		86	3.22	173	9.62	57	25	54	24	54	24	24	

¹Less than 100

1000 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Analysis of 50 transient hotels of less than 500 rooms in 44 cities (listed according to the number of rooms available)—Continued

Hotel No.	Sales							Net profit from minor sources—Ratio to room sales ³	Store rentals—Ratio to room sales	Total hotel pay roll—Ratio to total sales (exclusive of store rentals)
	Food		Beverages		Tele- phone— Ratio to room sales	Valet— Ratio to room sales ²	Guest lau- dry— Ratio to room sales ²			
	Amount (in thou- sands)	Ratio to room sales	Amount (in thou- sands)	Ratio to food sales						
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	
1.....	\$76	104	\$19	25	5.2			0.8	2.9	(32) 32.5
2.....	49	106	25	51	5.0			39.6	5.3	(14) 27.2
3.....	72	107	28	38	6.0			5.0		(34) 32.7
4.....	87	119	50	58	6.0			3.9	4.6	(37) 33.4
5.....	66	54	128	194	6.1			3.2		(6) 24.6
6.....	46	62	27	60	4.2			4.2.3		(44) 36.5
7.....	260	125	14	5	7.7			1.0	2.1	(19) 29.5
8.....	49	61	73	150	4.8			2.2	2.0	(20) 29.8
9.....	35	16			5.0			4.1	.7	(7) 24.9
10.....	71	46	83	116	5.6			.5	.3	(6) 24.8
11.....	78	47	56	72	7.8			4.6	3.3	(27) 31.3
12.....	109	52	77	70	8.6			1.4	5.7	(26) 31.1
13.....	77	39	108	141	6.0			4.1	2.8	(8) 25.1
14.....	155	87	58	37	7.1			2.2	1.7	(28) 31.4
15.....					7.1	0.7		12.4	15.6	(10) 25.4
16.....	60	22	209	349	11.3			3.9		(15) 28.5
17.....	87	57	62	71	5.7			1.5	2.4	(42) 34.5
18.....	316	82	265	84	7.4			4.3	3.1	(4) 24.4
19.....			58		2.3			4.3.0	2.3	(48) 39.9
20.....	114	71	63	55	5.8			.6	2.9	(49) 40.6
21.....	526	154	279	53	14.7	1.6		7.0	1.9	(35) 32.9
22.....	131	40	93	71	7.5	1.6		2.0		(1) 22.5
23.....	247	64	184	74	11.8	.7		4.5	.7	(17) 29.1
24.....	122	48	74	61	6.1			4.5	16.0	(41) 33.8
25.....	284	121	26	9	8.2	1.4	2.2	12.6	1.6	(38) 33.5
26.....	276	93	10	4	7.4		3.6	11.8	1.0	(40) 33.7
27.....	74	46	74	100	6.1			4.6	8.0	(50) 42.2
28.....	296	111	83	28	9.3			5.2	2.7	(13) 27.0
29.....	349	87	26	7	12.1			4.9	2.5	(2) 22.7
30.....	103	35	80	77	6.2			.2		(29) 31.9
31.....	224	85	223	100	8.1	1.6		2.8	3.6	(22) 30.2
32.....	171	81	66	39	6.0			1.1	2.7	(23) 30.5
33.....	212	78	123	58	6.3			4.3		(46) 38.2
34.....	275	62	202	73	10.9	2.1		6.9	1.4	(12) 26.5
35.....	257	86	191	74	7.5			13.3	4.0	(3) 23.2
36.....	236	71	13	6	10.6			2.6	1.2	(33) 32.6
37.....	(⁵)	96	(⁶)	88	13.1	1.1		12.9	4.7	(25) 31.0
38.....	346	77	221	64	9.9	1.0		2.7		(43) 34.6
39.....	292	86	188	64	11.2			3.9		(16) 28.6
40.....					7.2			.5		(18) 29.4
41.....	219	58	97	44	3.0	.6		4.7		(45) 37.0
42.....	(⁵)	171	(⁶)	46	13.6	2.5		7.3	4.1	(11) 25.9
43.....	191	49	121	63	7.4	1.1		6.5	2.0	(9) 25.2
44.....	475	89	338	71	10.0	2.9	3.7	7.3	3.4	(31) 32.5
45.....	286	66	194	68	9.0			4.3	3.0	(47) 38.9
46.....	304	71	231	76	8.2			3.2	1.9	(21) 30.0
47.....	380	68	247	65	7.7	1.4	4.7	5.2	4.5	(39) 33.5
48.....	394	99	117	30	6.4	1.2		4.2		(36) 33.4
49.....	180	35	105	58	6.8			.7	.8	(30) 32.1
50.....	469	48	327	70	11.7		3.2	4.9	2.9	(24) 30.7
Median..	212	71	93	64	7.4	1.4	3.6	3.2	2.8	31.1

¹ Less than 100.

² Not operated as separate department in all hotels.

³ All sources except rooms, restaurant and stores.

⁴ Loss.

⁵ Over \$600,000.

⁶ Omitted.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1001

Analysis of 50 transient hotels of less than 500 rooms in 44 cities (listed according to the number of rooms available)—Continued

ROOMS DEPARTMENT

Hotel No.	Departmental ratios to room sales (percent)										
	Salaries and wages	Em- ployees' meals	Laundry	Linen	Guest sup- plies	Contract cleaning	Cleaning supplies and ex- penses and dry cleaning	All other expenses	Total ex- penses	Depart- ment profit	
1.....	41.3	2.8	2.0	3.7				1.7	51.4	(50) 48.6	
2.....	25.1	2.9	5.6	1.0	1.1	0.1	1.2	.2	37.1	(47) 62.9	
3.....	19.9	1.1	4.7	.5	.7	1.2		.4	28.9	(28) 71.1	
4.....	25.0	.4	4.0	1.2	1.6	(?)		.5	33.2	(39) 66.8	
5.....	19.8	.7	6.1	2.6	.7	1.2		.8	32.3	(37) 67.7	
6.....	21.4	.3	4.8	.5	.8			.2	28.6	(26) 71.4	
7.....	22.8	.1	3.6	1.1	.8	1.0		.7	31.5	(33) 68.5	
8.....	27.5	1.5	4.6	.5	1.3	.2		.3	36.3	(45) 63.8	
9.....	15.4	.1	4.1	2.7	.4			.4	1.7	24.7	(12) 75.3
10.....	16.4	.2	5.0	1.0	1.1			.2	.3	24.2	(10) 75.8
11.....	19.8	1.4	3.4	1.4	.8			.6	27.9	(24) 72.1	
12.....	15.2	.3	3.4	.8	.7			.3	.4	21.7	(3) 78.3
13.....	19.5	.2	4.8	1.5	.5	(?)		.4	.6	27.4	(21) 72.6
14.....	17.4	.3	3.5	1.2	1.0	.4		.7	.5	24.9	(13) 75.1
15.....	18.6		6.1	1.1	.8	.4		.9	1.0	28.9	(27) 71.1
16.....	17.6	.7	3.6	1.9	.7	.9		.4	1.0	26.8	(18) 73.2
17.....	26.3	.2	8.3	.8	.6	.1		.9	1.5	38.7	(48) 61.3
18.....	17.8	.3	2.4	1.6	1.0			.9	3.2	27.2	(20) 72.8
19.....	30.5	.1	7.7	1.1	1.2	.6	1.1	.7	42.9	(49) 57.1	
20.....	21.4	1.4	4.8	1.1	1.1	.9	1.9	.9	32.2	(36) 67.8	
21.....	24.5	.3	5.2	1.6	.7	.8	.4	.7	34.6	(40) 65.4	
22.....	12.9		2.0	1.7			1.1	1.1	18.8	(2) 81.2	
23.....	16.4	.1	3.2	1.0	.8	.6	.5	1.2	23.7	(8) 76.3	
24.....	18.6	.1	3.6	.4	.6	.6	.8	1.1	25.7	(15) 74.3	
25.....	21.0		2.0	1.6	.7	.9	.2	.9	26.5	(17) 73.6	
26.....	22.2	.5	3.9	1.0	.4	.6	.8	.9	30.2	(32) 69.8	
27.....	27.6	.1	3.8	2.0	.7	.2	.7	1.7	36.7	(46) 63.4	
28.....	17.9	.4	2.5	.1	.7		.8	1.1	23.5	(7) 76.5	
29.....	12.0	.2		3.0	.6	.2	.2	1.8	18.0	(1) 82.0	
30.....	19.3	.7	3.4	1.7	.8	1.2	1.0	.9	29.0	(29) 71.0	
31.....	22.5	.1	5.2	1.5	1.1	.2	.3	.9	31.7	(35) 68.3	
32.....	25.4	.3	3.0	3.2	.8	.5	.5	1.1	34.7	(42) 65.3	
33.....	26.4	2.5	2.9	1.0	.8	.1	1.3	1.3	36.2	(44) 63.8	
34.....	16.3	.1	3.8	1.1	.7	.3	.3	3.0	25.5	(14) 74.5	
35.....	13.4	.2	3.0	2.3	.7	.1	.6	1.8	22.2	(4) 77.8	
36.....	18.5	.1	2.1	1.2	1.0	(?)	.5	.7	24.2	(11) 75.8	
37.....	22.2	.3	2.9	1.8	.7	.5	.4	1.1	29.8	(31) 70.2	
38.....	19.9	.1	3.0	1.6	.8		.5	1.7	27.5	(22) 72.5	
39.....	21.0	.9	5.2	1.9	.9	.4	1.1	1.0	32.3	(38) 67.7	
40.....	14.9		3.9	2.0	.4	.3	.3	1.4	23.3	(6) 76.7	
41.....	17.0	.6	3.4	.8	.5	1.2	.7	3.0	27.0	(19) 73.0	
42.....	19.1	.2	.8	2.7	.5	.2	.7	2.2	26.4	(16) 73.6	
43.....	17.8	.3	5.1	2.3	.7	.4	.5	1.4	28.5	(25) 71.6	
44.....	21.1	.6	2.9	1.2	.6	.6	.4	.4	27.8	(23) 72.2	
45.....	28.1	.3	4.0	.5	.7	.8	.6	.8	35.8	(43) 64.2	
46.....	22.8	.5	3.4	1.6	1.4	.5	.6	.8	31.6	(34) 68.4	
47.....	19.0	.6	3.3	1.5	.5	2.9	.7	.8	29.2	(30) 70.8	
48.....	27.1	.3	2.0	1.3	1.3	.9	1.0	.8	34.6	(41) 65.4	
49.....	16.4	.4	2.7	1.1	.6	1.1	.4	1.3	23.9	(9) 76.2	
50.....	16.1	.2	2.1	1.1	.4	.8	.4	1.3	22.3	(5) 77.7	
Median..	19.8	.3	3.6	1.3	.7	.4	.6	1.0	28.5	71.5	

¹ Negligible.

1002 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Analysis of 50 transient hotels of less than 500 rooms in 44 cities (listed according to the number of rooms available)—Continued

RESTAURANT DEPARTMENT

Hotel No.	Merchandise costs per dollar sale [§] (cents)		Ratios to total restaurant sales (percent)											
	Food	Beverages	Salaries and wages	Employees' meals	Music and entertainment [¶]	Laundry	Kitchen fuel	China, glass, silver, and linen	All cleaning expenses	Menus, printing, and stationery	All other expenses	Total expenses	Departmental profit	
1	46.6	46.8	26.6				1.4	0.8		0.7	1.8	31.3	(24) 22.1	
2	42.9	47.0	25.6			2.3	.6	1.2	0.8	.5	1.6	36.4	(31) 19.3	
3	40.8	46.2	27.2	3.9		1.1	.5	3.3		.2	2.0	35.4	(22) 22.4	
4	39.8	45.2	26.2	5.5		.8	.7	1.7		.3	2.8	38.4	(30) 19.8	
5	39.3	37.4	22.3	2.1	7.9	2.1	.3	1.1	1.5	.3	2.8	40.2	(25) 21.8	
6	72.4	55.8	28.6	4.0		2.6	.5	1.0	2.2	.3	2.4	39.5	(48) 15.7	
7	37.6	42.6	31.2	2.5		.9	.4	2.1	2.2	.5	2.1	39.8	(23) 22.3	
8	48.5	43.1	29.5	2.8	2.3	1.9	1.5	.7	2.2	.2	.9	40.0	(41) 14.8	
9	41.8		34.7	8.4		1.7	2.2	4.2	1.5	.4	2.9	55.9	(47) 2.3	
10	45.6	46.4	26.1	2.3		1.5	.9	1.3			5.5	37.9	(39) 16.1	
11	38.1	37.3	24.4	3.5		2.1	.4	1.8	6.5	.5	1.8	55.0	(13) 27.3	
12	30.1	28.2	25.7	3.5	.6	1.6	.2	.6	2.5	.7	.9	34.4	(3) 36.2	
13	41.1	35.4	27.0	2.9		.8	.2	1.3	3.2	.1	1.3	33.8	(12) 28.4	
14	43.0	38.6	25.6	2.4		2.0	1.1	1.6	.4	.6	1.1	34.7	(21) 23.4	
15														
16	47.0	25.8	26.9	1.6		.5	.2	1.0	1.1	.4	2.2	33.9	(4) 35.6	
17	42.5	36.3	34.8	4.2	4.9	1.1	1.1	1.9	.6	.3	2.2	51.0	(46) 9.1	
18	33.5	39.5	22.6	2.7	10.1	1.3	.1	2.7	.1	.4	3.9	33.8	(8) 30.0	
19		40.6	16.9			.3		1.0	.2		4.7	23.1	(2) 36.3	
20	37.0	38.4	25.7	5.4		1.0	.8	1.0	.6	.2	1.3	36.0	(16) 26.5	
21	44.5	41.1	25.0	1.6	4.9	1.2	.1	2.6	.4	.8	1.6	39.2	(36) 17.4	
22	47.4	38.9	21.5	3.4		1.2	.1	2.2	.5	.6	1.4	30.8	(18) 25.3	
23	31.2	30.3	22.7	2.4	4.8	1.2	.3	1.5	.5	.6	1.9	35.7	(7) 33.5	
24	38.5	37.0	27.3	3.1	.4	1.2	.4	.8	2.2	.2	1.3	35.0	(14) 27.1	
25	42.2	48.9	29.4	4.8	10.6.2	1.4	.1	3.4	2.8	.4	2.6	36.7	(28) 20.5	
26	31.6	46.1	29.5	4.4		1.7	.5	2.0	4.4	1.4	2.7	42.6	(19) 24.1	
27	41.5	32.8	30.7	3.1	7.2	1.2	.5	2.6	.3	.5	2.9	49.0	(43) 13.9	
28	38.7	70.9	21.8	5.0		.6	.3	1.7	.9	.5	2.9	33.6	(27) 20.6	
29	43.7	34.2	20.7	1.7	(?)	.1	.1	3.8	.4	.3	.8	27.8	(11) 29.1	
30	37.0	34.3	32.0	3.2	2.6	.4	.5	2.9	.6	1.3	3.1	46.6	(35) 17.5	
31	34.0	33.5	22.8	2.1	6.2	.9	1.4	1.0	.2	.5	1.4	36.4	(9) 29.8	
32	37.8	49.3	19.5	4.6		1.4	.3	3.8	2.2	.3	1.9	31.9	(15) 27.1	
33	38.6	43.9	33.4	2.9	(7)10	1.3	.7	1.6	2.2	1.0	3.0	44.5	(40) 14.9	
34	31.4	29.1	24.3	2.0	1.4	1.1	.2	1.2	2.2	.3	.9	31.6	(1) 38.0	
35	41.8	34.9	19.9	1.1	.2	.5	.2	1.8	2.2	.4	1.3	25.6	(5) 35.5	
36	39.1	42.6	33.2	4.7	10.3	1.3	.2	2.2	2.8	.5	1.5	44.0	(37) 16.8	
37	37.2	37.4	31.4	3.5	.1	.9	.3	2.5	.7	.7	2.6	42.5	(29) 20.2	
38	41.5	46.6	24.6	2.2		1.8	.3	2.8	.2	.3	2.8	35.0	(26) 21.5	
39	37.1	33.1	26.3	3.7	2.4	1.6	.2	1.7	.4	.6	2.3	39.1	(17) 25.4	
40														
41	44.1	34.3	31.6	2.6	.4	2.1	.8	1.8	1.2	.5	1.5	42.4	(38) 16.5	
42	36.2	32.9	18.9	1.4	4.5	.1	.1	2.5	.3	.3	1.7	29.8	(6) 35.0	
43	45.0	52.8	24.7	2.5		1.5	.3	2.3	.4	.6	1.0	34.2	(34) 17.8	
44	28.7	27.9	26.1	3.7	8.4	.9	.2	1.3	.2	.5	.7	42.1	(10) 29.6	
45	36.7	33.8	32.4	2.6	1.1	2.4	.8	2.6	.4	.5	3.5	46.3	(33) 18.2	
46	39.8	38.9	26.0	2.3	8.0	.5	.3	1.9	.5	.4	1.9	41.7	(32) 18.8	
47	39.1	41.3	31.0	2.7	5.4	1.1	.2	3.4	.4	.7	2.5	47.5	(45) 12.6	
48	40.9	42.8	26.0	3.1	.3	1.6	.2	1.8	.5	.6	1.2	35.2	(20) 23.5	
49	45.9	34.4	27.7	2.2	8.3	.5	.5	.8	.9	1.7	1.8	44.5	(42) 13.9	
50	40.9	37.8	30.6	3.3	4.2	1.5	.6	3.0	1.0	.7	2.8	47.6	(44) 12.8	
Median	39.8	38.6	26.1	3.0	2.4	1.2	.3	1.8	.4	.5	1.9	36.6	21.9	

[†] Negligible.

[§] After credit for employees' meals.

[¶] After deduction of cover charges.

^{||} Excess of cover charges over cost of music and entertainment.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1003

Analysis of 50 transient hotels of less than 500 rooms in 44 cities (listed according to the number of rooms available)—Continued

Hotel No.	Administrative and general expenses									Advertising and business promotion		
	Total		Individual items—Ratios to room sales (percent)							Total		Ratio of due-bill advertising to total (percent)
	Ratio to room sales (percent)	Ratio to total sales (percent)	Salaries and wages	Workmen's compensation	Other (except fire)	Management fees and executive office expenses	Social-security taxes	Bad debts	All other expenses	Ratio to room sales (percent)	Ratio to total sales (percent)	
1	(22) 18.8	7.6	4.1		3.8		3.7		7.2	(42) 3.7	1.5	0
2	(33) 22.1	7.0	9.3	0.4	3.8	2.6	2.3		6.8	(49) 7.6	2.4	0
3	(42) 26.0	9.5	15.0	.6	3.6		1.5	0.2	8.2	(27) 2.6	1.0	0
4	(50) 37.0	11.7	20.4	.7	3.9		3.9	.5	4.4	(44) 4.4	1.4	0
5	(30) 21.0	7.8	7.8		.5	4.9	1.5	.5	5.7	(40) 3.6	1.3	0
6	(16) 17.3	8.1	9.9	.6	.3		1.8	.5	4.4	(16) 1.5	.7	0
7	(6) 14.7	6.1	2.4	.4			3.0	.9	7.6	(11) 1.2	.4	0
8	(36) 22.3	8.5	2.6	1.6	1.2	3.9	3.4	.1	9.5	(43) 3.7	1.4	0
9	(2) 10.1	8.3	4.8	.2	.3		.5	.3	4.0	(36) 3.3	2.7	69.1
10	(11) 15.7	7.4	3.9	.7	.6	4.7	2.0	.6	3.2	(1) .3	.1	0
11	(24) 19.2	9.9	11.5	.4	1.4	.1	1.5	.8	3.5	(2) .3	.2	0
12	(35) 22.2	11.3	15.4	.5	.3	(7)	2.0	.1	4.0	(4) .7	.3	0
13	(3) 10.6	5.3	2.9	.4	.2	.8	1.7	.3	3.9	(20) 1.6	.3	2.7
14	(15) 16.4	6.8	8.2	.6	.5	.2	1.7	.2	5.0	(3) 1.6	.3	0
15	(1) 10.0	7.6	2.8	.3	.6	.5	1.4	.4	4.2	(13) 1.3	1.0	0
16	(48) 32.4	15.1	11.0	.5	.7	11.5	2.5	.2	6.1	(14) 1.3	.6	0
17	(49) 35.4	17.1	3.4	.7	.9	21.2	2.3	1.0	6.1	(21) 2.1	1.0	0
18	(45) 29.0	10.8	21.3	.8	.9		2.1	.3	3.7	(37) 3.3	1.2	0
19	(17) 17.4	12.5	10.8	.5	.5	.3	1.3	.5	3.7	(39) 3.6	2.6	0
20	(31) 21.5	9.8	11.1	.6	.6	.1	2.9	.4	5.8	(33) 3.1	1.4	0
21	(37) 23.6	6.6	11.5	1.0	.5	1.0	3.4	.5	5.6	(35) 3.2	.9	0
22	(21) 18.1	9.7	9.1	.2	.5		1.9	.7	5.8	(7) .8	.4	0
23	(29) 20.7	8.9	10.7	.5	.3	1.0	1.5	.2	6.6	(15) 1.4	.6	0
24	(20) 17.9	9.6	7.3	.5	1.2	2.5	1.6	.1	4.6	(10) 1.1	.6	0
25	(19) 17.7	6.4	7.6	1.3	.7		3.0	.1	5.0	(12) 1.2	.5	0
26	(39) 24.3	11.0	5.5	.7	.7	5.6	4.2	.9	7.7	(23) 2.2	1.0	0
27	(38) 23.9	12.0	6.0	.7	1.3	4.3	3.8	.9	6.9	(25) 2.4	1.2	0
28	(40) 25.2	8.9	7.7	1.0	1.4	2.8	1.5	1.5	9.3	(22) 2.2	.8	0
29	(10) 15.6	6.9	7.5	.5	1.0	.6	1.6	.3	4.1	(5) .7	.3	19.3
30	(5) 14.6	8.5	5.0	.4	.5	1.1	1.5	.1	6.1	(41) 3.7	2.1	1.8
31	(47) 31.2	11.1	17.2	.7	.6		3.3	.7	8.8	(48) 7.4	2.6	17.4
32	(7) 14.8	6.7	8.1	.4	1.0		1.0	.4	4.1	(34) 3.1	1.4	16.7
33	(27) 20.3	8.5	8.2	1.3	.4	.7	3.9	.4	5.4	(17) 1.5	.6	0
34	(32) 21.7	9.7	9.8	.6	.5		2.7	.5	7.7	(30) 3.0	1.3	0
35	(41) 25.8	8.1	13.9	.9	1.9	.5	2.5	.5	5.6	(6) .7	.2	0
36	(9) 15.5	8.2	7.6	.7	1.1		1.6	.1	4.4	(32) 3.0	1.6	7.1
37	(25) 19.2	6.3	9.6	.9	.6	.6	1.4	.5	5.6	(9) 1.1	.4	0
38	(43) 26.0	10.8	14.8	.5	.4		1.9	.9	7.7	(28) 2.6	1.1	0
39	(44) 27.8	10.8	4.9	.6	.6	7.7	2.6	.7	10.8	(38) 3.3	1.3	24.5
40	(8) 15.2	14.0	12.0	.1	.2	(7)	.8	.3	1.7	(19) 1.6	1.5	8.9
41	(34) 22.2	11.5	14.9	.7	.6		2.9	.1	3.1	(45) 5.3	2.8	8.6
42	(46) 29.1	7.7	13.8	1.5	1.2	.4	3.4	.4	8.4	(18) 1.5	.4	5.4
43	(23) 19.0	8.4	7.2	.8	1.0	5.0	1.4	.6	3.0	(31) 3.0	1.3	1.3
44	(18) 17.5	6.3	7.1	.7	1.6	.7	2.0	.4	5.0	(46) 6.7	2.4	0
45	(26) 19.8	8.4	8.9	1.0	.9		4.0	.3	4.8	(29) 2.9	1.2	0
46	(4) 12.2	5.1	3.8	.6	.8	(7)	2.4	.7	4.0	(47) 6.7	2.8	.1
47	(12) 16.1	6.9	8.3	.6	.6	.1	1.7	.6	4.2	(26) 2.4	1.0	.5
48	(13) 16.4	6.4	8.6	.6	.4	.2	2.0	.3	4.3	(24) 2.3	.9	0
49	(14) 16.4	9.8	8.1	.3	1.7	.3	1.3	.6	4.2	(50) 8.5	5.1	5.3
50	(28) 20.6	10.3	6.6	.7	1.4	(7)	3.0	.5	8.4	(8) .9	.4	30.6
Median	19.5	8.5	8.2	.6	.6	.7	2.0	.4	5.5	2.4	1.0	-----

† Negligible.

1004 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Analysis of 50 transient hotels of less than 500 rooms in 44 cities (listed according to the number of rooms available)—Continued

Hotel No.	Heat, light, power, and refrigeration						Repairs and maintenance, total		Replacements, improvements, and additions (except china, glass, silver, and linen)	
	Total		Air conditioning		Purchased or generated					
	Ratio to room sales (percent)	Cost per available room	Public rooms	Guest rooms	Steam	Electricity	Ratio to room sales (percent)	Cost per available room	Ratio to room sales (percent)	Cost per available room
1	(26) 12.0	\$87	None	None	(11)	(11)	(38) 12.5	\$91	(28) 2.7	\$20
2	(48) 21.8	108	66½ percent	do	(12)	(11)	(23) 9.6	47	(11) 1.2	6
3	(49) 22.4	146	None	do	(12)	(11)	(36) 12.1	79	(40) 4.6	8
4	(43) 16.9	118	100 percent	do	(12)	(11)	(43) 13.9	97	(40) 4.6	32
5	(30) 12.3	122	90 percent	do	(11)	(12)	(33) 11.4	113	(34) 3.8	37
6	(46) 17.2	98	None	do	(12)	(11)	(6) 4.3	25	(8) 1.0	6
7	(7) 7.0	103	do	do	(12)	(11)	(31) 11.2	166	(13) 1.3	19
8	(16) 9.8	56	Partly	do	(12)	(11)	(1) 1.6	9	(45) 6.7	38
9	(2) 4.5	67	None	do	(12)	(11)	(10) 6.4	95	(29) 2.3	41
10	(8) 7.3	63	50 percent	do	(12)	(11)	(18) 8.1	70	(27) 2.3	22
11	(21) 11.7	106	None	do	(12)	(11)	(21) 8.7	79	(25) 2.3	21
12	(9) 7.4	83	20 percent	do	(12)	(11)	(3) 3.9	43		
13	(1) 4.3	45	100 percent	100 percent	(12)	(11)	(39) 12.7	133	(15) 1.4	14
14	(37) 13.9	129	25 percent	None	(12)	(11)	(7) 5.4	50	(6) 1.0	9
15	(23) 11.8	115	do	do	(12)	(11)	(9) 6.0	58	(31) 2.9	28
16	(3) 5.0	69	100 percent	do	(12)	(11)	(23) 10.6	146	(19) 1.9	27
17	(40) 15.6	111	75 percent	do	(12)	(11)	(13) 7.3	52	(35) 3.8	27
18	(11) 7.7	140	100 percent	100 percent	(12)	(11)	(8) 5.6	102	(3) 3.6	11
19	(19) 10.9	79	None	None	(11)	(11)	(32) 11.4	82	(17) 1.5	11
20	(38) 14.2	204	Not available	Not available	(12)	(11)	(41) 13.4	98	(33) 3.5	26
21	(36) 13.8	204	50 percent	15 percent	(11)	(11)	(34) 11.8	173	(46) 7.1	104
22	(10) 7.4	98	100 percent	7 percent	(12)	(11)	(15) 7.5	99	(38) 4.0	53
23	(5) 6.3	94	do	None	(12)	(11)	(48) 18.5	275	(43) 5.2	78
24	(44) 17.0	172	None	do	(12)	(11)	(30) 11.1	112	(4) 5.8	8
25	(28) 12.3	111	22 percent	57 percent	(12)	(12)	(16) 7.8	71	(44) 5.5	50
26	(41) 16.1	185	None	None	(12)	(11)	(47) 16.6	191	(1) 1.1	1
27	(50) 26.2	162	Not available	Not available	(12)	(11)	(4) 4.0	25		
28	(31) 12.4	119	60 percent	None	(12)	(11)	(44) 13.9	134	(20) 1.9	19
29	(13) 9.2	129	90 percent	75 percent	(12)	(11)	(20) 8.5	119	(18) 1.9	27
30	(17) 10.3	106	100 percent	None	(11)	(11)	(19) 8.2	84	(22) 2.2	23
31	(18) 10.5	92	20 percent	do	(11)	(11)	(12) 7.0	61	(5) 9	8
32	(20) 11.6	79	None	do	(12)	(11)	(45) 14.8	100	(47) 8.3	56
33	(42) 16.8	146	do	do	(12)	(11)	(17) 7.9	69		
34	(6) 6.8	91	50 percent	do	(12)	(11)	(14) 7.5	99	(37) 3.9	52
35	(32) 12.4	109	100 percent	do	(12)	(11)	(49) 19.9	175	(41) 4.6	41
36	(25) 11.9	117	62½ percent	30 percent	(12)	(11)	(28) 10.4	102	(26) 2.5	24
37	(14) 9.3	190	82 percent	15 percent	(12)	(11)	(27) 10.4	213	(9) 1.1	22
38	(15) 9.3	120	14 percent	None	(11)	(11)	(42) 13.5	174	(16) 1.4	18
39	(39) 15.3	160	83 percent	do	(12)	(11)	(50) 20.5	214	(39) 4.2	44
40	(4) 6.2	72	None	do	(12)	(11)	(2) 2.4	28	(24) 2.3	27
41	(35) 13.0	131	100 percent	do	(11)	(12)	(35) 12.0	121	(30) 2.9	29
42	(34) 12.8	221	do	63 percent	(11)	(11)	(46) 16.3	282	(10) 1.1	18
43	(24) 11.9	119	do	30 percent	(11)	(11)	(5) 4.1	41	(7) 1.0	10
44	(33) 12.6	154	None	None	(11)	(11)	(24) 10.0	122	(21) 2.2	27
45	(47) 19.0	195	30 percent	do	(12)	(11)	(37) 12.2	125	(42) 4.8	49
46	(22) 11.7	117	80 percent	do	(11)	(11)	(22) 9.2	92	(23) 2.3	23
47	(29) 12.3	145	100 percent	do	(11)	(11)	(40) 12.7	149	(2) 4	5
48	(27) 12.2	97	70 percent	do	(12)	(11)	(25) 10.0	80	(36) 3.9	31
49	(45) 17.0	181	90 percent	do	(12)	(11)	(11) 7.0	74	(32) 3.2	34
50	(12) 9.0	173	Partly	Partly	(11)	(11)	(26) 10.3	200	(14) 1.3	26
Median	12.0	116					10.2	99	2.3	26

¹¹ Purchased.

¹² Generated.

NOTE.—Figures in parentheses indicate position hotel would occupy in the column with No. 1 the lowest.

Analysis of 25 transient hotels of more than 500 rooms in 13 cities (listed according to the number of rooms available)

[Figures in parentheses indicate position hotel would occupy in the column with No. 1 the lowest]

Hotel No.	Number of rooms available	Percentage of occupancy	Average room rate	Number of times room rate was earned, not including store rentals and after deduction of fire insurance	Earnings in 1944				
					Including store rentals and after deduction of fire insurance		Not including store rentals and after deduction of fire insurance—house profit ratios—		
					Number of times taxes were earned	House profit ratios—		To room sales	
						To room sales	To total sales	To room sales	To total sales
1.....	500-750	(24) 81	\$3.50-\$3.75	(19) 158	(22) 5.41	(17) 0.61	(16) 23	(18) 54	(18) 20
2.....	500-750	(16) 91	4.00-4.25	(13) 196	(20) 6.34	(13) 62	(22) 19	(13) 59	(22) 18
3.....	500-750	(9) 93	1 4.50	(4) 227	(2) 14.37	(6) 70	(17) 22	(7) 66	(15) 21
4.....	500-750	(11) 92	1 4.50	(14) 195	(18) 6.51	(9) 67	(15) 24	(14) 59	(17) 21
5.....	500-750	(13) 92	1 4.50	(5) 226	(10) 8.05	(5) 71	(19) 22	(6) 67	(19) 20
6.....	500-750	(18) 89	3.75-4.00	(7) 219	(15) 6.75	(7) 70	(14) 24	(4) 67	(13) 23
7.....	500-750	(2) 98	4.00-4.25	(16) 192	(7) 8.88	(19) 58	(20) 20	(19) 53	(21) 19
8.....	500-750	(23) 83	4.00-4.25	(17) 183	(9) 8.33	(8) 68	(13) 25	(9) 61	(14) 23
9.....	500-750	(8) 94	1 4.50	(8) 218	(6) 8.89	(15) 62	(21) 19	(12) 60	(20) 19
10.....	500-750	(5) 95	3.50-3.75	(6) 221	(12) 7.62	(11) 64	(11) 27	(8) 64	(8) 27
11.....	500-750	(14) 92	2.00-2.25	(22) 134	(17) 6.54	(24) 40	(1) 37	(22) 40	(1) 37
12.....	500-750	(17) 90	4.25-4.50	(2) 258	(1) 15.32	(4) 79	(5) 31	(2) 77	(4) 31
13.....	500-750	(15) 91	3.25-3.50	(23) 122	(13) 7.23	(25) 36	(25) 18	(25) 34	(24) 17
14.....	500-750	(12) 92	2.50-2.75	(20) 152	(8) 8.39	(20) 51	(10) 28	(20) 46	(11) 25
15.....	750-1,000	(22) 86	4.00-4.25	(18) 175	(4) 9.78	(10) 65	(8) 29	(16) 56	(12) 24
16.....	750-1,000	(3) 97	2.50-2.75	(24) 116	(16) 6.75	(23) 40	(18) 22	(23) 39	(16) 21
17.....	(2)	(21) 87	1 4.50	(21) 138	(24) 5.20	(21) 45	(24) 19	(21) 42	(23) 17
18.....	(2)	(6) 94	4.25-4.50	(10) 208	(3) 11.34	(14) 62	(6) 31	(11) 60	(5) 30
19.....	(2)	(19) 88	1 4.50	(25) 108	(25) 4.08	(22) 41	(23) 19	(24) 34	(25) 16
20.....	(2)	(10) 93	1 4.50	(1) 268	(11) 7.82	(2) 83	(3) 34	(1) 78	(3) 32
21.....	(2)	(20) 87	1 4.50	(3) 250	(19) 6.50	(3) 82	(7) 30	(3) 76	(6) 28
22.....	(2)	(1) 98	2.25-2.50	(11) 204	(23) 5.34	(18) 58	(12) 27	(17) 55	(10) 25
23.....	(2)	(7) 94	1 4.50	(12) 197	(14) 6.94	(16) 61	(9) 28	(15) 57	(9) 26
24.....	(2)	(4) 96	4.25-4.50	(9) 212	(5) 9.40	(12) 63	(4) 34	(10) 60	(2) 32
25.....	(2)	(25) 78	1 4.50	(15) 194	(21) 5.61	(1) 87	(2) 36	(5) 67	(7) 28
Median.....		92	4.32	196	7.23	62	25	59	23

Hotel No.	Sales						Net profit from minor sources—Ratio to room sales ³	Store rentals—Ratio to room sales	Total hotel pay roll—Ratio to total sales (exclusive of store rentals)	
	Food		Beverages		Tele- phone—Ratio to room sales	Valet—Ratio to room sales ²				Guest laun- dry—Ratio to room sales ²
	Amount (in thousands)	Ratio to room sales	Amount (in thousands)	Ratio to food sales						
1.....	\$496	92	\$313	63	7.2	1.7	3.2	7.0	(20) 34.7	
2.....	717	107	616	86	14.2	1.9	11.1	2.9	(16) 34.0	
3.....	1,101	135	377	34	10.0		11.1	3.4	(12) 32.1	
4.....	1,136	93	793	70	10.8	2.3	6.5	8.6	(9) 31.3	
5.....	1,027	110	706	69	10.4		13.7	4.2	(6) 30.4	
6.....	718	95	527	73	8.4	1.6	4.8	2.3	(18) 34.2	
7.....	901	101	237	26	16.0	2.8	15.3	4.1	(10) 31.5	
8.....	726	81	579	80	8.6		5.4	6.8	(14) 33.5	
9.....	1,163	92	1,209	104	10.1	3.3	10.3	2.0	(1) 27.2	
10.....	627	81	359	57	6.7	.7	.6		(2) 27.8	
11.....					.6		.9		(4) 29.0	
12.....	782	76	485	62	9.9	2.1	6.9	1.9	(11) 31.8	
13.....	557	63	249	45	8.9		2.0	1.7	(23) 38.7	
14.....	297	46	149	50	5.3	1.8	.5	4.6	(15) 33.5	
15.....	652	62	513	79	7.4	1.7	6.2	9.8	(21) 37.5	
16.....	321	49	126	39	7.0	2.0	3.7	1.6	(24) 39.0	
17.....	1,259	77	692	55	12.1	2.5	6.9	2.9	(22) 38.7	
18.....	897	53	562	63	5.9		4.6	2.0	(7) 30.7	
19.....	987	50	730	79	8.0	1.6	7.8	6.9	(25) 43.2	
20.....	(4)	68	(5)	91	8.1		4.8	5.5	(5) 29.7	
21.....	(4)	96	(3)	48	10.2	2.3	1.8	9.9	(8) 30.9	
22.....	1,048	57	629	60	3.2	.8	10.9	3.2	(17) 34.0	
23.....	(4)	63	(5)	57	8.5	2.1	6.1	4.3	(13) 32.4	
24.....	1,053	45	820	78	5.1		1.9	2.8	(3) 28.7	
25.....	(4)	82	(5)	42	9.4		5.9	19.1	(19) 34.3	
Median..	944	79	597	62	8.5	2.0	6.1	4.1	32.4	

See footnotes at end of table, p. 1008.

1006 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Analysis of 25 transient hotels of more than 500 rooms in 13 cities (listed according to the number of rooms available)—Continued

[Figures in parentheses indicate position hotel would occupy in the column with No. 1 the lowest]

ROOMS DEPARTMENT

Hotel No.	Departmental ratios to room sales (percent)									
	Salaries and wages	Em- ployees' meals	Laundry	Linen	Guest sup- plies	Contract cleaning	Cleaning supplies and ex- penses and dry cleaning	All other ex- penses	Total ex- penses	Depart- mental profit
1.....	24.7	0.2	2.0	1.5	1.1	1.3	0.5	1.5	32.9	(17) 67.2
2.....	26.1	.3	3.2	2.0	.8	.8	.8	1.4	35.3	(21) 64.7
3.....	22.5	.1	2.2	1.1	.7	1.5	.5	1.0	29.6	(11) 70.4
4.....	19.4	.5	2.4	1.7	.7	1.5	.4	1.3	27.7	(3) 72.3
5.....	20.6	.3	4.3	1.2	.4	-----	.6	2.0	29.4	(10) 70.6
6.....	26.5	.7	3.3	1.1	1.0	.2	.4	.9	34.0	(20) 66.0
7.....	21.8	.2	3.6	1.8	.9	.4	.9	1.6	31.2	(15) 68.8
8.....	23.8	.8	2.6	1.8	.8	2.4	.5	1.3	34.0	(19) 66.1
9.....	16.6	.4	3.2	2.6	1.1	.4	1.5	2.7	28.4	(8) 71.6
10.....	19.1	.6	2.1	1.5	.8	1.1	1.0	1.6	27.7	(4) 72.3
11.....	26.0	.4	5.2	1.2	.6	.7	.5	1.4	35.8	(22) 64.2
12.....	22.0	.6	2.5	1.7	(9)	-----	.8	1.5	29.1	(9) 70.9
13.....	25.8	.5	3.7	2.0	.6	2.4	.4	1.3	36.7	(24) 63.3
14.....	24.1	.4	5.7	.6	.6	.2	.5	.5	32.6	(16) 67.4
15.....	22.3	.3	2.4	1.3	1.1	.6	1.2	.8	30.0	(12) 70.0
16.....	23.6	.1	3.3	1.5	.7	1.1	.4	.7	30.3	(13) 69.7
17.....	26.3	.4	3.3	2.0	.9	1.8	.7	1.2	36.5	(23) 63.5
18.....	15.6	.2	1.9	1.2	.7	.8	.3	.7	21.2	(1) 78.8
19.....	27.5	.5	3.8	2.6	.8	.5	.3	2.1	38.2	(25) 61.9
20.....	20.1	1.2	2.5	1.3	.8	1.5	.3	1.1	27.4	(2) 72.6
21.....	24.5	.9	2.4	1.6	.7	1.0	1.0	1.8	33.9	(18) 66.1
22.....	22.5	.3	1.3	1.6	.7	.9	.5	.6	28.2	(6) 71.8
23.....	20.9	.6	2.5	3.7	.8	.6	.4	1.4	30.9	(14) 69.1
24.....	20.6	.1	3.0	1.5	.4	(5)	.6	1.9	28.3	(7) 71.8
25.....	20.5	.1	4.2	.7	.6	-----	.2	1.6	27.9	(5) 72.1
Median.....	22.5	.4	3.0	1.5	.7	.7	.5	1.4	30.3	% 69.7

RESTAURANT DEPARTMENT

Hotel No.	Merchandise costs per dollar sale (cents)	Ratios to total restaurant sales (percent)											
		Food	Beverages	Salaries and wages	Employees' meals	Music and entertain- ment	Laundry	Kitchen fuel	China, glass, silver, and linen	All cleaning ex- penses	Menus, print- ing, and sta- tionery	All other ex- penses	Total ex- penses
1.....	36.9	34.2	24.7	3.2	3.1	1.3	0.2	3.7	1.1	0.6	1.8	39.6	(11) 72.6
2.....	35.1	35.7	26.4	2.2	9.3	1.2	.2	1.1	1.1	.7	1.1	42.5	(15) 22.2
3.....	38.3	35.2	25.3	1.5	2.4	1.3	.2	2.0	2.4	.4	1.2	34.6	(5) 27.9
4.....	32.9	35.9	28.4	3.1	8.0	1.5	.4	2.9	2.6	.5	2.7	48.4	(20) 17.5
5.....	33.2	33.9	26.5	1.9	7.9	1.1	.2	2.7	2.2	.5	2.0	43.0	(14) 23.6
6.....	34.8	34.3	26.4	2.9	5.4	.8	.4	1.4	2.2	.4	1.2	39.1	(7) 26.3
7.....	36.2	48.0	27.7	2.3	6.0	1.5	.2	5.0	2.6	.6	1.9	45.7	(24) 15.7
8.....	32.3	31.7	25.5	2.0	7.6	1.2	.2	3.6	3.3	.6	1.1	41.9	(8) 26.1
9.....	37.6	30.8	21.3	3.3	13.2	1.1	(9)	3.7	3.4	.8	2.9	46.7	(18) 19.2
10.....	36.5	32.8	24.3	3.4	3.8	1.4	.3	1.5	3.3	.9	1.9	37.8	(6) 27.0
11.....	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
12.....	30.7	30.6	26.0	2.6	6.9	1.7	.3	2.3	.4	.9	.6	41.3	(4) 28.1
13.....	35.2	32.7	36.1	4.0	4.5	1.5	.4	2.8	4.4	.9	1.4	46.8	(19) 18.8
14.....	37.8	32.5	34.4	2.9	(9)	.8	.5	2.4	2.4	.5	2.2	43.6	(17) 20.4
15.....	30.7	34.2	29.6	2.9	2.1	1.8	.3	2.4	4.4	.5	2.4	42.1	(9) 25.7
16.....	33.9	35.2	33.2	2.9	5.2	1.3	.3	1.7	1.3	.6	3.3	48.5	(22) 17.0
17.....	34.4	28.7	38.1	2.4	3.7	.8	.3	2.6	1.3	.3	1.3	51.2	(23) 16.4
18.....	40.0	32.0	29.5	3.5	5.4	.5	.4	3.2	1.7	.5	2.1	45.8	(21) 17.3
19.....	38.6	32.1	33.1	3.0	.3	1.7	.4	1.5	.3	.4	1.8	42.4	(16) 21.9
20.....	35.5	35.4	26.4	1.6	.5	1.2	.3	2.8	1.5	.3	1.3	35.0	(2) 29.5
21.....	30.1	36.3	26.7	2.3	2.8	1.1	.3	2.7	1.6	.6	1.9	38.9	(3) 29.0
22.....	36.5	34.9	30.1	2.4	1.8	.6	.4	2.3	1.7	.5	1.5	40.3	(13) 23.8
23.....	32.8	33.0	26.3	2.2	4.4	.8	.2	5.0	1.7	.5	1.7	41.7	(10) 25.4
24.....	38.2	32.3	22.2	2.1	4.3	1.0	.3	1.8	1.2	.6	1.2	33.6	(1) 30.8
25.....	33.6	31.0	27.6	2.0	7.0	1.0	.2	2.2	2.2	.5	2.1	42.8	(12) 24.3
Median.....	35.2	33.4	26.6	2.5	4.3	1.2	.3	2.5	.4	.5	1.8	42.3	24.1

See footnotes at end of table, p. 1008.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1007

Analysis of 25 transient hotels of more than 500 rooms in 13 cities (listed according to the number of rooms available)—Continued

[Figures in parentheses indicate position hotel would occupy in the column with No. 1 the lowest]

Hotel No.	Administrative and general expenses										Advertising and business promotion		
	Total		Individual items—Ratios to room sales (percent)								Total		Ratio of duce-bill advertising to total (percent)
	Ratio to room sales (percent)	Ratio to total sales (percent)	Salaries and wages	Insurance		Management fees and executive office expenses	Social-security taxes	Bad debts	All other expenses	Ratio to room sales (percent)	Ratio to total sales (percent)		
				Workmen's compensation	Other (except fire)								
1	(18) 19.6	7.5	6.5	0.6	0.7	2.9	2.3	0.6	6.2	(21) 6.0	2.3	0.2	
2	(23) 23.8	7.3	11.4	.9	1.0	.2	4.0	.3	6.0	(24) 7.4	2.3	5.2	
3	(25) 37.6	12.1	13.0	.7	.2	.1	3.3	.4	19.8	(23) 6.7	2.1	6.4	
4	(20) 20.3	7.1	7.7	1.3	3.0	.1	4.3	.3	3.7	(16) 4.8	1.7	.4	
5	(22) 21.2	6.4	9.1	.4	1.3	.1	2.7	.4	7.3	(25) 9.7	2.9	7.7	
6	(17) 19.4	6.7	9.8	1.2	.7	2.6	4.4	---	7.7	(15) 4.1	1.4	3.5	
7	(21) 21.1	7.3	11.6	1.9	.6	.1	1.8	---	5.0	(11) 3.6	1.3	0	
8	(16) 19.3	7.2	7.3	.5	1.2	1.9	1.8	.8	5.8	(17) 4.9	1.6	27.6	
9	(24) 25.6	8.1	10.3	.6	1.3	.2	4.4	.5	8.4	(12) 3.9	1.2	.8	
10	(11) 17.5	7.4	10.5	.4	.6	.1	1.9	.5	3.6	(7) 3.1	1.3	.3	
11	(1) 7.4	6.7	1.5	.4	.4	---	.8	.6	3.7	(3) 2.4	2.2	0	
12	(5) 15.4	6.1	6.8	.7	.4	---	2.1	.5	4.7	(4) 2.4	.9	16.2	
13	(4) 15.3	7.5	7.4	.6	.5	.2	1.8	.5	4.3	(13) 4.0	2.0	10.6	
14	(2) 11.5	6.5	5.9	.4	.4	---	1.6	---	2.8	(1) .6	.3	0	
15	(8) 16.4	7.8	7.3	.7	.7	.9	2.1	.9	4.8	(8) 3.2	1.4	0	
16	(12) 18.1	9.9	5.1	.4	1.3	3.7	2.2	.2	5.2	(18) 5.0	2.6	1.0	
17	(15) 19.3	7.9	9.1	.5	.6	.4	2.3	.4	6.0	(10) 3.5	1.4	1.4	
18	(3) 12.2	6.1	5.7	.4	.8	.1	2.5	.9	2.8	(9) 3.4	1.7	0	
19	(6) 15.9	7.2	8.0	.5	.4	.5	2.9	.4	3.7	(5) 3.0	1.4	0	
20	(7) 16.4	6.7	5.5	.9	.6	1.2	2.4	.3	3.6	(14) 4.0	1.6	0	
21	(9) 16.5	6.1	6.8	1.0	1.3	.1	3.0	.1	4.0	(19) 5.6	2.1	2.5	
22	(19) 20.1	9.4	5.1	1.5	.5	3.3	2.7	.4	3.2	(2) 1.9	.9	0	
23	(13) 18.5	8.5	7.4	1.1	2.0	.3	4.7	.6	3.4	(22) 6.2	2.8	.1	
24	(10) 17.0	9.0	6.9	.9	.6	3.9	3.3	.3	2.0	(20) 6.0	3.2	11.5	
25	(14) 18.5	7.7	9.5	.5	.6	---	5.5	.2	5.2	(6) 3.1	1.3	0	
Median	18.5	7.3	7.4	.7	.7	.2	2.4	.4	4.6	4.0	1.7	---	

Hotel No.	Heat, light, power, and refrigeration								Repairs and improvements, and additions (except china, glass, silver, and linen)	
	Total		Air conditioning				Purchased or generated		Repairs and maintenance—total	
	Ratio to room sales (percent)	Cost per available room	Public rooms		Guest rooms		Steam	Electricity	Ratio to room sales (percent)	Cost per available room
			Ratio to room sales (percent)	Cost per available room	Ratio to room sales (percent)	Cost per available room				
1	(7) 8.9	\$97	80 percent	None	(10)	(10)	(21) 18.5	\$200	(22) 8.6	\$93
2	(24) 14.2	190	75 percent	2 percent	(11)	(10)	(18) 15.3	205	(20) 8.1	108
3	(10) 9.7	152	80 percent	None	(11)	(10)	(10) 11.3	178	(6) .9	14
4	(21) 11.6	267	90 percent	50 percent	(10)	(10)	(7) 10.1	232	(1) .1	2
5	(18) 10.7	181	100 percent	None	(11)	(10)	(23) 19.0	320	(14) 3.2	53
6	(15) 10.4	133	do	do	(11)	(10 11)	(13) 12.5	159	(9) 1.5	19
7	(14) 10.0	148	73 percent	37 percent	(11)	(10)	(19) 15.4	228	(23) 12.6	186
8	(25) 14.8	184	75 percent	None	(10)	(10)	(6) 9.7	121	(3) .4	4
9	(20) 11.2	233	80 percent	26 percent	(11)	(10)	(20) 16.8	329	(21) 8.5	176
10	(12) 10.0	120	20 percent	None	(11)	(10)	(11) 12.4	149	(11) 2.6	32
11	(8) 9.0	65	None	do	(10)	(10)	(1) 6.2	45	---	---
12	(9) 9.7	140	70 percent	60 percent	(11)	(10)	(2) 7.4	106	(7) .9	13
13	(6) 8.8	109	Partly	None	(10)	(10)	(24) 19.7	242	(19) 6.0	73
14	(17) 10.5	93	None	do	(10)	(10)	(14) 12.6	111	(12) 2.9	26
15	(13) 10.0	131	100 percent	3 percent	(11)	(11)	(22) 18.9	248	(16) 3.5	46
16	(11) 9.7	77	do	1 percent	(11)	(10)	(12) 12.4	99	(8) 1.0	8
17	(19) 11.1	173	20 percent	None	(11)	(10 11)	(16) 13.5	212	(17) 4.3	68

See footnotes at end of table, p. 1008.

1008 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Analysis of 25 transient hotels of more than 500 rooms in 13 cities (listed according to the number of rooms available)—Continued

[Figures in parentheses indicate position hotel would occupy in the column with No. 1 the lowest]

Hotel No.	Heat, light, power, and refrigeration						Repairs and maintenance—total		Replacements, improvements, and additions (except china, glass, silver, and linen)				
	Total		Air conditioning		Purchased or generated								
	Ratio to room sales (percent)	Cost per available room	Public rooms	Guest rooms	Steam	Electricity	Ratio to room sales (percent)	Cost per available room	Ratio to room sales (percent)	Cost per available room			
18	(15)	10.1	157	None	20 percent	(11)	(11)	(15)	12.8	199	(13)	(4)	
19	(22)	11.8	169	do	do	(11)	(11)	(25)	23.6	339	(18)	5.6	
20	(3)	7.9	143	do	do	(9)	(9)	(5)	9.4	171	(4)	.5	
21	(5)	8.5	218	95 percent	17 percent	(9)	(9)	(9)	10.2	261	(13)	3.0	
22	(23)	13.4	121	21 percent	None	(11)	(11)	(17)	13.5	123	(15)	3.2	
23	(4)	8.0	140	39 percent	do	(11)	(11)	(8)	10.1	178	(10)	1.9	
24	(1)	6.2	94	96 percent	do	(9)	(9)	(3)	8.6	132	(5)	.7	
25	(2)	7.7	135	100 percent	9 percent	(11)	(10)	(4)	9.3	163	(2)	.2	
Median		10.0	140						12.5	178		2.9	62

- 1 Over 1,000.
- 2 Not operated as separate department in all hotels.
- 3 All sources except rooms, restaurant and stores.
- 4 Over \$2,000,000.
- 5 Omitted.
- 6 Negligible.
- 7 After credit for employees' meals.
- 8 After deduction of cover charges.
- 9 Excess of cover charges over cost of music and entertainment.
- 10 Purchased.
- 11 Generated.
- 12 Not available.

NOTE.—Figures in parentheses indicate position hotel would occupy in the column with No. 1 the highest.

Analysis of 25 residential hotels in 10 cities (listed according to the number of rooms available)

[Figures in parentheses indicate position hotel would occupy in the column with No. 1 the lowest]

Hotel No.	Number of rooms available	Percent- age of occupancy	Average room rate	Earnings in 1944							
				Number of times room rate was earned, not including store rentals and after deduction of fire insurance	Including store rentals and after deduction of fire insurance		Not including store rentals and after deduction of fire insurance—House profit ratios—				
					Number of times taxes were earned	House profit ratios—		House profit ratios—			
						To room sales	To total sales	To room sales	To total sales		
1	100-150	Percent (1) 100	\$2.25-2.50	(25) 75	(13) 4.92	Percent (12) 42	Percent (5) 39	Percent (25) 20	Percent (20) 19		
2	150-200	(10) 98	4.00-4.25	(2) 229	(6) 7.48	(2) 63	(3) 39	(2) 63	(3) 39		
3	150-200	(8) 98	3.75-4.00	(18) 122	(11) 5.24	(22) 35	(24) 18	(19) 34	(24) 17		
4	200-250	(23) 93	3.50-3.75	(8) 153	(4) 9.28	(7) 49	(20) 21	(9) 45	(18) 19		
5	300-350	(2) 100	1.75-2.00	(10) 147	(15) 4.13	(15) 41	(4) 39	(11) 41	(4) 39		
6	300-350	(21) 94	4.00-4.25	(23) 105	(22) 3.04	(16) 40	(17) 23	(23) 30	(23) 17		
7	300-350	(14) 97	4.50-4.75	(1) 331	(1) 15.53	(1) 99	(1) 47	(1) 93	(2) 44		
8	350-400	(6) 99	4.00-4.25	(11) 146	(21) 3.04	(11) 42	(9) 31	(12) 40	(9) 29		
9	350-400	(25) 90	7.25-7.50	(4) 199	(12) 5.07	(3) 63	(6) 38	(3) 60	(5) 36		
10	350-400	(5) 99	1.25-1.50	(15) 132	(14) 4.23	(20) 37	(8) 31	(16) 36	(7) 31		
11	350-400	(22) 94	3.00-3.25	(9) 149	(8) 5.34	(10) 43	(15) 25	(10) 43	(12) 25		
12	350-400	(15) 97	1.75-2.00	(22) 108	(20) 3.15	(18) 39	(18) 22	(22) 31	(22) 18		

¹ Suites.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1009

Analysis of 25 residential hotels in 10 cities (listed according to the number of rooms available)—Continued

[Figures in parentheses indicate position hotel would occupy in the column with No. 1 the lowest]

Hotel No.	Number of rooms available	Percentage of occupancy	Average room rate	Number of times room rate was earned, not including store rentals and after deduction of fire insurance	Earnings in 1944				
					Including store rentals and after deduction of fire insurance		Not including store rentals and after deduction of fire insurance—House profit ratios—		
					Number of times taxes were earned	House profit ratios—		To room sales	To total sales
						To room sales	To total sales		
		<i>Percent</i>			<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	
13....	400-450	(9) 98	2.50-2.75	(6) 177	(7) 5.52	(6) 49	(12) 26	(6) 49	(11) 26
14....	400-450	(3) 99	1.50-1.75	(13) 139	(17) 3.65	(13) 41	(7) 34	(14) 38	(6) 32
15....	400-450	(7) 98	2.25-2.50	(14) 139	(3) 9.34	(17) 40	(25) 14	(15) 38	(25) 13
16....	450-500	(17) 96	2.00-2.25	(24) 104	(16) 4.13	(25) 29	(19) 22	(24) 29	(16) 22
17....	450-500	(11) 98	1.00-1.25	(3) 204	(2) 10.12	(5) 57	(2) 45	(4) 56	(1) 44
18....	450-500	(12) 98	5.00-5.25	(19) 122	(19) 3.29	(9) 47	(11) 29	(8) 45	(10) 28
19....	550-600	(13) 97	2.00-2.50	(12) 140	(18) 3.53	(19) 39	(16) 24	(13) 39	(14) 24
20....	600-650	(20) 95	2.75-3.00	(7) 162	(10) 5.26	(8) 47	(10) 29	(7) 47	(8) 29
21....	600-650	(19) 95	1.75-2.00	(16) 128	(23) 2.95	(14) 41	(14) 25	(17) 36	(15) 22
22....	650-700	(24) 92	2.75-3.00	(5) 186	(5) 7.97	(4) 59	(13) 26	(5) 55	(13) 24
23....	650-700	(18) 96	2.50-2.75	(21) 113	(24) 2.91	(23) 32	(22) 19	(20) 32	(17) 19
24....	700-750	(16) 96	1.75-2.00	(17) 122	(9) 5.33	(21) 36	(21) 20	(18) 35	(19) 19
25....	800-850	(4) 99	1.75-2.00	(20) 117	(25) 2.84	(24) 32	(23) 18	(21) 32	(21) 18
Median.....		97	2.56	139	4.92	41	26	39	24

Hotel No.	Sales						Net profit from minor sources—Ratio to room sales ³	Store rentals—Ratio to room sales	Total hotel pay roll—Ratio to total sales (exclusive of store rentals)	
	Food		Beverages		Telephone—Ratio to room sales	Valet—Ratio to room sales ²				Guest laundry—Ratio to room sales ²
	Amount (in thousands)	Ratio to room sales	Amount (in thousands)	Ratio to food sales						
		<i>Percent</i>		<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	
1.....					5.8		1.4	21.2	(14) 35.2	
2.....	\$68	30	\$44	64	2.8		6.3		(3) 26.2	
3.....	162	66	74	45	3.6		.6	1.2	(20) 37.3	
4.....	199	72	121	61	6.5	1.6		3.6	(11) 32.1	
5.....					2.9			1.1	(1) 25.0	
6.....	175	37	136	78	8.4		1.3	10.0	(16) 35.7	
7.....	254	46	240	95	6.9	1.7	4.0	6.8	(4) 26.7	
8.....	121	22	42	34	3.5		1.4	2.5	(15) 35.6	
9.....	303	35	163	54	7.2		2.5	2.8	(6) 28.7	
10....	20	11			4.8		2	.4	(12) 32.8	
11....	207	50	52	25	3.9		3.5		(22) 38.4	
12....	105	40	67	64	6.0		4.1	8.3	(13) 34.0	
13....	118	31	171	145	8.3		2.5		(9) 30.2	
14....	35	12			5.7		1	2.6	(7) 29.5	
15....	504	126	133	26	2.7	2.6	2.6	2.0	(23) 41.2	
16....	93	27			4.5				(19) 36.9	
17....	36	17			4.3		1.8	.4	(2) 25.2	
18....	239	37	119	50	5.1		1.3	1.5	(8) 29.6	
19....	167	33	122	73	3.9		4.3		(18) 36.5	
20....	226	35	120	53	4.2		1.2		(5) 27.7	
21....	188	43	49	26	6.2	.3	4	4.5	(17) 36.4	
22....	443	66	305	69	6.0	.3	3.2	3.5	(10) 31.7	
23....	180	28	50	28	3.0		5.6		(24) 42.3	
24....	201	46	116	57	5.1	1.4	2.3	1.3	(21) 38.1	
25....	179	32	89	50	4.7		7.0		(25) 44.8	
Median..	179	35	119	54	4.8	1.5	1.7	2.7	34.0	

² Not operated as separate department in all hotels.

³ All sources except rooms, restaurant, and stores.

⁴ Loss.

⁵ Negligible.

1010 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Analysis of 25 residential hotels in 10 cities (listed according to the number of rooms available)—Continued

[Figures in parentheses indicate hotel position would occupy in the column with No. 1 the lowest]

ROOMS DEPARTMENT

Hotel No.	Departmental ratios to room sales (percent)									
	Salaries and wages	Em- ployees' meals	Laundry	Linen	Guest sup- plies	Contract cleaning	Cleaning supplies and ex- penses and dry cleaning	All other expenses	Total ex- penses	Depart- mental profit
1.	25.5		5.4	5.9	0.7	1.2	0.8	0.3	39.7	(25) 60.3
2.	14.3	0.5	3.0	2.2	.4	.4	.9	1.8	21.4	(3) 78.6
3.	20.7		2.4	1.2	.5	2.4	.4	1.4	29.7	(17) 70.3
4.	20.1	.4	4.3	2.0	.9	1.9	1.1	.9	31.7	(19) 68.3
5.	17.1	.1	2.7	2.3	.5	.7	.8	1.5	25.6	(10) 74.4
6.	17.9	.6	1.7	.5	.3	.5	.3	1.2	23.2	(6) 76.8
7.	15.7	.2	1.6		.2	1.0	.3	.4	19.4	(1) 80.6
8.	18.1	.8	1.3	1.4	.4	(5)	.4	.8	22.8	(5) 76.8
9.	17.8	.3	1.4	.9	.4	.1	1.3	.7	22.8	(4) 77.2
10.	21.2	.1	4.0	1.3	.8		1.1	1.8	30.1	(18) 69.9
11.	18.8	1.3	2.1	.9	.6	2	.7	.6	25.0	(9) 75.0
12.	23.8	.4	4.2	1.5	1.2	.1	1.2	2.6	34.9	(21) 65.1
13.	22.9	.3	2.0	1.1	.5	.4	.6	1.1	28.9	(16) 71.1
14.	19.0		4.0	3.0	.3		.8	1.5	28.5	(15) 71.5
15.	29.3	.2	1.6	1.7	.5	.3	1.7	.8	35.9	(22) 64.1
16.	16.9	.5	3.5	1.2	.2	.1	1.6	1.4	24.5	(7) 75.5
17.	14.2	.4	3.6	.8	.1	.3	1.0	.5	20.7	(2) 79.3
18.	19.9	.4	1.8	3.2	.5	.8	.9	1.0	28.4	(14) 71.6
19.	20.5	.6	1.8	.5	.5	.7	.3	.8	25.7	(11) 74.3
20.	17.1	.7	1.8	1.8	.6	.1	1.0	1.7	24.9	(8) 75.2
21.	20.3	.4	3.7	1.5	.2	.3	.9	1.4	28.3	(13) 71.7
22.	21.0	.1	1.5	1.7	.4	2	.8	1.0	26.7	(12) 73.3
23.	24.8	.3	3.0	1.8	.4	(5)	.7	1.5	32.5	(20) 67.5
24.	28.3	.4	5.8	2.4	.9	.6	.5	.4	39.3	(24) 60.7
25.	32.0	1.0	2.8	1.2	.5	(5)	.3	.8	38.5	(23) 61.5
Median	20.1	.4	2.7	1.5	.5	.3	.8	1.0	28.3	71.7

RESTAURANT DEPARTMENT

Hotel No.	Merchandise costs per dollar sale ^a (cents)		Ratios to total restaurant sales (percent)										
	Food	Beverages	Salaries and wages	Employees' meals	Music and entertainment	Laundry	Kitchen fuel	China, glass, silver, and linen	All cleaning expenses	Menus, printing, and stationery	All other expenses	Total expenses	Departmental profit
1.													
2.	37.3	31.2	21.8	3.2		1.3	0.5	0.9	0.3	0.1	4.1	32.2	(2) 32.9
3.	38.3	33.1	32.0	2.5	4.2	1.7	.3	1.4	.4	.9	2.5	46.0	(9) 17.4
4.	40.1	29.4	28.8	2.5	9.0	1.8	.3	1.9	.3	.5	1.7	46.9	(10) 17.0
5.													
6.	40.3	30.9	43.2	6.1	4.7	2.5	1.4	1.0	.5	1.0	3.4	63.8	(21) .1
7.	29.1	28.0	29.2	3.0	.8	1.2	.2		.2	.8	2.0	37.4	(1) 34.1
8.	42.8	37.0	51.9	6.8	.5	1.4	1.7	4.0	.7	1.4	3.9	72.3	(23) ^b 13.6
9.	33.0	35.9	32.5	3.5	.2	1.4	.8	2.7	.6	.6	2.5	44.6	(4) 21.4
10.	45.3		33.3	11.5		.3	1.8	3.3	.8		3.9	54.9	(22) ^c 2
11.	37.9	36.8	39.9	6.2	.4	1.6	.7	4.5	.5	1.3	1.9	56.8	(20) 5.5
12.	40.9	45.1	29.9	3.9	.3	1.0	.7	1.1	.5	.8	6.8	44.9	(17) 12.5
13.	42.4	36.9	22.5	3.1	4.0	1.0	.8	.8	.2	.7	3.8	36.8	(3) 24.1
14.	34.9		34.2	4.5		1.4	1.4	.8	.2	.4	4.4	47.3	(8) 17.9
15.	42.0	44.9	34.6	2.2		1.2	.3	1.7	.3	.6	4.9	41.9	(13) 15.6
16.	29.9		35.4	4.7		3.6	.6	3.1	.4	1.0	2.1	51.0	(7) 19.1
17.	39.4		28.6	4.7	1.3			2.6	.5	.2	1.6	39.4	(5) 21.2
18.	35.6	36.8	31.4	3.1	2.5	1.4	.8	4.6	1.2	.6	3.1	48.7	(14) 15.4
19.	42.2	36.8	34.2	4.2	1.3	2.2	.9	2.3	1.4	.9	2.6	49.7	(19) 10.4
20.	45.3	35.2	27.1	3.6	4.3	1.2	.7	3.9	.5	1.0	3.7	46.0	(18) 12.2
21.	36.7	41.9	36.7	3.7	.1	1.2	.3	1.8	.2	.5	4.2	48.6	(16) 13.7
22.	33.3	33.1	24.7	2.5	12.0	.8	.4	1.8	.3	.8	2.6	45.9	(6) 20.9
23.	40.8	36.0	36.4	2.1		1.3	.6	1.7	.8	1.4	.2	44.5	(11) 15.8
24.	38.9	41.3	35.3	2.3	(5)	2.6	.6	1.7	.4	.5	2.6	46.0	(15) 14.2
25.	36.0	32.0	33.7	4.2	6.0	1.3	.5	2.0	.3	.5	1.4	49.8	(12) 15.6
Median	38.9	36.0	33.3	3.6	1.3	1.4	.7	1.8	.4	.7	2.6	46.0	15.6

^a Negligible. ^b After credit for employees' meals. ^c After deduction of cover charges. ^d Loss.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1011

Analysis of 25 residential hotels in 10 cities (listed according to the number of rooms available)—Continued

[Figures in parentheses indicate position hotel would occupy in the column with No. 1 the lowest]

Hotel No.	Administrative and general expenses									Advertising and business promotion		
	Total		Individual items—Ratios to room sales (percent)							Total		Ratio of due-bill advertising to total (percent)
	Ratio to room sales (percent)	Ratio to total sales (percent)	Salaries and wages	Insurance		Management fees and executive office expenses	Social-security taxes	Bad debts	All other expenses	Ratio to room sales (percent)	Ratio to total sales (percent)	
				Workmen's compensation	Other (except fire)							
1	(19) 16.3	15.2	7.0	0.3	0.7	2.4	0.8	0.2	5.0	(4) 0.3	0.2	0
2	(2) 11.0	6.9	4.9	.2	.9	.1	1.1	(9) 2.8	2.8	(23) 4.6	2.3	0
3	(25) 20.2	10.1	6.0	.6	.4	.5	.5	4	6.1	(21) 3.6	1.5	0
4	(18) 16.3	7.0	5.1	.6	.6		2.3	.4	6.1	(1) (5) 9.0	0	0
5	(3) 11.3	10.9	5.1	.3	.5	.7	1.0	.9	3.8	(1) (5) 9.0	0	0
6	(24) 20.4	11.6	7.0	1.1	.4	5.1	2.8	1.1	3.9	(18) 2.4	1.4	0
7	(11) 13.0	6.2	5.4	.5	1.4		2.3	1.0	3.4	(3) .1	.1	0
8	(5) 11.8	2.7	3.7	1.1	1.7	1.1	2.1	.2	1.9	(9) .8	.6	0
9	(6) 11.8	7.1	5.6	.4	1.2	.2	2.2	.2	3.3	(22) 4.5	2.7	.1
10	(8) 12.2	10.3	3.4	.4	.7	3.4	1.5	.6	3.3	(6) 4.4	.3	0
11	(13) 13.2	7.6	6.7	.5	.6	.6	1.6	(5) 2	3.0	(12) 1.3	.8	0
12	(21) 17.0	9.8	4.5	.5	.6	.6	2.1	.2	3.3	(10) 1.0	.5	0
13	(20) 16.8	9.0	5.4	1.2	.8	2.1	1.6		3.4	(14) 1.6	.9	9.1
14	(12) 13.0	11.0	2.5	.3	.6	4.3	1.6		3.4	(2) .1	1.1	0
15	(25) 21.8	7.8	7.1	1.1	.5	1.3	2.6		3.4	(20) 3.3	1.2	34.2
16	(15) 13.8	10.3	7.7	.4	.4	.6	1.9	(5) 5	3.8	(15) 1.7	1.3	0
17	(1) 7.9	6.2	4.1	.3	.4		1.3		3.0	(1) .1	.1	0
18	(4) 11.5	7.1	4.1	.8	1.6	.7	2.1	.2	2.1	(17) 2.2	1.3	3.8
19	(17) 15.7	9.7	7.3	1.1	.6	.1	2.5	.1	3.9	(5) .3	.2	0
20	(7) 12.0	7.4	4.5	.5	1.4		2.0	.6	3.0	(16) 1.9	1.2	0
21	(9) 12.4	7.7	4.2	.6	.6	1.5	2.0		3.6	(11) 1.1	.7	0
22	(10) 12.4	5.5	4.9	.8	.5		2.5	.8	3.3	(19) 2.7	1.2	.5
23	(22) 18.1	10.9	5.3	.5	.6	5.4	2.1		3.4	(13) 1.4	.8	0
24	(16) 14.7	8.0	6.9	.7	.3		1.6	.5	3.8	(7) .5	.3	13.6
25	(14) 13.6	7.6	6.4	.7	.5	1.6	1.9	.1	3.4	(8) .8	.4	0
Median	13.2	8.0	5.4	.5	.6	1.1	2.0	.2	3.4	1.3	.8	

Hotel No.	Heat, light, power, and refrigeration						Repairs and maintenance—Total		Replacements, improvements, and additions (except china, glass, silver, and linen)	
	Total		Air conditioning		Purchased or generated		Total		Total	
	Ratio to room sales (percent)	Cost per available room	Public rooms	Guest rooms	Steam	Electricity	Ratio to room sales (percent)	Cost per available room	Ratio to room sales (percent)	Cost per available room
1	(19) 14.1	\$118	None	None	(9)	(10)	(12) 10.1	\$84	(21) 4.9	\$41
2	(17) 14.0	205	do	do	(9)	(10)	(16) 12.2	178	(6) .8	112
3	(25) 17.6	242	50 percent	do	(9)	(10)	(14) 10.8	149	(15) 2.6	136
4	(15) 13.7	166	90 percent	do	(9)	(10)	(9) 9.3	112	(20) 4.9	159
5	(11) 12.6	86	None	do	(9)	(10)	(5) 8.5	58		
6	(24) 16.0	235	75 percent	do	(9)	(10)	(6) 8.6	126	(4) .6	8
7	(1) 5.7	93	50 percent	do	(9)	(10)	(1) 3.1	51	(5) .7	11
8	(13) 12.9	191	80 percent	26 percent	(9)	(10)	(7) 8.8	131		
9	(3) 7.9	195	25 percent	1 percent	(10)	(10)	(2) 6.3	154	(17) 2.9	71
10	(8) 12.0	58	Not available	Not available	(9)	(10)	(8) 8.9	43	(1) .2	1
11	(23) 15.7	169	10 percent	None	(9)	(10)	(4) 8.1	88	(9) .1	12
12	(18) 14.1	93	50 percent	do	(10)	(10)	(10) 9.8	64	(14) 2.5	17
13	(16) 13.9	128	None	do	(9)	(10)	(11) 9.9	91	(16) 2.9	26
14	(6) 10.7	67	do	do	(9)	(10)	(15) 11.5	71	(19) 4.1	25
15	(20) 14.2	130	90 percent	do	(9)	(10)	(20) 13.9	127	(11) 1.7	16
16	(10) 12.5	95	None	do	(9)	(10)	(25) 23.1	176	(22) 4.9	37
17	(12) 12.8	57	33 1/3 percent	do	(9)	(10)	(3) 7.1	31	(3) .4	2
18	(5) 9.6	130	None	do	(10)	(10)	(17) 12.3	265	(23) 7.5	102

See footnotes at end of table, p. 1012.

1012 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Analysis of 25 residential hotels in 10 cities (listed according to the number of rooms available)—Continued

[Figures in parentheses indicate position hotel would occupy in the column with No. 1 the lowest]

Hotel No.	Heat, light, power, and refrigeration						Repairs and maintenance—total		Replacements, improvements, and additions (except china, glass, silver, and linen)				
	Total		Air conditioning		Purchased or generated		Ratio to room sales (percent)	Cost per available room	Ratio to room sales (percent)	Cost per available room			
	Ratio to room sales (percent)	Cost per available room	Public rooms	Guest rooms	Steam	Electricity							
19	(14)	13.6	120	25 percent	do	(9)	(10)	(13)	10.6	94	(7)	.9	8
20	(4)	9.0	92	None	do	(9)	(10)	(18)	12.9	132	(12)	2.3	23
21	(21)	14.2	99	50 percent	do	(9)	(10)	(24)	15.6	109	(8)	1.0	7
22	(22)	14.4	283	100 percent	30 percent	(9)	(10)	(21)	14.5	286	(18)	3.7	73
23	(7)	11.7	110	do	None	(9)	(10)	(22)	14.6	138	(10)	1.6	15
24	(2)	7.8	49	None	do	(10)	(10)	(23)	15.1	94	(2)	.3	2
25	(9)	12.0	82	Partly	do	(9)	(10)	(19)	13.2	88	(13)	2.5	17
Median		12.9	118						10.6	109		2.3	17

- ¹ Suites.
- ² Negligible.
- ³ Generated.
- ⁴ Purchased.

NOTE.—Figures in parentheses indicate position hotel would occupy in the column with No. 1 the highest.

EXPLANATION OF TERMS

Total sales: All revenue except store rentals and cover charges.
 Room sales: The total of guest and public room sales, less allowances. Rentals, concessions, etc., not included.
 Room pay roll: Assistant managers; front office clerks, not including bookkeepers, cashiers and bill clerks; housekeeper and assistants; linen room; maids; housemen; bell boys; elevator operators; floor clerks; pages; doormen; house officers and watchmen.
 Room other expenses: Uniforms; china and glassware; printing and stationery; decorations; commissions to rental agents; and other minor expenses of selling and servicing rooms. No general expenses included, such as heat and light; repairs; advertising, etc.
 Room profit: Room sales, less room pay roll and expenses.
 Food and beverage sales: Gross sales of each, less allowances. Cover charges not included.
 Total restaurant sales: Food and beverage sales; sundry banquet income; corkage.
 Food and beverage costs: Cost of food and of beverages sold after deduction of the costs of employees' meals and beverages.
 Restaurant pay roll: Stewards, chefs, cooks, waitresses and bus boys; dishwashers, butchers, vegetable cleaners, bakers, pentry help, etc.; wine stewards and bartenders; stock clerks, storekeepers, cost clerks; checkers; cashiers.
 Restaurant other expenses: Uniforms; utensils; guest supplies; paper supplies; decorations; banquet expense; cost accounting; licenses; and other direct expenses of this department. No general expenses included, such as heat, light, advertising, repairs, etc.
 Restaurant profit: Total restaurant sales less total cost of food and beverages consumed, pay roll and other direct restaurant expenses.
 Income from minor sources: Income from telephone; guests' laundry; valet; cigar and newsstand; barber shop; florist; and other service departments whether operated by the hotel or by concessionaires; rentals of offices, clubs (but not stores); commissions; vending machines; cash discounts, etc.; less merchandise costs, salaries and wages and other expenses directly chargeable to any of these operations.
 Administrative and general, pay roll: salaries of managing director, manager, executive assistant manager (not on floor duty); their secretaries, and other clerks in managers' offices; accounting office; front office bookkeepers, bill clerks, cashiers, night auditors, credit department; receiving clerks; employment and personnel managers.
 Administrative and general, other expenses: Employees' meals; printing and stationery; trade papers and association dues; postage and telegrams; traveling expenses; accountants' fees; legal and collection expenses; lost and damaged articles; and other minor general expenses.
 Repairs and maintenance: Pay roll for carpenters, upholsters, carpet men, masons, electricians, machinists, locksmiths, elevator mechanics, painters, paperhangers, and similar maintenance employees. Also, expenses such as employees' meals; uniforms; cost of supplies and outside contracts for painting, repairing of furniture, springs, mattresses and pillows, blankets, floor coverings, curtains, draperies and scarfs, shades, screens and awnings, electrical and mechanical equipment, elevators, building and other maintenance work.
 Heat, light, and power: Pay roll for chief engineer and assistant engineers; boilermen; firemen; ice pullers; incinerator men; storekeepers and clerks in engineer's office and stores. Also, expenses such as employees' meals; uniforms; cleaning and engineering supplies; electric current; bulbs; steam; fuel; ash removal; refrigeration supplies and expenses; ice; water; and other expenses of supplying the hotel with heat, light, power, water, and ice.

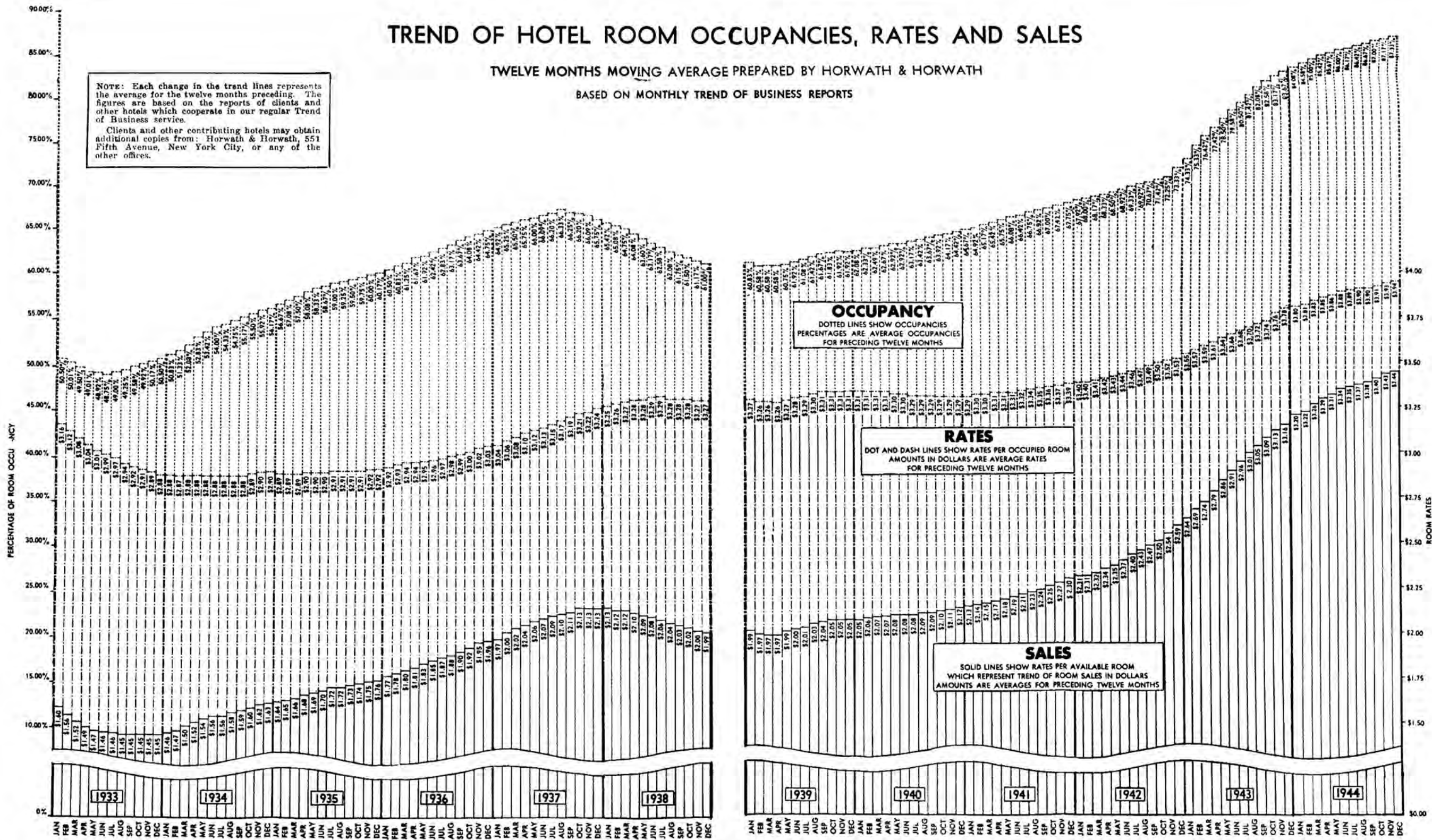
TREND OF HOTEL ROOM OCCUPANCIES, RATES AND SALES

TWELVE MONTHS MOVING AVERAGE PREPARED BY HORWATH & HORWATH

BASED ON MONTHLY TREND OF BUSINESS REPORTS

Note: Each change in the trend lines represents the average for the twelve months preceding. The figures are based on the reports of clients and other hotels which cooperate in our regular Trend of Business service.

Clients and other contributing hotels may obtain additional copies from: Horwath & Horwath, 551 Fifth Avenue, New York City, or any of the other offices.



OCCUPANCY
 DOTTED LINES SHOW OCCUPANCIES
 PERCENTAGES ARE AVERAGE OCCUPANCIES
 FOR PRECEDING TWELVE MONTHS

RATES
 DOT AND DASH LINES SHOW RATES PER OCCUPIED ROOM
 AMOUNTS IN DOLLARS ARE AVERAGE RATES
 FOR PRECEDING TWELVE MONTHS

SALES
 SOLID LINES SHOW RATES PER AVAILABLE ROOM
 WHICH REPRESENT TREND OF ROOM SALES IN DOLLARS
 AMOUNTS ARE AVERAGES FOR PRECEDING TWELVE MONTHS

The CHAIRMAN. Proceed.

Mr. SHERRARD. Our daily fear is that increasing costs and/or declining total revenues will wipe out our narrowing profit margin. When that time comes, it will be too late for decontrol to save us. We will witness once more a Nation-wide deluge of bankruptcy of hotels.

According to United States Department of Labor statistics, the average hourly wage in hotels for 1945 had increased 60 percent over that of January 1941, and 77 percent over the 1936-39 average.

That is very important. Let me repeat. According to United States Department of Labor statistics, the average hourly wage in hotels for 1945 had increased 60 percent over that of January 1941 and 77 percent over the 1936-39 average. The commodity price index which reflects the costs of materials and supplies used by hotels advanced 34 percent from 1940 to 1945. Before the Congress now is a bill which would make 65 cents an hour the mandatory minimum wage. Were we obliged to recruit employees in the open market and offer this minimum wage, our industry costs would show a further 21 percent increase in pay-roll costs, requiring a flat 7 percent increase in rates to be reimbursed. And yet OPA infers that we are asking for inflation if we point out that we cannot stand further increased costs without compensating adjustment in rates. In the normal pre-war years the average hotel could meet its fixed overhead with 65 percent occupancy. We now have to have 82 percent occupancy to meet our costs, and it is unsatisfactory to operate a hotel at more than 90 percent occupancy. In the best-operated hotels, therefore, we have a slender 8 percent margin today separating us from insolvency, and every day brings some further increased costs.

Even if we were guaranteed no further increased costs, and if business held to present levels, the net permitted us would not cover the deferred maintenance requirements which have accumulated during the last 4 years when material and labor shortages prevented our maintaining our properties. A Nation-wide survey in 1944 revealed a backlog of deferred work totaling \$300,000,000. And as of today we need \$1,400,000,000 for repairs and remodeling and inventory replenishment. The hotel industry could easily become a victim of wartime shortages and frozen rates from which it could not recover in a decade.

The House committee took cognizance of this danger and wrote section 5 into its committee bill, subsequently passed by the House. This section directs the Administrator to take into account all the

Advertising and business promotion: Pay roll for advertising and publicity managers; their secretaries and clerks. Also, expenses such as printing, stationery, art work, lay-outs, literature, house organ, postage, traveling expenses, entertaining, etc.; space in newspapers and magazines; broadcasting; billboards and car cards; and similar expenses.

Taxes: Real estate and personal property taxes. Social security and other miscellaneous taxes are included elsewhere.

Total hotel pay roll: Entire pay roll of hotel including house laundry and print shop.

Store rentals: Rent from all stores having direct entrance from street. Does not include rent from clubs, offices, etc., in building.

Fire insurance: That on building and contents. Does not include public liability and other miscellaneous insurance.

House profit: Excess of total sales and other income, except store rents, over total of cost of merchandise, salaries and wages, and other expenses, both direct and indirect, such as administrative and general, advertising, heat, light, power, and repairs; but not including real estate and personal-property taxes, interest, depreciation, and amortization of deferred charges.

Median: The middle figure in a column arranged in regular sequence from high to low, or vice versa. This means, of course, in the case of operating results that half the hotels represented had better ones than the median and the other half worse.

intricate financial considerations which affect the industry. We are not an industry dealing with buildings only, but an industry which dispenses services. And a hotel room which goes unrented for a week is a total loss. There is nothing to be salvaged as in the case of the manufacturer, wholesaler, or retailer of commodities who always has his merchandise. Nor can we mechanize our operations past a given point. We go on, day after day, serving some guest in room 504, with our costs for services accounting for 50 percent or upward of all costs incident to his room rate.

The House committee seemed to feel that transient hotels were more distressed, under rent control, than were residential hotels. It is true that there are many problems present in the transient hotel which swell its costs beyond those of the residential property. But at the same time many residential hotels were experiencing high occupancy back at the time of the freeze, accordingly possessing no cushion whatsoever from which to recoup increased costs. In such cases they are likely to feel a greater pinch than a transient house. A number of large residential houses in New York City today, for instance, while doing a record volume of business, and with no possibility of increasing their income, are earning 3 percent on their fair valuation, too little to pay interest on their income bonds. And they are wearing out their properties more each day. Hotel rent regulations are actually putting them out of business. We therefore wish to emphasize to your committee the need for relief for both transient and residential hotels.

The Wolcott amendment in the House bill would assure cost plus a fair profit to manufacturer, wholesaler, and retailer. This would immediately raise further all costs of the materials and supplies which we consume to a point where we would be in the red, unless at least 10-percent rate increases were assured hotels.

In the event that Congress decides to retain the Wolcott amendment, we feel that our industry should be given the benefit of this amendment and its language broadened to include our industry, and we suggest the following [reading]:

SEC. 2. Notwithstanding the provisions of this Act, the Stabilization Act of 1942, or the Emergency Price Control Act, as amended, (a) no maximum price ceiling shall be established or maintained for any commodity below a price which will reflect to the producers and processors and distributors (including retailers) of such commodity the sum of (1) current cost of producing and processing and distributing such commodity as determined by the established commercial accounting practices of the industry, and (2) a reasonable profit thereon, and (b) no maximum rent ceiling shall be established or maintained for the use of hotel accommodations below a rent which will reflect to the owners or operators of such accommodations the sum of (1) current cost of maintaining and operating such accommodations, including the cost of furnishing all privileges, services, furnishings, furniture and facilities reasonably and customarily connected with the use or occupancy of such accommodations as determined by the established commercial accounting practices of the industry, and (2) a reasonable profit thereon.

The Administrator and his aides continue to insist that rent control must be maintained at present levels. It is continually recited that landlords are making more money than ever before. We do not presume to know about landlords under the housing regulations, but at the 1 percent profit which the hotel industry was showing during our base period, we could show 300 percent increases in earnings,

which would sound like profiteering, and yet would be inadequate with which to service our bonded debt, interest, and taxes.

We respectfully seek four concessions from the Administrator. Let me enumerate them for you:

1. No less than a 10-percent increase in room rates, for transient and residential hotels, would suffice to remove the immediate threat of loss operations which we face daily. This would be the first increase since 1939, or earlier, in the hotel industry, which has historically followed the commodity price index with its rates, when operating in a free market.

2. We ask a liberalization of the hardship clause, which is so rigid that only two hotels have qualified for aid to date. As long as we are tied to 1939 when we earned 0.42 of 1 percent, we are helpless. We believe that relief should not only be available to any hotel which can show that it is losing money, but that, similarly, relief should be made available, upon proof by the owners, that it is failing to earn a fair profit, sufficient to pay its interest and taxes and build up a reserve large enough to meet its rehabilitation costs when building materials are again in adequate supply.

3. We believe that the Administrator should set up a separate and distinct set of regulations governing hotels. Currently, we are grouped with motor courts and rooming houses. Frequently, we have been denied some helpful amendment or interpretation because a similar amendment could not be administered for motor courts and rooming houses. As America's seventh largest industry, we surely should be eligible to a set of regulations specifically drawn to fit the problems present in our business.

4. Inequity would continue to stalk us as long as we are frozen to some remote set of dates, for, prior to 1942, and in some sections of the country even later dates, the industry did not make any net earnings at all. The freeze hit some areas at a time when they were actually losing substantial sums. It is ridiculous to insist that to guard against inflation, large segments of American business must continue to lose money. Even as late as 1942, the industry's average earnings were only 3.5 percent of their fair value, too small to meet interest and taxes. The industry has always been highly competitive. That is the reason why rates remained low in a free market. We have every reason to expect that competitive conditions would preclude any appreciable increases in rates right today, if controls were dropped.

Just as your committee was able in 1944 to direct the Administrator to incorporate a hardship clause in the hotel regulations, we feel that you could today direct him to effect promptly these four corrections which would go a long way toward making the regulations reasonably fair and equitable. If I had sufficient time, I could tell you a dozen reasons why they are far from "generally fair and equitable," as the act itself prescribes.

Senator BUCK. Have you been before the OPA authorities to try to get relief from some of these conditions under which you labor?

Mr. SHERRARD. I am a member of the OPA advisory committee for hotels.

Senator BUCK. Then you have contacted them, perhaps, on numerous occasions. Have you had any help from them?

Mr. SHERRARD. They always say that it could not be administered on account of our being in the same classification with rooming houses

Senator BUCK. Do they have many people that know your problems?

Mr. SHERRARD. There is no hotel man in the Administration, so far as I know.

Senator BUCK. On OPA?

Mr. SHERRARD. No man up there, so far as I know, has ever been in the hotel business. But I have always found the two gentlemen administering it, very much gentlemen. I do not want to cast any reflections upon them as gentlemen.

Senator BUCK. Whom do they depend upon for their information, for the facts and figures of the hotel business—the advisory committee?

Mr. SHERRARD. I think they get some of their information from the advisory committee. I do not know what other sources they have.

Senator BUCK. These gentlemen you speak of in such high terms have never had any connection with the hotel business, have they?

Mr. SHERRARD. Not to my knowledge.

Senator MITCHELL. Can you tell us where you got your figure, when you say that even as late as 1942 the industry's average earnings were only 3.50 percent of its fair value?

Mr. SHERRARD. I think you are taking this Horwath & Horwath report. That covers a hundred hotels that are their clients. I am giving you figures from Harris, Kerr & Forster.

Senator MITCHELL. Where do you get your figures?

Mr. SHERRARD. From the American Hotel Association. They were made out for us for this brief by Harris, Kerr & Forster, and Horwath & Horwath.

Senator MITCHELL. The figures that Horwath & Horwath gives are 6.40 percent.

Mr. SHERRARD. That is for 100 hotels that are their clients.

Senator MITCHELL. I just wondered why that discrepancy. What are the factors which enter into it?

Mr. SHERRARD. The difference between 100 hotels and about 5,000 hotels that report.

Senator MITCHELL. What good is this report to the hotel industry—I mean, the Horwath & Horwath statement—if it is not representative in its figures?

Mr. SHERRARD. Frankly, these are the better operated hotels. These are hotels that have this financial service. They are hotels which have got their capital structure down in many cases through a reorganization to where they are in better shape than a great many of the hotels who have not reorganized. I can tell you of a hotel in Boston whose bonds have been reorganized, and they paid last year just under 1 percent on an income basis bond, even with a full house and doing a capacity business, on account of the rates that particular hotel was frozen at and its increased costs.

Mr. Frank E. Spain, of Birmingham, Ala., counsel for the Carling-Dinkler chain of hotels throughout the South, was in Washington a week ago today, at which time this hearing was postponed, and, unfortunately, he cannot be with us today, because of having to meet with labor unions to endeavor to effect a settlement of our members' labor troubles in the Birmingham area. So, you can see, gentlemen, we are having constant demands for increased wages all over the country. And I am going to ask Mr. M. O. Ryan, of our Washington

office, who is with me, to read Mr. Spain's statement. He will discuss enforcement procedures, and recommend specific amendments to the act. Now, if you wish me to terminate my statement, so that you may hear from him, I will do so, and will simply make the remainder of my statement available for the record. It will take about 10 more minutes to read the remainder. What is your wish, Mr. Chairman?

The CHAIRMAN. Put it in the record.

Mr. SHERRARD. Thank you very much, sir.

I will also file this statement by Mr. Frawley, who was here last week and had hoped to be able to get back today and deliver it in person.

The CHAIRMAN. We will be very glad to have that for the record.

STATEMENT OF J. E. FRAWLEY, PRESIDENT, AMERICAN HOTEL ASSOCIATION

Mr. FRAWLEY. Mr. Chairman, and gentlemen of the committee, I am hopeful that you will believe, after listening to us, that we are simply not taking up the time of your committee with trivial matters, but that somehow a better administration of this difficult program may result from your discussions with agency officials.

Our industry is frequently reminded by field representatives of OPA that there is no excuse for any single violation of the rent regulations now that we have had 3 years within which to familiarize ourselves with these regulations. While being willing to admit that we all know a great deal more about operating under price control than we did 3 years ago, I must point out that we are placed in the impossible position of conforming to regulations and interpretations which are in themselves conflicting.

We are told one thing today by the Rent Department of OPA, only to be prosecuted by the Enforcement Section tomorrow, for pursuing a course originally charted for us by the Rent Department.

I know of no single instance when the viewpoints of these two sections were completely composed for any single problem which has arisen within our industry. Always the subject is left up in the air. I submit that it is extremely difficult to comply with regulations, the interpretation of which finds two sections of the agency in disagreement.

As I stand before you, I am convinced that neither the OPA nor the Congress is alone in seeking to avoid inflation. I am very sure that the hotel men of America realize that they too have a stake in avoiding that threat to our national economy. At the same time, we do strenuously object to an administration of the Price Control Act which should bring about widespread changes in prevailing business practices. We do not believe that Congress vested in the agency authority to ignore existing practices of industry prior to the rent freeze.

Section 5 (a) 1 of the Hotel Rent Regulations provides that if I wish to undertake major capital improvements in my hotel, I may go to the area rent director, outline these changes to him, and receive advance approval of a definite adjustment in ceiling rates, based upon this additional investment.

Many of our hotels have received this advance opinion, proceeded with their major capital improvement, only to be subsequently denied the adjustment formerly agreed upon.

Also, in some cases, an advance opinion would be denied. I have in mind one hotel in Chicago where more than 1 year passed before the issuance of an advance opinion. During that period, building costs on the improvement contemplated jumped nearly \$40,000. No greater deterrent to the improvement of real properties, or to the spreading of employment in connection with such improvement, could possibly exist than is now present in the lax and inefficient manner in which OPA appraises these proposed capital investments.

For more than a year we have pleaded with Enforcement Section of OPA to establish a certain practice which we felt was only fair. It was this: When a hotel submits a settlement to OPA, based on alleged overcharges, we have maintained that the district enforcement attorney owed it to that hotel to acknowledge that settlement. We understand fully that such acknowledgment would prove no barrier to a reopening of the case in the event that fraud or error were subsequently uncovered.

There have been instances, however, when a settlement would be submitted on the basis of the estimate of some enforcement official, the hotel's remittance forwarded to the Treasury, and the case presumably closed, only to have a personnel change occur in the office whereupon the file would be reopened, without the knowledge of the hotel, and a further penalty sought covering the same period, but based upon a different interpretation of the same regulations. OPA has agreed that an acknowledgement of these settlements comprised a reasonable request, and has promised that such a practice would be instituted. To my knowledge, it has not been inaugurated.

For fear you might believe that the hotel industry has not made an honest effort to comply with rent regulations, let me report to you that our national organization urged upon our entire membership voluntary participation in a self-audit program. OPA complained to us that they had an inadequate staff of investigators and accountants, and since they would be unable to visit every hotel and audit their accounts, they urged the hotels to undertake such audit voluntarily as a means of spotting unwitting violations.

Even this degree of cooperation has not earned for us the fair and impartial treatment by district enforcement people which was pledged by enforcement heads in Washington when this national audit plan was undertaken. We have shown our good faith, to the extent of revealing our own unwitting overcharges, but have not enjoyed a similar evidence of good faith on the part of enforcement officials.

We resent the alacrity with which OPA is willing to rush into print and brand hotel owners and managers as criminals and chiselers. The Enforcement Section is ready, at the drop of a hat, to rush into print with some statement of violations, and accuse a hotel of "gouging."

Even if OPA is subsequently proved in error, it appears that OPA officials have no device by which they can remove the stigma which they have cast upon the reputation of a hotel.

I have in mind one case in the Deep South where a hotel was sued, and indicted in the press, only to have the agency ultimately determine that no violation had occurred. The OPA official responsible met

the hotel man on the street and apologized, but nothing whatsoever was done at any time to remove, through the public press, the indictment initially filed.

The arbitrary and temperamental manner in which district enforcement officials move in their prosecution of hotels has caused us many heartaches. I have in mind a case, again in the extreme West, where a hotel had been visited by the Enforcement Division, and several conferences were held with reference to a number of violations. The OPA withdrew from the second conference and told the hotel man to do nothing about the charge until a further conference could be called.

In spite of this agreement, the hotel found its name emblazoned in the public press a few days later, without any attempt toward a further conference, and held up to public ridicule for violating the Price Control Act.

Our industry called the attention of enforcement officials in Washington to this breach of good faith on the part of the district enforcement attorney for having brought suit without further consultation with the hotel, after having first promised that such consultation would ensue. Washington enforcement officials admitted that they did not approve of such a performance by the district offices, but said that since the suit had been brought, there was nothing they could do. The hotel was left no recourse except to negotiate at the local level, with enforcement officials in whose good faith they had lost complete confidence.

There is now pending before the OPA a proposal which would right a grave wrong in the case of many hotels. Let me describe it to you briefly.

The majority of our hotels over the country, back in 1940 and '41 and '42, voluntarily offered specially reduced rates to men and women of military forces. The 30-day base period, preceding the effective date of rent control, frequently found that these special rates were in many cases the highest rates for which a given room would have been rented. Unless the hotel could look back 6 months later and ascertain beyond the question of doubt that that man who had rented that room during the base period was a member of the military forces, he was denied the right to petition for an adjustment on that room.

In some cases, even though able to identify the tenant or guest as a member of the military, his petition was denied. Under the belief that the administration of rent control was to be fair and equitable, many hotels continued to charge their regular rate on a room which had been rented during the base period to service men or women at special reduced rates.

After all, they reasoned, they were charging the general public the same rate that they were charging them for other similar rooms. It never occurred to them that rent control required giving the public the benefit of servicemen's special rates. Yet many of them awakened later when hailed into court, charged with day-to-day violations, which when computed at treble damage penalties, sometimes reached into six figures. And all because they had, out of some patriotic motive, given a little special consideration to members of the military.

When the OPA reserves to itself all credit for its fight against inflation, and impugns the motives of our industry which, in cases like these, was guided by a patriotic impulse, our hotel men get mad.

In a meeting of the Hotel Industry Advisory Committee on November 13, 1945, OPA agreed to bring forth what was to be known as an incentive formula, whereby hotels would be eligible for minor adjustments in room ceilings, based upon extensive rehabilitation, modernization and major capital improvements. A survey recently completed by our association reveals the need for the expenditure of \$1,400,000,-000 for rehabilitation, improvements, and additions.

Present high occupancy of hotels discourages owners from making improvements and repairs. Also peak building costs discourage such work. OPA agreed that only through some incentive formula could this tremendous program be undertaken promptly, thus spreading employment through every community in America. But no such incentive amendment or interpretation has appeared. In fact, we are told within the agency that they may have to recede from their agreement.

I tell you frankly, gentlemen, that unless we can rehabilitate our properties rapidly, before the present high level of travel declines, you will have in the hotel industry a victim of wartime material restrictions and rigid price ceilings. There have been many times in our history when hotels found themselves unable to pay even their real estate taxes. And those conditions could easily return, for want of understanding by the OPA.

There is one practice witnessed constantly within the agency which can scarcely be defended. Decisions on applications and petitions are handled in a manner whereby the petitioner or applicant seldom knows whether his case was dealt with by district, regional, or Washington officials. A little fast footwork and they lost the ball between them.

Either an administrative determination is within the regulations, and thus can be fully defended, or it is not. We maintain that an unwillingness to accept the responsibilities resident in their respective offices smacks of insincerity and is poor public policy. Such conduct breeds distrust, and is a positive hindrance to full compliance with the regulations.

I will say to you in all sincerity that any good hotel owner, or manager, is far more desirous of maintaining sound guest relations, than he is in maintaining good relations with OPA. Even the sums assessed against us individually in the form of penalties are not as important to us as are our guest relations, which will be the basis of our normal business operations when ultimately released from price control. This being the case, it is preposterous to assume that any hotel under good management, would be so ready to "gouge" its guests, as is implied by the agency.

I have spent my entire life in the hotel business. My reputation means much to me. Without the good will of the guests, who have perennially stayed with me in Detroit and other cities, I cannot survive, OPA or no OPA. But let me tell you what is happening, and how unauthorized activities by field representatives of the agency can only result in turning our guests away from us, and breeding suspicion in their minds.

Instances have been reported to us where investigators have gone up and down the corridors of our hotels, knocking on doors, and asking the guests how they are registered, and whether they are being charged more than ceiling prices.

When we have confronted the superiors of these investigators with actual reports on such happenings, they have merely replied that that was a part of enforcement procedure, and while not generally recommended, might easily be a justifiable procedure. We are being treated like criminals or bootleggers or thugs, rather than as representatives of America's seventh largest industry. I am sure that if our roles were reversed, you members of this committee would writhe under such treatment by these minor tyrants and social reformers who are tramping through our properties.

Each of you men in your own homes know full well that the cost of operating your home has risen since 1940 and 1941. Fuel, laundry, food, commodity prices, and labor have all risen substantially. We in the hotel business have also felt all of these increases, and felt them sharply.

There is only one type of person in all America who has been spared these increases in living costs. He or she is the person occupying hotel accommodations, on a monthly basis, whose rentals were frozen to some rate identical with that paid in 1940 or 1941, whose increased costs of maintaining a home have been borne entirely by the hotel, with none being passed on to him. These permanent residents of hotels have become a preferred class of tenants, but OPA has made it impossible for hotels to recover their rooms, even at times when the military required additional housing in that community.

Some of us can tell you that we have rooms, rented to permanent guests, where we are losing up to a dollar a day per room, but OPA declines to recognize any basis for an adjustment.

A final source of Nation-wide irritation to our hotels has been the patchwork set of ceilings under which our rooms were frozen. I have rooms that are frozen at \$5 for one person, and \$4 for two persons. Nearly every hotel in the country has some ceilings set on certain rooms, where it is cheaper to occupy the room doubly or by three or more persons than to occupy it singly. This is ridiculous. And yet, remedial action within OPA has never been taken to correct this situation.

It makes for the worst possible guest relations; it compels us to lose money month after month, because of some one experience rental on some certain night 3 or 4 or 5 years ago; it also is productive of numerous unwitting errors by our room clerks who, in their hurried operations, fail to detect these jumbled rate structures on identical rooms. Failure to find some way of correcting a situation as grossly unfair as this, must easily reveal that the agency has not proven itself competent to provide generally fair and equitable regulations for our industry.

In all these experiences which I have recited to you, we feel that there is a simple way to guard against repetitions of these irritating practices. It is a very simple expedient indeed.

A mere directive from your committee to the Administrator would be enough. That directive would (1) require the Rent and Enforcement Departments to compose their differences, and to rule jointly on cases involving them both; and (2) require OPA officials in Washington to be responsible for the action of their representatives in regional and local offices.

Until or unless these things happen, rent control will continue to be by far the greatest single headache the hotel industry in American has ever known.

STATEMENT OF M. O. RYAN, REPRESENTING AMERICAN HOTEL ASSOCIATION, WASHINGTON, D. C.

Mr. RYAN. I am M. O. Ryan, of Washington, D. C., of the Washington office of the American Hotel Association.

Mr. Spain was in the city a week ago at which time we were scheduled to appear before your committee. Then if you will remember you had to change your schedule and he went back to Birmingham and was unable to be here today, so I am presenting this statement on behalf of Mr. Spain.

The CHAIRMAN. Very well. You may proceed.

Mr. RYAN. Mr. Chairman and gentlemen of the committee, Mr. Frank E. Spain, senior partner of the law firm of Spain, Gillon, Grooms & Young of Birmingham, Ala. He is a director and general counsel of Dinkler Hotels Co. operating the Ansley Hotel in Atlanta, Savannah Hotel in Savannah, O'Henry Hotel in Greensboro, Tutwiler Hotel in Birmingham, Jefferson Davis Hotel in Montgomery, St. Charles Hotel in New Orleans, and Kentucky Hotel in Louisville.

I have the privilege on behalf of the hotel industry to present for your consideration seven abuses in the enforcement of the Price Control Act which we think are abuses of authority by OPA and should be discontinued in practice or prohibited by law as un-American and unfair:

FORCING ENFORCEMENT ATTORNEYS TO MEET QUOTAS

Local attorneys advise that Washington exerts pressure on them to build up so many cases a month, and we ask your committee to see that this practice is abandoned. Exerting pressure to keep up the flow of cases cannot aid in administering justice.

Senator TAYLOR. Mr. Chairman, is there anyone here from OPA that could answer that?

The CHAIRMAN. I don't know. Is there anyone here from OPA that knows about that?

A VOICE. Mr. Watt is here from the Enforcement Department. I think possibly he could.

The CHAIRMAN. Is he here? Senator Taylor would like to ask him a question.

Senator TAYLOR. Will you come forward, Mr. Watt, and tell us about this quota of cases that have to be dug up?

Mr. WATT. I think it may take just a minute to explain that, because it does require an explanation.

Senator TAYLOR. Will you explain it?

Mr. WATT. The figure is 75 per month for all enforcement action in rent enforcement, not as to hotels alone, but for all rent enforcement. The 75 are developed along this line: We have in the rent enforcement a staffing pattern of five investigators to one attorney and as an organizational matter we have five investigators to every one attorney. It is not 75 for 1 attorney. It is 75 for an organizational group of 5 investigators and 1 attorney.

So that means a quota of 15 cases per investigator, plus the attorney's work. In addition to that I think a factor which you would be very much interested in is that we are putting very great emphasis on the housing problem as distinct from the hotel problem, on the nontransient phase rather than the transient phase, because of the nature of the problem.

The result is that less than 10 percent of the cases on which enforcement action is taken are in the nontransient field. It is practically a figure of 5 percent in the hotel field altogether.

There are one or two other factors which I think you would be interested in as to the thought which went into the setting of that sort of a quota—if that is the proper term—in the whole organization of rent enforcement we have, as I believe probably you are very fully aware of, compliance activities in area offices. It is a very extensive operation as you know in the area offices.

The landlord—if a complaint is made against a landlord—the landlord is called into the area office, into what is termed a compliance conference. There the matter is discussed with him. If a violation is determined he is given a chance to settle the case on a very reasonable and lenient basis. It is only the cases which the area office in that compliance operation are not able to settle which come to the Enforcement Department for action.

As it has turned out, and the figures can be given you if you so desire, it is about 1 case in 10 which is not able to be settled in the area office. So it is 1 case out of 10 that comes to the enforcement office. So in those cases which have been sifted out by a compliance conference, enforcement action is taken.

One or two other factors which go into that, in the area office, the area office has already obtained a statement from the complaining party. They have already had a discussion with the landlord. They have been supplied with form statements for the tenants and form statements for the landlords, so that the work is cut down to a minimum so far as manpower usage is concerned.

It is almost a ready-made case which comes to the Enforcement Department. The amount of work is not a great amount of work at all. It is a matter of 2 or 3 or 4 hours of work as compared with probably 3 or 4 or 5 days, perhaps 10 days, of work, when the original case comes up.

In the whole enforcement, from coast to coast, we have brought enforcement action on somewhere between 1,400 and 1,800, sometimes up as high as 2,000 cases, a month. The number of cases which are referred—

Senator BUCK. Mr. Chairman, I don't want to be discourteous, but it is a pretty long answer to the simple question you asked him. If he cannot make a brief answer, let him submit it in writing and go on to something else. That would be my suggestion, Mr. Chairman.

Mr. WATT. I will cut it short. The point I was making is that that is approximately the number of cases which are referred by the area office after preliminary work. The point I wanted to make is that they are ready-made cases, the great bulk of cases which come to enforcement are that type of case, and for that reason we thought it was not unreasonable to expect that a quota of that sort could be set up.

Mr. SHERRARD. May I say something, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. SHERRARD. The figures you gave, Mr. Watt, of the number of cases you are now getting in connection with hotels being so much less, is only since you became in charge. The percentage was much higher than that before you took over.

Mr. WATT. I cannot speak for the people before me.

Mr. RYAN. Mr. Chairman, we do want to say this one word, that Mr. Watt has been extremely fair, reasonable, and straightforward with us. There are cases, however, when enforcement gets out of the hands of the Washington office and they cannot control the enforcement machinery—I think he will grant that is true—I could cite specific cases and specific hotels.

The CHAIRMAN. After conferring with the Senators on the committee, I was going to make the suggestion that instead of reading this long brief, why don't you have it printed as part of the testimony and I shall ask the OPA to give in each case an answer to the abuse you complain of.

Mr. RYAN. Senator, this is the third time our officers have traveled to Washington in the hope of having a brief hearing before your committee and they would be extremely grateful—it won't take over 10 minutes to finish, sir—and they would be extremely grateful if you would be that gracious.

The CHAIRMAN. Very well. Go right ahead.

Senator MITCHELL. We will ask the OPA to answer later, rather than take the time now—will that be satisfactory—so that we will have an answer? I think we should have the information from the OPA, but we can get that later, and it will save the time of the committee at this hearing.

The CHAIRMAN. You heard that, did you, Mr. Watt?

Mr. WATT. Yes. I will be glad to do that, Senator.

The CHAIRMAN. You may go ahead, Mr. Ryan.

RECKLESS, PREMATURE, AND INDISCRIMINATE PUBLICITY

Mr. RYAN. Frequently during the war hotel operators have learned from newspapers before any charge is laid at their door that they are accused of "rent gouging." This occurs without a hearing and without an attempt to iron out what difficulties there may be. Sometimes after hearing first news of the decision is the smear story in headlines, and it is a fair inference that the attorney frequently insists on the mention of his name.

The practice of moving in on an industry such as ours, gathering a few isolated violations, and blazoning the violators in the press as rent "gougers" is typical. I am speaking now of hotels. I could, and any attorney could, name other industries similarly victimized.

PENALTIES SHOULD BE WAIVED FOR CHARGING RATES SUBSEQUENTLY APPROVED

In our own office we have a case now pending where the registered rates for certain rooms were \$3.50 single, \$4.50 double, and \$7.50 for three persons. During the base period one of the rooms was rented to five servicemen for \$6; another to six Salvation Army men for \$7.50 and a third to four friends of the hotel for \$7, and the fourth to five enlisted servicemen for \$8.50.

The OPA now contends that these rates for more than three people must be used as the rates on the sale of these rooms to more than three persons. In other words, the rate for three persons on the first-mentioned room is \$7.50, whereas the rate for five is \$6. On the second-mentioned rooms, the rate for three is \$7.50, and for six is \$7.50. On the third mentioned room, \$7.50 for three and \$7 for four; and on the fourth room referred to, \$7.50 for three and \$8.50 for five.

Further illustrating, if we rent the first room to three, we can legally charge \$7.50, but if we put five in the room, the charge can be only \$6. It will be satisfactory to rent the second-mentioned room for occupancy by three for \$7.50, but if we put six in the room we could get only \$7.50. The same thing holds true for the other two rooms referred to.

That is a patchwork set of rates to which they were frozen. During the years they have been frozen to that patchwork set of rates it has caused many violations.

Now, let me say in fairness to the administrative section of OPA that they have devised a new formula which we both hope will meet that situation. But it has been extremely aggravating, if you had a room \$5 single and \$4 double.

The CHAIRMAN. Let me interrupt you a moment. Mr. Carson, there was some testimony this morning or this afternoon by Mr. Englar that we did not have an opportunity to ask you to answer. Would you mind looking over the testimony that was given today and answer that in behalf of the OPA?

Mr. CARSON. I would like to. Would you want me to appear before the committee, or just file a statement?

The CHAIRMAN. Yes; file a statement with the committee.

Mr. CARSON. I will be very glad to do that, Senator.

The CHAIRMAN. Mr. Ryan, if you don't mind, I have to do something else and I will let Senator Taylor take over the chair now.

Mr. SHERRARD. Before you go, Senator Wagner, there was one point raised here by Senator Mitchell that I would like to clear up. If you will turn to page 17 of the report of Horwath & Horwath you will note that the results of the studies of 100 hotels do not include real estate, personal property and franchise taxes, depreciation, interest, and of the payments required for amortization of indebtedness, or any other expenses connected with the capital investment except fire insurance on buildings and contents. Nor do the expenses deducted in this report include income and excess-profits taxes. You will find that right there.

Senator MITCHELL. Thank you very much.

Senator TAYLOR (presiding). You may continue, Mr. Ryan.

Mr. RYAN. Since the rates were established, we are asked to pay triple damages in the case of all charges exceeding the rates purportedly established by the occupancies referred to, notwithstanding the fact that we can charge the higher established rate where the occupancy is by a less number.

We believe that this injustice can be remedied by the adoption of that portion of H. R. 4177 (introduced by Congressman Kunkel of Pennsylvania) which amends section 205 (e) of the Price Control Act, concerning treble damage actions so as to provide [reading]:

* * * that the Administrator may not institute such action on behalf of the United States, or, if such action has been instituted, the Administrator shall withdraw the same, (i) if the violation arises from the selling of a commodity at a price or prices later permitted by action of the Administrator, to be charged; * * *

CUMULATIVE PENALTIES SHOULD BE ABOLISHED

Prior to July 1, 1944, a tenant or guest who was overcharged could sue for \$50 for each violation or overcharge. The harshness of this penalty was brought to the attention of this committee in the case of *Ward v. Bochin* (brought in the Supreme Court of New York in 1944) where for 31 weekly overcharges of 50 cents each, totaling \$15.50, the tenant sued for \$1,550. In order to prevent this injustice from recurring, the Stabilization Act of 1944 amended section 205 (e) of the Price Control Act so as to abolish these cumulative penalties. Today a tenant can sue for only \$50 or three times the total overcharges, whichever is greater.

However, one development has since occurred which is as unfair as the old law. Where the tenant has not brought suit within 30 days of the date of the violation, the OPA may institute suit for the same overcharges. In most instances in the case of hotels, the OPA has sued for treble the total alleged overcharges to all guests. Where a hotel has contested the justice of the claim, the OPA has resorted to the legal blackjack of filing suit for \$50 for each overcharge for each room. The pyramiding of these sums runs into fantastic figures. In one case in Texas suit was filed for \$37,000, but was ultimately settled for only \$750. This reveals either that the Government attorneys sold out their claim or else that the original suit for such amount was wholly unwarranted.

Accordingly, we respectfully urge this committee to recommend that section 205 (e) of the Price Control Act be amended as follows:

In subsection 2 of the section 205 (e) change the colon after the word "determine" to a comma and insert immediately thereafter the following language:

or (3) in an action instituted by the Administrator, such amount not more than three times the total overcharges, to all buyers of the defendant, upon which the action is based as the court may in its discretion determine.

At the end of section 205 (e) add the following:

Provided, however, That in an action instituted by the Administrator, a judgment in an action for damages under this section shall be a bar to the recovery under this section of any damages in any other action against the same seller on account of sales made to all buyers by said seller prior to the institution of the action in which such judgment was rendered.

In other words, we do not believe when Congress withdrew from the guest the ability to sue for \$50 for an overcharge of 50 cents that that bestowed an equivalent authority on OPA whereby they could sue for \$50.

DAMAGES FOR NONWILLFUL VIOLATIONS

Where the violations which occur are not willful, no sound reason exists for imposing penalties up to three times the overcharge. Furthermore, the burden of proof should be, where it belongs in all legal proceedings, on the plaintiff, be he the Administrator or a private

individual. Since criminality is not involved in these cases, it is not fair to impose an additional burden upon hotels or businessmen in general merely because some inexperienced clerk made an unwitting error.

Accordingly, we propose the adoption of that portion of H. R. 4177, referred to above, which amends section 205 (e) of the Price Control Act, concerning treble damage suits, so as to provide as follows [reading]:

* * * that the Administrator may not institute such action on behalf of the United States, or, if such action has been instituted, the Administrator shall withdraw the same * * * (v) if the violation did not occur in a deliberate effort to violate a regulation, order or price schedule of which the seller had knowledge or a reasonable opportunity to acquire knowledge * * *.

If that amendment does not meet favor with your committee, then we submit that, in the alternative, penalties above single damages be prohibited unless the Administrator proves that the violation was willful.

This can be accomplished by amending section 205 (e) of the Price Control Act, as follows:

In subsection 2 of section 205 (e) change the proviso clause to read as follows:

Provided, however, That such amount shall be the amount of the overcharge or overcharges unless the plaintiff proves that the violation of the regulation, order, or price schedule in question was willful.

PENALTIES SHOULD BE ABOLISHED FOR ONE WHO RELIES ON OPA ACTIONS

Mr. Frawley has pointed out the harshness of imposing penalties on hotels that, in good faith, have relied upon representatives of one department of OPA only to be subsequently prosecuted by another department of OPA. In many cases, hotels are taken over by new owners with the knowledge that OPA had not previously taken any enforcement action against the hotel after the lapse of 2, 3, or even 4 years. After the hotel changes hands, the new owner learns for the first time, through the medium of a suit by OPA, that the hotel is alleged to be in violation.

Accordingly, we urge the adoption of that portion of H. R. 4177 which amends the treble damage provisions of section 205 (e) of the Price Control Act as follows:

* * * The Administrator may not institute such action on behalf of the United States, or, if such action has been instituted, the Administrator shall withdraw the same, * * * (ii) if the violation arose because the person selling the commodity acted upon and in accordance with advice and instructions of the Administrator or any of his agents; (iii) if the violation arose by virtue of an interpretation of the regulation, order, or price schedule with which the seller was not provided until after the violation; (iv) if the violation is one which the Administrator or his agents could have discovered with the application of reasonable diligence; * * *.

May I say in passing that the president of the association, Mr. Frawley, who had hoped to be here and who was here last week, was himself the victim of this agreement by which he had been told by the Department three different times to do a certain thing in a certain way, and was sued for \$100,000 for having done it that way, and the thing is not yet settled.

THE INJUNCTIVE PROCESS SHOULD BE EQUALLY AVAILABLE TO
GOVERNMENT AND BUSINESS

Under the present law, the OPA can step in at any moment and seek an injunction to restrain any person from any alleged violation. In many cases, threats are made by the OPA and accusations of violations are aired in the press. It is only just and fair to spare the hotel owner or operator the uncertainty and anguish of standing by and waiting for the OPA to start a suit against him. The hotelman should be permitted in such case to come voluntarily into court as a plaintiff—not as a defendant—and seek an adjudication as to the justice of his position.

Accordingly, we recommend that the law be amended so as to enable any person, who is actually threatened with enforcement litigation by OPA and who believes that the charge is unfounded or unjust, to file a petition in the United States district court for the district in which his business is located, and obtain an adjudication in the form of a declaratory judgment on the merits of the controversy existing between him and the OPA.

Finally, and somewhat along the same line, we believe that any person affected thereby should have the right to challenge the validity of any regulation, order or price schedule issued by OPA affecting him, and obtain a speedy and reliable determination thereof. We believe this could be accomplished by the adoption of section 3 of House Joint Resolution 314, introduced by Congressman Hartley, of New Jersey, and I will give to your committee representative here the language of that section of Congressman Hartley's Act which would have met that situation.

Senator TAYLOR (presiding). Very well. That will be included in the record.

Mr. RYAN. The amendment is as follows:

Section 3 (a), section 203 of the Emergency Price Control Act of 1942, as amended, is amended to read as follows:

"SEC. 203. At any time after the issuance of any regulation or order under section 2, or in the case of a price schedule, at any time after the effective date thereof specified in section 206, any person subject to any provision of such regulation, order, or price schedule may file in the district court of the United States for the district in which he resides or maintains his principal place of business a petition praying that such regulation, order, or price schedule be enjoined or set aside in whole or in part. Upon such filing the court shall cause notice thereof to be served upon the Administrator, and thereupon shall have jurisdiction to grant such temporary relief or restraining order as it deems just and proper, and to make and enter a decree enjoining or setting aside in whole or in part the regulation, order, or price schedule, or dismissing the petition. The jurisdiction of the court shall be exclusive and its judgment and decree shall be final, except that the same shall be subject to review by the appropriate circuit court of appeals as in other cases, and the judgment and decree of such circuit court of appeals shall be final subject to review by the Supreme Court of the United States upon writ of certiorari or certification as provided in sections 239 and 240 of the Judicial Code, as amended (U. S. C., title 28, secs. 346 and 347)."

Mr. RYAN. We are grateful to you, sir, for this opportunity.

Senator TAYLOR. We are very sorry that you have come here previously, but the fact is that we had witnesses scheduled and each one would run over a little bit and pretty soon you would lose a day. That is how that happened.

Mr. RYAN. I wonder if we could not further answer the Senator's inquiry of a moment ago. I think maybe the choice of our language was unfortunate. We talked about our narrowing profit "margin."

What we mean is our narrowing profit "opportunity," because when we have to have today 82 percent occupancy to break even, and we cannot safely operate above 90 percent, there is a narrowing opportunity for profit which can be closed either by further increased costs or by declining occupancy, and then it is too late for decontrol to be of any value whatsoever.

The entire industry is threatened with that, through your new minimum-wage law or the adoption of the Wolcott amendment. Either of those could well put the entire industry in the red tomorrow.

Senator TAYLOR. Thank you, gentlemen.

Tomorrow we will convene at 10 a. m. and the first witness will be the Honorable Clinton Anderson, Secretary of Agriculture.

Also Hon. Robert S. Kerr, Governor of Oklahoma; Wesley Hardenburgh, president of the American Meat Institute and Mark W. Pickell, secretary of the Corn Belt Livestock Feeders Association.

Tomorrow afternoon at 2 o'clock, we will have Mr. A. A. Smith, vice president of the American Live Stock Association; Judge Joe G. Montague, of the Texas and Southwestern Cattle Raisers Association; and Wilbur LaRoe of the National Independent Meat Packers Association.

The committee will now recess until tomorrow morning at 10 o'clock.

(Whereupon, at 5:30 p. m. an adjournment was taken until 10 a. m. tomorrow, Wednesday, May 1, 1946.)

(The following was submitted for the record:)

STATEMENT REGARDING EXTENSION OF THE EMERGENCY PRICE CONTROL ACT
SUBMITTED BY C. W. KITCHEN, EXECUTIVE VICE PRESIDENT, UNITED FRESH
FRUIT AND VEGETABLE ASSOCIATION, APRIL 29, 1946

The United Fresh Fruit and Vegetable Association is a Nation-wide organization with headquarters in Washington, D. C., and a membership of more than 2,000 growers, grower-shippers, cooperative marketing associations, wholesalers, jobbers, brokers, and affiliated industries engaged in the production and marketing of fresh fruits and vegetables. These commodities constitute an important part of the Nation's food supply, having a farm value of more than \$2,000,000,000 annually. This industry is vitally concerned with the continuation of price control.

We favor and urge the adoption of paragraph (B) of section 1A, lines 6 to 15, inclusive, page 5, of H. R. 6042, providing that—

"When the production of any agricultural commodity for the past twelve months equals or exceeds the production of this commodity during the twelve months' period from July 1, 1940, to June 30, 1941, then such fact shall be certified to the Price Administrator by the Secretary of Agriculture, and such Price Administrator shall not later than ten days after the receipt of such certification remove all maximum price ceilings from such commodity and all commodities for human consumption derived principally therefrom."

We hold the foregoing provision to be essential to an orderly and progressive removal of price limitations upon perishable agricultural commodities, as it sets up a definite period of prewar production against which the future yearly volume of such commodities can be accurately and fairly gaged to determine whether the needs of domestic demand have been satisfied. We disfavor, however, the provisions of subparagraph (d) (1) and (d) (2) under the foregoing amendment, beginning with line 23, page 5, and ending with line 8, page 6, of H. R. 6042, reading as follows:

"(d) (1) After maximum price controls have been removed in accordance with subsection (b) in the case of any commodity or class of commodities, the President shall from time to time determine whether, by reason of changed conditions, there has arisen an unsatisfied domestic demand for such commodity or class of commodities. Whenever the President determines that such demand has risen and has remained unsatisfied for a period of more than sixty days, and, in his judgment, there is no immediate prospect of such demand being satisfied, he shall forthwith certify that fact in writing to the Price Administrator.

"(2) When the Price Administrator has received from the President a certification in writing under this subsection with respect to a particular commodity or class of commodities, the Price Administrator may reestablish with respect to such commodity or class of commodities, such maximum price or maximum prices, consistent with the applicable provisions of law, as in his judgment may be necessary to effectuate the purposes of this Act."

We respectfully submit that the above provisions are too indefinite for practical application to any single commodity or any class of related commodities in an industry subject to such violent and unpredictable fluctuations in supply as is the case with fresh fruits and vegetables. This provision appears to be merely a declaration of policy. It is not a formula or guide to be followed by the administrative authorities, because it makes not attempt to define demand or at what price level demand could be considered as satisfied.

If the foregoing provisions are retained in the Emergency Price Control Extension Act, we believe that the act should provide a definite standard whereby the President, the Price Administrator, and the Secretary of Agriculture may determine whether domestic demand has been satisfied; and, if domestic demand appears not to have been satisfied, the extent and probable duration of such inadequate supply. As presently written, H. R. 6042 needs clarification and definition on this point.

The fresh fruit and vegetable industry is highly competitive. It is made up primarily of comparatively small business units. This is evidenced by the fact that the U. S. Department of Agriculture has in effect approximately 21,000 licenses under the Perishable Agricultural Commodities Act, a law which requires that all commission merchants, dealers (except retailers), and brokers engaged in the marketing of fresh fruits and vegetables in interstate commerce shall be licensed by the Secretary of Agriculture.

Effective and equitable control of fresh fruit and vegetable prices at all levels of distribution is complicated and difficult. There are sharp distinctions between them and staple foods or manufactured products. They are highly perishable. Only a few, such as late potatoes, pears, and apples, can be stored in quantity for any length of time. In most instances, storage is possible for short periods only. All must be disposed of within a definite marketing season. They must be sold at market prices. There can be no carry-over from one season to another. Fresh fruit and vegetable prices are, therefore, subject wholly to the influence of supply and demand.

The imposition of price controls on such highly perishable commodities, despite the best intentions and efforts of the Office of Price Administration working under severe handicaps, disrupts long-established practices in this fast-moving business. It has interfered with the marketing of these products on the basis of grades. Unavoidably complicated regulations, often difficult to understand even by expert analysts; reasonable price changes to conform with historical patterns; seasonal adjustments for storage allowances and shrinkage; threatened roll-backs of both prices and margins; requests for complicated cost data; suspension for short periods with reinstatement on little or no notice; delays in the announcement of new ceilings until after marketings have begun; long and expensive conferences over the necessity for equitable allowances for increased labor and other costs; and the constant fear of prosecution—these are a continuing source of confusion and uncertainty in this industry.

Many feel that price control, especially at the retail level, tends to operate as a magnet and causes retail prices to respond less rapidly to increased supplies. The Office of Price Administration's inability strictly to enforce its regulations encourages the unscrupulous and places the law-abiding merchant at a serious disadvantage.

Notwithstanding these difficulties, the United Fresh Fruit and Vegetable Association has cooperated with the Office of Price Administration, believing that any inconvenience or hardship in the public interest should be borne if it would help win the war. Many of its members have served on industry advisory committees and several as special consultants to the Office of Price Administration.

We believe the situation has now entered a new phase and that price control of fresh fruits and vegetables should be removed as rapidly as possible, and in accordance with a definite formula, such as has been incorporated in paragraph B, section 1A of H. R. 6042. During the war, fresh fruit production increased about

7 percent, vegetable production nearly 37 percent. Consumption also increased, and we earnestly hope it will continue at a level substantially higher than prewar. The fresh fruit and vegetable industry's reconversion problem, as we see it, is to press for consumption substantially above prewar. Otherwise, it will be forced to adjust production downward to a lessened demand and at prices which will enable producers to produce. Some of our important fruits relied heavily upon export markets before the war. Prospects for an immediate revival of the export trade are not promising.

The situation confronting this industry was brought out in recent hearings on the agricultural appropriations bill before the House Committee on Appropriations. A statement was inserted in the record showing that it might be necessary for the Department to use nearly \$42,000,000 of section 32 funds in price support operations during the fiscal year 1947. This would be in addition to such expenditures as might be necessary from Commodity Credit Corporation funds to carry out its obligation to support white-potato and sweet-potato prices under the Steagall amendment.

It was stated that there had been a rapid increase in the production of both deciduous and citrus fruits, and that the Government might be called upon for extensive price-support operations. With respect to vegetables, the statement pointed out that there might be a reduction in demand for fresh commodities, owing to the greater availability of processed products, although it is doubtful that there will be a corresponding reduction in production. *Even during the war years, the Department of Agriculture has spent substantial sums on price-support programs for fresh fruits and vegetables.

Government buying for military needs has been greatly reduced. Thus, continuation of high wartime production, without assurance of the continuation of abnormal wartime demand, is likely to result in many periods of below-cost markets for producers. The natural offset is that producers be permitted to avail themselves of prices higher than present ceiling levels, when they occasionally occur for short periods due to low yields or to transportation and container shortages. Such conditions need not be damaging to consumers as the long list of commercial fresh fruits and vegetables will provide cheaper substitutes for temporarily higher-priced items. Moreover, farm and packaging charges have risen and this requires an increase in present ceilings in line with the Government's announced wage-price policy.

In 1944 the Congress included in the Emergency Price Control Act, the so-called crop-disaster provision under which the Price Administrator is required to increase the shipping-point ceiling on any fresh fruit or vegetable whose supply is substantially reduced by unfavorably weather or other causes. The purpose of this provision was to assure adequate financial returns to producers by recognizing the industry's unusual hazards. We believe this provision should be retained in future price control legislation. Crop disasters also reduce the volume available to distributors and, therefore, when shipping-point ceilings are increased under this provision distributive margins should also be increased proportionately.

An additional amendment was adopted in 1944, requiring the Price Administrator to give growers of annual crops at least 15 days' notice of his intention to establish or lower shipping-point ceilings. We recommend the retention of this provision but urge also that similar notice to the distributive trade be made mandatory with respect to new ceiling prices, lowered ceiling prices, or the reinstatement of suspended ceilings. As such commodities are in transit an average of 15 days, we recommend that 15 days notice be given distributors as well as producers.

Brokers perform an important function in marketing fresh fruits and vegetables. Despite increased operating costs, many resulting from congressional action such as taxes on communications and transportation, brokerage fees were frozen by RMPR-165 to the amount received on a certain date in 1942. We recommend that, when ceilings are suspended or removed, they also be suspended or removed with respect to brokerage fees. In this connection, we ask that brokerage be considered an "aid and means to distribution," not merely a service occupation. The Price Control Act prohibits the Price Administrator from interfering with aids and means to distribution. Consequently, we request the Congress to strengthen this provision by specifying that, when ceiling prices are not in effect

with respect to any fresh fruit and vegetable, the regulation of brokerage charges also be inoperative for such commodity.

The United Fresh Fruit and Vegetable Association is closely affiliated and cooperates with several regional, commodity, and local groups. Some agree with the recommendations made herein. Others favor complete removal of price controls from fresh fruits and vegetables. Consequently, we request that the record of this hearing show the views of the groups named below and that their views receive the committee's careful consideration.

Western Growers Association, Los Angeles, Calif., representing producers of 90 to 95 percent of all commercially grown vegetables shipped from California and Arizona, totaling approximately 150,000 carloads yearly, by resolution of its board of directors, February 15, 1946, requests that "such price ceilings as remain on fresh fruits and vegetables be removed at the earliest date possible and that no extension of the present pricing act be passed."

Florida Vegetable Committee, Orlando, Fla., in a resolution by its board of directors, recommends that "the Office of Price Administration be urged to remove immediately price ceilings from perishable fruits and vegetables, so that the law of supply and demand may restore normal relationships between the producer and consumer prices, for the benefit of each."

Kern County Potato Growers Association, Bakersfield, Calif., recommends against a continuation of the Emergency Price Control Act of 1942.

KANSAS LIVESTOCK ASSOCIATION,
Topeka, Kans., April 25, 1946.

Senator ARTHUR CAPPER,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR: Confirming our telephone conversation a few moments ago I am, herewith, transmitting to you on behalf of the Kansas Livestock Association our stand on the problem of OPA regulations, subsidies, controls, etc. Briefly we favor the bill as passed by the House last week and urge that the Senate embody in their bill the same provisions, and especially the amendments introduced by Representative Gossett, of Wichita Falls, Tex., and the Flannagan amendment which struck from the House bill the provision for appropriating \$715,000,000 for meat subsidies.

The Gossett amendment is as follows:

"(4) (a) In the case of agricultural commodities the Secretary of Agriculture is hereby authorized and directed to make a determination as to whether supply of the commodity is equal to the domestic consumption of such commodity. When such supply is equal to the domestic consumption, he shall forthwith certify such determination to the Administrator. The Administrator shall within ten days thereafter remove all price ceilings with respect to such commodity.

"(b) When the production of any agricultural commodity for the past twelve months equals or exceeds the production of this commodity during the twelve months period from July 1, 1940, to June 30, 1941, then such fact shall be certified to the Price Administrator by the Secretary of Agriculture, and such Price Administrator shall not later than ten days after the receipt of such certification remove all maximum price ceilings from such commodity and all commodities for human consumption derived principally therefrom."

The Flannagan amendment includes: "*Provided further*, That no funds heretofore or hereafter appropriated to, borrowed under congressional authorization by, or in custody or control of any governmental agency including Government-owned or controlled corporations, shall be used after June 30, 1946, to continue any existing program or to institute any new program for the payment of subsidies on livestock or meat derived from livestock or for the purchase of such commodities for resale at a loss, thereby subsidizing directly or indirectly the production, sale, or distribution of such commodities, except that nothing contained herein shall prevent the payment of obligations created under existing program which accrued prior to June 30, 1946: *And provided further*, That in order to prevent the reduction of livestock prices upon elimination of such livestock and meat subsidy payments, the Administrator shall make corresponding increases in

maximum prices of livestock, meat and meat products, to the extent necessary to compensate for the removal of such subsidies."

You, of course, have the resolutions passed by our association at its annual meeting in Wichita in March of this year which included: "Therefore be it

Resolved, That we urge that price control and subsidy programs on livestock and meats be allowed to expire on June 30, 1946.

"III. Whereas there recently has been renewed propaganda for the removal of our sanitary embargo and the admission of beef from countries where foot and mouth disease exists, and whereas repeated outbreaks of that disease in England during the war directly traceable to South American beef clearly show that such imports cannot be safely accepted."

You will have the full and enthusiastic support of our association in your efforts to see that these provisions are included in the Senate bill and that we would like to be through with OPA as quickly as possible.

Sincerely yours,

WILL J. MILLER, *Executive Secretary*.

(The following was later submitted for the record:)

COMMENTS ON TESTIMONY OF MESSRS. HARVEY W. MOORE AND C. T. MURCHISON BEFORE THE SENATE BANKING AND CUR- RENCY COMMITTEE APRIL 30, 1946

Representatives of the cotton-textile industry again on April 30 raised with your committee a number of complaints with respect to OPA pricing of cotton textiles. Many of these charges have been made before on numerous occasions, and detailed refutations have been filed with your committee and elsewhere. However, like many others, some of these people apparently feel that if a charge is merely repeated enough times it will eventually be believed.

I should like again to analyze in detail the cotton-textile situation. Before taking up the details, however, I should like to point out that, as usual, the sentiments expressed by the spokesmen you heard are not the universal sentiments of those in the trade. There are many who do not believe that prices were an appreciably contributing factor to the decline of production, who think our present prices are reasonable, and who have the same concern that we do that rising prices of cotton and cotton textiles are seriously threatening the long-run position of the industry, both by encouraging competitive fibers and by laying the foundation for an eventual disastrous collapse of values. The opinion of many neutral observers supports our belief that the new schedule of prices issued on March 8 is indeed fair, and unless raw cotton prices continue to advance, that it will promote the maximum possible increase in production.

The charges made by Messrs. Moore and Murchison are essentially the following:

1. Price control contributed heavily to the decline in cotton-textile production that began in 1942 and continued through the third quarter of 1945, and is today preventing a much-needed expansion of production.
2. Price control has particularly discouraged the production of low-end and staple fabrics, in favor of higher-priced, less-essential goods.
3. Administrative delays and difficulties have further contributed to a distortion of production and distribution.

Although there are other incidental charges, these are the principal ones, and OPA's record on cotton textiles must stand or fall on these points.

I. PRICES AND PRODUCTION

What of the charge that OPA has curtailed cotton textile output?

First, let us look at the production record, which is, indeed, not a pleasant one.

Table I shows the record of textile production and cotton consumption by quarters since 1941, as compared with prewar.

TABLE I.—Cotton textile production and cotton consumption, 1939-46

Period	Production of cotton broad-woven fabrics		Production of cotton sales yarn		Cotton consumption	
	Millions of linear yards	Index, 1939=100	Millions of pounds	Index, 1939=100	Thousands of bales	Index, 1939=100
Quarterly average, 1939.....	2,105	100.0	138.1	100.0	1,843	100.0
1941—First quarter.....	2,493	118.1	138.1	100.0	2,493	135.3
Second quarter.....	2,620	124.5	207.8	150.5	2,721	147.6
Third quarter.....	2,680	127.3	207.8	150.5	2,680	145.4
Fourth quarter.....	2,693	128.0	207.8	150.5	2,693	146.1
1942—First quarter.....	2,792	132.6	271.0	196.2	2,807	152.3
Second quarter.....	2,856	135.7	271.0	196.2	2,926	158.8
Third quarter.....	2,767	131.4	271.0	196.2	2,879	156.2
Fourth quarter.....	2,722	129.3	271.0	196.2	2,822	153.1
1943—First quarter.....	2,839	134.9	279.1	202.1	2,794	151.6
Second quarter.....	2,724	129.4	264.5	191.5	2,759	149.7
Third quarter.....	2,503	118.9	234.4	169.7	2,555	138.6
Fourth quarter.....	2,524	119.9	223.6	161.9	2,557	138.7
1944—First quarter.....	2,528	120.1	225.3	163.1	2,533	137.4
Second quarter.....	2,418	114.9	212.2	153.7	2,415	131.0
Third quarter.....	2,294	109.0	209.5	151.7	2,355	127.8
Fourth quarter.....	2,316	110.0	219.5	158.9	2,391	129.7
1945—First quarter.....	2,361	112.2	224.5	162.6	2,490	135.1
Second quarter.....	2,259	107.3	215.3	155.9	2,387	129.5
Third quarter.....	1,997	94.9	193.5	140.1	2,114	114.7
Fourth quarter.....	2,085	99.0	196.3	142.1	2,155	116.9
1946—First quarter ¹	2,270	107.8	208.9	151.3	2,362	128.2
Second quarter.....	2,400	114.0	208.9	151.3	2,362	128.2

¹ Preliminary estimate.

Analysis of table I indicates a peak of productive activity in the second quarter of 1942, an almost uninterrupted decline from then through the third quarter of 1945, and a modest recovery since then. The sharpest rates of decline occurred between the second and third quarters of 1943 and 1945. By any measure, production is ahead of 1939, and is rapidly approaching 1941 levels (in the case of sales yarn exceeds 1941).

The crucial question at issue is the cause of the sharp decline in production from 1942 through 1945 and the inadequate increase in production since the third quarter of 1945. The spokesmen for the industry again point the finger at OPA and say that the primary cause for the decline in production has been the pricing policies of the agency.

A. EXTENT OF PRICE INCREASES

In assessing this charge, notice should first be taken of the extent and character of the price increases which have occurred in cotton textiles since the outbreak of war in Europe. The price index for cotton goods at the wholesale level, compiled by the Bureau of Labor Statistics, shows the following:

	Price index		Price index
August 1939.....	100.0	June 1942.....	172.1
January 1941.....	115.7	June 1944.....	173.9
June 1941 (date of first cotton textile ceilings).....	144.4	June 1945.....	182.7
January 1942.....	168.7	January 1946.....	191.8
		March 1946.....	202.9

A further increase, averaging over 10 percent, was given in March 1946 and the results are only partially reflected in the March figure shown above.

A price index covering 17 staple constructions compiled by the United States Department of Agriculture shows a somewhat greater total increase. The figure for March 1946 is 225.4 percent of the prices prevailing in August 1939, immediately prior to the outbreak of war in Europe. The March figure again may not fully reflect the increases which were made effective in that month.

From the above data two things are clear. First, that prior to the imposition of the first price controls on cotton textiles there had already been a sharp rise in prices; second, that during the period of price control further substantial price increases have been granted to an extent not equalled in the case of most other commodities under price control.

B. MILL MARGINS

Of course, it is impossible to evaluate the situation of an industry merely by observing the extent of the price increases which it has received. The real test of the adequacy of ceiling prices must be in terms of relationship of the prices to costs. As both Mr. Moore and Dr. Murchison point out, the principal element in cost for the cotton textile industry is the price of raw cotton. The United States Department of Agriculture has for many years published a series showing the "mill margin" between the price of raw cotton and the prices of 17 staple constructions manufactured from raw cotton. This series shows very clearly the large increase in mill margin occurred prior to price control and which was, incidentally, one of the reasons why cotton textiles were among the first commodities to be subjected to price controls in the summer of 1941.¹ In June 1941

	Cents per pound		Cents per pound
August 1939.....	11.42	June 1942.....	21.82
January 1941.....	14.94	June 1944.....	19.28
June 1941.....	21.84	April 1946.....	23.09

when textile ceilings were first imposed, mill margins were nearly 60 percent above the average of the preceding 5 years, 1936-40, and were almost double what they had been in August 1939, when war broke out in Europe. It is obvious that this increase in margin was sufficiently great that a large part of the subsequent increase in costs could be absorbed from the abnormal margins initially established. It is consequently extremely misleading for spokesmen for the cotton textile industry to compare the price increases which cotton textiles have had under price control with the increases in unit costs which have occurred over the same period.

C. NET EARNINGS

Even more significant than margin over material cost is the margin over total cost which is earned by the producers of cotton textiles. Table II shows the overall operating results of the cotton textile industry. It will be noted from the Table that cotton textile earnings reached their peak in 1942 when the companies earned a return of 32 percent on net worth. Since that time earnings have been declining but are still many times in excess of pre-war averages.

TABLE III.—*Net sales, profits before taxes, and net worth in the cotton-textile industry, 1936-39 through 1944*

	Net sales	Profits before taxes	Net worth	Ratio of profits to—		Index of profits
				Net sales	Net worth	
BIR data:				<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
1936 to 1939.....	1,006	\$128	\$765	2.7	3.8	100
1940.....	1,258	72	873	5.6	8.2	257
1941.....	1,966	213	40	10.8	22.6	761
1942.....	2,851	378	1,180	13.2	32.0	1,350
1943.....	2,936	326	1,230	11.1	26.5	1,164
1944 ¹	2,866	317	1,353	11.1	23.4	1,132
45 companies:						
1944.....	289.7	29.7	-----	10.3	-----	100
1945.....	309.1	33.4	-----	10.8	-----	113

¹ Estimated from sample of 199 companies.

Source: Basic data, Bureau of Internal Revenue and Office of Price Administration.

Based on the over-all earnings results of the cotton-textile industry, it seems impossible to conclude that price control has been so restrictive as to eliminate the necessary incentive for the producers to turn out the maximum supply of goods. Cotton-textile earnings have indeed been declining since 1942 (although the small samples of companies for which 1945 data are available appears to show slight increase in 1945 over 1944) but earnings could well decline from the 1942 level and still leave plenty of inducement for production.

The spokesmen for the cotton-textile industry reiterate their claim that OPA cannot properly compare current textile earnings with those of the period 1936

¹ Mill margins on significant dates:

to 1939. It is alleged that this was an unusually depressed period. Actually, the industry is so far above the 1936-39 earnings level that the question seems rather academic. OPA has, however, made a careful analysis of the appropriateness of the 1936-39 base period for the cotton-textile industry. This analysis shows among other things that the 1936-39 base period was the best 4-year period for the cotton-textile industry since the early twenties. It shows, likewise, that the 1936-39 period was one during which, after a long period of disinvestment, the industry was again holding its own and investment increasing slightly. It shows further that the return on net worth of the cotton-textile industry in 1936-39 was not out of line with the returns shown by many other established industries dealing in basic staple products.

Representatives of the cotton-textile industry do not deny that cotton-textile earnings under price control have been satisfactory. The apology, however, is made that these earnings do not arise from production but instead come from side-line operations, such as finishing of goods, speculative profit on cotton inventories, plus some earnings from operations using rayon, silk, wool, or other fibers. Of course, it would be very difficult to find a sample of companies which was engaged exclusively in the weaving of cotton grey goods. Most cotton mills today also finish or convert their goods, and a great many have some operations in rayon or wool. Information collected in 1944 on the operations of 199 leading cotton-textile firms, however, showed that less than 12 percent of their overall earnings came from products containing wool, rayon, or other fibers, and that the return on sales for cotton textiles sold in the grey was 11.9 percent on sales as compared with a 12.1 percent return on sales for total operations. In other words, production of cotton grey goods has been for all practical purposes as profitable as the side lines in which the companies have been engaged. Try as they will to apologize for the earnings, the fact is indisputable that under price control the cotton-textile industry has earned at a rate far beyond its previous most optimistic expectations.

This fact is reflected not only in OPA profits statistics; it is reflected in the prices for the securities for cotton of cotton-textile firms, which have increased to several times their prewar levels. It is reflected in the selling price of mills, which now change hands at a valuation per spindle two and three times the prewar valuation.

D. MANPOWER THE CAUSE OF DECLINING PRODUCTION

If the cause for the decline in production has not been OPA's tight ceiling prices, what then is the explanation? It seems abundantly clear that the explanation lies in the decline in manpower available to the cotton-textile industry. This decline in manpower has occurred primarily because, in a shortage labor market, workers leave low-paying industries and move into industries where wages are higher. The number of wage earners in the cotton-textile industry declined from 510,000 in a peak month of 1942 to a low of less than 400,000 in November 1945. The figure for February 1946 is 438,000, showing a substantial increase since the low level of last fall.

Spokesmen for the cotton-textile industry admit that there has been a heavy loss in manpower and that production is now increasing concurrently with the return of workers to the mills. But it is argued the manpower figures are the result, not the cause. The cause is inadequate profits, which give the mills no incentive to use fully the labor supply which is available, or to make necessary efforts to increase the labor supply (presumably by programs of recruitment and training, supplying of transportation to outlying regions, etc.). The analysis above of the profits data should certainly indicate clearly enough that there has been at all times an adequate incentive for mills to use the maximum amount of manpower that is available. Production dropped off in the latter half of 1942 despite the fact that profits were at an all-time peak. Production dropped off because workers preferred to take jobs in munitions plants and shipyards at a dollar an hour instead of working in the textile mills at 50 cents. Mr. Moore states that the reason production dropped off beginning in May 1942 was the fact that the "escalator" provision was abandoned in May 1942. (Between September 1941 and May 1942 textile prices had increased automatically with every increase in the price of new cotton.) The absurdity of Mr. Moore's statement is revealed by the fact that the price of raw cotton actually declined rather than continued to rise after May 1942, and it was not until 1943 that the price of raw cotton again reached the level which it had hit in May 1942. It is statements of this sort that reveal pretty clearly the objectivity of OPA's critics!

The spokesmen for the industry also claim that production dropped off because it became less and less profitable for the mills to use the workers that were avail-

able in overtime operations, involving pay at the rate of time and one-half. Data on the average number of hours worked per worker per week in the cotton-textile industry show the inaccuracy of this claim. The average number of hours worked per week in the cotton-textile industry in 1942 was 40.8; in 1943 it had increased to 41.5; in 1944 to 42.0; and in the first quarter of 1945 to 42.5. It stood at 42.0 in June of 1945. The average number of hours worked per week increased from 1942 through June 1945 despite the fact that during this entire period both production and profits were declining. In other words, if profits in 1945 were so low as not to permit of the use of overtime labor, then why had average hours worked per week increased steadily since 1942? Actually, the figures show that the mills were attempting to offset the loss of workers by increased utilization of overtime operations. The figure of average hours worked in August of 1945 is also very revealing. From 42.0 hours in June it dropped to 38.3 in August. The reason was not that OPA suddenly tightened its controls in August 1945 and made overtime operations unprofitable. As a matter of fact, OPA announced in June 1945 that a general price increase would be authorized, and permitted adjustable pricing so that the results of the later price increase could be collected retroactively. Rather, the simple reason was that with the end of the war workers no longer wanted to work overtime; and it has remained difficult to obtain labor for overtime operations.

E. NO APPLICANTS FOR INDIVIDUAL RELIEF

Despite the fact that it has clearly not been ceiling prices that has prevented a production of cotton textiles adequate to meet consumer needs, OPA has leaned over backward to avoid any chance that prices might, even in rare cases, interfere with the production. In March of this year OPA issued an individual adjustment provision for textile mills which is as generous as any individual adjustment provision that we have, and far more generous than most. It permits any textile mill which is not earning at least as great a return on its investment as it did in the period 1936-39 to receive individual price relief to an extent which will allow it to earn its own base-period percentage of profits to net worth, but in no case less than 3 percent nor greater than 6 percent on net worth. So far, in the 2 months that this provision has been in effect, we have received not a single application from a mill primarily engaged in cotton-textile production.

II. HAS OPA DISCRIMINATED AGAINST STAPLE PRODUCTS?

The second principal charge made by the spokesman for the industry is that OPA prices have badly discouraged the production of low-end staple fabrics.

It is a matter of common knowledge that the lower-priced, staple fabrics have always had closer margins than the higher-priced, fancier goods. It is likewise true that price control has tended to preserve this differential in margin. The staple items are normally produced by a larger number of mills, under mass-production methods, with little risk of styling or seasonality, and under somewhat more keenly competitive conditions than has been the case for the specialty goods. OPA has given serious consideration to the possibility of equalizing to some extent the margins enjoyed by the staple and fancier fabrics. On a number of occasions OPA has tried to achieve some equalization but on every occasion has met with overwhelming resistance from the industry. Any move to "fatten up" the margins on the staple items is satisfactory to the industry only if and to the extent that the agency is willing to increase equally the prices and margins of the nonstaple goods.

A very interesting side light on this problem is the story of the circumstances which surrounded the development of the so-called "net worth formula", which was developed to apply the standards of the Bankhead-Brown amendment. The formula has been bitterly criticized for its complexity. Actually, its complexity resulted solely from industry insistence.

The problem arose from the fact that the producers of any major item of cotton textiles also produce other items. It was clear that the purpose of the Bankhead-Brown amendment was that each major item must be priced at a level which would cover the cost of cotton at parity plus all current conversion costs plus a reasonable profit. No standard that we know of exists for determining a reasonable profit other than the previous profit enjoyed on the type of production involved. The first application of the Bankhead amendment (except for some temporary "interim" adjustments given in the summer of 1944) was in the pricing of the major item of towels. It so happens that the producers of towels had in the base period (1936-39) a percentage of profits to net worth of 8.42 percent. Applying

this percentage to current net worth would have given a profit equal to 5.8 percent on current sales. It was proposed that this percentage of profit on sales be allowed on the major item of towels. However, the towel producers pointed out that in the 1936-39 period they had earned 13.13 percent profit on sales of towels and only 3.30 percent profit on sales of their other items. The group demanded that some formula be developed which would preserve this "normal" relationship. This is precisely what the net worth formula does. The towel producers insisted that the "reasonable profit" interpretation of the Bankhead amendment clearly meant a profit in relationship to normal profits, major item by major item.

The same sort of difficulty has arisen at every stage in which OPA has attempted to readjust price differentials in favor of the narrow-margin staple items. It was illustrated again when in the fall and winter of 1945 a concerted and eventually successful campaign was made by the textile producers to obtain price adjustments on the cotton fabrics which were not major items of cotton textiles. These goods with few exceptions were specialty items which normally carried higher margins than the goods which comprised the major items. Almost every producer had one or two of these specialties, and the pressure was ultimately such that OPA was forced to permit price adjustments on the minor items in an amount equivalent to the percentages originally given to the major items. This again preserved the higher margin on specialty items.

A still further example of this insistence by the industry that staple items not be increased at the expense of specialties has occurred in the case of the 5-percent incentive premium given on March 8, 1946, to a large group of basic staple fabrics. Since the announcement of this plan there has been a most insistent pressure by producers of almost all other items to be permitted to avail themselves of the same 5-percent differential designed to encourage diversion of production to the staple fabrics.

Although the above is not intended as a defense of an alleged failure by OPA to give proper encouragement to production of the lower priced staple items, it certainly indicates that the industry acts with poor grace when it complains of OPA "discrimination" against lower priced staple items.

As a matter of fact, OPA has from the very beginning taken the position, which we still believe is correct, that it is physically impossible for OPA, by price differentials, to shift production from one group of fabrics to another. The field of cotton textiles embraces many thousands of individual constructions and styles of fabric, even in the field of basic grey goods, before finishing is applied. The physical job alone would be prohibitive of attempting to discover what are the relative margins of profit on each individual construction or even on groups of constructions, and of altering these margins up and down in the face of constantly changing costs, and in the face of constantly changing requirements, in order to achieve the proper production balance. From the very beginning of price control, therefore, OPA took the position, which I believe was supported by most in the industry, that the only way to achieve a proper production balance was through direct controls by the appropriate production agency. Consequently, all during the war the War Production Board (primarily through its order L-99) controlled the assignment of looms to the production of the fabrics needed for the war program and for civilian use. Its controls were subject to many changes as changing military and civilian needs dictated. This means was an appropriate and effective instrument for doing the necessary job. Unfortunately, with the end of the war these direct controls were greatly relaxed, and, almost equally important, violations of them became widespread. As a result, many mills tended to abandon their basic staple production and to move into fancy goods in order to make a quick killing while the market for everything was at its peak. On March 8 the loom controls of the Civilian Production Administration were restored to practically their wartime vigor. Simultaneously, OPA gave an additional 5-percent incentive premium, over and above a level of prices which was generally fair and equitable, for the basic staple constructions particularly singled out under the CPA controls. We believe that this combination of direct controls and price incentive represents the best that any emergency agencies could do to secure an adequate balance of production on the staple fabrics.

III. ADMINISTRATIVE DELAYS AND WITHHOLDING OF PRODUCTION

The third major charge of the industry spokesman is that OPA's administrative delays in taking actions which were clearly called for has caused the withholding of goods and thereby has intensified maldistribution and shortages.

OPA recognizes, as anyone must, that no Government agency can act with the speed of a private organization. Its responsibilities are to the public and to all of the industries that it controls. One of these responsibilities is that it act without discrimination and with due regard for the individual circumstances of each group appearing before it. Consequently it cannot guess; it must act on the basis of facts. Each action must be justified and supported by evidence which is a matter of record. Under these circumstances it is obviously impossible to make decisions overnight in matters as complex as those involved in price control. OPA has learned by bitter experience that it cannot rely upon submitted cost information or claims made by producers. For example, Mr. Moore states in his testimony that "the actual authentic record showed a justification of an increase from 53 cents per pound to 62 cents per pound" (referring to the March 8, 1946, increase in the price of print cloth). I have no knowledge of what "actual authentic record" Mr. Moore refers to. OPA must rely upon facts, and these facts take time to collect and evaluate.

On each occasion prior to the last occasion on which a general revision of cotton-textile prices has occurred, OPA has granted adjustable pricing during the period between the date on which it became established that a general increase was likely, and the time that the necessary data could be assembled and evaluated and new prices issued. Under this system, the mills were allowed to collect the previously existing ceiling price, reserving the right to come back later and collect any additional amount that OPA later authorized. In other words, the price increases were in effect made retroactive to the date on which it first was judged likely that a price increase would be required. The purpose of this provision was to avoid the withholding of goods in this interim period that the industry spokesmen describe. In the case of the relatively staple goods produced by the cotton-textile industry and in this unquestionably sellers' market, the mills have shown no hesitancy whatever to withhold goods for relatively extended periods if there was even a hope that at any later date a higher price might be permitted. The purpose of adjustable pricing was to assure the mills that they would not receive a higher price by withholding.

Unfortunately our experience with adjustable pricing was not happy. Although mills were thereby able to move their goods along to cutters, wholesalers, and retailers, these groups, not knowing their costs, were frequently unable to determine resale prices. In other cases, it was clear that higher costs would entitle them under OPA standards to price relief on their own sales. Consequently, it became necessary to give adjustable pricing as well as converting apparel manufacturing, and wholesale levels.

However, it is not possible for obvious reasons to give adjustable pricing to retailers. Consequently, the end result of the adjustable pricing was to move the goods in some cases as far as the retail level, but not into the hands of customers. Furthermore, when, later, groups at each level began attempting to collect additional amounts due to them, confusion, further delay, and frequent inequities occurred. After vigorous protest from the wholesalers and retailers, OPA agreed that it would no longer continue the practice of adjustable pricing except in cases of extreme emergency.

Consequently, when, early in 1946, the cotton-textile producers again requested a further general increase in cotton-textile prices, the agency denied the request for adjustable pricing while it was considering the matter. Instead we determined upon our course of action and bent every effort to complete the price revision at the earliest possible date. The new price schedule (which involves changes in thousands of individual prices) would have been issued long before March 8. It was delayed, however, because the industry committees objected strenuously to the basis upon which the new prices were being calculated and insisted upon further discussion of the basis. After completion of these discussions, OPA finally agreed upon a somewhat more liberal basis of pricing and all of the prices previously calculated had to be recalculated. As it was, the new prices were made effective on March 8, 1946, for almost the entire range of cotton textiles. This represented what we believe was a rather remarkable achievement in repricing nearly \$3,000,000,000 worth of goods in an extremely short period.

We know that during February and the first week in March many mills withheld shipments waiting for the price increase that they knew was coming. This situation was not a pleasant one, either for OPA or for the mills' customers. We do not see how it could have been avoided or can again be avoided if another general price revision is necessary. Adjustable pricing is not the answer, and we are certainly sure that acting by hunch or merely accepting the industry's recommen-

dations as to the amount of price increase they would like is not the answer. We believe there is only one answer, and that is for the mills to continue to ship goods during any period in which the question of further price increase is under discussion. There are some mills who have done this, but others, greedy for the maximum possible penny of profit have been willing in some cases to let their customers close their plants, and to let their customers' workers be unemployed while they wait a few weeks for a further price increase. Then they blame OPA for the resulting confusion.

IV. THE PROBLEM OF UNCONTROLLED RAW COTTON

Behind the whole problem of cotton-textile pricing and responsible for most of the controversies, delays, and disagreements, lies one principal difficulty. That difficulty has been the rising price of raw cotton. The price of cotton has increased 3.16 times since the outbreak of war in Europe in 1939. It has increased 20 percent since October 1945. Every further 1-cent increase multiplies our problem and the problems of the industry. We believe that in this period it is essential that rigid price control be maintained over the essential cost-of-living items of apparel. This control cannot be maintained if the price of cotton textiles continues to rise, and the price of cotton textiles will continue to rise so long as the price of raw cotton continues to advance.

Figures showing that only about 12 percent of the consumer's dollar spent on cotton apparel actually goes to the farmer as the price of his cotton are misleading and dangerous. The other 88 percent is not profit. It includes costs of labor, transportation, other materials, and overhead of textile producers, converters, apparel manufacturers, wholesalers, and retailers. These are costs which must be recognized. Since 1939 the cotton farmer's share of the consumer's dollar spent on apparel has increased from less than 9 percent to about 12 percent. This increase has occurred despite the fact that labor costs and costs of other materials have advanced all down the line. This increase has been possible only by a much greater than 3-percent squeeze of the margins of the various manufacturers and distributors who relay the farmer's cotton to the ultimate consumer.

Dr. Murchinson in his testimony clearly put his finger on the basic difficulty when he pointed to the sharp rise which has occurred in the price of raw cotton, and characterized raw cotton as "the most important item in our cost structure."

On April 9 of this year OPA issued a regulation increasing trading margins in the cotton futures exchanges. So far, this step seems to have been reasonably effective in stopping any further advance in raw-cotton prices. The price of near months' futures on the New York Exchange on April 9 was 28.08 cents, and yesterday it closed at 27.56 cents. Whether this regulation by itself can hold against further speculative advances in the price of raw cotton is only a guess. It does not hold, OPA must either take more positive steps to control the upward trend of raw-cotton prices or else it must in effect abandon price control on cotton textiles and on cotton apparel by introducing an automatic escalator provision under which every speculative advance in raw-cotton prices is paid for by the consumer of work clothing, sheets, dresses, and all the other staple cotton items that contribute heavily to the cost of living.

Uncontrolled raw-cotton prices are the real problem of cotton-textile pricing, not administrative delays, inadequate margins on staple items, or a set of pricing standards which discourages production.

V. THE INDUSTRY PROPOSALS

Finally, I should like to say a word about the specific proposals made by the industry representatives. Mr. Moore proposed the end of price control on cotton-textile items. While this was not specifically recommended by Dr. Murchison, he indicated that this might be desirable. Your witnesses disagreed as to the extent which cotton-textile prices would increase if controls were ended. I believe that both of them greatly underestimate the extent of increases that would occur. I have no doubt that responsible producers might make an initial price adjustment in the event of decontrol of the magnitude suggested by your witnesses. But with the development of competition among buyers, with the inevitable further wage increase which would result in the cotton mills, with the inevitable further speculative price rise which would occur in the price of raw cotton, with the speculative withholding of goods by people who expected still further price increases, cotton textiles could well repeat their performance after

the last war when cotton-goods prices increased by 47 percent between November 1918 and March 1920, and by August 1921 fell to 40 percent of the level in 1920.

In the event that the end of cotton textile price control were not accepted by the Congress, the industry spokesmen recommended that the Bankhead-Brown amendment be rewritten so as to require that OPA at all times reflect the current price of raw cotton if it was above parity, and that an escalator provision be established which would automatically tie textile prices to the price of raw cotton. If nothing could be done to stabilize the price of raw cotton, I believe that OPA would have to accept these recommendations. Under such a system all trade resistance to an increase in raw cotton and in textile prices would be off, and a wild speculative boom in raw cotton, textiles, and apparel might well result, with more withholding than we have dreamed of to date. Knowing that all textile and apparel prices were tied to a price of raw cotton, which shows every tendency to want to climb, retailers, apparel manufacturers, converters, textile manufacturers, cotton farmers, and cotton shippers would have every inducement to withhold deliveries, awaiting the next advance in prices. This very withholding would, of course, intensify the scarcity and cause further bidding up of the price structure.

It is an alternative that we in OPA must reject, and that I believe the Congress must reject, if it is interested in maintaining the effectiveness of the stabilization program during the final months, in which ultimate victory over the forces of inflation seems within grasp.

1946 EXTENSION OF THE EMERGENCY PRICE CONTROL AND STABILIZATION ACTS OF 1942, AS AMENDED

WEDNESDAY, MAY 1, 1946

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D. C.

The committee met at 10 a. m., pursuant to adjournment on yesterday, in room 301, Senate Office Building, Senator John H. Bankhead 2d presiding.

Present: Senators Barkley, Bankhead (presiding), Murdock, McFarland, Taylor, Fulbright, Mitchell, Carville, Taft, Butler, Capper, Buck, Millikin, Hickenlooper, and Capehart.

Present also: Senators Thomas of Oklahoma, and Moore.

Senator BANKHEAD. The committee will come to order.

Mr. Secretary, we will be glad now if you will proceed. Just state your name for the record.

STATEMENT OF HON. CLINTON ANDERSON, SECRETARY OF AGRICULTURE, WASHINGTON, D. C.

Mr. ANDERSON. My name is Clinton Anderson. I am Secretary of Agriculture.

Mr. Chairman and members of the committee, I sincerely appreciate the opportunity you have given me to state my views on the proposed extension of price control.

At this moment farmers stand in peril of runaway inflation which would inevitably lead to farm depression and national depression. As long as the present inflationary pressures exist, strong price-control measures are the first essential toward preventing disastrous farm depression.

Anyone who thinks that general price increases at this time would help the farmers should take time to review what happened after World War I. During that war farm prices increased to about 118 percent of parity.

Then, beginning in the fall of 1918, farm prices shot up. But the cost of things they had to buy went up even more abruptly so that while their prices rose in terms of dollars and cents they declined in buying power. Farm prices went from 18 percent above parity to only 5 percent above.

Then when prices broke in 1920 and 1921 farm prices went down much more rapidly than did industrial prices. In 1921, as a whole, farm products averaged only 75 percent of parity. Mind you, this happened when agricultural production was higher than it had ever been before.

Now let's take a look at our present situation.

The prices of farm products went up at the beginning of the war from about 75 percent of parity to 117 percent. They have stayed at about this level for more than 3 years. That is almost exactly the parity ratio we had at the end of the other World War. Are we going to follow the rest of the World War I pattern? Will farm prices go up and buying power down? Will we come to a sharp breaking point as we did in 1920 and 1921?

If we do, we must be prepared to spend literally billions of dollars in attempts to keep farm prices in balance with other prices; we must be prepared to use all the successful devices of the farm programs developed to fight the last farm depression and also invent new devices—either we would do those things or farmers would have to go through the wringer again.

To invite farm inflation and consequent depression is simply to invite a crisis in our entire economic system and perhaps in all phases of our national existence.

Farmers are perhaps more awake to the present inflationary forces than many others in this country. They not only have strong memory of what they went through after World War I, but they also live every day with one of the most dangerous kinds of inflation—the rising prices of farm land.

Senator MILLIKIN. Mr. Secretary, how does that compare with the increase in income?

Mr. ANDERSON. Well, I would have to check that. I know that farm prices have moved a little faster than industrial income, but I think if I were to testify specifically I would rather get you the figures from our Bureau of Agricultural Economics.

Senator MILLIKIN. I think there would be a natural coincidence between the rise in the price of farm land and the rise of farm products, would there not be?

Mr. ANDERSON. Yes, Senator. I was not going into it in any too great detail, but I think at the present time there is a stronger pressure to pull up farm lands than there have been in preceding months of the year. For example, I have been out in my former home State, South Dakota. Most people know that the farm lands of South Dakota and certain adjoining States passed very largely into the hands of land banks, insurance companies, and people who were not the owners of the farm lands during the depression years. I know you are very familiar with that situation, too, but recently the absorption is enough so that they have been able to pick up all these farm lands and they have now passed into the hands of private owners.

If you go out to buy a farm there today you don't find it in the hands of an insurance company or a land bank. You find it in the hands of a man who is looking for a speculative price increase and the result is that your farm lands which stayed fairly dormant in South Dakota and adjoining areas for a long period of time have suddenly started moving up now, at exactly as they did after the last war.

Senator MILLIKIN. Do you believe that the price of farm lands is getting out of line with the increased price of farm products?

Mr. ANDERSON. Yes; I do.

Senator MILLIKIN. That is all.

Senator BANKHEAD. Is there a large investment in farm lands as a hedge against inflation?

Mr. ANDERSON. Yes; I am going to touch on that in just a minute. That is a point that many people have overlooked. As a matter of fact, that is contributing to this same inflationary movement that is going on in farm land and which makes it very hard for the farmer, Senator, as you recognize. There are a great many people who are trying to hedge by the purchase of good, solid soil.

As a matter of fact, they think they can go to it, if things go wrong in the cities, they will have some place to go to. That runs the price up to where the person who is legitimately trying to farm and who is looking for a good farm has to pay such a high price for his land that he has to have in reality a very good price for his farm products or he has got a situation that puts an unnecessary burden on the farmers. I don't say it can be easily and quickly stopped. I am simply pointing out that the same circumstances and almost the same increase exists right now in our farm land situation as existed after the last war and that the very same thing relating to farm prices exists now that existed after the last war.

Senator BUTLER. Farm prices are about half of what they were after the last war, now, are they not?

Mr. ANDERSON. Yes; because we permitted wheat to go up to \$2.72, and such prices, but the rise that took place in a great many of those came not in the first few months in the war, but came relatively late in the war. Now we are hitting about the same stimulus to increase we had then. I think it would be safe to say that if things were turned simply loose, we would face the same price increases.

In the country as a whole farm real-estate values have gone up more than 70 percent from the 1935-39 average. That's about the same amount that land prices went up from the period just preceding the First World War to 1920.

In the 12 months that ended the 1st of March, farm real estate rose 13 percent, and more than half that rise occurred during the last 4 of those 12 months. The average values for the entire United States are within one-sixth of the average we had at the peak of the 1920 inflation. In 33 States farm land is now selling at prices higher than in 1919, and in 15 of those States farm land has already gone above the 1920 levels.

These figures indicate the symptoms of general inflation that farmers live with every day. But they do more. They also provide a strong argument for holding on to price control in order to keep land values from going clear out of sight. Farm land inflation is one of the most dangerous kinds of economic balloon we can possibly have because the effect continues so long after the balloon collapses.

Even if the farmer pays cash for land which is priced too high in relation to its long-time earning power, he is not immune to long-range disadvantages. At the very least he may automatically limit the return on his investment; find his savings dissipated, and his cash reserve for emergencies gone.

Of course, the farmer who goes in debt for land at inflated prices has an even bigger long-range problem. Interest may be a millstone around his neck until he is eventually foreclosed and changed from owner to tenant.

What would be the effect on land prices if we failed to extend effective price-control legislation? Since prices of farm commodities represent the biggest influence on land prices, anything more than modest increases in farm-commodity prices inevitably would mean higher farm-land values.

Furthermore, in a period of inflation-psychology, people who make large, quick profits always want to hedge against the possibility that their money will have much less value; in short, they want to put part of their money into something permanent and many of them choose farm land.

Under those circumstances people don't hesitate to pay a few dollars per acre above yesterday's price because they are looking primarily for what they think is safety rather than for the future returns. This tends to move a lot of land into the hands of people who have no real interest in the land; and it makes things tough for the dirt farmer.

Senator BUCK. Do you have any statistics as to how these purchases of farm land are being financed?

Mr. ANDERSON. As to the amount that is being represented by mortgages, and so forth?

Senator BUCK. Yes.

Mr. ANDERSON. I don't have with me accurate information. I can say to you that the proportion of debt that is being assumed is smaller than it was in the last period.

Senator BUCK. Is the Government taking any mortgages on this farm land?

Mr. ANDERSON. Yes; but not nearly in the same degree that it previously has been in the mortgage business. In other words, more and more farm debt is going down even though land value is going up.

Senator BUCK. I understand the farm credit system is having more farm mortgages canceled and paid off than they are issuing?

Mr. ANDERSON. Yes.

Senator BUCK. They are either paying cash or getting accommodations at private banks?

Mr. ANDERSON. And there is the other element of the pure speculator who has the cash and buys farms with that cash.

Senator BUCK. Do you think there are many of those?

Mr. ANDERSON. I think there are a great many of them that are buying land.

Senator BUTLER. And paying cash for it?

Mr. ANDERSON. And paying cash for it.

Senator MILLIKIN. I would suggest, Mr. Secretary, that just taking that by itself is rather encouraging in relation to inflationary speculation, because the customary inflationary hedge is to put a heavy debt on the land and pay it off with cheap dollars in a rising inflation.

Mr. ANDERSON. Well, I should say in agricultural areas when the last speculation started after the last war, and the pattern in that was somewhat similar to the pattern in this period, people started buying farm land. When the prices started moving up pretty rapidly they would sell that farm at a nice profit, and then they took the money and went out and bought several more farms on a mortgage and finally became involved in second and third mortgages. That occurred all through that country. It was not the first sales that caused the bulk of heavy mortgages. It was after the man had started speculating with cash.

Senator MILLIKIN. The farmer would clearly suffer in that play. I merely wanted to make the point that a man who was not a farmer and wanted to buy land purely as a hedge against inflation, his gain is not to pay cash; his gain is to buy it with as little cash as he can and take a chance on paying the rest of the debt with cheap dollars on a rising inflationary trend.

Mr. ANDERSON. That is not largely true in this situation, Senator. In these early sales our records indicate it has been an individual who has been in position to pay cash for a piece of farm land.

Senator HICKENLOOPER. On that point, Mr. Secretary, do you have any statistics on the increase in the price by States as you have estimated? That is, can you give us a detailed comparison? I don't mean at this time.

Mr. ANDERSON. Yes, I had them. I just gave them to some committee a day or two ago. I don't know where they are now. I supplied them to the Agricultural Appropriations—Subcommittee of the Senate Appropriations Committee, in which I listed by States the increase above 1920 figures. I will be glad to get those and supply them for this record.

Senator HICKENLOOPER. The statement you made that land prices are in many States well above 1919 prices does not apply to Iowa, according to my impression and all the information I have.

Mr. ANDERSON. That is right.

Senator HICKENLOOPER. In other words, it is less than half today, or approximately half, perhaps, but not over 50 percent today what it was in 1919, on a dollar-for-dollar basis. In other words, we had land selling at the peak at that time, good land, at \$400 and \$500—or even as much as \$600 an acre.

Mr. ANDERSON. Yes.

Senator HICKENLOOPER. I would say that the top ceiling on good land on the average today is not much over \$200, if it is \$200 an acre.

Mr. ANDERSON. May I point out one of the interesting things of this inflation in land and that is that the areas which had the biggest wave the last time do not show such great increases this time; that the biggest increases are in States that were relatively free from tremendous inflation last time.

Senator HICKENLOOPER. I would like to ask your opinion on this particular phase of that: At the beginning of this war, or immediately after it started, I was Governor of Iowa and at that time, having lived through as a young man the inflationary period that occurred right after the last war, I called a conference of financial people, banks, insurance company executives, and people who have money to loan. We discussed this very possibility of a tremendous rise in the value of land. We came to the conclusion, I think, as many people have, that one of the great contributing factors to the unusual inflation of 1919–20 was the fact that financial institutions with surplus cash encouraged an individual who already had a mortgage on what he had to take on another 160 or 240, and put a mortgage on the whole business, and that the price at which he bought on that spiral was such that he was wiped out, not only what he bought speculating, but what he had already paid for.

Now, the result of that conference—I should not say it was the entire result of that conference because I think these men had the same thing in mind—was that the financial policy would be generally of these

loaning agencies to loan a minimum on the purchase of land and to scrutinize very carefully the loans they made as a general policy. I think that has been done to a great extent, and I think it has had as much as anything else to do with the prevention of a great increase in the price of land—the fact that the institutions with money are not trying to force it out on an inflated land value at this time. I wondered if you would agree with that, that that is a contributing factor in that area in keeping the land below its 1920 level.

Mr. ANDERSON. Yes; it would, Senator. You recognize I am only making a comment, based on my personal experience, but I would point out to you that there are some other factors that enter into it.

Senator HICKENLOOPER. Yes; I did not mean that as an exclusive factor.

Mr. ANDERSON. No; but it is a very important factor. The very situation you discussed was present, and I know it was present, and I know people who did sell their farms on that basis. I don't have to go far from my own family to know that, but I would point out also that in World War I you had relatively good prices for corn, wheat, and livestock products, whereas in this war farmers have had their prices under control. They have had reasonably good prices, but they have certainly not had anything that was too extravagant for them.

Corn and wheat prices have been held down, and the great wave of inflation has not been in those areas that normally develop corn, hogs, and wheat, various other varieties of livestock, and dairy products.

But take a situation like the States of Florida and California where you have citrus fruits, where citrus returns have been relatively high. In those areas I have recently seen land selling for \$1,400 an acre that 2½ years before had sold for \$600 or \$700 an acre. I flew over some citrus groves in Florida not long ago that are selling for \$1,500 to \$2,000 an acre. There is your biggest boom area. Also, in New Jersey and various other States, where you have truck gardening on a large scale—where fresh fruits and vegetables have been bringing relatively high returns—and you have a situation there that has not obtained in Iowa, the two Dakotas, Nebraska, and Kansas.

Senator HICKENLOOPER. In those areas you have just mentioned, when they buy this land, isn't the major portion of it in cash? In other words, aren't they really paying cash for those rather than paying a small down payment and using credit for the rest of the purchase price? Isn't that the rule in this period rather than extensive credit?

Mr. ANDERSON. Yes; the rule in this period has been cash, but I say to you that unless my memory is playing me a very bad trick, that in 1918–19 cash was paid in the beginning then. I recall instances when cash was offered for a farm, all cash, in the beginning, but I remember also that finally an individual who was an endorser on mortgages was an endorser on 22 second mortgages for tremendously large sums, and he was just a small farmer in the beginning.

Senator HICKENLOOPER. I realize he was extending his credit, and that brings me to this point: That in 1919–20—now, this is my own personal recollection—I would not say it would be borne out necessarily by testimony, but in 1919–20 people who bought land and paid for it didn't go broke later. They went broke when they extended their credit way beyond the normal limits of prewar economy, but

it was my experience and observation that wherever farmers or others who had money to invest bought land and paid for it, or substantially paid for it, that there was very small loss on it. They did not go broke in the depression. It was the collapse of the credit that wiped out the people that had speculated and extended themselves.

I wondered today if we are not having much that same situation, that land is moving up today, but that it is being paid for, so that long-range credits, second, third, and fourth mortgages are eliminated. If that is true, I wonder if we face the danger of collapse because that land is paid for and owned, is not mortgaged, does not have any line of incumbrances against it, as a rule. It is my impression that land is moving that way in our State.

Mr. ANDERSON. I think thus far that the movement of land has been to a great degree on cash; therefore, it does not present the same problems as when you begin buying and selling for mortgages.

Senator HICKENLOOPER. We may begin to fear it when credit begins to enter into it?

Mr. ANDERSON. But what I would like also to say is that many people went broke whose farms were absolutely clear and paid for in the beginning, and again I may not go outside of my own family for that, but I do know that people went out who owned Iowa farms, who had their land free and clear, owned their own herds of cattle, and had their own corn in their own bins, and when they got through with feeding their own heads of cattle they were absolutely financially broke.

Senator HICKENLOOPER. They had speculated on credit on those cattle?

Mr. ANDERSON. Well, I had in mind that there are many ways of speculation, but I do say that the ownership of land in fee is a fine guaranty and has kept a great many people from going through the wringer in one of these periods of depression and maybe again this time. I hope it is.

Senator BARKLEY. Mr. Secretary, let me ask you this question: It is one thing for a farmer to buy a farm and pay cash for it, and many are doing it because they have more money now than they are accustomed to have. He buys it to live on and farm; he will not be put to such great loss or danger even if land goes down so long as he lives on his farm and cultivates it as a farm and a home, but if a good deal of this land that is being bought for cash is being bought for speculative purposes the speculator expects to get more for it later and make a profit out of it, and that itself works a hardship to the real farmer who wants to buy that land and cultivate it later, if he has to pay a higher price for it because somebody has been able to pay cash and hold it for a little while; he will suffer even more when the price of his land goes down, and the price of his products goes down.

I am wondering whether the fact that a man pays cash for a farm automatically takes him out of the speculative category. He may be fortunate and more able to pay cash than he would ordinarily pay, but if he is not buying it as a home or farm and cultivating it himself, will he not hold it until some farmer buys it for a home and a farm and has to pay more than he paid for it.

Mr. ANDERSON. Well, yes; I think he will hold it and expect to sell it to somebody who is going to farm it and who will, therefore,

pay a relatively high price for it. I am merely trying to point out that the same speculative causes that followed the last war are with us today, and in about the same degree.

Senator BARKLEY. I wonder whether 1920 as compared to now is a fair comparison so far as the increase in prices is concerned. I saw last fall a statement from the Department of Agriculture about the increases in the prices of land in my State. Land had gone up over 60 percent since 1939, which was immediately before the war. They evidently have gone up beyond that now. That was last late summer or fall. Land had already gone up as compared to 1939 over 60 percent.

So I am wondering how accurate a comparison between 1946 and 1920 may be as far as the percentage of increase is concerned, and whether the real inflationary speculative basis for comparison would not be the price of land in 1939 instead of back in 1919-20.

Mr. ANDERSON. What we have done is to measure these recent increases against the 1933-39 levels.

Senator BARKLEY. Well, these tables, whatever they are, show—

Mr. ANDERSON. They have gone up 71 percent from the 1935-39 average.

Senator BARKLEY. Oh, I thought you said you were making a comparison with 1919-20.

Mr. ANDERSON. I am making a comparison, Senator, as to the rate of climb now with the rates in 1919-20, and I am saying that the same influences and the same direction of rise is going on now in the country as a whole.

Farm real estate values have gone up from the 1935-39 average.

Senator BARKLEY. I am sorry. I misunderstood you.

Mr. ANDERSON. No. The comparison is with the period that just preceded.

Senator BARKLEY. Your first war comparison, then, would be with around 1914 as compared to 1920?

Mr. ANDERSON. Yes. Now we take 1935-39 and compare it to the present time and about the same increases are going on.

Senator BARKLEY. I understand it now. Thank you.

Senator CAPEHART. Mr. Chairman, may I ask a question?

You possibly have shown this, Mr. Secretary, but this increase of 70 percent over 1935 is still below the price of land prior to 1919 and even prior to 1929?

Mr. ANDERSON. It will be in about 30 of the States. It will be slightly below 1919-20 peak, but in 15 States it is already above the 1920 level.

Senator CAPEHART. Well, those 15 States are not in the corn-hog-wheat belt?

Mr. ANDERSON. No. I am just explaining they are not in the Corn-Hog-Wheat Belt.

Senator CAPEHART. In Indiana the price of farms at the moment is still below what it was—considerably below the peak after the last World War.

Mr. ANDERSON. Yes.

Senator HICKENLOOPER. Mr. Chairman, there is a special meeting of the atomic bomb committee at 10:30 which Senator Millikin and I have to attend. He has already gone. I told him I would explain:

I wanted to explain to the Secretary that I would like to stay, but this is a very special meeting, and I feel that I have got to leave.

Senator BANKHEAD. Well, we regret that either or both of you are obliged to go.

Senator HICKENLOOPER. We regret it, too.

Senator TAFT. Mr. Secretary, this increase in farm prices results from higher prices for farm products, obviously, does it not—primarily—the higher price for farm products?

Mr. ANDERSON. Yes; and also from an abundance of money in circulation out of which a great many people are buying farm lands—not necessarily farms.

Senator TAFT. Yes; but they would not pay higher prices for farms unless the prices of farm products were higher; isn't that correct?

Mr. ANDERSON. Well, I am not so sure. I think there is some hedging against inflation involved in it. I am going to discuss that as I go along shortly, but generally, that is true.

Senator TAFT. The hedging against inflation?

Mr. ANDERSON. There are a great many people who have bought farm land, I think, Senator, on the theory that land is tangible, that no matter what might happen to currency, it would be a solid chunk even though its price might go up, it would have a pretty solid influence no matter what took place.

Senator TAFT. But would its price go up where dollars go down? Was not this last move, offering the farmers 30 cents a bushel more for wheat and corn distinctly inflationary?

Mr. ANDERSON. Well, we faced that possibility that it was distinctly inflationary, yet the wheat that will be purchased under that program, while it is contributing to the farmer's income, is being sold abroad. It does not have its influence falling upon the cost of living as a result of that.

Senator TAFT. No; but it has an effect on farm prices. That is my point.

Mr. ANDERSON. There is no question about that. It becomes a question of whether we are going to get wheat to supply people in other parts of the world or are going to let them starve.

Senator TAFT. That is in regard to wheat, but doesn't this 30-cent increase in corn have to be general?

Mr. ANDERSON. No.

Senator TAFT. And isn't the Government in effect making itself a black marketeer in such a way that you permanently raise the price of corn 30 cents a bushel?

Mr. ANDERSON. No; I think not. There are nearly 1,400,000,000 bushels of corn on farms, or were as of April 1, and we are trying to buy 50,000,000 of that.

Senator TAFT. Well, I have a letter from the Buckeye Steel Castings Co. stating that they cannot get serial binder which is absolutely essential for their product. Why? Because no one will sell them corn at the ceiling price, because the Government is paying 30 cents more. Isn't it inevitable that that 30-cent offer on corn will raise the price of all corn 30 cents?

Mr. ANDERSON. No; I think not. As a matter of fact, I think we could clearly establish, if the committee wanted to take the time to go through it, that a great deal of corn was moving in black-market

channels. One of the well-known American manufacturing firms, large users of corn products, made a study through its staff and it came out with about the same figures that a great many other people had, namely, more than 80 percent—they said up to 90 percent—of all corn was moving in black market, running 30 to 40 cents above the general level.

Senator TAYLOR. Were they one of the violators of the ceiling?

Mr. ANDERSON. I don't know. I would assume they were not. They might have been. They at least gave us a very interesting answer to the questions and showed us certain cases of what was going on.

For instance, a bonus of \$500 in cash with a car of shelled corn, I believe, was customary.

Senator TAFT. Some of them paid as high as a thousand dollars?

Mr. ANDERSON. Those pressures were there, just the same as the Government is in there now. Now, the Government is buying this corn for the purpose of taking food processors out of the market. This corn is not being purchased entirely for export users. It is being purchased to take pressure off various other groups and we think that after a little while the market will settle down.

Senator TAFT. Are you buying for industrial purposes? Is that the idea?

Mr. ANDERSON. That is what we are buying for, to meet needs for food.

Senator TAFT. That means a permanent increase of 30 cents a bushel in corn?

Mr. ANDERSON. I think not.

Senator TAFT. Why are you advocating the continuation of price control which you yourself admit is completely nullified by black-market operations, and which you yourself have had to recognize by paying 30 cents a bushel more for corn? How can you advocate that kind of price control which involves law violation and in which you encourage law violation?

Mr. ANDERSON. Well, the difficulty is that you have a great many other prices that are tied to your corn products. Until you are willing to remove the entire level of price control from everything, you have to take into consideration the effect that an increase in the price of corn would have upon all other industrial products.

Senator TAFT. Why, certainly.

Mr. ANDERSON. Now, as a matter of fact, the Department of Agriculture did recommend an increase in the price of corn. We thought it was a sensible way to adjust the corn-hog ratio. We wanted to take away from the feeding of hogs an abundance of this corn and move it into other channels. We thought it was not being economically used in the fattening of extra heavyweight hogs and the fattening of cattle to a fine grade, but such a proposal ran into all sorts of difficulties in our whole price structure, and that being true, we have had to move on whatever fronts we could move on, and the only front we could move on to get this corn successfully for the corn processor and the industrial plants using it is by the purchase of it at a bonus price.

Senator TAFT. Are you selling it to them at a loss?

Mr. ANDERSON. Yes, sir.

Senator TAFT. By what right?

Mr. ANDERSON. By the power of the Commodity Credit Corporation.

Senator TAFT. Have they any money left for that purpose?

Mr. ANDERSON. Yes.

Senator TAFT. You mean that you do it by subsidy—in other words, you are proposing to subsidize the price of corn; is that correct?

Mr. ANDERSON. We are proposing to subsidize the sale of part of these 50,000,000 bushels to food processors in this country, people who make corn products and people who are making industrial products requiring corn.

Senator TAFT. That is another part of the subsidy program that we have not heard of yet. We have \$2,000,000,000 listed already. Now you are proposing a new subsidy on corn, of which we have heard nothing up to this time. Is that the Administration policy now to subsidize corn as well as everything else we are subsidizing?

Mr. ANDERSON. No; it is the policy to get corn away from use as feed for fattening hogs and cattle to heavier weights. The livestock ratios are all extremely favorable to the use of grains for fattening and the production of livestock products. When you get into a situation where you must either choose between grains for human consumption or grains for the fattening of livestock your obligation is to use the grain for the place where it is most efficient to use, and it is five times as efficient to take corn and put it into human food products than it is to take it and put it into the extra fattening of hogs.

Senator TAFT. I am not objecting to that. I am objecting to your subsidizing—you refusing to recognize conditions that have actually occurred, because costs have increased. You refuse to recognize that, refused to give a reasonable increase in the price of corn and a reasonable increase on the products of corn, industrial products of corn, if you please, and then coming in and asking us to approve that policy.

Mr. ANDERSON. I think, Senator, you are arguing with the wrong person. I originally recommended an increase in the price of corn.

Senator TAFT. You are up here asking us to renew Mr. Bowles' powers. If you were asking this law for yourself, Mr. Anderson, I would be in favor of continuing it for a year and leaving the complete administration to you to do what ought to be done, but you are here advocating that we give it to Mr. Bowles, who has refused to increase the price of corn in the face of an overwhelming black market, who proposes to subsidize any increase that is given instead of passing it on in increased prices as he ought to do, in recognition of the actual underlying conditions that have been brought about largely by his own policies, or the Administration's policies.

You are not asking us to give you this power. If you were, I would give it to you tomorrow.

Mr. ANDERSON. I am sure he will be able to explain the justification for his action with reference to the corn situation.

Senator TAFT. I don't think he is. I don't think he is able to justify it. You yourself say the price of corn should have been increased, and I say, All right, I agree with you. We should have recognized what the actual price of corn had to be under the underlying conditions.

Mr. ANDERSON. We didn't have to increase the price of corn only because of the commitments that had been given on the price of hogs.

We faced the situation where too much corn was being used for livestock feed.

Senator BUTLER. There is still lots of corn, is there not?

Mr. ANDERSON. There is still lots of corn, that is right. There is a billion bushels of it, but all of it is not the best grade. The amount of corn that can be shipped is not as high as it should be. There is a vast amount of high-moisture corn in Iowa.

Senator BANKHEAD. How much corn is there that the farmer could spare without crippling their own production of hogs?

Mr. ANDERSON. I don't know. I have tried to estimate what the farmers could spare without crippling their needs. It depends on how far they are going to fatten their hogs and cattle, but several million bushels of corn could have been spared and I tried to stop that feeding of hogs to excess weights. I went out into the State of Iowa and spoke to a gathering and tried to suggest to them that we drop the prices of heavy hogs. We didn't do it because a commitment had been given in April 1945 that until the 1st of September 1946 there would be no change in hog prices.

Now, at the time that commitment was given it was a very sensible step to take. It was the decision of Judge Vinson's office based upon a desire to make sure that we would have a substantial quantity of livestock products. We were then shipping these livestock products to our armed services. We needed great quantities of meat and it was a wise decision to make.

Senator TAFT. Well, was it a wise decision to encourage the feeding of 400-pound hogs? That is where your corn is wasted, is it not, in feeding to too heavy weights?

Mr. ANDERSON. Yes. I think the limit might have been 300 pounds for example.

Senator TAFT. Is there any real breaking point in putting in that limit today?

Mr. ANDERSON. Well, it is breaking off very definitely. I have put out a statement that it shall be illegal and improper to sell feed to any farmer who buys it for the purpose of feeding hogs past 225 pounds.

Senator TAFT. I know, but those are legal restrictions. You have to set up prices in such a way that it does not pay them to sell a 400-pound hog.

Mr. ANDERSON. The corn-hog ratio at the present time is running about 11.8—I think that is fairly accurate—I am sorry—the 10-year average is about 11.8. The corn-hog ratio is about 12.7.

Senator TAFT. That is at the legal price of corn?

Mr. ANDERSON. At the legal price of corn.

Senator TAFT. Which you cannot buy.

Mr. ANDERSON. I concede that, but there are some of the farmers that continue to feed that way because they are getting a good price at that basis. My recommendation was for an increase of 25 cents in the price of corn which would have brought the corn-hog ratio down to 10.2 and at that ratio you would have had a readjustment, a very drastic readjustment immediately. You might have had too much of a readjustment, too drastic. I realize that the adjustment might have caused too much restriction on the production of hogs; might have had its effect in the fall or the spring crop next year, but

in any event it would have provided corn for human consumption very quickly.

Senator TAFT. Let me suggest that has had that result already. The increase you have granted of 30 cents resulted last week in a very heavy run of hogs in Cincinnati, certainly, and other places, because the farmers figured at once they would rather sell the corn for 30 cents more than feed it to hogs to heavy weights.

Mr. ANDERSON. Exactly. That is exactly what I was trying to accomplish.

Senator TAFT. Exactly. Why should it not be done clear across the board?

Mr. ANDERSON. Well, there is a price complication.

Senator TAFT. It is only maintaining a fiction, Mr. Anderson. Even you have had to make a reasonable adjustment in their prices. That is not abandoning price control at all, but just a recognition of factors that have already occurred. That is what we cannot get Mr. Bowles to do.

Senator CAPEHART. Mr. Chairman, may I ask a question?

Senator BANKHEAD. Surely.

Senator CAPEHART. I believe you stated a moment ago, Mr. Anderson, that 50,000,000 bushels of corn which you are going to purchase at a premium payment of 30 cents, you are going to allocate that to the users and processors of corn in America; it was not purchased for the purpose of shipment overseas—was that the statement you made?

Mr. ANDERSON. That is right. There may be some amount of it that will go overseas as grain. I am not trying to guarantee that none of it will go overseas, but primarily it was not purchased for that purpose.

Senator CAPEHART. We discussed this matter yesterday morning, or day before, a little bit along the same lines as we are discussing it this morning, as you have been discussing it with Senator Taft. I was taken to task at that time by certain people, saying that I was against paying 30 cents a bushel to buy corn to feed starving people in Europe. Now it develops that we are not doing it for that purpose at all, but we are buying 50,000,000 bushels and paying 30 cents above ceiling per bushel for it to go the processors in America. I simply make that statement, not in criticism, but just to clear the record, and in order that the record may show that we are buying corn not for famine purposes, but for allocation among users of corn in America.

Let me ask one other question. That is not true of wheat—you are buying wheat for the purpose of shipping it overseas?

Mr. ANDERSON. Yes, sir. I think I should make it plain that this 30-cent bonus on corn is in my opinion—I am not trying to contradict what you said with reference to your own attitude on it, but I am saying in my opinion it is very definitely a part of the famine program because I was trying to get the corn away from animal consumption into human consumption. That frees corn from these hogs to move into places where wheat is now being used.

Senator CAPEHART. And indirectly it will help the food situation?

Mr. ANDERSON. Correct. Bushel for bushel it will be just as effective.

Senator CAPEHART. But it is not being purchased for shipment directly overseas?

Mr. ANDERSON. That is correct.

Senator TAFT. None of it?

Mr. ANDERSON. I have tried to say, Senator,—I want to leave myself open—there may be a spot where we will find we need to route some corn in to help a small situation, but it is not the purpose to send any of that abroad. We are not going to send any of that abroad if we need not. Where we have to load a cargo full of corn we may load it, but that is not the purpose for which the purchase is being made.

Senator BUTLER. Mr. Chairman, I did not intend to get into this discussion until the Secretary was through with his statement, but it has been opened now, and I would like to ask one or two questions.

As I understand the 30-cent bonus was put in to get corn for corn processors here domestically.

Mr. ANDERSON. That is right—so as to provide grain for food uses.

Senator BUTLER. It may have been perfectly wise, I cannot dispute it at all, to take that step, but I want to know if we should not be just as considerate of the people who have hogs and cattle and turkeys and poultry to feed that are not ready for market, that must be continued in the feed lot in the interim with corn at 30 cents a bushel premium.

Mr. ANDERSON. Well, Senator, you come to a point every once in a while where you have two conflicting interests and the people who had hogs and who would like to finish the feeding of those hogs, would have liked to have had the corn prices undisturbed. We were, therefore, trying as hard as we could to get this corn in order that it might release wheat and in order that it might release the food uses of corn. We are quite sympathetic to the use of corn for dairy feeding.

For example, there are areas where we need now to try to skim quantities of evaporated milk, cheese, et cetera, for export to other countries. We need to have a flourishing dairy production, and we want to make sure that that is done.

Senator BUTLER. All of this brings up this situation. When you put a 30-cent-a-bushel premium on corn, the feed of most of the dairymen and people who feed from a thousand to ten thousand turkeys out in the western areas, they don't have their feed all on hand when this order comes on. It catches them with maybe a week's or a day's supply.

The question is: How are they going to continue to feed their poultry and dairy herds?

Mr. ANDERSON. Well, the fact is it is only 50,000,000 bushels out of 1,400,000,000 bushels of corn in the country. Furthermore, we think this is going to bring corn out that nobody expected was in existence. For instance, we have been offered corn from Virginia, which we did not think of as being a corn State at all. We have been quite surprised at the amount of corn that has been brought out already. The great bulk of the corn we are buying is not coming out of Iowa and the corn States.

We are picking it up in Indiana, Ohio, and in areas that are not normally regarded as surplus areas, and we think there will be a relief of the pressure that has existed in many other areas.

Senator TAFT. From the few honest people who were not willing to sell on the black market before, I guess?

Mr. ANDERSON. No. We think by taking that off, removing that pressure from the manufacturer who has to keep his plant running, we are going to make it a little easier for everybody.

Senator BUTLER. Well, I would like to know how we are going to get feed for those people out there in Nebraska without violating the law. They have to meet your price and they cannot meet it without violating the law. Are they going to sell poultry that is half grown? A man that has his investment in that is going to be wiped out, if he does not get feed.

You cannot turn the lock on the feed lot and go back next week and start feeding again. You have to feed every day.

Senator CAPEHART. What is going to happen if you are offered 100,000,000 bushels of corn at 30 cents' premium? Are you going to buy all of it?

Mr. ANDERSON. No; we expect to take only 50,000,000 bushels and take it only from the areas that will benefit the country generally.

Senator CAPEHART. If Senator Butler offers you 10,000 bushels and I offer you 10,000 bushels a couple of hours before you get your 50,000,000, are you going to take his and not take mine?

Mr. ANDERSON. Since you come from Indiana we will probably take your 10,000, but because of the situation that exists in Nebraska, you have got many cattle feeders out there who need that corn. I don't believe we will do the job perfectly. I realize all the difficulties and I am willing to assume all the responsibilities. I know it is going to be unpleasant.

Senator CAPEHART. Now, one other question.

When you have acquired your 50,000,000 bushels at the 30-cent premium, and the price drops back, as it will in Indiana, to \$1.11, which is the ceiling, do you think then the farmers are going to be happy with the \$1.11 ceiling, or will they say if the Government can deal in the black market for one reason—which I admit is an excellent reason—don't you think they will be justified in saying we want 30 cents from the fellow that comes around and offers them that? Are we not just encouraging our people to be dishonest?

Mr. ANDERSON. No; I don't think so. We have gone through this same thing with the corn-purchase program 2 years ago, when we slapped an embargo on various counties and said nobody could sell their corn. Nobody expected any more when we lifted the embargo, and we got what we had to have.

Senator CAPEHART. That was a little bit different problem, because you were paying the same price.

Mr. ANDERSON. I am sorry, but we were paying a higher price—not very much—6 or 7 cents.

Senator CAPEHART. I don't think the situation is similar at all.

Senator MCFARLAND. I would like to hear the Secretary answer Senator Butler's question. I don't believe he got a chance to answer that fully.

Senator BUTLER. Well, I just want to get my livestock fed out there and my chickens and turkeys. I want to find out if we are going to get our corn legally or illegally or somehow or other.

Mr. ANDERSON. When you get into competition between the need for corn for human purposes and for livestock purposes, you must choose on the basis of the most efficient use of the corn. For human purposes is the most efficient use of the corn.

Senator BUTLER. We are not using it out there to feed race horses. It is to raise animals that are used for food. We are producing food out there just the same as the man in Indiana that sells the corn to go to Europe.

Mr. ANDERSON. I am not questioning that. I simply say that as between taking corn and devoting it to products that are consumed directly by humans as against putting it into livestock and then having those livestock products consumed by humans the efficiency is all with the first step taking it and feeding it directly.

Now I don't believe though, Senator, that you are going to find your people are going to be without feed in the first place.

Senator BUTLER. Well they are without it right now.

Mr. ANDERSON. They have been having difficulty.

Senator BUTLER. I have wires from people who have thousands of head of cattle; they are animal feeders——

Mr. ANDERSON. Yes; but they have been in the business a long time and they generally obtain a good many days' supply of corn on hand. I asked them in advance. And they have been getting by. Those things are just as legal as they were before we stepped into the picture.

Senator BUTLER. Getting back to the statement that was made here and repeated several times that this order was put in to get relief for corn processors——

Mr. ANDERSON. I am sorry, but I meant for human consumption of food.

Senator BUTLER. Now, those corn processors were the people who were out \$100 and \$500 bills to buy corn, and finally they have got a program whereby the Government goes out and pays a \$500 premium and goes and turns around and delivers it to the corn processor at the ceiling price and takes that loss, but in the meantime they are doing nothing to relieve the situation for the legitimate feeder, the man and the woman whose life savings are invested in their flock of chickens or turkeys or livestock, and I think it is a pitiful situation.

Senator BANKHEAD. Mr. Secretary, what, in your opinion, would have been the effect of raising the price of corn 30 cents? Just what would have been the general effect?

Mr. ANDERSON. What you would have done is that you would have immediately changed the corn-hog ratio; you would have immediately changed the desirability of feeding cattle to a fine finish. It certainly would not have been feasible to fatten cattle to AA beef because the price that would have been granted would have changed the price relationship and made that an undesirable situation, and you would have freed at least 200,000,000 bushels of corn that otherwise would have gone into the extra fattening of hogs, and that supply of corn would have taken care of our dairy situation, would have taken care of a great deal of the legitimate fattening of cattle to normal weights, and I think would have helped very materially in the whole picture.

Senator TAFT. Mr. Anderson, what is the objection? Why should not such an increase have been granted and passed on to the consumer instead of the Government's absorbing it in subsidy? Why should not this 30 cents now be passed on instead of the Government assuming it in the subsidy?

Mr. ANDERSON. I can only say, Senator, that I think you ought to ask that of the person who objected, not of the person who proposed it.

Senator TAFT. Yes; but you are supporting his policy, and you are down here to testify that it is better to let him go on with this policy.

Mr. ANDERSON. No.

Senator TAFT. And I think you have to answer it. The administration cannot divide itself up into separate compartments.

Mr. ANDERSON. I say I think the best answer could be given by the person who had the arguments. They run all the way through the whole scale of prices. There are hundreds of adjustments that have to be made if the price of corn is increased.

Senator TAFT. Well, why not?

Mr. ANDERSON. Well, it throws off every milkshed in the United States, for example, for one.

Senator TAFT. My point is this: A reasonable price control must recognize existing costs, and an unreasonable price control that does not do so interferes with production and costs the Government money. Look, here is the Buckeye Steel Castings Co. Why should they be subsidized on their cereal buying? Why shouldn't they pay the cost of cereal buying?

Mr. ANDERSON. Well, I think you might be able to pick dozens of examples where they should be, but I think you will find the big examples where you run into trouble. You would take the example and say you would have in every dairying operation a certain amount of corn being used for feed, and the adjustment of milk prices is very complex. You have some milksheds where milk prices are arrived at only after long negotiation, and a great deal of disturbance there would suddenly throw every one of those out of gear.

Senator TAFT. They are doing it every day. They have done it by varying the subsidy in those milksheds, Mr. Anderson. They have done it. They do that every day. That is, what they are constantly doing is adjusting milk prices or subsidies, one or the other. I cannot understand the argument. Here is half a cent a pound to the man who eats corn, cornmeal. Half a cent a pound. Why shouldn't the consumer pay? Why should the Government pay out \$20,000,000 for the consumers of the United States?

Mr. ANDERSON. The answer seemed to be that it was simpler to do it by the purchase prices than by a permanent rise in the price of corn, which affected parity, for example. It would have immediately raised the price of wheat 6 cents a bushel because of its effect upon parity. It would have thrown other prices out of the relationship that it then had, and it seemed much simpler to pick up 50,000,000 bushels of corn and have it over with than to change parity ratios on every commodity, than to change every milkshed in the country. It seemed like an unnecessary requirement for something that did not involve a whole lot of difference after all.

Now, this program will arrive at the same goal that we sought, namely, changing temporarily at least the corn-hog ratio; and the result in the marketing of hogs and the fact that these hogs have been coming into the market is the best example that it did work.

Senator TAFT. And forcing every pound of corn that is sold outside of this 50,000,000 into the black market; isn't that right?

Mr. ANDERSON. Well, the final answer to that will have to be written only after we have picked out 50,000,000 bushels and see what the effect is. We think the effect will be as it has been previously in farm programs, that once this unusual demand is out of the road the rest of it settles down to a more normal existence.

Senator TAFT. You, of course, do admit we have a fair corn-hog ratio, but 30 cents ought to be permanent or else you have to reduce the price of hogs, one or the other.

Mr. ANDERSON. Oh, I am sorry; I would not testify that it was. A 10.2 corn-hog ratio is not a proper corn-hog ratio. It is an improper corn-hog ratio. It is put on for a specific purpose of discouraging production of pigs, and it would have that effect, and I never would say to the American farmer that a 10.2 corn-hog ratio is a good one. It is not. It is wrong. But I do justify going to that farmer and saying, "Look here, you have got corn that we have to have for human use. You would like to put it into these hogs. We are going to give you a price advantage for selling that corn that will persuade you not to produce so many hogs this year."

Now, I recognize, when you do that, that you throw off your hog calculations for 1947, and some time in 1947 there will be somebody stand up and say, "We are short of pork because the Secretary of Agriculture didn't know enough to have a corn-hog ratio that would give you pork."

I recognize that is coming. But you have to go now and do the thing that you have to do to get this food, and therefore we take the stuff realizing that 10.2 is not a decent corn-hog ratio.

Senator BANKHEAD. Is 10.2 a good corn-hog ratio?

Mr. ANDERSON. Yes; I think it is a decent ratio, around 12. It takes 13 to get an expansion.

Senator BUTLER. There is no serious damage done to the man who has his livestock, be it hogs or cattle or poultry, practically ready for market, to be forced to sell them. He can stand that. But I am talking about these millions of animals and poultry and dairy cows that are not ready for market.

Mr. ANDERSON. Well, now, Senator, it would be interesting if I had the figure in front of me, but I am sorry, because I do not contemplate these questions when I come here, and I do not like to come with a large staff of experts because I think sometimes you would like to determine what the Secretary of Agriculture knows about some of these questions himself. But I could take for you the percentage of corn that goes into hogs and the percentage of corn that goes into cattle, and could show you that the greatest investment that a cattle feeder could have in this present time of difficulty is to take away two or three hundred million bushels from the hogs, because you know that the amount fed to cattle is only a fraction of the amount that is fed to hogs.

Senator BUTLER. Yes.

Mr. ANDERSON. And you know that as far as dairy products and poultry are concerned, if we can change this corn-hog situation and bring about the liquidation of some of these hogs so that they are not carried past these excessively heavy weights, we will have corn for feeders and we will have corn for poultry and for these other things.

Senator BUTLER. The point there, Mr. Anderson, is that you will have. But I am talking about now, in the past week. How is the legitimate operator going to get corn and feed legitimately without meeting this situation? How is he going to get it at all without violating the law?

Mr. ANDERSON. Well, he may have it under contract, and many of them do. He may have it on his farm, and many of them do. If you have gone over—as I am sure you have—Iowa and the upper areas of Nebraska and into lower Minnesota and into the Dakotas, where corn was pretty good last year, you have seen more corn in those

places than you have seen in a long time. It is there; it is not in the hands of some speculator from whom they must buy it.

Realize that the greatest cattle-feeding State in the Union is Iowa, and realize that the average number of stock owned by the Iowan who is fattening them is under 15 head. These large feeders who have 7,000 head are not the people who are the principal fatteners of cattle in this country, and these Iowa farmers who have these 15 head have a pasture that they will turn them on for a short time where they will fatten their cattle. They are about ready for market.

As to hogs, we knew that the date that this program became effective farmers had cleaned up practically all the hogs that were going to market out of that crop. I talked a long time with hog producers as to when it could be done safely, and without encouraging them to carry on their fattening efforts to extra weights, and I went into the stockyards in Sioux City and into the stockyards in Omaha and looked at the sizes of hogs that were going through, and we believe that no great damage is being done by this program.

Now, I admit it is tough for awhile, and I am willing to recognize that some feeders are going to be hurt, but I believe the man that is smart enough to feed 7,000 head of cattle——

Senator BUTLER. I am not worried about him.

Mr. ANDERSON. Well, I think he is smart enough to go out and contract his corn, because I would not undertake to fatten 7,000 head of steers without first being sure of my feed supply. I tried once with a few hundred head and got into plenty of difficulty. I cannot imagine a man with enough ability——

Senator TAFT. Oh, he will pay the extra 30 cents in the black market. That is what happens.

Mr. ANDERSON. No; he contracts.

Senator TAFT. But that condemns the whole policy. That is what condemns the policy.

Mr. ANDERSON. He will have contracted for his corn months ahead, and it will be brought to him under that contract. There is nothing under this that changes that contract.

Senator BUTLER. The bulk of the feeding is in small lots.

Mr. ANDERSON. That is right.

Senator BUTLER. And they do not have contracts for their feeding requirements more than a few days at a time or a week at the most. Turkey producers are hit harder than anybody else.

Mr. ANDERSON. I would agree with you on that. I would agree with you that there are going to be a great many people hurt, Senator.

Senator BUTLER. I have not heard the answer yet, Mr. Secretary, as to how they are going to get along temporarily.

Mr. ANDERSON. I would only say that I cannot give you any additional answer as to how they are going to get along temporarily. I will simply say to you that the situation was not good; that they were up against all types of black-market competition. I think it is going to be a very short temporary period. Furthermore, I think we will be able to pick the corn up out of areas where it has been held, in which it would not have become available to them anyhow. We think their situation will be improved in a short time rather than damaged.

Senator BUTLER. You think the fellow who has this 50,000,000 bushels of corn would accumulate the 50,000,000 bushels of corn and

then—you will be through now shortly—do you think that the man that did not sell his corn at the bonuses is going to haul it to market and sell it at the ceiling price when he gets through with the bonus program?

Mr. ANDERSON. Yes; because a lot of it would not have been corn that would have qualified under our program; we are buying only top grades.

Senator BANKHEAD. I suggest you proceed with your statement.

Senator BUCK. May I ask one question?

Senator BANKHEAD. All right.

Senator BUCK. Has any of this 50,000,000 bushels of corn gone into the liquor industry?

Mr. ANDERSON. No. I can answer that one easily.

Senator BUCK. Well, that is what I wanted to know.

Mr. ANDERSON. Yes; I can answer that one very quickly.

Senator BANKHEAD. What page are you on now?

Mr. ANDERSON. I am on page 5. I was half through the page, down to the sentence that starts with, "Under those circumstances."

Under those circumstances people don't hesitate to pay a few dollars per acre above yesterday's price of farm land, because they are looking primarily for what they think is safety rather than for future returns. This tends to move a lot of land into the hands of people who have no real interest in the land; and it makes things tough for the dirt farmer.

What I am saying cannot be dismissed as hypothetical or theoretical. I am talking history—a particular kind of history that we cannot afford to repeat. You know, there is a saying that those who cannot remember the past are doomed to repeat it. I hope and believe we have good enough memories to escape that doom.

Unfortunately, however, the bill passed by the House to extend price control does not provide the strong controls which are particularly needed at this time. Those who voted for the House bill did so with the best of intentions. Many undoubtedly believed that some price controls were standing in the way of production and thereby perpetuating the inflationary pressures. However, the bill moved pretty fast, and many of the provisions for effectively controlling prices were eliminated. I am sure this was not the intention of those who sought to encourage production, for it is well known that run-away inflation does not encourage large-scale production of anything except paper money. As a matter of fact, extreme inflation—the kind in which you have to spend a week's salary to buy a meal—discourages production. Producers have no incentive to produce and sell when the money they get for their product isn't worth anything to them.

It is one thing to modify price-control measures for the sake of production; it is quite another thing to remove price controls. The House passed various amendments to the price-control legislation that was already on the books. Without going into detail on the provisions of those amendments, I should like to summarize briefly what I believe their effects would be. The Gossett amendment, which requires removal of the ceiling from a commodity whenever its production in the latest 12 months exceeds its production for the year ending June 30, 1941, is bad, because it fails to take into account the extent of demand.

Senator CAPEHART. Mr. Chairman, may I ask a question there?

Senator BANKHEAD. Yes.

Senator CAPEHART. Mr. Secretary, the Gossett amendment calls for production equal to 1940 and 1941. Would you be willing or would you be in favor of that amendment if it had said "150 percent of production"?

Mr. ANDERSON. Well, may I answer that I have got a table here and I was going to refer to that and it probably will answer that question.

Senator TAFT. Does it give the figures?

Mr. ANDERSON. Yes; it does. It gives the percentages.

Senator CAPEHART. Would you be able to answer the question "Yes" or "No"? Would you be in favor of the law if the amendment said 200 percent? Would you be in favor of it?

Mr. ANDERSON. Oh, 200 percent would be perfectly safe. Yes; that would be all right on a good many products.

Senator CAPEHART. Then you are not against the principle?

Senator BARKLEY. You had better be careful there; you are being led up a blind alley.

Senator CAPEHART. The principle of getting production the equivalent of 1941 was too low, and if we can arrive at 150 percent or 200 percent you would be in favor of it?

Mr. ANDERSON. No; 150 I would draw the line on, very heavily.

Senator CAPEHART. Well, the point is that you are not against the principle.

Mr. ANDERSON. No; I am not opposed to trying to lift it when we get to a point.

Senator CAPEHART. Yes.

Mr. ANDERSON. But I do not think we are close to it now.

Senator CAPEHART. You mean as the Gossett amendment reads?

Mr. ANDERSON. Yes.

Supply itself never determines the price level of any commodity. The determining factor is supply in relation to demand. Therefore, the supply level alone is a very poor guide to follow in removing price ceilings.

If the Senate should concur in this amendment and it should become law, ceilings would have to be removed immediately on wheat, rice, corn, oats, hay, tobacco, soybeans, peanuts, flaxseed, oranges, grapefruit, pears, peaches, grapes, sweetpotatoes, tree nuts, poultry, milk, eggs, cheese, beef and veal, lamb and mutton, pork, flour, various millfeeds, and various canned vegetables, fruits, and juices—virtually the whole list of foods. The one notable exception that would remain under price control would be butter.

Senator CAPEHART. Now, Mr. Chairman, one other question.

Senator TAFT. You think it would have that effect?

Mr. ANDERSON. Oh, yes; it would.

Senator TAFT. You think you would immediately have it?

Mr. ANDERSON. Oh, you might have legislative action, but I mean as far as production is concerned we are not going to get up to the 1941—

Senator CAPEHART. May I ask one question there: If the formula was 150 percent, then none of these items that you have mentioned would immediately come off of price control, would it?

Mr. ANDERSON. Well, let me go through the list. Rice—at 150 percent rice would come off. I have got to go through a lot of figures hurriedly.

Hay would come off.

Senator TAFT. Most of them would not come off?

Mr. ANDERSON. Let me say this—

Senator CAPEHART. Generally speaking, they would not come off?

Mr. ANDERSON. That is right.

Let me say this: I have here a table of the production of agricultural commodities in the United States in 1940 and 1941 as against 1945 and 1946, and a list showing the unit that we used and whether they are now presently under ceilings. I would like to file that with the committee, and I think it would be useful for your study.

Senator CAPEHART. Do you have extra copies?

Senator BANKHEAD. Could you distribute copies?

Mr. ANDERSON. I will do this, Senator: I will—

Senator BANKHEAD. It will be so long before we get the printed record, Mr. Secretary.

Mr. ANDERSON. I will do this: I will take this list back to the office and supply each member with a copy of it.

Senator CAPEHART. At his office?

Mr. ANDERSON. At your office. And then file the original.
(The following was later received for the record.)

Production of agricultural commodities, United States, 1940-41 and 1945-46

Agricultural commodities which cannot have ceilings under sec. 4-B of House amendment	Unit	Production, July 1940-June 1941 (or nearest comparable period)	Production, 1945 (or most recent 12 months available)	Presently under ceiling
Wheat.....	Million bushels.....	813.3	1,123.1	Yes. ¹
Rice.....	do.....	54.4	70.2	Yes.
Corn.....	do.....	2,462.3	3,018.4	Yes.
Oats.....	do.....	1,245.4	1,547.7	Yes.
Hay.....	Million tons.....	94.8	105.0	Yes.
Tobacco.....	Million pounds.....	1,462.1	2,041.8	Yes.
Soybeans.....	Million bushels.....	77.5	191.7	Yes.
Peanuts.....	Million pounds.....	1,749.7	2,079.6	Yes.
Flaxseed.....	Million bushels.....	30.9	36.7	Yes.
Oranges.....	Million boxes.....	82.8	102.2	Yes.
Grapefruit.....	do.....	42.9	62.5	Yes.
Pears.....	Million bushels.....	29.8	33.6	Yes.
Peaches.....	do.....	57.8	81.6	Yes.
Grapes.....	Million tons.....	2.5	2.8	Yes. ¹
Potatoes.....	Million bushels.....	375.8	425.1	No.
Sweetpotatoes.....	do.....	52.2	66.8	Yes.
Grain soybeans.....	Million hundredweight.....	83.2	95.6	Yes.
Dry field peas.....	do.....	2.1	5.6	Yes.
Hops.....	Million pounds.....	42.1	57.1	Yes. ¹
Sugarcane.....	Million tons.....	4.2	7.1	No.
Popcorn.....	Million pounds.....	78.1	435.8	Yes.
Walnuts.....	Thousand tons.....	50.8	68.1	Yes.
Almonds.....	do.....	10.2	23.1	Yes.
Filbert.....	do.....	3.2	5.0	Yes.
Pecans, improved.....	do.....	21.3	28.5	Yes.
Chickens, including commercial broilers.....	Million pounds.....	¹ 2,642.0	3,700.0	Yes.
Turkeys.....	do.....	¹ 482.0	680.0	Yes.
Milk.....	Billion pounds.....	¹ 115.5	122.3	Yes.
Eggs, total.....	Billion dozen.....	¹ 3.8	5.1	Yes.
Honey.....	Million pounds.....	¹ 222.0	233.1	Yes.
Beeswax.....	do.....	¹ 3.5	4.5	Yes.
Mohair.....	do.....	¹ 21.8	22.3	Yes.

¹ 1940 or 1941 calendar year, whichever is greater.

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1065

Production of agricultural commodities, United States, 1940-41 and 1945

Agricultural commodities which cannot have ceilings under sec. 4-B of House amendment	Unit	Production, July 1940-June 1941 (or nearest comparable period)	Production, 1945 (or most recent 12 months available)	Presently under ceiling
Fresh vegetables:				
Snapbeans	Million bushels	15.3	16.5	Yes.
Cabbage	Million tons	1.0	1.7	No.
Cantaloupes	Million crates	11.7	12.5	No.
Carrots	Million bushels	17.7	29.8	Yes.
Lettuce	Million crates	22.5	29.6	Yes.
Onions	Million 50-pound bags	29.4	36.1	Yes.
Spinach	Million bushels	13.6	15.2	Yes.
Tomatoes	do.	23.3	32.3	Yes.
Artichokes	Thousand boxes	700.0	702.0	No.
Cauliflower	Million crates	9.4	11.8	No.
Celery	do.	17.0	18.9	No.
Cucumbers	Million bushels	4.8	5.4	No.
Eggplant	do.	.8	1.5	No.
Escarole	Million hampers	.4	.9	No.
Honey dews	Million crates	2.4	4.2	No.
Shallots	Million bushels	.5	.6	No.
Peppers	Thousand bushels	5.1	6.6	No.
Truck crops for processing:				
Lima beans, shelled	Thousand tons	26.1	34.1	No.
Snapbeans	do.	114.2	222.4	No.
Beets	do.	70.7	176.3	No.
Sweet corn	do.	731.5	1,131.1	Yes.
Green peas	do.	306.2	492.5	Yes.
Tomatoes	do.	2,275.8	2,665.2	Yes.
Spinach	do.	43.7	89.3	Yes.
Cucumbers	do.	148.9	185.4	No.
Peppermint oil	Million pounds	1.0	1.5	Yes.
Spearmint oil	do.	.2	.3	Yes.

Production of processed agricultural commodities, United States, 1940-41 and 1945

PROCESSED AGRICULTURAL COMMODITY WHICH CANNOT HAVE CEILINGS UNDER SEC. 4-B OF HOUSE AMENDMENT

	Unit	Production, July 1940-June 1941 (or nearest comparable period)	Production, 1945 (or most recent 12-month period available)	Presently under price ceiling
Cheese	Million pounds	1,956.0	1,115.0	Yes.
Beef and veal	do.	1,912.0	11,510.0	Yes.
Lamb and mutton	do.	1,925.0	1,050.0	Yes.
Pork, excluding lard	do.	1,944.7	10,040.0	Yes.
Milk, evaporated	do.	1,325.0	3,760.0	Yes.
Wheat flour	Million 100-pound sacks	217.2	290.0	Yes.
Rye flour	do.	3.1	3.6	No.
Rice milled	do.	14.5	18.5	Yes.
Wheat millfeeds	Million tons	4.4	6.2	Yes.
Rice millfeeds	Thousand tons	132.0	154.9	Yes.
Alfalfa meal	do.	435.5	956.1	Yes.
Soybean Oil	Million pounds	.6	1.4	Yes.
Apricots, canned	Million cases (24 No. 2½'s)	2.2	4.2	Yes.
Sweet cherries, canned	do.	.6	1.3	Yes.
Fruit cocktail	do.	5.0	6.0	Yes.
Peaches, clingstone	do.	11.3	12.3	Yes.
Grapefruit juice, canned	Million cases (24 No. 2's)	16.2	28.5	Yes.
Orange juice	do.	4.1	13.5	Yes.
Blended juice	do.	2.5	9.0	Yes.
Canned pack:				
Asparagus	do.	3.3	4.5	Yes.
Beans, snap	do.	9.8	17.5	No.
Beets	do.	3.7	9.5	Yes. ³
Corn	do.	15.5	28.7	Yes.
Pickles	do.	9.9	12.6	Yes.
Peas	do.	25.2	39.7	Yes.
Spinach	do.	5.0	8.4	Yes. ³
Succotash	do.	.4	(3.5)	Yes.
Mixed vegetables	do.	2.3		
Potatoes	do.		1.5	No.

See footnotes at end of table, p. 1066.

1066 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Production of processed agricultural commodities, United States, 1940-41 and 1945—
Continued

PROCESSED AGRICULTURAL COMMODITY WHICH CANNOT HAVE CEILINGS
UNDER SEC. 4-B OF HOUSE AMENDMENT—Continued

	Unit	Production, July 1940- June 1941 (or nearest com- parable period)	Production, 1945 (or most recent 12- month period available)	Presently under price ceiling
Canned pack—Continued				
Carrots.....	Million cases (24 #No. 2's)	1.4	3.5	No.
Tomato juice.....	do	15.1	28.4	Yes.
Tomato pulp and puree.....	do	2.8	9.5	Yes.
Tomato paste.....	do	1.9	4.5	Yes.
Tomato sauce.....	do	1.5	7.0	Yes.
Tomato catsup and chili sauce.....	do	10.0	10.1	Yes.
Sweetpotatoes.....	do	1.0	2.9	No.
Other greens.....	do	.6	3.0	Yes. ¹
Frozen pack:				
Rhubarb.....	Million pounds		6.9	Yes.
Asparagus.....	do	6.0	20.6	Yes.
Beans:				
Lima.....	do	16.8	28.5	Yes.
Snap.....	do	6.0	31.5	Yes.
Corn, cut.....	do	4.5	25.6	No.
Peas.....	do	35.8	103.8	Yes.
Peas and carrots.....	do	.4	4.3	Yes.
Spinach.....	do	4.1	36.7	Yes. ¹
Broccoli.....	do	1.9	11.7	Yes.
Brussels sprouts.....	do	.8	6.6	Yes.
Cauliflower.....	do	.7	7.4	Yes.
Pumpkin and squash.....	do	.6	7.4	Yes. ²
Carrots.....	do	2.0	6.1	Yes. ³
Mixed vegetables.....	do		5.6	Yes.
Succotash.....	do		1.8	Yes.
Soybean cake and meal.....	Thousand tons	1,470.5	3,797.6	Yes.
Corn gluten feed and meal.....	do	686.9	821.4	Yes.
Brewers' dried grains.....	do	106.1	224.3	Yes.
Distillers' dried grains.....	do	191.2	577.1	Yes.

PROCESSED AGRICULTURAL COMMODITY WHICH MAY HAVE CEILINGS UNDER
SEC. 4-B OF HOUSE AMENDMENT

Butter, creamery.....	Million pounds	¹ 1,872.0	1,370.0	Yes.
Lard.....	do	2,272.0	⁴ 2,200.0	Yes.
Cotton cloth.....	Million square yards	² 9,594.0	⁴ 9,500.0	Yes.
Peanut oil.....	Million pounds	171.7	115.1	Yes.
Cottonseed oil.....	do	1,413.3	1,273.3	Yes.
Linseed oil.....	do	707.2	525.0	Yes.
Apples, canned				
Applesauce, canned.....	Million cases	2.1	1.2	Yes.
Sour cherries, canned.....	do	2.0	1.5	Yes.
Pears, canned.....	do	2.7	1.1	Yes.
Pears, canned.....	do	5.5	4.8	Yes.
Cottonseed cake and meal.....	Million tons	1.9	1.8	Yes.
Linseed cake and meal.....	Thousand tons	651.9	466.4	Yes.
Peanut cake and meal.....	do	132.0	95.4	Yes.
Copra cake and meal.....	do	89.9	40.1	Yes.
Dried and molasses beet pulp.....	do	322.0	266.0	Yes.
Canned vegetables:				
Lima beans.....	Million cases	2.0	1.6	Yes.
Tomatoes.....	do	29.5	16.9	Yes.
Kraut.....	do	10.0	9.9	No.
Pimentos.....	do	.5	.4	No.
Pumpkin and squash.....	do	3.1	1.9	Yes. ¹
Hominy.....	do	2.5	2.0	Yes.
Frozen vegetables: Corn on cob				
Gum rosin.....	Million pounds	2.9	.4	No.
Gum turpentine.....	Thousand drums (520- pound net).	1,173.6	⁶ 617.1	Yes.
Gum turpentine.....	Thousand barrels (50- gallon).	343.9	⁶ 219.6	Yes.

Estimates of 1945 production of meat animals will be available on Apr. 26. It is presently estimated that 1945 production of cattle and calves, hogs, and possibly sheep and lambs, will be above the 1940-41 levels.

¹ 1940 or 1941 calendar year production, whichever is greater.

² Suspension order in process.

³ 1940 or 1941 calendar-year production, whichever is smaller.

⁴ Estimated.

⁵ Suspension order in process.

⁶ April-December 1945, representing 94 percent of total naval stores.

Production of agricultural commodities, 1940-41 and 1945

Agricultural commodities which may have ceilings under sec. 4-B of House amendment	Unit	Production, July 1940-June 1941 (or nearest comparable period)	Production, 1945 (or most recent 12 months available)	Presently under ceiling
Rye.....	Million bushels.....	40.0	26.4	No.
Barley.....	do.....	308.9	264.0	Yes.
Cotton.....	Million bales.....	12.6	9.2	No.
Cottonseed.....	Million tons.....	5.3	3.7	No.
Apples.....	Million bushels.....	111.4	64.4	Yes.
Lemons.....	Million boxes.....	17.7	13.6	Yes.
Strawberries.....	Million crates.....	12.7	5.6	Yes.
Dry edible beans.....	Million 100-pound bags.....	16.9	13.6	Yes.
Sugar beets.....	Million tons.....	12.3	8.6	No.
Maple sugar.....	Thousand pounds.....	434.0	251.0	Yes.
Maple sirup.....	Million gallons.....	2.6	1.0	Yes.
Broomcorn.....	Million tons.....	43.9	31.7	Yes.
Cotton, American-Egyptian.....	Thousand bales.....	33.3	4.3	No.
Wool, shorn and pulled.....	Million pounds.....	1 437.0	387.0	Yes.
Asparagus, fresh.....	Million crates.....	9.2	8.7	No.
Lima beans, ground, fresh.....	Thousand bushels.....	1 438.0	1 405.0	No.
Beets, fresh.....	do.....	2 241.0	2 135.0	No.
Corn, sweet, fresh.....	Million ears.....	268.8	268.8	No.
Green peas, fresh.....	Million bushels.....	7.7	8.2	Yes.
Watermelons.....	do.....	77.4	73.1	No.
Honey balls.....	Million crates.....	No.
Kale, fresh.....	Million bushels.....	9	7	No.
Cabbage, processing.....	Thousand tons.....	185.2	182.5	No.
Pecans, seedling.....	do.....	40.5	37.8	Yes.

¹ 1940 calendar-year production. 1941 calendar year was 456.

Senator TAFT. Do you think 100 percent or 125 percent would do?

Mr. ANDERSON. No. A hundred percent would take wheat out and would take a great many out. One hundred and fifty percent is almost a breaking point on 1945 production; but I want to warn you in advance that as far as wheat is concerned, Senator, I would never agree to 150 percent on wheat because our demands are so extensive that I still think we would have runaway prices.

Senator CAPEHART. Yes; but I am not trying to arrive at a percentage but rather at a principle, and you agreed with the principle, and that is the important thing at the moment.

Mr. ANDERSON. May I—

Senator TAFT. Mr. Anderson.

Mr. ANDERSON. May I just—would you pardon me, Senator Taft?

Senator TAFT. Yes.

Mr. ANDERSON. May I just add that the reason that I would reserve a lot of judgment is that if you took price ceilings off wheat and left them on corn, or took them off oats and left them on rye, you would have to consider the whole relationship of all grains to the picture, and I am sure nobody knows it better than you do, Senator Capehart.

Senator CAPEHART. Yes; I understand.

Mr. ANDERSON. And the committee when it discussed this would have to consider the effect of that removal.

Senator CAPEHART. I was happy to see you agree with the principle. That is all I am interested in.

Senator TAFT. Mr. Anderson, there are two different suggestions. One was that we might make a schedule of the principal commodities the state of production that had to be reached before they got decontrolled. Take each one, and considering the circumstances there may

be two dozen of the principal commodities. Would that be a feasible thing? I mean would you be prepared to say, in the case of this commodity if they get so much production that would be equal to the demand, in our opinion, and it could be properly decontrolled?

Mr. ANDERSON. No; I would not; and I can only go back to the experience on citrus fruits to show you why I would not. We have a terrific production of citrus fruits in this country. Theoretically once they are taken out from under ceilings the production of these citrus fruits should be able to control it and keep the price down; but unfortunately you have to recognize that right now inflationary pressure is directed against farmland and some buildings, perhaps, but the great bulk of it is directed against food. Food is the one thing that people can walk in and buy. They have difficulty buying clothing, they may have difficulty buying nylon, they may have difficulty with a great many things, but food is there, and the tremendous pressures that are exerted against food today are terrifically difficult to handle.

Senator TAFT. I have been told—I have not verified it—that both oranges and grapefruit have been selling below the ceilings.

Mr. ANDERSON. Since the ceilings went back on, but when the ceilings went off—

Senator TAFT. Well, they took them off when there wasn't any, when the crop was over. There was practically no citrus fruit available, and in fact it is charged—I do not know much about it myself—that it was deliberately done for that purpose, to make an example by showing when you took it off when there wasn't any, where the price would go. Now, I do not know whether that is true or not.

Senator BARKLEY. Who made that charge?

Senator TAFT. The fact that since the ceilings were put on they have been selling below the price when the crop came in certainly would seem to remove that as an example that could be relied upon.

Mr. ANDERSON. Well, again I am somewhat embarrassed because there is a matter of difference of opinion on that between some other offices and myself as to how they should come off and when.

Senator TAFT. Well, you brought it up.

Mr. ANDERSON. But I do say, Senator, that when they were removed there was a sudden and very rapid increase in price, because then it became apparent that these citrus fruits were going to take the pressures again of all sorts of buying. There was a tremendous lot of—

Senator TAFT. At the time of year when there wasn't any citrus fruit.

Mr. ANDERSON. There was some, but it was the Christmas-holiday season, and some exceptionally fine fruits came into the market, and they did take the pressure.

Senator TAFT. It was earlier than that. They took it off—

Senator BARKLEY. Did not the producers of citrus fruit ask that it be taken off?

Mr. ANDERSON. Yes.

Senator BARKLEY. Well, they did not do that for the purpose of making an example out of themselves, did they?

Mr. ANDERSON. Well, I hate to take the time of the committee on a matter of that kind, but I would say to you, Senator, that, while they asked that it be taken off, they asked that it be taken off either

earlier or later; they did not want to have it taken off right at that particular time. They were anxious to have it taken off much earlier.

We felt that it was necessary to study the demands that were going to be made on food, and it was delayed quite a while, and by the time it was taken off it hit about the most unfortunate time because there were some rail difficulties, there was a holiday buying season, there were many factors that might possibly have made it an unfortunate action.

What I am pointing out is that I would not want to say, just because production on a single item got up to a certain point, that you should take off all ceilings. You would have to survey the whole food picture and see if enough food is going to be available to take these pressures that are bound to come at the time when money can be spent there most quickly.

Senator TAFT. The other suggestion that has been made is that we simply take off one or two things where we think that for various reasons it should be decontrolled now, without passing on future stuff. One of them is oil. I do not suppose that is in your field, because production is in excess of the demand. The other is meat. As you know, the House in one amendment took it off and then reversed themselves. It is suggested in the cost of meat that you have got so much black market and the difficulty is so great that you might just as well remove the control on meat, and I would like to have your comment on that, if you will.

Mr. ANDERSON. Well, we are out of the packing business today, fortunately, but I would not feel that the supply of meat at the present time was adequate to remove price ceilings. I would say, Senator, that there have been two or three times when we could have come very close to it, but you are now moving in again to the rather slack period, and you have rather low meat production during the months of June, July, August, and September. You have to wait until the grass fats start to run at the end of September before you again get a substantial supply of meat.

Senator TAFT. One of our committees recommended that it be removed at the 1st of September, 1st of October, and what would you think of that as a possible action of the committee?

Mr. ANDERSON. Well, again I would want to know what the whole food picture was at that time. I think calendars are very hard in this food situation. I think it is very hard to say on such-and-such a date we will do so-and-so.

Senator TAFT. What would be the effect of removing the controls on meat on the size of hogs? Would that tend, do you think, to reduce the size of hogs and thereby reduce the amount of food that is being used for feeding hogs?

Mr. ANDERSON. No. If ceilings—I am afraid you are calling on me for speculation now.

Senator TAFT. Yes, I am; I surely understand it.

Mr. ANDERSON. If you recognize it as a speculation, Senator, I would say that taking the ceilings off hogs, if you left them on beef, for example, would greatly—

Senator TAFT. No; I would take them both off.

Mr. ANDERSON. Well, if you took them both off, removal of the ceilings on hogs would undoubtedly raise very heavily the price of pork and would therefore greatly improve the corn-hog ratio, make it

far more advantageous to feed corn, and would therefore take more corn away from the consumers of the country than otherwise, and if we should have anything—

Senator TAFT. Do you think it would increase the price of pork?

Mr. ANDERSON. Oh, yes.

Senator TAFT. Over what probably is available in the black market today?

Mr. ANDERSON. Oh, yes. The pressures on food are so great that you can hardly figure what a price would be. Some people seem indifferent about the prices that are being charged for meat. There are some groups that are extremely acute on the subject and do worry a great deal, but a lot of people do not seem to worry at all about it. We know, for example, that a great deal of butter sells at a dollar a pound. That is not close to the ceiling, but a great deal of it does sell at that figure. It is not a matter of great concern what the price is, and I can imagine that pork could sell up easily at 70 cents a pound. I do not say it would stay there, but I think that you could take ceilings off and have meat prices go to pretty high levels, and that the amount of money that seems to be available for purchases of everything is going to be hard to handle unless there is an abundance of other types of consumer goods. I think, Senator, as soon as we get to the point where I can buy an automobile and a radio and an ice-box and maybe a new washing machine, and will have down payments to make very month on them, it will so cripple my financial condition that I will have to be a little careful what I pay for food.

Senator TAFT. Well, your figures seem to show that in the case of meat the black market is so extensive that the price of meat has already more or less found its natural level and that it is not likely, therefore, to go any higher. You do not agree to that?

Mr. ANDERSON. I do not subscribe to the present testimony about the extent of black market in meat. As a matter of fact, the new slaughter quotas which have become effective today will run a great deal of that meat through large, well-integrated, well-known packing firms whose integrity is certainly not to be questioned. Those firms are going to sell that meat at the ceiling price. Their business practices are such that they are going to do it. And if their business ethics did not require them to do it, they could not hazard selling it at wrong prices, and that would restrain them. I follow the latter item, recognizing that from our experience with them they would continue to sell, as I think they sold all during the war, at ceiling prices, at honest prices.

Senator TAFT. But can they get the meat? They say they cannot get the meat.

Mr. ANDERSON. Yes; they can; under this sort of quota that is now in effect. It was not a nice thing to do again, but—

Senator BANKHEAD. What sort of quota is that that you refer to?

Mr. ANDERSON. Well, we have recently put a slaughter quota on beef on 100 percent of 1944. The result of that will be that a great many new plants that have come into existence, some of which unquestionably were dealing with prices that were above legal ceilings, will now be cut back to a more normal supply of meat, and give well-recognized, long-established firms a chance to come back into the market as they always did.

Senator BANKHEAD. That is a base period 1944?

Mr. ANDERSON. Yes.

Senator TAFT. They do not seem to feel that it is going to have that result, but I do not know; they may be mistaken.

Mr. ANDERSON. Well, when we put the quotas in before, they had that result, and they took the black market out at once. It didn't last, Senator, I grant you that, because when the strike came in and there seemed to be a chance for them to start back in business they got back in business very rapidly. It is an attractive business, which yields unusually good returns to the person who is willing to go into it, and naturally we have all kinds of trouble as a result of it.

Senator CAPEHART. Mr. Secretary, isn't it a fact that the calendar, outside of seasonal production, has absolutely nothing to do with the law of supply and demand, and do you not think that we should legislate on some formula that will hurry production rather than try to legislate that OPA be eliminated at a certain day, at a certain hour?

Mr. ANDERSON. Well, I don't know.

Senator CAPEHART. And to set up formulas that will hurry production in its relationship with demand, whether that be 6 months, 9 months, a year, 2 years, 3 years, or 4 years.

Mr. ANDERSON. Well, Senator——

Senator CAPEHART. What is the relationship? Other than seasonal trends, what has the calendar to do with production and consumption?

Mr. ANDERSON. Well, on livestock it has——

Senator CAPEHART. I said seasonal trends; yes.

Mr. ANDERSON. Well, it has a lot to do with it, I think. You take the present situation where you have a tremendous grain shortage the world around.

Senator CAPEHART. My point is, why should we not legislate here on some sort of formula that price control will be eliminated when we have production to a certain point, rather than trying to say that it will be March 31 or June 30 or some other date? I mean what we want here, we are all willing, I think, to eliminate price ceilings when you can walk into a store and buy what you want. No one can sit here now, though, and say that is March 31 or June 30.

Mr. ANDERSON. No.

Senator CAPEHART. But we ought to be able to sit here and say that when production has arrived at a certain point in a given industry or a given item, that at that time price ceilings can be eliminated.

Mr. ANDERSON. Well, I would say to you, Senator, that the Department of Agriculture I believe has favored that sort of policy. Our great difficulty is that at the present time I know of no way that you can measure the demands for food. I cannot imagine a production of meat that would be big enough right now to satisfy the American demand for it. It would have to go away past 200 pounds; it might run 225 pounds. Now, there are countries that eat 220 pounds of meat.

Senator CAPEHART. Well, Mr. Secretary, do you mean, then, that there is a possibility that we may have price control for 5, 10, 15, 20 years?

Mr. ANDERSON. Oh, not at all, certainly. I do not know how long it is going to take for some of these things to catch up. I have tried to say that as soon as people can buy automobiles and radios and

refrigerators and a few things of that nature, and can find places for money that now is causing a great deal of trouble——

Senator CAPEHART. Your thought is that if they could spend their money for automobiles and radios they could not spend so much for food?

Mr. ANDERSON. There would not be the pressures for food, and they would resist the prices that are extravagant and exorbitant, but judging from the demand for food apparently nobody worries about the food prices now.

I have some very interesting——

Senator TAFT. Do you not think we are throwing away \$720,000,-000, then, in subsidizing the price of meat?

Mr. ANDERSON. Again I can——

Senator TAFT. If nobody worries about the price, that is 5 cents a pound as I understand it; we can save \$720,000,000 by cutting those subsidies off tomorrow, and you say people do not care and the demand is too great anyway, and abnormal, and why not let that price increase go into effect?

Mr. ANDERSON. Well, I have got some testimony at the end of my statement that has to do with the removal of subsidies. I did recommend, Senator, that the subsidies come off meat as of June 30, 1946, but I wanted that announcement to be made in October of 1945, since we were then in the process of negotiating a whole lot of wage contracts, and we were considering the new wage formula, and if the announcement should have been made then as to the termination of subsidies it could have been taken into consideration and could have been reflected in any negotiations and settlements that were made. But we made all these settlements with the assumption, at least, that price ceilings were to remain and that the subsidies might remain.

Senator TAFT. What assumption? Who made such an assumption?

Mr. ANDERSON. Well, I will not say they were made. I did not make them.

Senator TAFT. Why, nobody made them. Nobody knew what prices could be. They knew Congress was up against the problem of renewing price control, and did not know whether they would renew it or not. Nobody could make any assumption that we were going to renew price control. It was not put in any contract, no wage contract.

Mr. ANDERSON. No.

Senator TAFT. The increase was granted in spite of the fact that there was no increase in the cost of living—on paper.

Mr. ANDERSON. Well, fact-finding boards did the job, and I did not. But I say to you that I do feel that you get into a question with the stabilization of all your prices now, and that I think that you would have a great deal of difficulty picking out a particular thing and saying, "Well, we can take that off." I simply say——

Senator BARKLEY. I would like to ask about this meat situation inasmuch as you have been talking about it. I was called on a few days ago by a representative of one of the four or five big packers in this country and was told that in normal times they slaughtered I think about 7,000 head a week, and now they are slaughtering only about 500 head a week because the cattle are going into the black market; and a terrible picture was drawn about these cattle being slaughtered and the meat being sold without proper inspection, and peddled around, and people willing to pay any price for it.

I would like to know what that situation is. I would like to know how much, if at all, that picture was overdrawn. And I was told that there are more cattle per head, per population, in this country now than at any normal time. I would like to know what the figures are about that.

Do you know what is the cattle population at this time?

Mr. ANDERSON. Total cattle, about 81,000,000.

Senator BARKLEY. Eighty-one million.

Mr. ANDERSON. But that includes all the dairy cows.

Senator BARKLEY. Well, how does that compare with 1939 or 1940?

Mr. ANDERSON. In 1939 I think it was 67,000,000. I do not carry all these figures in my head, Senator.

Senator BARKLEY. Yes. Well, in other words, there is quite a lot more cattle—whether they are dairy or beef cattle—there are more cattle on the hoof than there were in 1939 and 1940?

Mr. ANDERSON. Yes; I think that the figure would be something like 36,000,000 of range cattle then, as against 40,000,000 now.

Senator BARKLEY. I think that the statement was made that compared to those dates there is a 9,000,000 surplus of cattle—that is, more cattle in proportion to the population than there were in 1939. That may be—

Mr. ANDERSON. Well, they are not all surplus. Part of those are dairy cattle that are very badly needed.

Senator BARKLEY. Yes. Now, I had a letter from a farmer in my State, a very reputable and prominent farmer who is not only a cattle raiser but used to be interested in a stock market, cattle market, in a small town, where they drove the cattle in and sold them; and he was writing me a letter. He is a respectable man and I have known him for years and would take seriously any statement that he would make. He says that there are fewer hogs in his county than at any time within the last 10 years, due to the situation which exists, and he blames it all on the black market, as well as the automobile in Florida where it seems that it is running wild, and they give Florida as a horrible example of the black market, and certainly we hear it is pretty bad down there, and it may be bad elsewhere.

Now, if there are more cattle per head of people in this country than ever before, and if it is true that an outstanding packing institution that used to slaughter 7,000 head of cattle a week can get only 500 because it is more profitable for farmers and others to sell their cattle somewhere else, what is the remedy for it if that is true? And if it isn't true, to what extent is it misrepresentation?

Can you give me any light on that subject?

Mr. ANDERSON. I think that it is absolutely true that the large, well-integrated packers have not been able to go into the market and buy cattle. I realize that there has been a belief that they are on a buyers' strike, but we have tried to check, in the times that we were running the plants, and we found it impossible for those firms to go into the market and buy cattle within the compliance range. The difficulty is that they are large.

Senator BARKLEY. They are what?

Mr. ANDERSON. They are large; that they are well recognized, that they are reliable, and they are not willing to gamble with buying cattle at improper prices; and therefore, if the ceiling is \$17, they must stay within the compliance range, and they do try to stay within that range.

They try to buy within it. But they are up against the competition of people who are not in the slightest interested in staying in the compliance range, and who take it away from them as fast as they can.

Senator BARKLEY. Yes. And the difficulty is that apparently there is no way by which you can stop those on the outside who are willing to pay more than the price range and therefore deprive the legitimate markets of not only the right or the opportunity to obtain cattle, but you may endanger the people by this slipshod way of slaughtering and selling meats without proper regulation on the part of the Government. That has been worrying me.

Mr. ANDERSON. That is precisely why these slaughter quotas have been restored.

Senator BARKLEY. The industry does not believe that the restoring of slaughter quotas will solve this black market problem. They may not agree with you about it.

Mr. ANDERSON. I do not know why they were so anxious to see them restored, then.

Senator BARKLEY. Well, it probably would help.

Mr. ANDERSON. I do not say that it solves all the problems.

Senator BARKLEY. Whether it is the answer to black market or not is another matter.

Senator BANKHEAD. Senator Barkley, what were those figures about the normal production or slaughtering by the regular packers, and the present figures of slaughter?

Senator BARKLEY. Well, this is only one packer. My recollection is that he said that normally he slaughtered 7,000 cattle a week, but now he can get only 500 because it is more profitable to sell the cattle somewhere else.

Senator BANKHEAD. What is your information about that, Mr. Secretary?

Mr. ANDERSON. I would agree, Senator, that that is a perfectly typical figure from hundreds of plants, many plants all over the country. I have telegram after telegram, and could have brought them to you, as those packers would wire me and say, "There were so many thousand cattle sold in Omaha today, and we got so many of them," or, "So many thousand cattle sold in Kansas City and we got so many of them." They got just trifling amounts. And we started in finding out what the order buyers had been buying and for whom they had been buying them, and we found one day when all the big packers together, who normally bought 70 percent of all that was offered in this market, got only 4 or 5 percent; that one purchaser in Pittsburgh, who does not even have a plant, got more than all the big packers put together.

Senator BANKHEAD. Could you trace what he did with them?

Mr. ANDERSON. They are now engaged in tracing what he did with them.

Senator CAPEHART. Mr. Secretary.

Senator BARKLEY. It was also stated to me that formerly there was a very small number of licensed packers and slaughterers—slaughterers, I guess; I have forgotten the small number. But now, that there are 12 to 15 thousand licensed slaughters in the United States compared to some 12 or 15 hundred prior to that situation.

Now, how does that come about?

Mr. ANDERSON. I think that they ought to qualify that to some extent and list the different types of slaughterers, by permit. There are commercial market farmers who are licensed to slaughter now, from whom no permit was ever required heretofore. There are a good many situations of that nature, and that accounts for a good deal of the spread. But beyond that there is an increase in the number of relatively small plants that have recently come into existence for slaughtering purposes, and it is the feeling of a great many people, and I am one of them, that they have been consistently violating the stabilization range.

Senator CAPEHART. In other words——

Mr. ANDERSON. Now, they have an answer to that, Senator, and their answer is that they are not able to grade cattle on the hoof well enough to judge what actually the grade should be. Now, they buy what looks to them to be an AA-grade steer, and when they butcher him they find he only cuts out 54 percent, and therefore was not an AA-grade steer, but they say that is a mistake on their part and an honest mistake. I personally think that it is not always——

Senator BANKHEAD. A mistake.

Mr. ANDERSON. Yes. Exactly that way. It is a desire to get meat and sell it at a high price.

Senator BARKLEY. These statements that come to me all head up to the suggestion finally that the way to cure this whole situation in meat is to take off all controls and ceilings, on the theory that meat might run up for 30 days in price, but it would level off, so that there would not be any of this artificial situation. I do not know whether that is the answer or not. I am seeking the answer.

I say this: that I do not see how this committee can write in here, into the law itself, an exemption of every industry and every activity that wants to be exempted from ceilings; but it seems that those facts, if they are facts, ought to be taken into consideration by the administrative agency that has the power to deal with it.

Mr. ANDERSON. Well, Senator, if I may, I would say to you that there have been many times when I have debated with myself very seriously as to whether or not the removal of many of these controls on meat might not be a good thing in view of the surplus population of our ranches. I would say that about as far as I have been able to persuade myself to go is to regard this present period when we are trying to reestablish slaughter controls as about the last effort to see if it will work. If with slaughter controls and with the increased force that OPA is now putting on this we are not able to direct these cattle back into decent channels, if we are not able to persuade people that they have got to buy in compliance, and if we are not able to get food for the American people at decent prices, then we surely ought to try something else; and the only other "something else" is an abandonment of these controls. I would hate to see that happen until we again have made a vigorous effort.

A year ago when the conditions were pretty bad, the OPA greatly increased its enforcement and greatly changed the picture, threw a lot of this meat back into normal channels and preserved price control, and still preserved a decent operation.

Senator BANKHEAD. Mr. Secretary, right there you have made a very important statement—it impresses me—about your views. How

long do you think it will take to make a fair test of whether the new program will be effective?

Mr. ANDERSON. That is an awfully hard question for me to answer, Senator. They should do something with it in 90 days or abandon it.

Senator BANKHEAD. Ninety days?

Senator BARKLEY. Ninety, did you say?

Mr. ANDERSON. Ninety days, or abandon it; yes. I say to you if you cannot stop the black market that exists, if you cannot stop the situation that the large packers upon whom we have to depend for a good deal of the meat that we ship in export—and that is my principal interest just now—if they cannot handle something like a normal volume of it, if it all goes out where it is wasted, then something is wrong.

Now, may I explain that my interest is, I don't only stop at any packing plant; my interest is not in Wilson or Swift or Cudahy or any concern.

Senator BANKHEAD. Oh, we all understand that.

Mr. ANDERSON. But every time you allow a carcass to fail to go into an integrated plant or a well-organized plant where they save the ordinary byproducts, you cause trouble all the way down the line.

For example, you lose the tankage. Tankage is very important to us right now from the standpoint of feed for livestock and as it now stands we lose all that when 500 head go to a firm that normally handled 7,000. And we lose lard, and we lose a great many other things that we ought to have. The whole butchering operation is carefully done.

Senator BARKLEY. Gelatine is one item that you lose entirely, I think.

Mr. ANDERSON. And every day we hear of something else that we are losing because of it. I happen to be a diabetic and take insulin every morning and I find myself in a situation where insulin is rather scarce because firms do not handle the things as they should handle them and as the regular packers are accustomed to handling them.

All the way down the line it affects us when we disturb this normal handling of livestock, and we tried to handle it a year ago by extreme enforcement measures. Great numbers of extra people were put on to enforce it, and a good job was done. The OPA did succeed in driving a good many black-market operators out of the business, but unfortunately it is one of those things that you get back into quickly.

Senator BANKHEAD. Let me ask you one more question: Have the regular packers, the lawful packers, requested any regulations or any other help other than to be entirely released? In other words, are you giving them what they are requesting to enable them to bring all this into compliance if it can be done?

And I do not know; I have not heard any complaints about it. I am asking for information.

Mr. ANDERSON. The larger packers, Senator, have suggested virtually only one course, and that is the elimination of all controls over the meat industry.

Senator BANKHEAD. Well, I understood that was their objective.

Mr. ANDERSON. But we have tried to find out if they do not believe that this matter of quotas will help. I think they feel that it will help. It may be that they think it won't help enough. I think that

would be a fair statement of it, that they don't believe it will get the thing done now.

Senator BANKHEAD. Did they make any other recommendations?
Mr. ANDERSON. No.

Senator BANKHEAD. Except to go out from under controls.

Senator TAFT. Mr. Anderson, what would you think of this? What would be the effect of our saying now: leaving it to the discretion of the Stabilization Director to remove controls, but requiring that it be done, we will say, at some date when meat, we know, and feed, will be in fairly good supply, say, the 31st of October? Would there be any—you said before that you favored announcing it last fall for the first of July.

Mr. ANDERSON. Not the elimination of all controls, Senator. I am sorry. I did not mean to testify to that if I did.

Senator TAFT. Subsidies.

Mr. ANDERSON. Subsidies.

Senator TAFT. But in any event it puts it a long way ahead. Do you see, would there be any bad repercussions from announcing now that it must come off on the 31st of October and that the Administration may remove it before? They may remove it without our saying so, as far as that is concerned.

Mr. ANDERSON. Yes; if this plan of quota allocations will work and you can handle it by that system. I would rather see some control left on there, to be removed at the discretion of the Office of Economic Stabilization, than to set a specific date for it.

Senator TAFT. If you go beyond the 31st of October, aren't you again in the same position in which you come into a season of less supply and you have the darn thing another year still?

Mr. ANDERSON. Not after October 31, after you are moving into the period of fairly large supply.

Senator TAFT. That is what I say. I say now if we do not say that you have to take it off at that time, and it is not taken off then, and then it is still on when we come in here in March and April, aren't we again up against the time that we are in a period of slack supply and some demand on grain?

In other words, shouldn't there be—if we are going to get rid of it at all in the next 2 years, ought we not to fix a date when we get rid of it? That is my suggestion.

Mr. ANDERSON. I would feel much happier if that was not a specific date on the calendar. I hate to see dates.

Senator TAFT. It is not specific, because Mr. Bowles could do that before that. He could do it in September; he could do it in July if he wanted to.

Mr. ANDERSON. He certainly could not do it in July. As I say, you have a buying demand, a demand for meat that I don't know what the levels of it would be. We have never consumed 165 pounds, except to go a long way back into our history, but—

Senator TAFT. Yes; but by October we will have these other things that you say will take up the purchasing power. We will raise the price of meat by the subsidy at least 5 or 6 cents a pound, so that that reduces demand to some extent.

Altogether wouldn't we be pretty safe?

Mr. ANDERSON. Well, it depends entirely on what happens in the coal strike and a great many other things. I don't know that we will

have these other things in October. If we have them then I think that the Economic Stabilizer would recognize that fact and would take them out from under controls.

Senator TAFT. If we do not have any coal by October, we shall have to be back here to legislate some more anyhow.

Mr. ANDERSON. Surely. All I am saying is that as far as I am concerned I would be much happier if it was a permissive thing but not required by a specific date.

Senator CAPEHART. Mr. Secretary, Senator Barkley brought out that one large packer ordinarily slaughtered 7,000 cattle and they were getting only 500. That leaves 6,500 going some place else. Isn't it a fact that those 6,500 cattle are going into the black market?

Mr. ANDERSON. Well, that is a pretty hard question, Senator, I would say.

Senator CAPEHART. They either are going into the black market or the processor that bought them is making less profit on them, one or the other; isn't that correct?

Mr. ANDERSON. Could I say it this way: That I think the cattle are moving into trade channels that are not normal for the slaughtering of them.

May I just say one word—

Senator CAPEHART. Are they being sold for black-market prices, those 6,500 cattle?

Mr. ANDERSON. Well I don't want to use the term "black market" for all of them. Let me see if I can't explain it this way to you, and then if it isn't satisfactory I will try to answer it again.

Senator CAPEHART. Yes.

Mr. ANDERSON. Only a short time ago I got a long-distance telephone call from a Member of the United States Senate suggesting to me that one of his constituents would very much like it if I would fire our meat inspector in a certain city and I said "What has he done wrong?"

He said, "Well he won't grade the carcasses of beef correctly. He insists upon grading this beef at commercial and my man has bought it for AA."

"Well," I said, "What is it?"

"Well," he said "I don't know what it is but the fellow bought it for AA, and he ought to be allowed to sell it for AA."

Now, that man is not really in the black market. He was short of meat. He arranged with the man to ship him two steers. He got the two steers and he butchered them. They were sold him at a certain level, and he sold them in his market at a level that was honest. But just the same the ceiling was wrong because they were just ordinary commercial beef. Now, if that is black market, then they are going to the black market.

Senator CAPEHART. One other question: Isn't the trouble this: That the buyer for the honest packer looks at a beef, and he says that beef will dress out 61 percent or 60 or 59 and has a ceiling price that he can pay for that particular beef that will dress out at an X amount; whereas the black-market buyer, or the fellow that maybe is not in the black market but wants meat, he looks at a beef and he says he knows it will only dress out 55 percent, but he pays the price of a 61 percent?

Mr. ANDERSON. No. I will go with you up to your very last statement. I think he does not know it will dress out 55 percent. I think he is not able to judge it as well as the man who is making a living at it.

Senator CAPEHART. That is what I say. He makes a mistake, either honestly or dishonestly.

Mr. ANDERSON. Well, I think he makes a great many of them honestly. I think that the grading of beef on the hoof is a very, very technical business. I think these people who have these large packing plants stay in business because they find men who are smart enough to go out and judge their beef on the hoof, and who as a result stay in compliance. Since I have had to dabble a little bit in the packing business I have been astonished at the ability of those people to go out and judge, for example, the weight of a drove of hogs. To my complete amazement they will guess them within 1 or 2 pounds just at a glance, and they will do the same thing with beef. Now, that takes years of training and years of experience, and all these new people who have moved into the butchering business have not that experience and have not that ability.

Senator CAPEHART. Could we help the situation by setting the prices on not with a dress out but the weight on foot?

Mr. ANDERSON. I do not know.

Senator CAPEHART. It has always been my idea.

Mr. ANDERSON. All I am hopeful is that a great deal of it will be directed back into the hands of the people who know how to run the business.

Senator CAPEHART. That is right. Amen.

Senator BUTLER. Mr. Anderson, the real trouble in controlling the market where a packer normally kills 7,000 per week and now is only getting 500 is, that 500 animals are under Federal control. In other words, the fellow who handles the 500 is still in compliance and has to keep in compliance or he not only loses his subsidy on those 500 but he loses it on a lot more.

Mr. ANDERSON. Yes, Senator; but—and that brings out the interest that I have in it. We have our set-asides for supplying food to people in other lands against the federally inspected plants; and when they are not able to get animals in the federally inspected plants then we fall down on our commitments to people in other lands. It is not that we desire to fall down on the commitments; it is that these 500 cattle are all that we have a chance to get our set-asides from, and all that 6,500 are gone.

Senator BUTLER. The 6,500 that escape the Federal inspection and the factory where they keep it in compliance—those 6,500 brought the same price as the cattle, theoretically, that went to the packing plant, 500. They were slaughtered by people who are not interested in compliance money. They did not report to you. They do not draw from you the subsidy that they are supposed to get, but they get it from the man who buys the meat over the counter. They get it that way.

I would like to insert, if it is agreeable with the Secretary, maybe following his statement today, a resolution that was passed unanimously by the Joint OPA Cattle, Hog, Beef, and Pork Advisory Committee at a meeting held by the Office of Price Administration and the United States Department of Agriculture in Chicago, just April 15, only a few days ago.

Mr. ANDERSON. I have no objection to its being inserted at this point, Mr. Chairman.

Senator BUTLER. They wound up by recommending—this is the advisory committee—they wound up by recommending that all controls be taken off immediately as the only possible solution to the situation.

Mr. ANDERSON. I have been on congressional committees. I realize that somebody has to give permission to get it inserted properly.

(The resolution referred to is as follows:)

RESOLUTION PASSED UNANIMOUSLY BY THE JOINT OPA CATTLE, HOG, BEEF, AND PORK ADVISORY COMMITTEES AT A MEETING HELD BY THE OFFICE OF PRICE ADMINISTRATION AND THE UNITED STATES DEPARTMENT OF AGRICULTURE IN CHICAGO, APRIL 15, 1946

RESOLUTION OF THE JOINT OPA ADVISORY CATTLE, HOG, BEEF, AND PORK COMMITTEES

Whereas price control of livestock and meat has completely broken down and black-market operators have moved in and taken control of a large percentage of the production and distribution of meat, and

Whereas the commercial meat establishments which conducted the meat business prior to OPA have had their business largely taken away by more than 26,000 new slaughterers, many who are black market, and

Whereas the potential supply of meat in the form of livestock on ranches and farms is such that a portion thereof should be liquidated now when consumers are ready, able, and willing to buy meat and meat products at a price equaling the producers' cost of production, and

Whereas the black market is endangering public health, in that a large percentage of the black-market meat is being produced in plants without adequate, if any, refrigeration or other sanitary requirements, and

Whereas the black market is fixing the price that the consumer pays for meat, and OPA's "hold the line" price is pure fiction, and the cost of price control on meat now exceeds more than \$2,000,000,000 annually in excess of OPA retail ceiling prices; and

Whereas the widespread black market is causing universal disrespect for all law and is undermining the morals of the public; and

Whereas full legitimate production is the only answer to both inflation and the black-market problems. At this late date, an increase in livestock and meat ceilings will not get full legitimate production or eradicate the black market. Also at this late date, improvised regulations, such as proposed today to the advisory committees, are not a remedy nor can additional investigators or more vigorous enforcement bring about compliance with OPA regulations. The black market can only be driven out of business if the legitimate meat packer is permitted to compete with them on even terms: Now, therefore, be it

Resolved, That the OPA Industry Cattle, Hog, Beef, and Pork Advisory Committees are unanimously opposed to the proposal that has been submitted today to the advisory committees and recommend that subsidies and price controls be immediately removed from the livestock and meat industry.

Senator BANKHEAD. Will you take over, Senator Taft?

Senator TAFT. You may proceed.

Mr. ANDERSON. May I proceed, then?

Senator TAFT. You may.

Mr. ANDERSON. Another amendment would require price ceilings to reflect cost of production plus "reasonable" profit. I have three questions about that amendment. First, would it apply to farm commodities? Second, how could it possibly be administered on farm commodities? And third, how could it be applied to any item which is mass-produced and which is ordinarily sold unprofitably until a high level of production is reached?

Other amendments would provide specified cut-off dates for ceilings and subsidies before there is any possibility that the danger of inflation will be past. These amendments would invite speculators to hold

various products off the market for later sale at uncontrolled prices, and tie the hands of the executive branch of the Government in its desire to remove subsidies at times when removal would bring the least hardship to producers and consumers.

I am sure that nobody believes more strongly than I do in the removal of wartime food subsidies as soon as they can be removed safely. One of the most important reasons for this belief on my part is that you can't keep agriculture in a wartime price strait-jacket and expect it to meet its big postwar conversion job. Agriculture has the job of shaping its production to the demands of the postwar markets. It has to adjust itself to all the great improvements in technology—the use of more power equipment, improved crop varieties, better livestock, and so on. It needs to put more emphasis on soil conservation. Agriculture has a big conversion job ahead, and our price-control machinery, naturally, must be geared to that need as we go along. Furthermore, agriculture does not want to lean forever on the crutch of subsidies but prefers to get its returns from the market place.

However, the removal of subsidies must be timed carefully, with due regard to the needs for continuing price control.

Let me give you a brief history of my own actions and views on the subsidy problem.

Early last August, shortly after becoming Secretary of Agriculture, I suggested to the Office of Economic Stabilization that all agencies responsible for the subsidy program should study and discuss the problem of terminating the subsidies at the end of the war. By November 9, a program for the removal of subsidies was ready and announced by Judge John C. Collett, then Stabilization Administrator.

It proposed termination of most subsidies not later than June 30, 1946, although it was understood that subsidies on sugar, and oil seed and payments to nonprocessing slaughterers might run on quite a while longer.

Then at the turn of the year, a great many facts came to light which made a change in course necessary. It had been anticipated, of course, that removal of various subsidies would cause price increases, but it was expected that declines in other prices would counterbalance the increases and keep the cost of living from going up too much. It was also expected that consumer buying of industrial goods would take a lot of pressure off the food markets.

However, in spite of good progress in industrial reconversion, the pressure of buying power continued to bear heavily upon food supplies. Moreover, the world situation looked worse and worse as each new report came in. Harvests in many parts of the world were disappointing. Our own wheat supply went down faster and further than we had anticipated. The buyers of food for foreign use increased their demands and also backed up their requirement figures with specific requests. It became plain that there would be not only desire but effective demand for all the food we could produce in 1946 and even longer.

With those facts, there was no choice but to conclude that subsidy programs which are connected with important price controls would be essential for an indefinite time. There is simply no way around the fact that there is not enough food and there is not enough of other

consumer goods to supply demand. As long as that situation continues, inflation is the dangerous enemy of every one of us—of farmers at least as much as of any other group.

Farmers are working hard, as they did throughout the war, to increase production and hasten the day when price controls and all wartime subsidies may be safely abandoned. All of us will be glad when that day comes, but it would be tragic to act prematurely and ignore the facts of the present.

Some progress in the elimination of subsidies has been made.

Senator TAFT. What progress?

Mr. ANDERSON. Two or three small subsidies have been taken off.

Senator TAFT. And three or four subsidies have been put on; and very recently you have added a subsidy to milk; you are now adding to corn and to coffee in the last 2 or 3 months. It is increasing. Did you favor the increase, for instance, in the subsidy on milk?

Mr. ANDERSON. That question is a matter of official record. I filed with the Office of Economic Stabilization and the Office of Price Administration my recommendations with reference to the milk proposition. I felt that additional subsidies were unwise in the case of milk, because already a large proportion of the amount which the dairy producers were getting was in the form of subsidies, and it presented a great danger, it seemed to me.

Senator TAFT. Do you not think it is rather misrepresentative when you say that some progress is being made, when subsidies are being increased, subsidies on oil and other things? So far as food is concerned, subsidies are higher today than they have ever been before.

Mr. ANDERSON. It may be true, but I doubt it, Senator. I do not think that is true. It might be true, but I do not think so. I think there are changes that have brought the total down slightly.

Senator BUTLER. The statement was made yesterday or the day before by an OPA representative that you were recorded as saying that the returns to farmers would bring milk production up to the goal. I would like to know if you remember making any such statement. Have you O. K'd the controls under the milk program as meeting the goal?

Mr. ANDERSON. I have never made such a statement, Senator.

I have only one paragraph remaining, if I may finish my statement.

Senator BANKHEAD. Proceed.

Mr. ANDERSON. But as the situation now stands, the only safe course is to renew price-control legislation and to provide for continuing subsidies beyond June 30 of this year. I believe it may be possible to terminate a few additional subsidies within a matter of months, but the whole world food situation is and will continue to be so critical that it may not be safe to remove all subsidies before some time in 1947.

This same critical world situation intensifies the forces of inflation in this country and makes it imperative that we have effective price-control legislation continued for another year.

Senator TAFT. I do not understand the effect of subsidies on the whole world food situation. If they were taken off and it increased the price to the American people, that would probably reduce the consumption of food and help the world food situation. It is just this theory of Mr. Bowles that you have just got to freeze prices and you cannot budge them. You can make everybody else do business

for less; you can make every businessman do business for less, but you cannot raise the consumers' prices 1 cent. That is the only argument for subsidies that I know of.

Mr. ANDERSON. May I file with the committee the statement which I mentioned earlier comparing land values in various States? There are 15 States in which current land values exceed the 1920 levels. The spread between current and 1920 values ranges from a narrow margin in Massachusetts to a very wide one in California.

May I just hand this to the reporter to be included in the record? Senator BANKHEAD. Yes.

(The statement referred to is as follows:)

The 15 States in which current land values exceed the 1920 levels:

Massachusetts	Kentucky
Rhode Island	Tennessee
Connecticut	Alabama
New Jersey	New Mexico
Michigan	Washington
Virginia	Oregon
North Carolina	California
Florida	

The spread between current and 1920 values ranges from a narrow margin in Massachusetts to a very wide one in California. North Carolina and Kentucky are examples of States which had rather extreme booms in 1920 but are even higher today. Here are a few comparisons of the indexes of land values:

Massachusetts.....	140 in 1920; 141 now
Connecticut.....	130 and 159
North Carolina.....	223 and 268
Kentucky.....	200 and 221
California.....	167 and 219
Washington.....	140 and 153

Senator BANKHEAD. Thank you very much, Mr. Secretary.

We have one more witness, who is Governor Kerr of Oklahoma. I understand that it will take him only about 12 minutes to read his statement without questioning.

Come around, Governor Kerr, please.

STATEMENT OF HON. ROBERT S. KERR, GOVERNOR OF THE STATE OF OKLAHOMA

Senator BANKHEAD. Please state your name for the record, Governor.

Governor KERR. My name is Robert S. Kerr, Governor of Oklahoma.

Oklahoma, on the basis of average daily production of crude oil, is third among the oil-producing States, being exceeded only by Texas and California. On the basis of area, it has produced more oil than either of these States.

(The chairman entered the hearing room and presided to the close of the morning session.)

Governor KERR. Due to discriminatory freight rates on refined products, Oklahoma refines a considerably less amount of oil than she produces. Aside, however, from agriculture and livestock, the production and processing of crude oil and natural gas is the State's largest and most important industry.

The oil industry in Oklahoma produces more tax income for State and local governments than any other and has done so for the nearly

40 years of the State's history. Taxes from this source have played a major role in providing funds for education, both operation costs and building funds, for building and maintaining roads and general cost of government.

Every citizen, therefore, has a deep and abiding interest, financial and general, in the continuing prosperity of the oil industry. It is woven into the economic structure of the people and the State. If it is vigorous and strong, it shares that vigor and strength, and the people and their Government benefit. If it is weakened, the people and their Government suffer.

When oil must be produced and sold at a price below its intrinsic value, the action is adverse to the interest of the State. For this to be caused by artificial control is just as damaging as by economic conditions beyond control and without any of the justification that might be offered for the latter.

This condition is especially dramatized by the fact that State and local government and our public schools receive a percentage of the price of every barrel that is produced and sold, and are full fee owners of millions of barrels for which they receive the full purchase price.

In 1941 oil in Oklahoma was selling for less than new reserves were costing to find and produce. Although the cost of finding and producing new reserves has steadily increased since 1941, the price of crude oil has been and now is kept by artificial control, less than 8 percent above the low level of 1941.

The independent producer, who owns neither gathering lines, pipe lines nor refinery, nor market outlet for refined products, drills more than half the wildcat wells, finds a large percent of the new reserves, and produces much of the daily production of the Nation.

He was caught in a bear trap and compelled to sell his product below cost of replacement for the duration of the war. He realized the necessity for price control of essential consumer goods for the duration, especially where the demand to any degree exceeded the supply.

Every citizen realizes that except for actual combat, the war and the related reconversion are not over. A sound national economy is as vital today as it was during the war. The Office of Price Administration got in everybody's hair some and in some a lot, but it served one of the most necessary purposes of any governmental agency or service.

It must be adequately maintained so long as inflation from excessive demands for limited supplies of consumer goods continues. The rehabilitation of the veteran and the processes of government and society involved in his and the farmer's and the war worker's readjustment into a stable economy are a deep concern of Government. Until adequate and worthy housing is in good supply and until the supply and current production and distribution of food and clothing and individual transportation is on a par with normal demand, the functions of the Office of Price Administration are vital and necessary and must be effectively continued.

With actual combat ended, however, artificial control cannot be justified with respect to any commodity where the supply exceeds the demand.

This principle should apply equally to all commodities, agricultural products, livestock and poultry, and manufactured goods. So long as

artificial control exists it must be administered on a basis which will prevent widespread black-market operations and to direct distribution of all merchandise through legitimate channels of trade.

During February 1946, 160,000 barrels of oil a day went to storage. Since VJ-day storage stocks have increased approximately 17,000,000 barrels. Gasoline stocks are at an all-time high as of March 2. American Petroleum Institute figures indicated 104,000,000 barrels of finished and unfinished gasoline, 25,000,000 barrels of distillate fuel oil, and 38,000,000 barrels of residual fuel oil in storage.

State regulatory commissions have directed reduced production in most of the States. Refineries are operating at less than capacity on account of excessive stocks of refined products.

Increased cost of production and operation must be met by justified and equitable adjustment upward of prices for crude and refined products, but ample stocks, ample available production and refining capacity, together with intense competition, will prevent excessive or runaway prices.

Our experience in two world wars has proven conclusively that oil is an indispensable munition of war. The United Nations won the war because of better fighting men, better equipment, greater food production, and also because of ample supplies and better quality of refined products of crude oil, for our own armed forces and for our allies.

Much of our known oil reserves are in marginal or stripper wells. The people generally have a vital interest in seeing that these reserves are protected and not lost. In order to insure this, authority and funds for subsidy payments on an equitable basis for production from these stripper wells should be continued as a fixed policy of national security.

Funds for this purpose could well and justifiably be obtained from the excise tax on imported oil. If importation of foreign oil in competition with domestic production is to be continued, and it should be permitted to an extent that will not damage domestic markets for domestic products, it should be subject to a compensating importation tax, and the proceeds therefrom could serve no more vital or valued purpose than to insure the greatest possible recovery and utilization of production from stripper or marginal wells.

Senator BANKHEAD. Of course you realize, Governor, that this committee has no power to deal with taxes?

Governor KERR. I do.

The CHAIRMAN. I want to apologize to the members of the committee for my absence, but I am acting chairman of the Senate Committee on Foreign Relations, and they had an important matter under consideration this morning and I had to be there to preside. I am sorry. But I have had the pleasure of hearing you, Governor.

Senator TAFT. Do I understand, Governor, that you favor the entire removal of controls from oil and its products as advocated by the Petroleum Institute, on the ground that production is already equal to the demand?

Governor KERR. I speak only for myself, Senator, and I tried to cover that point in the statement I made. I do believe that, in view of the present excessive stocks, the present excessive production above demand, the price controls with reference to oil and its products should be entirely removed.

Senator BANKHEAD. What is the fact about price control as it applies to oil? What injurious effect does it have?

Governor KERR. The injurious effect, Senator, has been most keenly felt by the independent producer and the producers of oil from marginal or stripper wells. The independent producer for the last 5 years has been in this position: He has had to sell his product at a price less than he could go out and put it back into his stock of merchandise for. So he has been depleting his reserves on a basis that he could not continue in business because he could not replace what he was selling for with what he was getting for it.

Senator BANKHEAD. In other words, the ceiling has been injurious?

Governor KERR. Yes, sir.

Senator BANKHEAD. How much would the price of oil go up if we took the ceiling off?

Governor KERR. I think crude oil would go up an additional 25 cents a barrel if the ceiling were off.

Senator CAPEHART. What is it now in Oklahoma?

Governor KERR. Forty-gravity oil is \$1.35.

Senator BANKHEAD. What effect would it have on the price of gasoline?

Governor KERR. There are 42 gallons in a barrel of oil. If the full amount was based on 25 cents a barrel it would be a little over a half cent a gallon.

Senator CAPEHART. If the stocks are as high and production is as high as your figures indicate, is there a possibility that the price might go down rather than up?

Governor KERR. I would say that that possibility is always present; but if we can judge the future by the past we know what the present wells are capable of producing; we have fairly accurate information with reference to additional proven reserves and the rate at which they are being developed. We have a long history of the discovery of new reserves which gives us some light in making an estimate or forecasting the future. I do not think there is any probability of it, Senator.

Senator CAPEHART. Is there a possibility that it might remain at just about the price it is now, with the new supplies and production?

Governor KERR. Yes; there is that possibility, certainly.

Senator CAPEHART. Mr. Chairman, is there a representative of the Office of Price Administration present?

Mr. REPPERT. Yes, sir.

Senator BANKHEAD. What is a stripper well, Governor?

Governor KERR. A stripper well is a well the production of which, by reason of exhaustion of power within the formation where the oil is, is down in its daily production to one-half a barrel, a barrel, a barrel and a half, or may be 5 barrels a day. That does not mean that the production in the sand is exhausted. I would judge that 25 to 30 percent of all of the known reserves of crude oil at this time is under stripper wells. The oil is just as good.

Senator BANKHEAD. It has to be pumped?

Governor KERR. Yes.

Senator CAPEHART. It costs more money to produce it, does it not?

Governor KERR. Yes; on account of the fact that the production rate is so low, the cost of unit production is up.

Senator BUCK. Is that subsidized by the Government?

Governor KERR. The stripper well is; yes.

Senator BANKHEAD. What is a marginal well?

Governor KERR. It is a synonymous term for a stripper well.

Senator CAPEHART. Mr. Chairman, I understand there is a representative of the Office of Price Administration here. May I ask a question?

The CHAIRMAN. Certainly.

Senator CAPEHART. Mr. Reppert, when do you propose to take the ceiling price off oil products?

Mr. REPPERT. Mr. Bowles announced in a letter to Congressman Patman in March that he was considering removing the controls within 6 months, possibly prior to June 30. We have scheduled a meeting for this coming Friday and Saturday, with our advisory committee in Chicago, for crude production and refined-product production, with reference to a decontrol program. We have pending, at this time, a recommendation in the Price Department to the Administrator for a suspension of price control on gasoline.

Senator CAPEHART. Then you feel that it will be completely decontrolled within 90 days?

Mr. REPPERT. Here is our view of the situation: Directly after VJ-day, and continuing right up to the present time, there has been really an unbalanced demand in refined products. For instance, residual fuel oil, which is the oil used by industry, accounts for approximately 25 percent of total production. The demand is so great in that particular product, as a matter of fact, that they are producing now, I think, over 30 percent more residual fuel oil than was produced in 1941; whereas in the case of gasoline the production today is about the same as at the peak month in 1941.

Governor KERR. Can you tell the Senator the difference between the ceiling price on the two refined products you have mentioned, as of the time you referred to, VJ-day?

Mr. REPPERT. The prices for residual fuel oil in 1941 were 85 cents.

Governor KERR. I said, at the time of VJ-day.

Mr. REPPERT. It was 97 cents at that time.

Governor KERR. For a barrel of 42 gallons?

Mr. REPPERT. Ninety-seven cents.

Governor KERR. What was the ceiling price on gasoline?

Mr. REPPERT. The gasoline ceiling prices were the same as they are today. I think, 6 cents.

Governor KERR. No. It has gone up a half cent since VJ-day, and so has the other.

Mr. REPPERT. No; gasoline prices have not advanced. Distillate prices have gone up a half cent.

Governor KERR. Gasoline is still at 6 cents and the other is about 3?

Mr. REPPERT. Yes.

Governor KERR. That would mean that the manufacturer would get every ounce of gasoline out of his product that he could and cut back to the extent possible the amount of residual fuel oil he got out.

Mr. REPPERT. That is true; but you always had that normal differential between refined products, of course.

Governor KERR. That was before the war, when the excessive demand came on, was it not?

Mr. REPPERT. I mean, as a normal practice there were certain differentials in price as between gasoline and domestic fuel oil.

Governor KERR. If the ceiling prices had been adjusted at the time they should have been, we could have met the emergency that he refers to.

Senator CAPEHART. There is a discrimination between the prices?

Governor KERR. Sure.

Senator CAPEHART. Do you anticipate any emergency during the next 90 days that may cause you to change your mind on completely decontrolling the oil industry?

Mr. REPPERT. I think, sir, that all these points will be developed in this meeting which is to be held on Friday and Saturday. We propose to set the matter fully before our committee. We in OPA have felt for several months that an early decontrol was possible. The gasoline demand is going up and the price is going up around the country. The refiners are actually losing money on gasoline today, at least compared with what they could get.

Governor KERR. If they are losing money on the part of the products that they are getting 6 cents a gallon for, what do you think is happening with respect to those that are getting 3 cents?

Mr. REPPERT. They are not losing money on an over-all basis.

Governor KERR. Yes; they are. The average producer has been selling his product at less than the cost of replacement, since 1941.

The CHAIRMAN. Is this meeting which is to be held a meeting with the oil industry?

Mr. REPPERT. Yes, sir. The OPA industry advisory committees, on Friday and Saturday of this week, in Chicago.

The CHAIRMAN. Did you know about that meeting, Governor?

Governor KERR. They have had more meetings than the United Nations Security Council, to discuss the identical proposition; and the most that has ever been promised is hope for the future.

Senator CAPEHART. You understand that once a bureaucracy is set up it is almost impossible to get rid of it, do you not?

Governor KERR. That is what we understood when we first called them "Hoovercrats."

Senator CAPEHART. It is almost impossible to get rid of them.

Governor KERR. That was the title with which we first got acquainted with them, you remember.

The CHAIRMAN. Are there any other questions to be asked of the Governor? [No response.]

Thank you very much, Governor.

Senator Bankhead was kind enough to preside, for which I am very grateful to him, and he has suggested that we meet again at 2:30 this afternoon. So there will be a recess at this time until 2:30 this afternoon.

(Whereupon, at 12:30 p. m., a recess was taken until 2:30 p. m. of the same day.)

AFTERNOON SESSION

(The hearing was resumed at 2:30 p. m., upon the expiration of the recess, Senator Robert F. Wagner (chairman) presiding.)

The CHAIRMAN. The committee will come to order.

You may proceed, Mr. Hunter.

STATEMENT OF FRANK HUNTER, PRESIDENT, HUNTER PACKING CO., APPEARING ON BEHALF OF THE AMERICAN MEAT INSTITUTE, ACCOMPANIED BY ROBERT EGGERT AND R. C. HAYNIE

Mr. HUNTER. Mr. Chairman and gentlemen, my name is Frank Hunter. I am president of the Hunter Packing Co., in East St. Louis. I am here on behalf of the American Meat Institute.

This morning during the testimony of Secretary Anderson some very interesting questions were asked. We have some charts here showing the existence of a black market at the consumer level, and another set of charts showing the existence of a black market at the wholesale level.

Mr. Eggert is here to help me to show the charts on the violations of price ceilings on meat at the consumer level; and, with your permission, I would like to call on Mr. Eggert at this time.

The CHAIRMAN. Very well.

Mr. EGGERT. This study shows meat price facts [exhibiting a chart]; it shows what the consumers really pay for meat, whether OPA ceilings or black-market prices.

This study was made in 11 cities. We decided to get authentic facts on the actual prices that consumers pay for meat. To do this we employed two reliable independent market research agencies, the Statistical Research Co. and C. C. Chappell Co.

Both of these agencies have worked for many independent business firms and several times for the Government.

Housewife shoppers bought meat for a family of 4. They went to 1,803 stores and bought 3,495 cuts of meat, in the first study that was made in 11 cities. Here are the cuts they bought [indicating]. You will notice that the distribution includes a lot of round steaks, 270; rib roasts, 111; chuck roasts, 289.

I want to point out the distribution of the workingman's food and sliced bacon, and link pork sausage. An abundant supply of these meats are represented in the study.

Meat was purchased in all classes of stores and neighborhoods in 11 cities, and this chart [exhibiting] gives you the background of how the study was made. The original surveys included New York City, Providence, Newark, Washington, Milwaukee, Chicago, Indianapolis, Memphis, Houston, Denver, and Los Angeles. In those cities there are approximately 15,000,000 people.

After the meat was purchased by housewife shoppers it was graded by meat experts on leave from the United States Army and weighed by the staff of the research agencies; and this picture [indicating] shows the United States Army man grading the meat and the man from the Statistical Research Co. checking the weight of the meat and comparing it with OPA price ceilings.

We feel that this is a conservative measure of the black-market in meat, for it does not show any undercover, back-door, side-alley deals.

These housewife shoppers, who were employees of the independent research agencies, went to the normal sources that they could go to; and they did not know how to go to a lot of places where the black-market might have been the most serious.

The study does not include the price of meat sold to hotels, restaurants, and clubs, which OPA has admitted constitute a very serious black-market situation. It did not include prices paid for meat that was not "available" to a strange shopper. The study did not include prices of meat brought direct from black-market slaughterers, or the price of meat not cut in conformance with OPA regulations.

There were quite a number of cuts that we were not able to include in the study, because they were cut in such a way that they could not be included, and there was no ceiling on them.

Finally, but important, this survey does not show how over-ceiling charges are made, whether by weight or price per pound or grade, or why they are made—whether the store makes a big profit; whether they are willful or innocent or are the result of confusion. Nor does the study show who is to blame, whether it is the consumer, the retailer, the wholesaler, or the slaughterer. The retailer from whom this meat was bought is often a victim of the black market when he buys his meat. We are not blaming it on the retailer. It represents the sum total of all the black-market operation, starting from the time the meat leaves the farm to the time it is bought by the consumer.

What are the housewife's chances of buying meat at OPA ceilings? In these 11 cities, in this survey made in late February, 5 out of 6 stores sold meat at over-ceiling prices. Five out of six stores sold one or more cuts at above ceiling level. In 11 cities, 83 percent of the stores sold over ceiling. In Providence, 77 percent; in New York City, 79 percent; in Newark, 85 percent; in Washington, 81 percent.

I will not take the time of the committee to read all these figures, but you will see that the highest one here is Houston, 94 percent.

Senator MILLIKIN. What is the Denver figure?

Mr. EGGERT. It is 84 percent. Los Angeles, 84 percent; and Chicago, 91 percent.

Not only did 83 percent of the stores sell cuts over-ceiling, but this chart [exhibiting] shows the average amount that meat prices were over-ceiling. The top part of the chart shows beef and pork, and the bottom part shows all meats. It includes those cuts that sold below the ceiling, those that sold at ceiling, and those that sold over-ceiling.

In New York City prices were over ceiling 21 percent; in Providence, 21 percent; in New York, 30 percent in Washington, 9 percent; in Chicago, 23 percent; Indianapolis, 10 percent; Memphis, 14 percent; Houston, 20 percent; Los Angeles, 12 percent.

Senator BUTLER. What is the average?

Mr. EGGERT. The next chart will show the average for the 11 cities. I will come to that in just a minute, Senator.

This chart [indicating] is brought in to show the extreme overcharges. The New York area is the worst of the various cities.

I will not spend too much time on it except to point out that in the New York area there was one cut that sold three and a half times above the ceiling.

Senator MILLIKIN. How was that calculated? Was it a matter of weight or upgrading or just a frank overcharge?

Mr. EGGERT. From the way the study was made, Senator, it was hard to say what was the basic cause of the overcharge; but we do know that in many cases it was actually over the ceiling. It was an actual violation of the legal ceiling.

Senator MILLIKIN. There was no attempt to disguise it?

Mr. EGGERT. No, sir; there was no attempt to disguise it. The reason we know it is because these Army graders graded this meat; and in the case of beef, over two-thirds of the cuts were graded A or AA. So it could not have been the grading.

We asked the housewife shoppers not to watch the scales in the stores, so that they did not know what the meat actually weighed. The meat was weighed in the cold-storage warehouse and was the actual weight. It was calculated on a very accurate scale.

The next chart shows the overceiling meat story in 11 cities combined. They have been weighted on a basis of population, covering 15,000,000 consumers.

Remember, this was in late February. We have got a later chart that shows a more up-to-date situation.

Seventy-four percent of the beef cuts in 11 cities combined sold over the ceiling. They were over by 13 cents a pound, or 35 percent.

I will not take time to read each of these cases. I know that you are anxious to move along on this matter. But let us take a look at the total. It is 68 percent over. Over two-thirds of all the cuts purchased were over by an average of 11 cents a pound, or 29 percent, in 11 cities combined, in late February.

Let me repeat that. It is important. That last chart shows the amount over—of those cuts that sold over the ceiling. Over two-thirds of the cuts were over by 11 cents a pound, by 29 percent.

This chart [indicating] shows average meat prices in 11 cities combined and includes all of the cuts sold. All beef cuts were over by 10 cents a pound, 26 percent over ceiling. The black-market tax on every dollar's worth of legal meat that should have been bought at OPA ceiling was 20 percent.

Again, I will not take time on each of these, but for the average—and this is the thing that I would like to emphasize—for the average of meat bought over in all 11 cities combined, including all meat purchased—and that included this distribution of items that I showed you earlier—it was over by 8 cents a pound, or 20 percent. That is a black-market tax of 20 percent.

Senator BUTLER. In that connection, the main point is that the overceiling sales averaged 20 percent?

Mr. EGGERT. Yes, sir; on all meat purchased.

Senator BUTLER. But against that we have a report by the Bureau of Agricultural Economics in which it is estimated that if all ceilings relating to meat were removed, the probable increase in price above ceiling would run from 5 to 15 percent, with an average of 10 percent. In other words, the consumer is paying more today than he would if the ceilings were removed?

Mr. EGGERT. That is correct. This report shows that for those 11 cities the overcharge of 8 cents a pound was 20 percent.

Senator MITCHELL. That is an overcharge on the meat purchased by whom?

Mr. EGGERT. By housewife shoppers who were employees of the agencies that undertook the research.

Senator MITCHELL. That is not the price of the meat in each of the shops that they went into; it is just on what they bought?

Mr. EGGERT. On those goods that they bought.

Senator MITCHELL. How did they determine what cuts to buy?

Mr. EGGERT. We gave them a list of 16 cuts to buy. I will show you that chart again. It shows the cuts actually purchased.

Senator MITCHELL. Is this in the record already?

Mr. EGGERT. Yes. The cuts that they bought were determined more by what was available than the cuts which we would have liked to have had purchased. In the case of lamb, they bought 419 lamb cuts, which is a substantially larger proportion than lamb represents in the total meat supply. But it was available at that time. Of round steak, they got 270 cuts.

When you get to the better steaks, they were not available, and the number of cuts there you will see was very small. Chuck roast, the workingman's food, 289; hamburger—I believe that is the largest item—363. You will notice the distribution of pork cuts—382 chops, 325 sliced bacon, and so on.

For the 11 cities they were over, by 8 cents a pound, or 20 percent.

This chart [indicating] breaks it down by the cut; and somewhat to our surprise, having thought that the overcharge would probably show up greatest on better steaks, we found that round steak was over by about 13 cents a pound, or 31 percent—the most serious black-market violation.

Rib roast was over by 10 cents a pound, or 30.8 percent. Chuck roast, also very definitely in the workingman's food class, 9 cents a pound, or 30 percent over, and so on. I will not take time to read each of these, but I do want to call to your attention the fact that there were some of these cuts that did represent a fairly large proportion of the total purchased. For instance, leg of lamb, over 7 percent; lamb chops, a little over 1 cent over the ceiling, or 3 percent; pork sausage, over by less than 1 cent a pound. There were some three or four cities where link pork sausage sold below the ceiling, indicating that the supply and demand on some cuts were pretty closely in balance in late February.

This chart [indicating] represents the new survey that was made on April 16 and 17, just 2 weeks ago. All this other information that I have shown you so far was gathered in late February, or the first week in March. This represents the situation in the Minneapolis-St. Paul area; that is, the overceiling meat situation there. I will not take time on this except to point out that 85 percent of the beef cuts were over by 9 cents a pound.

Senator MITCHELL. What do you mean by the overceiling meat situation in the Minneapolis-St. Paul area? How did you determine that?

Mr. EGGERT. This survey was made by the Statistical Research Co.

Senator MITCHELL. Did they go to all the stores in that area?

Mr. EGGERT. They visited 200 stores in the 2 cities.

Senator MITCHELL. How many purchases does that represent?

Mr. EGGERT. About 287 purchases of meat in that area.

In Boston the number of cuts purchased was 325. The number of stores visited in Boston was 215. The number of stores visited in Minneapolis-St. Paul was 195.

In the Minneapolis-St. Paul area the price of the meat purchased over the ceiling was over by 8 cents a pound, or 23 percent. Sixty-six percent of the meat that was over ceiling was over by 23 percent.

Senator BUTLER. Does that mean that one-third of the cuts purchased were under the ceiling?

Mr. EGGERT. Some were under the ceiling, others at the ceiling.

Senator TAYLOR. It would be only fair to average those in.

Mr. EGGERT. This is overceiling [indicating]; and this chart shows the average meat prices in Minneapolis-St. Paul of all meat purchased. I might say that it was 8 cents over on all beef cuts, or 24 percent. Veal was over by 9 cents a pound, or 25 percent; lamb, 3 cents, 7 percent; and pork over by 1 cent a pound, or 3 percent. That represented mostly bacon and pork sausage. They just could not get hams; and of course pork chops and pork loins were not available.

The reason why the average on all meat purchased is over by 15 percent is because there was a large number of pork, sausage, and bacon purchases that were not nearly as much over the ceiling as these beef cuts. I think it emphasizes the conservative nature of the study.

Senator MILLIKIN. I am somewhat mystified by the testimony you have given as compared with the testimony that we had here the other day of a lady who represents 15 or 20 consuming groups, her testimony being to the effect that the consumers are able to buy these things at ceiling. How can there be that discrepancy, if the lady is correct? Why does not the lady with the market basket know that she is being overcharged?

Mr. EGGERT. In the case of meat it is rather difficult for the average housewife to know definitely that an overcharge occurred. For example, she may be buying B grade steak and pay AA prices for it, and she could not tell the grade. While the grade is supposed to be on all meat, it is legible only on about one third of the meat purchased. We kept track of that, and I can insert it in the record. It illustrates the fact that it was almost impossible for the housewife to know what grade she was buying.

Senator TAYLOR. This did not take into account the weight of the butcher's thumb, either.

Mr. EGGERT. It is difficult to measure any amount of black market that might result in weight. We did notice, though, on hamburger, for example, where they would ask for a pound, that there did not seem to be the weight violations that you would expect. It seemed that the overcharges were mostly on the prices. It is difficult in the case of meat to tell whether the housewife is paying over ceiling price or not. There is a tremendous number of ceiling prices, and there are many stores that have different prices, and it is very difficult for the housewife to know just what the ceiling price is. They are more anxious to get meat, apparently, than to know what the ceiling is. The availability of meat is the thing that seems to interest them.

Senator BUTLER. Your survey showed no shortage of meat? Certain cuts were short, but there was always an ample supply of meat of some kind?

Mr. EGGERT. Even in our last two surveys, Minneapolis-St. Paul and Boston—and there is a chart that answers that question later—we did find some shortage, an over-all shortage. In other words, there were some stores that did not have any meat. I will show you that chart in just a minute.

This chart [indicating] indicates the over-ceiling meat situation in Boston. This represents just those cuts that sold over ceiling in

Boston. Ninety-one percent of the beef cuts were over the ceiling. This study was made at the same time that the Minneapolis-St. Paul study was made, April 16 and 17. You will notice that these beef cuts were over ceiling by 20 cents a pound, or 52 percent; 77 percent of the veal cuts were over by 13 cents a pound, or 37 percent. Seventy-seven percent of the lamb cuts were over by 8 cents a pound, or 17 percent; 82 percent of the pork cuts were over by 9 cents a pound, or 24 percent. Eighty-five percent of all the cuts purchased in the Boston area were over by an average of 15 cents a pound, or 39 percent.

Senator MITCHELL. Before you leave that chart, I would like to ask you to comment on an item which appeared in the Boston Traveler on April 17, 1946, which quotes Malcolm McCabe, secretary of the Massachusetts Retail Grocers Association. It says:

Grocers expose fake meat study. Accuse packing industry of financing "research" in name of housewives.

A "vicious attempt" is being made in greater Boston to destroy OPA ceiling prices on meat by conducting a fake survey, Malcolm McCabe, Secretary of the Massachusetts Retail Grocers Association, today charged.

At the same time, other sources told the Traveler that meat packers had cut their beef shipments into the Boston area by 90 percent to create an acute shortage.

McCabe said—"Fifty paid agents of a well-known market research association met secretly at the Statler in Boston on Tuesday morning to receive instructions in their part of the plot.

"Each agent received several hundred dollars and instructions to go out and make purchases of meat at over ceiling prices in Greater Boston."

This is still quoting Mr. McCabe:

"If meat were offered at ceiling prices, the agents were to switch their purchases to other meat items and make every effort to get the employee of the store to accept more than the ceiling price for the purchase.

"These agents' reports are to be presented to the Congress as a survey of 'impartial housewives.'

"The sneak investigation is coordinated with the almost complete withdrawal of legitimate supplies of meat from the Massachusetts market.

"This conspiracy to use the distressed anguish of our Massachusetts housewives who are unable to buy meat, as a springboard to snare the regional OPA and the Federal Government is a serious challenge to our democratic system.

"It is un-American to create a distressing situation for the consuming public in order to achieve the ends desired by an industry."

That is a quotation from Malcolm McCabe, secretary of the Massachusetts Retail Grocers Association. Can you comment on that?

Mr. EGGERT. Yes. Mr. C. C. Chappell, who made the study in Boston, has worked for the Government, the War Production Board, and for some 32 advertising agencies for almost 30 years. This is the private research organization that made this study for the American Meat Institute, in Boston; and Mr. Chappell had a reply to that statement, which I would like to read. I think it will bring out the grossly misleading, false statements that were made in that article. This is dated April 19, 1946 [reading]:

C. C. Chappell, president of C. C. Chappell Co., market research organization, today issued the following statement:

"The statement made by an official of a local grocers' association is false both as to facts and to implications."

Senator MITCHELL. Did he not know who the official was?

Mr. EGGERT. He did not refer to him. You will notice, rather significantly, in the newspaper statement—in fact, Mr. Chappell

considered somewhat suing for libel based on the statements that were made—that Mr. Chappell's name did not occur in the release by Mr. McCabe.

Now going ahead:

“It is true that my organization has been employed for the purpose of getting authentic facts on actual prices consumers pay for meat in Boston. The purpose is to determine factually how much Boston consumers are actually paying for meat.”

And this shows the results of that study.

Similar surveys in other cities throughout the country have shown that consumers were paying in late February 20 percent over OPA ceiling prices on all meat purchases and more recent study made in Washington, D. C., showed that the overcharges were now much higher. The surveys referred to, as will be the case in Boston, were conducted in accordance with recognized survey procedures, similar to those used in many surveys made by our organization for many clients, including the United States Government. The official's attitude is strange, indeed, inasmuch as he represents meat dealers who are being seriously harmed by the black market.

The unsupported charge that employees of our research organization were instructed to make an effort to get store employees to accept more than ceiling prices is totally false. Our professional shoppers were specially instructed to buy meat in the same way housewives usually buy from their own meat shop. They had no way of knowing they were paying overceiling prices as they did not know the grade or weight of the meat at the time of purchase.

I would like to read that again:

They had no way of knowing they were paying overceiling prices as they did not know the grade or weight of the meat at the time of purchase.

In other words, the grading and the weighing, as I showed you in the chart, was done at the centralized cold-storage plant, and the only record that these shoppers had was the total purchase price, and they would have had no way of knowing——

Senator MITCHELL. How did you know the grade when you got the meat, actually?

Mr. EGGERT. The chart that I showed indicated that two Government graders on leave from the United States Army graded the meat.

Senator MITCHELL. They could differ from the original men who graded the meat?

Mr. EGGERT. That is correct; but they graded it on the basis of their experience in grading; and, as pointed out to the committee, over two-thirds of the meat cuts were either A or AA. In 1944 the United States reported that the AA proportion of all meat graded was only 10 percent. If I remember the figures correctly, for grade A beef it was only 25 percent. So, if anything, these expert Army graders graded too high, which would make the overcharge conservative rather than too low. It would make it a higher level.

Going ahead with Mr. Chappelle's statement, I would like to finish this, because it brings out how scientifically the survey was made:

In fact, written instructions were issued to each of the shoppers which told them specifically not to watch the scale and to only record the total cost of the purchase.

Senator MITCHELL. Do you have the written instructions here?

Mr. EGGERT. I have a copy of those written instructions and will ask that they go into the record.

(Following are the shopper's instructions submitted for the record:)

SHOPPER'S INSTRUCTIONS FOR MEAT SHOPPING SURVEY

PRIMARY OBJECTIVE

Your field work in this survey will actually be shopping for various cuts of meats. You are to visit a specified sample of various types of meat markets and buy a prescribed group of meat cuts, but you should remember at all times that you are to buy as you would in shopping for your own family.

We especially want to follow normal and natural housewife meat-buying habits as closely as possible. You should say or do nothing that could possibly arouse the suspicions of the butcher or the manager of the store. The various steps in the procedure will be fully explained and a blank form will be furnished for the purpose of recording the information regarding each purchase as soon as you get outside the meat market. The most important thing to remember is that you should buy meat in the same way that you usually buy, with the qualification, of course, that you are to buy the cuts listed below and observe certain things that are covered by the following instructions.

TYPE OF MEAT CUTS

We want you to buy four different kinds of meat, namely, beef, pork, veal and lamb. The specific cuts under each type are as follows. Please be sure to ask for these by name.

Beef cuts:

Porterhouse
T-bone
Club steak
Round steak
Rib roast
Chuck pot roast
Hamburger

Veal cuts:

Veal chops
Veal cutlets

Pork cuts:

Pork chops
Sliced bacon
Link pork sausage
Sliced smoked ham (or half a ham)

Lamb cuts:

Lamb chops
Leg of lamb

When you buy fresh meat such as steak, pork chops, etc., we particularly want you to try to get fresh cuts. That is, when you go into the store, and ask for the cut you want.

You are to ask for one of the beef cuts listed above in every store you visit. There are seven different cuts. Try to distribute your purchases as evenly as possible among those seven cuts. The ratio of beef, pork, lamb, and veal cuts should be approximately as follows:

5 cuts beef.	1 veal cut.
4 cuts pork.	1 lamb cut.

Your quota will be given you on a separate sheet. This quota will show the number of cuts for your total market under each type of meat and also the number of cuts that you are expected to buy.

NUMBER OF PURCHASES

You may make as many as three purchases in one store. For example, you may buy a round steak, some pork chops, and some lamb chops all in the same meat market. Be sure to ask for beef first when you go into the store until you have your beef quota filled.

If you know that bacon is very scarce in your market, you should ask for bacon in every store also at the same time that you ask for beef. The bacon should be smoked sliced, bacon. We prefer that form to chunks or slabs or bacon. Ham may be either sliced or half a ham.

TYPES OF STORES

Please call on both independent and chain stores. You should try to buy meat in about four times as many independents as chain stores—that is, four out of five of the stores should be independents and one should be chain.

By "chain stores" we mean Kroger, National Tea, A & P, and any other well-known corporate or even local chains of grocery stores or meat markets. Such

stores as Royal Blue, IGA, Red & White, and other members of this type of buying groups are not truly chain stores. They are members of a group of stores but are independently owned and managed.

Please do not call on any kosher meat markets.

BUYING PROCEDURE

As explained above, in buying fresh beef or other fresh meat, try to get "fresh cuts." Tell the butcher that you would like enough steak, for example, for a family of four.

We want you to try to discourage the meat cutter from trimming the meat. That is, we do not want to have it trimmed after it is weighed. Please be on the alert and watch this carefully. As soon as the butcher has cut the meat and weighed it, please say something like this: "Please do not bother to trim it"—or, "Please don't trim off any of the fat. I like to have it for cooking the steak"—or, "Please don't trim this meat. I cut off some scraps for our dog," or something to that effect. Prevent the meat cutter from doing any trimming after the cut is weighed if you possibly can do so. If he insists on trimming it or trims it before you can stop him (after weighing it) ask him to save the trimmings for you and wrap them up with the meat.

RECORDING THE PURCHASES

You must get the cost of each of the two or three individual cuts of meat that you buy. In the pretest, we followed this procedure. Tell the butcher that you want a T-bone steak big enough for four people. Then when he has cut the steak and wrapped it for you ask the butcher how much this first cut costs.

Keep a little slip of paper in your purse so that you can jot down the amount he charges for this first cut of meat. Then you can also enter the amount he charges for the bacon, or whatever you may buy as the second cut, and then do the same for the third cut that you buy (if you buy three cuts of meat). The objective here is to give the amount charged by the butcher for each of the three cuts of meat. In the instructions on specific questions, you will be shown how to record these amounts on your report form for each store.

The most important thing in this whole shopping survey is to record accurately and beyond any question the amount you pay for each cut of meat.

HANDLING OF MEAT

Please be sure to see that your meat is well wrapped before you leave the meat market. As soon as you are outside the meat market and out of sight of the butcher, write your questionnaire code number which is entitled "Store number" on the outside of the package and also write the store name and address.

Get a large cardboard carton to put into your car for holding the packages of meat. At the end of the day you are to bring all of your purchases of meat to some central point which will be designated by your supervisor.

It is not necessary to unwrap the large package of two or three cuts that you may buy in any individual store in order to mark the store name and address and the code number. Merely write this information on the outside of the large package that contains all of your cuts bought in any one store. This information is for identification only when the meat is unwrapped and weighed at a central point the following day.

Please be sure that your meat is kept in good condition. If the weather should suddenly turn very warm or very cold, please see that if the meat should be taken out of your car it is not placed too close to a hot radiator or other heat and also that it does not have a chance to freeze.

Please watch carefully your distribution of meat cuts and remember that you should ask for beef cut of some kind in every store you go into until your beef quota is filled. Let the pork, veal, and lamb requirements follow along in line with the proportions required. These proportions are five cuts of beef, four of pork, one of veal, and one of lamb.

HANDLING OF PURCHASE MONEY

You will be given a specified amount of cash which will be shown on your assignment sheet and for which you are to sign a receipt. When you are through with your quota of purchases, the total amount of money spent plus the amount you still have on hand should agree with the amount of money you were originally given.

Any other expenses that you may need money for please put on your expense sheet. This applies to the operation of your car, the sending of telegrams, etc.

You are to plan to use enough money so you can ask the butcher in each instance for enough meat or whatever cut you are buying to feed a family of four. In the case of beef roasts or half a ham, obviously you might have to take more than enough to serve such a family one meal. We would prefer to have you buy a little bit liberal rather than cutting down your purchases too much.

RECORDING INFORMATION ON QUESTIONNAIRES

Your questionnaire forms are all numbered in advance. Please try to begin with the smallest number given you and keep the forms in proper rotation.

Do not fill in the questionnaire blank in the store

You are not to ask the butcher any of the questions shown on the form. These questions are to be answered by you. Fill in the form either outside the store or after you get back to your car. However, you would find it very helpful if you would have a little slip of paper such as housewives usually use for a shopping list on which you can jot down the individual items as the butcher tells you what each piece of meat costs. Then, write down the tax (if any) and the total amount of the purchase. Be sure to fill out your questionnaire form immediately after you get out of the store before going to another store to make additional purchases.

Look over your forms carefully before releasing them at the end of the day, but you must send them in along with your meat as the meat has to be weighed and graded at a central point and as you will note, the back of the form is to be used for that purpose. You are to write only on the front of the form. Do not write anything on the reverse side.

Arrange with your supervisor to take care of your questionnaire forms and meat purchases at the end of each day.

TRANSPORTATION

We would prefer to have you use your own automobile if you have one available and can drive it. Otherwise, a rented car will be furnished for you. Please settle this point with your supervisor as early as possible. If you drive your own car, the usual rate per mile will be paid.

A crew of two shoppers will use each car. Follow the general plan of driving to a neighborhood business community. Each shopper can make from one to three or four purchases depending upon the size and nature of the community and then come back to the car so that both shoppers can drive to the next business community and continue their shopping. If you drive your own car, put all of the car operating expenses on your own expense sheet.

You are to shop in a few meat markets in, or at the edge of colored districts. These stores should have a large portion of colored trade. It need not be exclusively colored trade but should be at least half colored.

SPECIFIC INSTRUCTIONS ON INDIVIDUAL QUESTIONS

Summary of items purchased

As already explained, we recommend that you write on a little piece of scratch paper that you carry in your purse the amount you spend for each cut in any given store. Then, as soon as you are outside the store, fill in the names of the cuts of meat such as round steak, sliced bacon, etc. Then be sure that the cuts of meat you name are described the same as they are on page 1 of your general instructions. For example, be sure if you buy a roast to describe it as "chuck pot roast" or "rib roast" instead of merely saying a "roast of beef." Under "Amount of purchase" write in the dollars and cents for each cut. Then put in the tax into the total spent in the store. This instruction applies only if there is a State sales tax. If there is no State sales tax in the city where you are going to work, you need not bother about any kind of tax.

Be sure that you watch to see whether or not each cut is trimmed after it is weighed and check "Yes" or "No" after each cut. We want to try to prevent the butcher from trimming, but if he does, ask him for the trimmings as explained earlier in these instructions and indicate under the proper heading whether the trimmings are included in the package.

Question 1. Check the type of store; that is, whether it is a corporate chain such as Kroger, A & P, National Tea, etc., or whether it is an independent. Such buying groups of stores as Royal Blue, Red & White, etc., are independent stores.

Your supervisor can probably give you a complete list of names of corporate chain grocery organizations in your city.

Question 2. Indicate the class of neighborhood. Put class A neighborhood where class A families live. A class B neighborhood is one where most of the families are in the B income group. The remainder are combined under C and D.

Question 3. Under the OPA rules there should be a small sign displayed in the fresh-meat display case to show the grade and the price of the meat that is in the case. Please indicate whether or not such a sign is displayed in each store by checking "Yes" or "No."

Question 4. The same sign should carry the OPA price for that grade. Please check "Yes" or "No" to indicate whether or not the OPA price for each grade was displayed.

Question 5. In each store the OPA group number of the store; that is, 1 or 2 (which is usually used to designate independent stores) or 3 or 4 (which usually designates chain stores), should be plainly posted in the store. You may find a card in the window which you can see from outside the store. You may see a large sign posted inside the store or you may see a chart of ceiling prices, a sample of which your supervisor will show you, posted somewhere in the store. The price chart is usually hung up back of the meat counter. Try to determine by observation which OPA group the store belongs in.

Question 6. Indicate how you determined which OPA group the store falls into. If you do not see a sign or the price chart, you can be reasonably sure that all chain stores fall into groups 3 and 4. Therefore, you would write after the word "Other" some such term as "Saw the name of the store."

Miscellaneous

Be sure you fill in the full and correct name of the store and the store address, city, and State. Then, look the questionnaire over carefully before you sign your name and put on the date.

Mr. EGGERT (continuing reading):

The weighing and grading of the cuts was done later by qualified experts retained by our organization, and it is only then that over-ceiling charges could be determined. Local Boston women were used in making this survey and they will be glad to confirm this statement.

Senator MITCHELL. Of course, as a matter of fact, the weighing would not be correct under the usual practice, would it? You would buy a cut of beef and the weight is checked up and then there is a certain amount of trimming.

Mr. EGGERT. The instructions will be filed in the record, and they specifically asked the housewife shoppers to request that the retailer not trim the meat; but in the few cases where he did trim the meat after the request had been made, the housewife shopper asked for the trimmings and they were taken along with the meat. The study was planned to get a fair, true measure of what the situation actually was; and those instructions which will be filed in the record will indicate that each housewife shopper in all these cities was given these specific instructions; they were to request that the meat be not trimmed, but in case it was, the trimmings were to be included in the package and they were weighed by the research-organization men.

Senator CAPEHART. May I ask the Senator from Washington what was the name of that organization whose letter he read?

Senator MITCHELL. It is a newspaper story from the Boston Traveler quoting Malcolm McCabe, secretary of the Massachusetts Retail Grocers Association.

Senator CAPEHART. Is it not logical that the gentleman, representing the groccerymen and possibly the meat markets in Boston, would almost want to run those people out of Boston on a rail for exposing a situation such as has been presented here, because they are in direct violation of the law and would be subject to fines, and I am not cer-

tain but that they would be subject to imprisonment. Is it any wonder that they issued such a blast? I am surprised that they have not gone further, because if I were Mr. McCabe representing a group of retail merchants in Boston that had been cheating the people, as the record shows they had, I certainly would have blasted those people, too. It is only natural to assume that they would do it, because they were doing it in self-protection.

I would like to put into the record at this point, to disprove the statement that was made in his letter that the packing companies were shutting off shipments of beef to Boston, this fact which I think proves that they did have a shortage of meat. This is taken from the market report in Denver, one of our big markets [reading]:

On Monday, April 8, the stockyard cattle receipts were 7,000, and of the 7,000 Swift were able to buy 1 beef; Cudahy, 338; Armour, 300, or a total of 639 head out of 7,000.

That means that the other 6,400 went into the black market, just as was brought out this morning through Secretary Anderson. I think Senator Barkley brought it out, with reference to receipts similar to these. I think in the instance cited this morning it was a market where 7,000 cattle had arrived and the big packers were able to get 500, and 6,500 head went to the black market. Secretary Anderson admitted this morning that those 6,500 possibly went into the black market.

Senator MITCHELL. He said they went to different buyers.

Senator CAPEHART. If they paid over ceiling for them they certainly lost money unless they did sell them in the black market.

Mr. EGGERT. The observation is absolutely correct, and a later witness will develop that point.

Senator CAPEHART. I, for one, think the black market should be stopped, and I am surprised that we permit it to go ahead. I would be willing to appropriate money to stop it. I think it is unfortunate that the black market is existing.

Mr. EGGERT. I would like, in answer to the charge that Mr. McCabe has made, to read just a paragraph, and then file the whole letter in the record, of a letter written by Mr. George R. Dressler, Secretary of the National Association of Retail Meat Dealers, Inc., dated April 12, 1946. Mr. Dressler says:

This report—

He is referring to the survey that was made at the request of the Meat Institute—

This report was made at the request of the American Meat Institute by two reliable and unbiased market research companies. The facts contained therein I do not feel can be denied.

He is the secretary of the National Association of Retail Meat Dealers.

Senator MITCHELL. He apparently welcomed the survey?

Mr. EGGERT. Yes, sir. I shall be glad to file a copy of Mr. Dressler's entire letter.

The CHAIRMAN. You may put it into the record.

(The letter referred to is as follows:)

THE NATIONAL ASSOCIATION OF RETAIL MEAT DEALERS, INC.

*Chicago 3, Ill., April 12, 1946.**To the Presidents and Secretaries:*

Enclosed is a copy of a survey report which was made recently for the American Meat Institute and presented at the hearings held in Washington before the Senate and congressional Agricultural Committees.

This report was made at the request of the American Meat Institute by two reliable and unbiased market research companies. The facts contained herein, I do not feel, can be denied. At a glance, it may seemingly be an accusing finger being pointed at the retailer; however, this is not the case. I have been very close to this project and I feel that an explanation should be made in its regard. I suggest the following explanation be made in the event that the officers of any of our associations be approached by members or other trade representatives with questions regarding it.

This survey was made to emphasize the true present day conditions existing in the marketing of meats. It was not or is not the purpose of those who sponsored this survey to point an accusing finger at the retailer. The study was made for the express purpose of presenting the true facts and conditions before the legislative bodies of Congress and Senate. The results of this survey show that the meat situation is out of control. This factual and unbiased report strengthens our demand for the elimination of control on the meat industry.

At the time the study was presented, it was emphasized that the retailers from whom this meat was bought have been unwilling victims of the black market when they buy their meat. No store names were presented and there are no identifying records available of where purchases were made. As you will note on page 8 of the enclosure, that they clarify this statement, that it does not show how they were made, why they were made, or who is to blame.

Any further questions that any local group may have in regard to this survey we will be very glad to answer.

GEORGE R. DRESSLER, *Secretary.*

Mr. EGGERT. Mr. Chappelle made a brief additional statement that expresses his indignation at this charge, which I would like to read [reading]:

It is deplorable that anyone should see fit to charge that a survey conducted in accordance with good, recognized, unbiased commercial procedure is "phoney", and we deeply resent this grossly unfair charge. The public is entitled to the plain facts as presented in this statement rather than the fiction of misleading, prejudiced, and unfounded allegations.

To go ahead with the survey of average meat prices in Boston, April 16 and 17. This is on all meat purchased, meat that was purchased under the ceiling, at the ceiling, and over the ceiling:

Beef, 18 cents, or 47 percent; veal, 10 cents a pound, or 26 percent; lamb, 4 cents a pound, or 10 percent; pork, 7 cents a pound, or 20 percent; and the average of all meat purchased in Boston in the middle of April was over by 12 cents a pound, or 32 percent.

Senator MILLIKIN. Of the total number of stores checked in Boston, how many were free of violations?

Mr. EGGERT. There were 90 percent of the stores that sold over ceiling, so there were 10 percent of the stores in Boston where meat was purchased that showed no violation.

The figure in Minneapolis-St. Paul was 76 percent. So there would be 24 percent of the stores there that sold either at the ceiling or under the ceiling.

Senator MILLIKIN. If I understand your statistics correctly, because 76 percent of the cuts bought were over ceiling, that does not mean that 24 percent of the stores were overrunning the ceiling?

Mr. EGGERT. That is correct.

Senator MILLIKIN. What I am trying to get at is the number of stores that were free of violation.

Mr. EGGERT. There are three figures here, and they are somewhat confusing. The first shows the percentage of stores selling one or more cuts over ceiling in Boston, and that is 90 percent. So that there were 10 percent of the stores that sold either at the ceiling or below.

Senator CAPEHART. I do not think we should blame the merchants too severely because they have found themselves in the position of trying to run a business and supplying their customers, just as our own Government found itself in the other day when it went out to buy 50,000,000 bushels of corn. It found it could not get it; the farmers would not sell it, and the Government had to enter the black market and pay 30 cents a bushel extra in order to get the corn.

That is exactly what these merchants have been doing in Boston, and that is exactly what every other merchant and every man in business does today when he finds himself up against this situation. He either has to lose money, close down his plant, factory, or business, or he has to go out and pay black-market prices, just as our Government found that it had to do. I am not going to criticize them too severely or blame them for doing that. I think it is unfortunate and I think that Congress should do something to correct the situation by some new OPA regulations or some law to stop it, because we are making crooks out of 140,000,000 American people.

Senator MILLIKIN. Ten percent of the stores had no violations. Have you got any further break-down on that?

Mr. EGGERT. We made no further analysis of the data. On all the meat purchased, though, it was over by 32 percent.

Senator MILLIKIN. I am trying to figure out how many stores showed a conscious intent to overcharge. Do you have any statistics on that?

Mr. EGGERT. We did not break our data down any further. I believe all this material is on punch cards. We will try to get it for you.

Senator MILLIKIN. I will not press the matter.

Senator MITCHELL. Have you turned that information over to the OPA?

Mr. EGGERT. It has been available. The results of the original study were presented previously. This new material is available in supplement form and copies have been available to anyone that has asked.

Senator MITCHELL. But that does not give detailed information. I am wondering whether detailed information would be helpful to the OPA in meeting the job that it is responsible for.

Mr. EGGERT. I am glad that that question came up. We wanted to get the facts rather than to get any individuals in difficulty, and the names and addresses of the individual stores have been destroyed. The records were taken off on punch cards and they are available in the Statistical Research Co.'s place of business. The names and addresses of the stores, however, have been destroyed. That was brought out in Mr. Dressler's letter.

The next chart [exhibiting] shows that overcharges for meat have increased. In the first survey made in the New York area all meat sold 21 percent over the ceiling. In the survey made in Boston—

and we feel that those two areas are reasonably comparable; they are not exactly, but reasonably so—you will notice that the overcharge was 32 percent of all meat purchased.

Senator MILLIKIN. Do you know whether or not the price panels in Boston have been making any unusual stir about these charges?

Mr. EGGERT. We have heard of no such report.

This chart [indicating] shows "Worse and Worse in Washington"; and it represents actually two surveys made in the city of Washington, the first survey February 27 and 28 and the second survey just a month later, March 26 and 27.

You will notice that the overcharges increase from about 3 cents a pound to about 7 cents. In the last survey beef prices in Washington were over by 25 percent; veal, by 24 percent; lamb, by 14 percent, and pork by 11 percent; and the average of all meat purchased was 19 percent in Washington.

This chart [indicating] shows that meat is hard to get. We asked each of the housewife shoppers to keep a record of the number of stores—and this answers the question that came up earlier—to keep a record of where they could not buy these cuts. In Boston 29 percent of the stores had no meat. In Minneapolis-St. Paul 21 percent of the stores had no meat. By "no meat" we mean that they did not have any of the 16 cuts referred to. Forty-four percent, or nearly half of the stores in Boston, had no fresh meat. Over half the stores in Minneapolis-St. Paul had no fresh meats. Sixty-three percent of the stores in Boston had no beef. Seventy-two percent of the stores in Minneapolis-St. Paul had no beef.

On the better steaks, such as porterhouse, sirloin, T-bone, 91 percent of the stores in Boston had none of the better steaks; 88 percent of the stores in Minneapolis-St. Paul had none. The housewife shopper would have to go into 10 stores before she could find 1 store that had a supply of better steaks.

This chart [indicating] summarizes the results of this survey. Again I want to emphasize that we think this study is very conservative.

In 11 cities, coast to coast, overceiling prices were charged in five out of six stores on over two-thirds of the meat sold.

Second, over 15,000,000 meat customers are paying \$1.20 for a legal dollar's worth of meat, and on the meat sold over ceiling, a tax of 29 percent on the meat they are buying.

Third, it is getting worse. Of the two surveys in Washington, the first survey shows 9 percent over, and the second shows 19 percent. The comparison between the New York and Boston areas also indicates that the black-market situation is getting worse.

Senator MITCHELL. Would the same cuts be involved in each case?

Mr. EGGERT. The proportion of the cuts was very much the same and the number of stores were closely identical.

Finally, meat is costing the American public \$2,000,000,000 a year more than the ceiling prices. The black market, based on average of 11 cities surveyed in February, if the results of this survey were extended over the entire country, would mean a cost to the consumer of \$1,250,000,000. In addition, there are subsidies making up another \$750,000,000, or a total cost, direct or indirect, to the American public of \$2,000,000,000.

The black-market situation is very serious, based on these conservative surveys.

Senator BUTLER. You have not included in your total cost the expense of maintaining and operating OPA, have you?

Mr. EGGERT. I have also not included the tremendous waste of byproducts and other materials.

(The charts referred to and submitted by Mr. Eggert are as follows:)

NEW FACTS ON THE MEAT BLACK MARKET

(American Meat Institute, Chicago 5)

Black market operators still are gouging the meat-buying public. Surveys made by independent market research agencies in February demonstrated that the black market in meat was running wild. These surveys showed that the average housewife in 11 typical cities from coast to coast was paying 20 percent above ceilings for all meat purchased; that overceiling prices were charged in five out of six stores. A resurvey in Washington in late March showed the situation becoming worse. And now more recent surveys, in the Minneapolis-St. Paul area and in Boston, indicate the black market in meat still is becoming steadily worse, meat is becoming scarcer and there is no effective OPA enforcement.

In this supplement to the original report, The Meat Black Market, are new facts developed by additional surveys. As in the case of the original report, purchasing was done by impartial housewife shoppers who bought meat in the normal manner of purchasing for a family of four. All types of retail stores were shopped in all types of neighborhoods.

The retailer cannot be blamed for the deplorable condition portrayed here. Like the housewife and the legitimate packer he, too, is a victim of the black-market operator. He must obtain meat for his customer for whatever he is required to pay—or go out of business.

New facts presented here add further emphasis to the views expressed by livestock producers, feeders, meat packers and retailers that the only solution is complete and speedy removal of all price controls and subsidies on livestock and meat. This solution is not suggested in order to raise prices. Only if these strangling controls are removed can housewives buy the meat they want when they want it, at fair, competitive market prices. Such action taken promptly will increase the marketing of livestock and the production of meat, will destroy the black market, will improve distribution by making supplies of meat available once more through normal channels, and will establish a competitive price which it is believed will actually be lower than consumers are now forced to pay through the black market created by OPA price control and subsidies.

The overceiling meat situation in the Minneapolis-St. Paul area, Apr. 16-17, 1946

	Cuts bought over ceiling, percent	Amount over	
		Cents	Percent
Beef.....	85	9	29
Veal.....	85	11	32
Lamb.....	60	5	12
Pork.....	46	5	13
Average.....	66	8	23

Average meat prices in the Minneapolis-St. Paul area (Apr. 16-17, 1946)

	Amount over ceiling		OPA price	Black market tax, cents
	Cents	Percent		
Beef.....	8	24	\$1	24
Veal.....	9	25	1	25
Lamb.....	3	7	1	7
Pork.....	1	3	1	3
Average.....	5	15	1	15

EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942 1105

The overceiling meat situation in Boston Apr. 16-17, 1946

	Cuts bought over ceiling, percent	Amount over	
		Cents	Percent
Beef.....	91	20	52
Veal.....	77	13	37
Lamb.....	77	8	17
Pork.....	82	9	24
Average.....	85	15	39

Average meat prices in Boston, Apr. 16-17, 1946

	Amount over ceiling		OPA price	Black-market tax, cents
	Cents	Percent		
Beef.....	18	47	\$1	47
Veal.....	10	26	1	26
Lamb.....	4	10	1	10
Pork.....	7	20	1	20
Average.....	12	32	1	32

Overcharges for meat are increasing—average percent over ceiling

	New York area, Feb. 26-Mar. 1, 1946	Boston, Apr. 16-17, 1946
Beef.....	31	47
Veal.....	27	26
Lamb.....	7	10
Pork.....	16	20
Average.....	21	32

Meat is hard to get (Apr. 16-17, 1946)

	Boston	Minneapolis-St. Paul
Percentage of stores having—		
No meat.....	29	21
No fresh meat.....	44	52
No beef.....	63	72
No better steaks.....	91	88

Summary of consumer meat price survey in Boston and in Minneapolis-St. Paul,¹ Apr. 16 and 17, 1946

	Boston	Minneapolis-St. Paul
1. Number of stores visited.....	215	195
2. Number of cuts of meat purchased.....	325	287
3. Percentage of stores selling one or more cuts over ceiling.....	90	76
4. Cents per pound over ceiling on all meat bought:		
Beef.....	18.4	7.8
Veal.....	9.5	9.0
Lamb.....	4.4	2.6
Pork.....	7.2	1.3
Total.....	12.4	5.3

See footnote at end of table, p. 1106.

1106 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

*Summary of consumer meat price survey in Boston and in Minneapolis-St. Paul,¹
Apr. 16 and 17, 1946—Continued*

	Boston	Minneapolis- St. Paul
5. Percentage over ceiling on all meat bought:		
Beef.....	47	24
Veal.....	26	25
Lamb.....	10	7
Pork.....	20	3
Total.....	32	15
6. Highest percentage overcharge:		
Beef.....	364	123
Veal.....	160	91
Lamb.....	60	37
Pork.....	133	136
Total.....	364	136
7. Percentage of cuts over ceiling:		
Beef.....	91	85
Veal.....	77	85
Lamb.....	77	60
Pork.....	82	46
Total.....	85	66
8. Cents per pound overcharge on cuts over ceiling:		
Beef.....	20.4	9.3
Veal.....	13.0	11.0
Lamb.....	7.5	4.6
Pork.....	8.8	5.0
Total.....	15.0	7.9
9. Percentage overcharge on cuts over ceiling:		
Beef.....	52	29
Veal.....	37	32
Lamb.....	17	12
Pork.....	24	13
Total.....	39	23

¹ Source: Shopping surveys made by independent, reliable research agencies—C. C. Chapelle Co. and Statistical Research Co., Chicago.

THE MEAT BLACK MARKET—ITS EXTENT AND ITS COST TO AMERICAN CONSUMERS American Meat Institute, Chicago 5

The black market in meat is running wild and getting wilder. OPA enforcement has completely broken down.

Livestock producers, meat packers, and retailers—men who know the business best—agree the solution is complete and speedy removal of OPA pricing and related regulations, including those providing so-called subsidies. Thus, future livestock production will be assured and meat again will become available, through legitimate channels, in stores everywhere—the kind of meat the consumer wants, when she wants it, at a competitive market price.

✦ In this booklet are presented charts, based on surveys by reliable independent research organizations, showing graphically the extent of the black market, which is costing consumers millions of dollars daily.

MEAT PRICE FACTS

What do consumers
REALLY pay for **MEAT**?

**OPA ?
CEILINGS?**

**OPA ?
CEILINGS?**

OR BLACK MARKET PRICES?

1108 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

RESULTS OF "SECOND" WASHINGTON SURVEY OF CONSUMER MEAT PRICES

Summary results of second Washington survey, made Mar. 26-27, compared to first Washington survey of Feb. 27-28, 1946, that was a part of 11-city study ¹

	First survey, Feb. 27-28, 1946	Second survey, Mar. 26-27, 1946
1. Number of stores visited.....	242	241
2. Number of cuts of meat purchased.....	516	456
3. Percentage of stores selling 1 or more cuts over ceiling.....	81	91
4. Percentage over ceiling on all meat bought:		
Beef.....	13	25
Veal.....	14	24
Lamb.....	2	14
Pork.....	7	11
Total.....	9	19
5. Highest percentage overcharge:		
Beef.....	118	241
Veal.....	110	114
Lamb.....	60	124
Pork.....	100	111
6. Percentage of cuts over ceiling:		
Beef.....	64	75
Veal.....	76	91
Lamb.....	52	76
Pork.....	56	62
Total.....	60	72
7. Cents per pound overcharge on cuts over ceiling:		
Beef.....	\$0.07	\$0.10
Veal.....	.08	.11
Lamb.....	.05	.08
Pork.....	.05	.07
Total.....	.06	.09
8. Percentage overcharge on cuts over ceiling:		
Beef.....	20	31
Veal.....	21	28
Lamb.....	10	20
Pork.....	14	19
Total.....	16	25

¹ Source: Shopping surveys made by independent, reliable research agency—Statistical Research Co., Chicago.

We decided to get authentic facts on the actual prices consumers pay for meat. To do this we employed two reliable independent market research agencies: Statistical Research Co. and C. C. Chappell Co.

Housewife shoppers bought meat for a family of four. They went to 1,803 stores. They bought 3,495 cuts of meat: Beef, veal, lamb, and pork.

They bought:

	Number of cuts
Beef:	
Porterhouse steaks.....	90
T-bone steaks.....	108
Club steaks.....	46
Sirloin steaks.....	178
Round steaks.....	270
Rib roasts.....	111
Chuck roasts.....	289
Hamburger.....	363
Other.....	91
Total, beef.....	1,546
Veal:	
Chops.....	203
Cutlets.....	55
Other.....	15
Total, veal.....	273

	<i>Number of cuts</i>
Lamb:	
Chops.....	296
Leg of lamb.....	114
Other.....	9
Total, lamb.....	419
Pork:	
Chops.....	382
Sliced bacon.....	325
Link pork sausage.....	319
Ham.....	176
Other.....	55
Total, pork.....	1, 257
Grand total.....	3, 495

Meat was purchased in all classes of stores and neighborhoods in 11 cities from coast to coast:

Denver	Indianapolis	Newark
Los Angeles	Memphis	New York City
Milwaukee	Houston	Washington
Chicago	Providence	

Population of over 15,000,000 people.

This meat was graded by meat experts on leave from United States Army and weighed by staff of the research agencies. Prices paid were then compared with OPA ceilings.

This is a conservative measure of the black market in meat—for it does not show—

1. Under-cover, back-door, side-alley deals;
2. Price of meat sold to hotels, restaurants and clubs;
3. Prices paid for the meat that was not "available" to a strange shopper;
4. Price of meat consumers buy direct from black market slaughterers; and
5. Price of meat not cut in conformance with OPA regulations.

Finally—but important—this survey does not show—

1. How overceiling charges are made. Whether by weight or price per pound or grade;
2. Why they are made. Whether the store makes a big profit, whether they are willful or innocent, or the result of confusion;
3. Who is to blame. Whether it's the consumer, retailer, wholesaler or slaughterer; the retailer from whom this meat was bought is often a victim of the black market when he buys his meat.

What are the housewife's chances of buying meat at OPA ceilings? Five out of six stores sold meat at overceiling prices.

In 11 cities 83 percent of the stores over ceiling.

Percent over by cities

Chicago.....	91	Milwaukee.....	86
Denver.....	84	Newark.....	85
Houston.....	94	New York City.....	79
Indianapolis.....	85	Providence.....	77
Los Angeles.....	84	Washington.....	81
Memphis.....	89		

The overceiling meat story in Chicago, Feb. 26-Mar. 2, 1946

	Cuts bought over ceiling, percent	Amount over	
		Cents	Percent
Beef.....	88	12	36
Veal.....	92	10	28
Lamb.....	59	7	16
Pork.....	66	8	22
Average.....	77	10	30

1110 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Average meat prices in Chicago

	Amount over ceiling		OPA price	Black-market tax, cents
	Cents	Percent		
Beef.....	10	32	\$1	32
Veal.....	9	25	1	25
Lamb.....	3	6	1	6
Pork.....	5	14	1	14
Average.....	8	23	1	23

The overceiling meat story in the New York area, New York-Providence-Newark, Feb. 26-Mar. 1, 1946

	Cuts bought over ceiling, percent	Amount over	
		Cents	Percent
Beef.....	72	16	42
Veal.....	72	16	40
Lamb.....	56	8	17
Pork.....	65	10	28
Average.....	67	13	33

Average meat prices in the New York area, New York-Providence-Newark

	Amount over ceiling		OPA price	Black market tax, cents
	Cents	Percent		
Beef.....	12	31	\$1	31
Veal.....	10	27	1	27
Lamb.....	3	7	1	7
Pork.....	6	16	1	16
Average.....	8	21	1	21

Average meat prices percent over ceiling

Los Angeles:		Newark:	
Beef.....	11	Beef.....	41
Pork.....	22	Pork.....	26
Denver:		New York City:	
Beef.....	7	Beef.....	31
Pork.....	12	Pork.....	15
Milwaukee:		Washington:	
Beef.....	15	Beef.....	13
Pork.....	9	Pork.....	7
Chicago:		All meat:	
Beef.....	32	Los Angeles.....	13
Pork.....	14	Denver.....	9
Indianapolis:		Milwaukee.....	10
Beef.....	17	Chicago.....	23
Pork.....	1	Indianapolis.....	10
Memphis:		Memphis.....	14
Beef.....	19	Houston.....	20
Pork.....	9	Providence.....	21
Houston:		Newark.....	30
Beef.....	23	New York City.....	21
Pork.....	14	Washington.....	9
Providence:			
Beef.....	30		
Pork.....	19		

Extremes in overcharges, percent overceiling

	Beef	Veal	Lamb	Pork
New York area.....	197	262	129	118
Washington.....	118	110	60	100
Chicago area.....	174	119	193	94
Memphis.....	103	74	31	48
Houston.....	92	71	116	108
Denver.....	100	48	44	126
Los Angeles.....	81	121	73	108

Meat prices by cuts—Average of 11 cities in order of percent overcharge

	Amount over ceiling	
	Cents	Percent
Round steak.....	12.7	31.1
Rib roast.....	9.9	30.8
Chuck roast.....	9.0	29.9
Veal cutlets.....	13.2	29.2
Hamburger.....	6.6	23.2
Better steaks.....	10.2	21.8
Ham.....	8.2	21.1
Pork chops.....	7.1	21.1
Veal chops.....	7.4	20.6
Sliced bacon.....	3.9	9.8
Leg of lamb.....	2.9	7.0
Lamb chops.....	1.3	3.0
Link pork sausage.....	.8	1.8

Over ceiling meat story in 11 cities combined—15,000,000 consumers

	Cuts bought over ceiling, percent	Amount over	
		Cents	Percent
Beef.....	74	13	35
Veal.....	75	13	35
Lamb.....	55	7	15
Pork.....	64	9	25
Average.....	68	11	29

Average meat prices in 11 cities combined—15 million consumers

	Amount over ceiling		OPA price	Black market tax (cents)
	Cents	Percent		
Beef.....	10	26	1	26
Veal.....	9	24	1	24
Lamb.....	3	6	1	6
Pork.....	6	15	1	15
Average.....	8	20	1	20

Worse and worse in Washington

	Cents over ceiling		Percent increase
	Feb. 27-28	Mar. 26-27	
	Beef.....	4.3	
Veal.....	5.8	9.4	62
Lamb.....	.9	5.7	533
Pork.....	2.9	4.3	48
Average.....	3.3	6.9	109

1112 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Now the overcharge in Washington: Percent

Beef.....	25
Veal.....	24
Lamb.....	14
Pork.....	11

Average of all meat..... 19

Meat price facts add up to this:

First: In 11 cities—Coast to coast, over ceiling prices are charged in 5 out of 6 stores on over two-thirds of the meat sold.

Second: Over 15,000,000 meat consumers are paying \$1.20 for a legal \$1 worth—A tax of 29 percent on meat that is black.

Third: It's getting worse—Washington, February 27-28, 9 percent over ceiling; March 26-27, 19 percent over ceiling.

Finally, meat is costing the American public \$2,000,000,000 a year more than the ceiling prices:

Black market (based on average of 11 cities, surveyed in February).....	\$1, 250, 000, 000
Subsidies (on livestock and meat).....	750, 000, 000
Total.....	2, 000, 000, 000

Summary of consumer meat price survey

	New York	Providence	Newark	Washington	Chicago	Indianapolis	Milwaukee	Memphis	Houston	Denver	Los Angeles	Total ¹
1. Number of stores visited.....	401	35	74	242	392	58	70	122	100	109	200	1,803
2. Number of cuts of meat purchased.....	739	69	136	516	724	102	145	240	192	224	408	3,495
3. Percentage of stores selling 1 or more cuts overceiling.....	78.8	77.1	85.1	81.4	91.1	84.5	85.7	83.5	94.0	84.4	83.5	83.2
4. Percentage overceiling on all meat bought:												
Beef.....	30.9	29.7	40.5	12.6	32.1	17.3	14.8	19.3	22.8	7.0	10.6	26.4
Veal.....	28.7	31.6	36.7	14.3	24.9	7.0	12.0	16.5	31.1	17.2	25.8	24.3
Lamb.....	7.8	6.9	4.5	2.0	5.8	1.5	(4.0)	3.1	12.3	3.0	5.0	6.1
Pork.....	14.5	18.5	26.2	7.3	14.2	1.1	8.9	8.7	14.2	11.8	22.1	14.5
Together.....	20.5	20.8	30.0	8.7	23.0	9.6	9.9	14.0	19.6	8.5	13.2	19.7
	New York area				Chicago area							
5. Highest overcharge:												
Beef.....		197		118		174		103	92	100	81	197
Veal.....		262		110		119		74	71	48	121	262
Lamb.....		129		60		193		31	116	44	73	193
Pork.....		118		100		94		48	106	126	108	126
All items.....		262		118		193		103	116	126	121	262

¹ Average weighted by population.

Source: Shopping surveys by Statistical Research Co. and C. C. Chapelle Co., Chicago, Ill., February 1946.

Summary of overceiling meat purchases

	New York	Providence	Newark	Washington	Chicago	Indianapolis	Milwaukee	Memphis	Houston	Denver	Los Angeles	Total ¹
1. Percentage of cuts over ceilings:												
Beef.....	68.7	75.0	84.4	63.6	87.7	90.0	75.8	70.8	86.1	53.9	67.0	73.9
Veal.....	68.3	75.0	90.0	75.8	91.9	33.3	66.7	81.0	100.0	84.6	72.2	75.2
Lamb.....	59.1	43.8	46.7	51.9	58.8	70.0	23.1	53.8	53.3	46.2	50.0	55.2
Pork.....	62.2	70.6	80.9	56.0	65.5	46.2	55.6	51.2	67.2	73.5	70.1	64.2
Together.....	64.7	66.7	79.4	59.7	76.9	69.7	62.8	62.5	79.1	63.6	66.7	68.1
2. Cents per pound overcharge:												
Beef.....	.16	.11	.17	.07	.12	.06	.07	.10	.10	.05	.07	.123
Veal.....	.16	.13	.16	.08	.10	.09	.09	.08	.11	.08	.12	.132
Lamb.....	.07	.14	.07	.05	.07	.05	.06	.05	.09	.06	.06	.067
Pork.....	.10	.09	.14	.05	.08	.04	.07	.07	.08	.07	.11	.090
Together.....	.13	.11	.15	.06	.10	.07	.06	.09	.10	.06	.09	.109
3. Percentage overcharge:												
Beef.....	42	32	44	20	36	20	20	29	28	14	18	35
Veal.....	41	34	37	21	28	32	23	26	31	22	36	35
Lamb.....	15	36	16	10	16	12	14	12	25	15	15	15
Pork.....	27	24	36	14	22	12	18	19	22	19	30	24
Together.....	32	31	38	16	30	17	19	25	27	16	22	29

¹ Average weighted by population.

Source: Shopping surveys made by Statistical Research Co. and C. C. Chapelle Co., Chicago, Ill., February 1946.

Mr. HUNTER. There is an additional point in connection with this black-market meat. It is not only priced above the ceiling, but it is meat that is not prepared under sanitary conditions, such as it would have been if federally inspected.

Senator MITCHELL. That is not necessarily so as to these cuts referred to in the survey, is it?

Mr. HUNTER. It is not necessarily so; but we are going to show a diversion of livestock from the so-called legitimate slaughterers into what we assume and believe to be the black market.

Senator MITCHELL. Have you any estimate today on where the price of meat would go if there were no ceiling? This report indicates 47 percent.

Mr. HUNTER. We estimate, according to this survey, that today people are paying, that is, consumers are paying, 20 percent over—

Senator MITCHELL. That is, with the pressure of the ceiling keeping the prices down?

Mr. HUNTER. Yes.

Senator MITCHELL. Without the pressure of the ceiling where would your prices go?

Mr. HUNTER. The 20 percent includes all the meats that are sold, all that are sold below ceiling and at ceiling.

Senator MITCHELL. That is right; but I think the survey shows that the ceiling is holding some of the prices down to ceiling. If we took the ceiling off how far up would the prices of meat go?

Mr. HUNTER. It is still our belief, and it is further borne out by the statistics here that Senator Capehart referred to, of the livestock and wool situation put out by the Bureau of Agricultural Economics

for March and April, in which they mention several things about the total production of meat—

Senator MILLIKIN. Are you reading from the Agricultural Bulletin?

Mr. HUNTER. The Livestock and Wool Situation, Bureau of Agricultural Economics, United States Department of Agriculture, March and April, 1946. Under "Outlook," it says [reading]:

It is now estimated that civilians in 1946 will take about 16,000,000 pounds * * *. If price ceilings on meat were removed the average retail meat prices in the second half of the year probably would be 15 to 20 percent above present reported levels and somewhat higher than this for the better grades and more desirable cuts.

This information is gathered by the Department of Agriculture and I believe it is actual and it checks very closely with the results of this survey.

If I may go back to one of the questions you asked a little while ago as to whether this was or was not a proper survey, the OPA in early 1946 made a survey in six Midwestern States in which they reported violations in 80 to 100 percent of the stores surveyed. That was made under the supervision of Mr. J. A. Thornton, Food Control Trade Relations Branch of the OPA.

Senator MILLIKIN. I think this has been covered before, but when you say the price will go up that carries with it that although the price would go up the people would not be paying any more for meat?

Mr. HUNTER. Over-all?

Senator MILLIKIN. Yes.

Mr. HUNTER. The consumer in general would not be paying any more. The black market, of course, is attributable to short supply. If there is not much they will pay a little more. If slaughter and livestock on the other hand is thrown back into normal channels it will be so much more abundant the consumer will not only not have to, but will refuse to pay the prices he is paying now under the black-market situation.

Senator MILLIKIN. What is the cause of the short supply when we have an abundant livestock population on the farm and range?

Mr. HUNTER. Senator, these next charts show that exactly.

Senator MILLIKIN. Well, I don't care to anticipate that, then.

Mr. HUNTER. Mr. R. G. Haynie will now show you the next charts.

STATEMENT OF R. G. HAYNIE, VICE PRESIDENT, WILSON & CO., INC., CHICAGO, ILL.

Mr. HAYNIE. My name is R. G. Haynie. I am vice president of Wilson & Co., Inc., Chicago, Ill.

Price controls themselves have created black markets in beef and are destroying legitimate beef packers. I am prepared to prove this statement.

I want to give you a brief history of cattle and beef under price control and then I want to show you the effects of those controls on the cattle and beef business.

Beef came under price control in May 1942, at which time price ceilings were established, based on the packer's highest selling price during March 1942. The use of the March price level in itself amounted to a roll-back in prices in that prices for both cattle and beef had advanced somewhat from March 1942 to May 11, 1942. This started the first squeeze on the beef slaughterer. Cattle prices were up but

beef had to go down to a price level lower than warranted by demand at that time.

This very situation made it possible for black-market operations to get a start. This condition grew more serious. Cattle prices advanced, and in October 1943 it was decided to bring cattle under price control. The cattle-stabilization program, or so-called Vinson directive, was issued at that time to become effective January 1, 1944. This set maximums and minimums for each grade of cattle. In spite of protests from industry that even with cattle purchased at the *minimum* of the range, the slaughterer would incur heavy losses, this regulation became effective.

Because of heavy losses, slaughterers complying with the regulations were forced to curtail their beef operations, thereby reducing the supply and increasing the incentive and opportunity for illegal operations.

Because this directive still did not hold down the prices of top-grade cattle in particular, MPR No. 574 was issued. This regulation established the overriding ceiling. It also made some changes in the price ranges and subsidy payments, and increased the penalties for violation of the regulation, but it still left the slaughterer in a squeeze position.

In the spring of 1945 the industry found itself in such a dangerous position that it became necessary to present the facts to Congress and seek relief. This finally resulted in the Barkley-Bates amendment to the Price Control Act.

During the discussions before Congress OPA made some adjustments in the subsidy provisions of Regulation No. 574 which they felt were adequate to provide a fair and reasonable profit. In spite of these alterations, a study by OPA of the accounting records of the industry for the months of July to October 1945, inclusive, revealed that an additional retroactive subsidy of 8 cents per live hundred-weight had to be paid to the industry to bring the returns on cattle and calves up to what OPA felt was a fair and reasonable profit.

While this payment was inadequate and unsatisfactory, the fact that it was made proves without doubt that no one at any time has been able to pay maximum prices for live cattle and sell beef at carcass wholesale ceilings, and operate profitably.

The accompanying charts show just what the results would be on cattle purchased at the maximum and above the maximum, as well as above the maximum without receiving subsidy or saving all by-products. My purpose in showing these to you is to prove that no slaughterer can pay more than maximum permitted cattle prices and sell at dressed beef carcass ceilings without suffering losses on his operations.

The first thing I would like to bring out here is a statement made by Secretary Anderson this morning with regard to the fact that a good many packers, both large and small, located in various markets throughout the country, were unable to buy livestock in anywhere near their normal numbers and only able to produce a small proportion of their normal kill. He said, and we quite agree, that all the prevailing prices have been above the prices which the packers could pay and remain in compliance with OPA regulations.

He also said that some packers were inadvertently in violation, that although their cost was overceiling it didn't necessarily mean

they were in the black market. I want to show you the effect of the ceiling cost on cattle and then what it is if you pay higher than ceiling.

The first computation on chart A shows the results a slaughterer would receive if he purchased cattle at \$17, grading Choice, and yielding 61 percent, which is the maximum permitted cost for Choice cattle, Chicago basis. This computation shows that if these cattle are purchased at the maximum and sold at the dressed-carcase ceiling the slaughterer will suffer a loss of 17 cents per dressed hundredweight.

For purposes of this analysis I have used the subsidy paid to the nonprocessing slaughterer who does not manufacture sausage and canned meats, or fabricate beef. It is obvious that if cattle cannot be purchased at the maximum alive, and sold at the carcass ceiling dressed without suffering loss, a slaughterer cannot pay more than the maximum without suffering a greater loss.

The second computation on chart A shows results a slaughterer will receive if his cattle are purchased up to 1 percent above maximum. A slaughterer's cattle would cost him 16 cents per live hundredweight more and he would receive \$1.02 per live hundredweight less subsidy because of the OPA ruling whereby when a slaughterer's cattle purchase exceeds the permitted maximums by more than one-fourth of 1 percent, but less than 1 percent, there is automatically withheld 30 percent of his subsidy payment. On this basis a slaughterer's loss would be \$2.12 per dressed hundredweight if he sold his beef at the dressed carcass ceiling.

(The chart referred to, chart A, is as follows:)

CHART A

Results if cattle purchased at maximum

OPA maximum: Choice cattle (Chicago basis) -----live, hundredweight..	\$17. 00
Cost to slaughter and sell.....do.....	1. 20
Total.....do.....	18. 20
Byproduct credits.....do.....	2. 00
Total.....do.....	16. 20
Subsidy (nonprocessing slaughterer)	3. 40
Total.....do.....	12. 80
Yield.....percent..	+61
Dressed cost.....dressed, hundredweight..	\$20. 97
OPA dressed ceiling.....do.....	20. 80
Loss.....do.....	. 17

Results if cattle purchased up to 1 percent above maximum

Live cost: Choice cattle (Chicago basis) -----live, hundredweight..	\$17. 16
Cost to slaughter and sell.....do.....	1. 20
Total.....do.....	18. 36
Byproduct credits.....do.....	2. 00
Total.....do.....	16. 36
Subsidy (nonprocessing slaughterer) (\$3.40 less 30 percent)	2. 38
Total.....live, hundredweight..	13. 98
Yield.....percent..	-61
Dressed cost.....dressed, hundredweight..	\$22. 92
OPA dressed ceiling.....do.....	20. 80
Loss.....do.....	2. 12

Mr. HAYNIE. The first computation on chart B shows the results if cattle are purchased over 2 percent above maximum. The live cost of the cattle, Chicago basis, would then be \$17.35 per hundredweight, or 35 cents more than the permitted maximum. The slaughterer would receive no subsidy due to OPA regulation that if slaughterer's costs exceed permitted maximums by more than 2 percent he shall have all of the subsidy withheld. The slaughterer's results would then be a loss of \$6.33 per dressed hundredweight if beef were sold at dressed-carcass ceiling prices.

Exactly the same results would be obtained if the slaughterer failed to file for subsidy at all. It is very apparent that no one can purchase cattle at, or above, permitted maximum prices and not collect subsidy and sell the beef at ceiling prices without suffering severe losses. This becomes very important when you consider the fact that although there is reported to be in excess of 26,000 slaughterers in the United States, in recent months only approximately 12,000 have claimed for subsidy, in spite of the fact that live prices have been at, or above, maximum prices during this period.

This means that approximately 15,000 are killing cattle without collecting subsidy.

Senator BUTLER. That \$1.20 item for cost to slaughter and sell assumes normal production?

Mr. HAYNIE. Yes. Definitely. Therefore, his cost would be \$16.55 on a yield of 61 percent. His dressed cost is \$27.13 a hundredweight, while the ceiling is \$20.80, and he would lose \$6.33 a hundredweight, dressed, for the cattle. That proves definitely that you cannot buy cattle above ceiling and sell them at OPA dressed ceiling without losing money. That would eventually put you completely out of business.

In spite of that, the slaughterer continues to expand.

The second computation on chart B indicates the results which could be expected by the so-called tree slaughterer and would apply to anyone slaughtering in barns, garages, sheds, under trees, or in ill-equipped buildings, who are saving only part of the byproducts and claiming no subsidy.

You heard the Secretary of Agriculture this morning tell you that many of these slaughterers were not saving the byproducts at all and that this was one of the serious consequences of this development. I am also assuming that this fellow is operating in a barn or shed, or under a tree, or some ill-equipped building of some kind, and he might be able to do the work himself and not have any labor, so we are not charging any cost to slaughter and sell.

If live cattle cost \$17.35 per hundredweight, or 35 cents in excess of permitted maximums, and this type of slaughterer only saved, of the byproducts, the hides, liver, tongue, and heart, and collected no subsidy, he would still suffer a loss of \$5.56 per dressed hundredweight, in selling beef at dressed-carcass ceiling.

He would only get \$1.27 a hundredweight for his byproducts, and he won't get any subsidy. The dressed cost of the meat under that computation would be \$26.36, and the OPA ceiling is \$20.80, so he would lose \$5.56 even with no charge to "cost to slaughter and sell."

Senator BUTLER. Nobody is doing that, are they?

Mr. HAYNIE. Losing that money?

Senator BUTLER. Yes.

Mr. HAYNIE. Obviously, Senator, nobody can continue in business unless they have got the Bank of England or America, or some place, behind them and sell beef with that kind of a result.

These factual computations clearly illustrate that slaughterers purchasing cattle at above maximum prices, or slaughterers purchasing cattle and not claiming subsidy or saving all byproducts, cannot possibly remain in business unless they are able to sell their beef at prices substantially higher than those permitted by OPA dressed-carcass ceilings.

When you note what the various grades of cattle prices have been on public markets in recent months it becomes perfectly obvious that such prices could not be paid without the dressed product being sold at prices higher than those permitted by OPA regulations.

(The chart referred to, chart B, is as follows):

CHART B

Results if cattle purchased over 2 percent above maximum

Live cost: Choice cattle (Chicago basis).....	live hundredweight..	\$17. 35
Cost to slaughter and sell.....	do.....	1. 20
Total.....	do.....	18. 55
Byproduct credits.....	do.....	2. 00
Balance.....	do.....	16. 55
Subsidy (nonprocessing slaughterer).....		None
Total.....	live hundredweight..	16. 55
Yield.....	percent..	+61
Dressed cost.....	dressed hundredweight..	27. 13
OPA dressed ceiling.....	do.....	20. 80
Loss.....	do.....	6. 33

Results if cattle purchased over maximum, subsidy not claimed and only part of offal saved

Live cost: Choice cattle (Chicago basis).....	live hundredweight..	\$17. 35
Cost to slaughter and sell.....		None
Total.....	live hundredweight..	17. 35
Byproduct credits (hides, liver, tongue, heart only).....		1. 27
Balance.....	live hundredweight..	16. 08
Subsidy (nonprocessing slaughterer).....		None
Total.....	live hundredweight..	16. 08
Yield.....	percent..	+61
Dressed cost.....	dressed hundredweight..	\$26. 36
OPA dressed ceiling.....	do.....	20. 80
Loss.....	do.....	5. 56

Mr. HAYNIE. It is interesting to see what the price level of some of the various grades of cattle have been on three markets—Chicago, National Stock Yards, Illinois, and Fort Worth—during the past year.

Charts 1, 2, and 3 show the prices of some of these grades at each market since January 1945, based on official market quotations of the United States Department of Agriculture.

OPA maximum prices have been adjusted to approximate the actual yields experienced on cattle by the industry which are below the OPA prescribed yields. Admission that this is true is made by OPA in their recent amendment to regulation 574, which provides that if a packer's yield is greater than those prescribed by OPA he must use OPA yields.

With these adjustments it will be noted that choice and medium steers at all three markets have been consistently above the OPA maximum, and canner cows have varied from slightly above to slightly below maximum. This in itself clearly indicates the impossibility of operating at normal volume under these regulations. All three classes at all these markets are now above maximum permitted cost, and any cattle purchased would need to be below the average market price for the packer to be in compliance with present regulations.

Taking Chicago, for example, showing the OPA maximum adjusted to 60 percent yield, which is representative of the yield on choice cattle, it shows that since about February 1945 choice steers have been continually above the OPA maximum. They have averaged for the last year 4 percent above the OPA maximum. Four percent on \$17 hundredweight is approximately 68 cents live hundredweight.

On medium steers you will find they have been even more above the OPA maximum, except in the months of September and October, during which time we had the usual fall run of cattle; and, due to an excessive supply, there was a sagging of prices; then it was recovered very quickly and is now at a point some 21 percent above the OPA maximum.

We haven't quoted all grades of cattle here, but other grades vary from 12 percent to 3 percent for the year's average at Chicago.

When you study the cattle prices in the National Stock Yards, Illinois—I want to make the point these figures are quotations of the United States Department of Agriculture; these are not my figures, they are their figures—it shows choice steers continued above the maximum since the early part of 1945; medium steers have averaged way above the OPA maximum. Canner cows dropped down in the heavy marketing seasons but now are again above the maximum.

Senator BUTLER. Mr. Haynie, I don't quite understand what you mean by "remaining above the maximum." What is the legal ceiling on AA steers at Chicago?

Mr. HAYNIE. \$17, provided it makes 61 percent.

Senator BUTLER. Well, the daily price quotations of legitimate shippers on cattle going to the Kansas City and Omaha markets show they are getting \$17.35 to \$17.50 and are still within the legal limit, I assume.

Mr. HAYNIE. There are two prices which govern the price of live-stock. One is the overriding ceiling. In the case of Chicago that is \$18 per live hundredweight. No cattle of any kind or description can sell higher than \$18 per hundredweight. Any cattle on that market can sell up to \$18 a hundredweight, but at the end of a month's accounting period each slaughterer's total cost of his cattle cannot be greater than if he paid \$17 for all his AA steers yielding 61 percent; \$15.75 for A steers yielding 58 percent; \$13 for B steers yielding 56 percent; and \$11 for utility steers, grade C, yielding 54 percent. And so on down the line.

So there are two prices that govern. One is the overriding ceiling, and the other is the maximum price.

Senator BUTLER. A buyer who pays the overriding price is going to be out of balance?

Mr. HAYNIE. A buyer who would pay \$18 for a choice steer that would yield 61 percent, on the Chicago market, to be in balance, would have to buy a steer—he would have to buy the equivalent live-weight of that grade \$1 below the maximum in order to average out at the end of the month and be in compliance. Compliance is not on individual grades, it is on a complete over-all average on your entire purchase.

Senator CAPEHART. Another thing we might bring up at this point is that at the end of the buying period if a packer finds he is going to be over, then he is forced to go out and pay the farmer, or does go out and pay the farmer, in many instances, considerably less than his cattle are worth and should be sold for, in order to comply with the rules and regulations and the law of OPA.

Mr. HAYNIE. It would be necessary that he do that, if he could, Senator.

Senator CAPEHART. Yes; he is forced to do that by law.

Senator MITCHELL. Can he do that?

Mr. HAYNIE. Only if the market would permit.

Senator MITCHELL. What condition brings that about?

Mr. HAYNIE. I have found through actual practice and participation in this thing that you must not allow yourself to get in that position, because the market generally does not permit you to buy livestock that much lower. You must file each day's purchase and each day's slaughter. If you are over some small amount one day, the next day you must buy cattle enough below the maximum, or the following day, or, at any rate, before the month is over, surely, you must buy cattle enough below the maximum to be in compliance.

Senator HICKENLOOPER. That is the reason, is it not, Mr. Haynie, on some of these large deliveries of cattle the legitimate packers often can only get 1 percent of that total—out of a 5,000 total, they can only get 100 or 200?

Mr. HAYNIE. The reason that they cannot get them is that the prevailing prices of all grades of cattle at the present time are above the OPA maximum.

Senator HICKENLOOPER. And the legitimate packer cannot go in there and pay a price that is consistently above the OPA maximum?

Mr. HAYNIE. That is right. Yet the prevailing market quoted by one Government agency is higher than another Government agency permits it to be. Therefore anybody buying in line with the OPA regulations, which would apply to a good many people, is handicapped in their purchases that way.

Senator MITCHELL. Where do you think your lines are going now that you have the allocation system?

Mr. HAYNIE. That is a very interesting and important question. It is something that I cannot answer with any positive assurance. I can only give you my personal idea. I feel that the allocation system cannot remedy the situation. It started in this Monday for some people and May 1 for some people. The receipts have been lighter.

If this thing is going to work, all prices must come down to the OPA maximum and I don't think the farmers of this country are in a position financially, or in a position mentally to accept reduced prices for cattle at the present time.

Senator MITCHELL. How long would it take you to determine whether that will be the situation? You cannot do it in 1 day's market, certainly.

Mr. HAYNIE. No. I don't know whether you can determine it in a week, or 2 weeks, or 2 months. The statement has been made, and I want to disagree with it, that one of the reasons for feeling that the control order will work now is the fact it worked so well a year ago, but it didn't work well a year ago. The thing that made it work a year ago in the fall of the year was an increased supply of cattle.

A quota system will work when the quota is smaller than the number of cattle being marketed. It won't work when it is larger than the number of cattle.

Senator MITCHELL. How does that work out? Will you explain that? I don't quite see that.

Mr. HAYNIE. If your quota system is smaller than the number of cattle available—

Senator MITCHELL. Why would that be? There is a demand for all the cattle you can buy.

Mr. HAYNIE. The quota system is automatic.

Senator MITCHELL. Well, it is on the basis of 1944.

Mr. HAYNIE. It assumes compliance with the regulations.

Senator MITCHELL. Do you think you will slaughter more than in 1944?

Mr. HAYNIE. No. I don't think we will slaughter nearly that much.

Senator MITCHELL. The quota will always be more?

Mr. HAYNIE. That is the reason I don't think we will get cattle. Setting us up for a kill of 16,000 cattle a week for the month of May doesn't mean anything if all we can buy is 2,000 cattle.

Another reason I am sure it won't work is the fact it assumes compliance with Government regulations and our experience has been that there has been no compliance generally with the majority of the slaughtering industry on these Government regulations, and I cannot feel that putting through one order or attaching another amendment to an original order will correct a situation that has been allowed to get in a position like this. This didn't come about accidentally. The OPA, I think, have sincerely tried to make the thing work all along, yet in spite of their best efforts we have reached this situation we are now in.

Senator MITCHELL. Well, is it not true that OPA, when the quota system was abandoned last September—that the staff working on that job was abandoned, too?

Mr. HAYNIE. I think that is true.

Senator MITCHELL. And there has been nobody there to really look after the job of policing?

Mr. HAYNIE. While the quota system staff was disbanded, I don't think that is true of either the enforcement or the pricing divisions.

I don't think that would be true at all. I just don't see a quota system working, particularly in the months when the supply is anything other than extremely burdensome.

Senator MITCHELL. Of course, the difficulty now is said to be all these cattle are going to new slaughterhouses. Under the quota system those slaughterhouses will have no quota, will they?

Mr. HAYNIE. I believe I am correct in saying——

Senator MITCHELL. Therefore, why wouldn't you be able to buy on the market?

Mr. HAYNIE. I believe I am correct in saying that anyone who has made any capital investment in a slaughterhouse up until the time of this order will be permitted to have a quota.

Senator CAPEHART. Anyone that is licensed, and they are all licensed?

Mr. HAYNIE. Well, licensing has not been in effect since September 8, I believe.

Senator BUTLER. You said something about it being impossible to get any compliance with an advancing price when prices are all above the legitimate basis.

Mr. HAYNIE. That is right.

Senator BUTLER. How rapidly do you think you are going to get any compliance with 30 cents a bushel additional cost to the feeders?

Mr. HAYNIE. Well, the 30 cents additional cost—the feeder will either have to feed his own corn or he will have to buy it in the black market, or he will have to market his cattle quickly and not in the proper condition that he otherwise would market them.

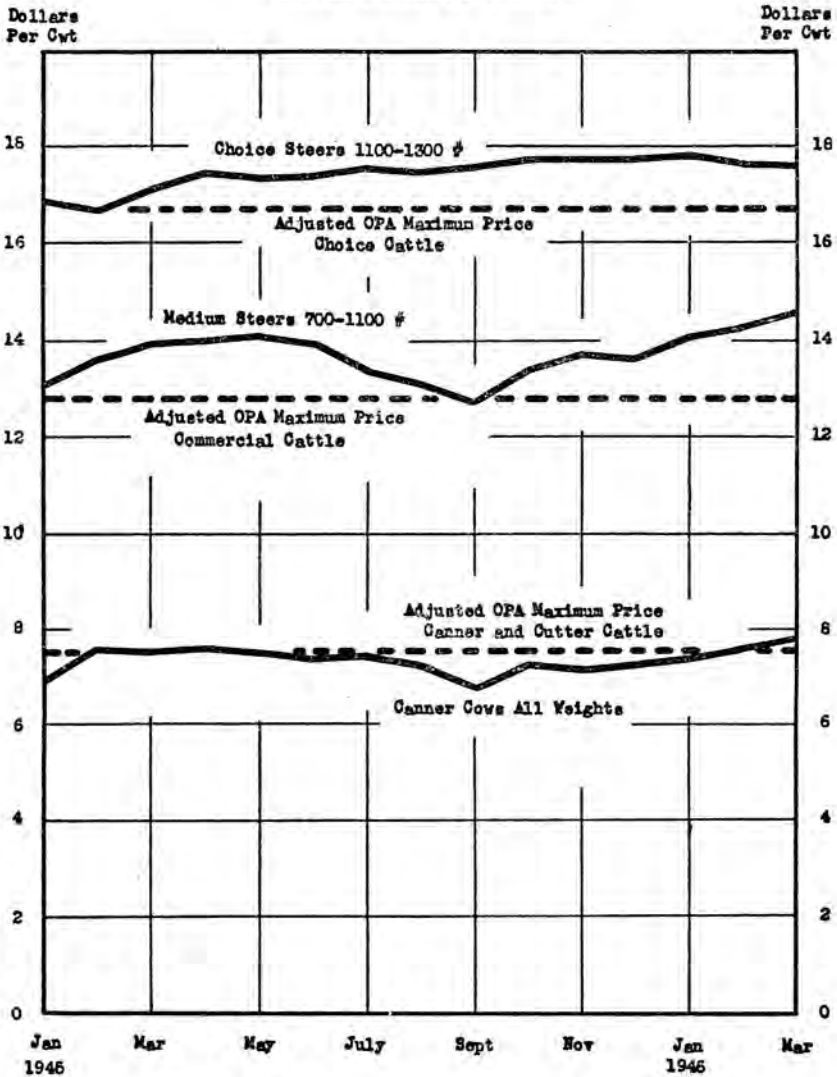
Now, with the higher cost of corn, and with the black-market price of corn, I understood the Secretary to say this morning that 80 to 90 percent of the corn was in black market, and it is doubtful to me whether people will market their cattle at prices lower than feed cost when prices are going up. I don't think they will. I don't know the cattle feeder's viewpoint on that, but it just doesn't seem reasonable to me. Yet that is exactly what you must do to make the control order work to establish the packers back anywhere near their normal volume of business.

Senator BUTLER. You will get those cattle from the man who cannot afford to keep them, but you will not get any cattle that can be put out on grass or kept in any way.

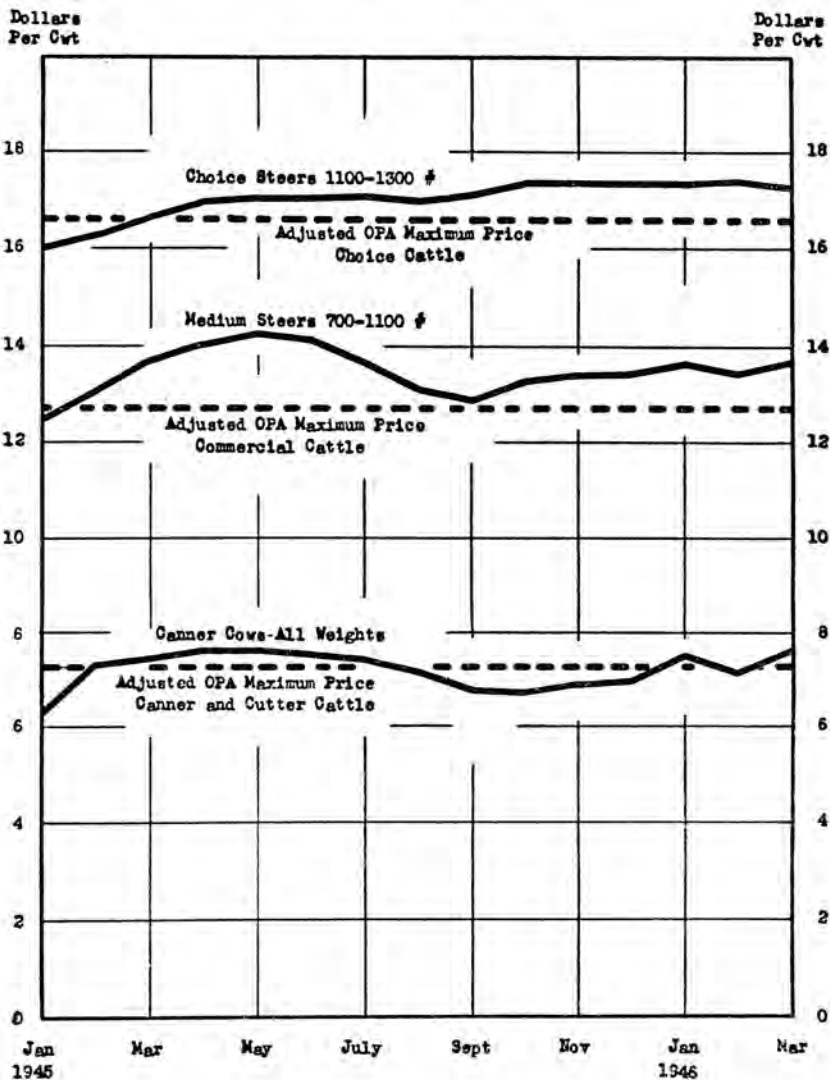
Mr. HAYNIE. I would think you are correct on that.

(Charts 1, 2, and 3 are as follows:)

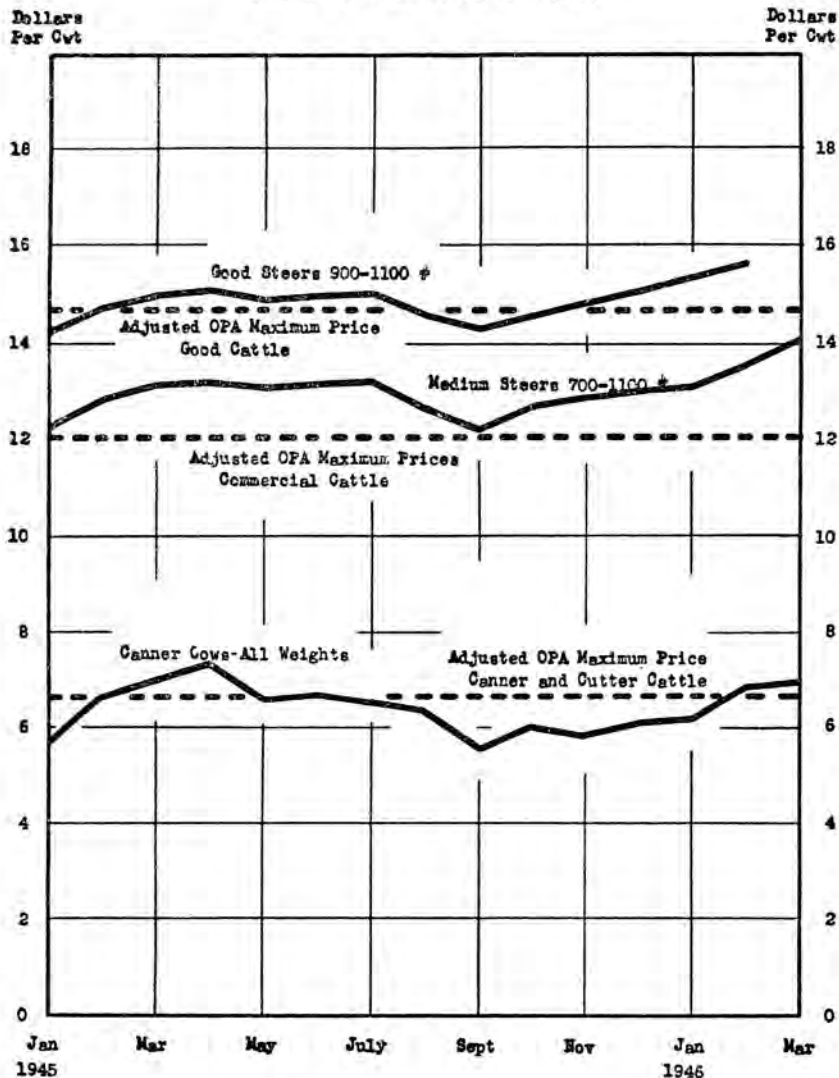
CATTLE PRICES AT CHICAGO



CATTLE PRICES AT NATIONAL STOCKYARDS, ILLINOIS



CATTLE PRICES AT FORT WORTH



Mr. HAYNIE. This with the previous evidence proves that packers could not purchase cattle at average quoted prices, slaughter them and sell beef at legal ceiling without suffering losses, particularly so when you consider that there would also be a loss in subsidy involved, in paying these overmaximum prices. Obviously a slaughterer has only two choices: (1) To curtail or close his operations; or, (2) to charge higher-than ceiling prices for his beef.

In spite of such a condition the number of slaughtering establishments increased from 1,500 in 1940 to approximately 26,500 now—12,000 of whom collect subsidy. Packers observing all regulations cannot purchase cattle at these prices, however, regardless of profit or loss, due to regulation 574.

This regulation establishes the maximum amount based on dressed weight yield and grade that any slaughterer may pay for cattle in any accounting period. When cattle prices are generally above the maximum amount he is forced from the market. In addition to that, if either the yield or grading is other than anticipated, he runs the risk of being in violation of the regulation. Chart 4 shows the effect of different grading than expected. In this connection I want to make the point that there is no scientific formula for grading beef. Grading is based on judgment of each grader, and therefore will vary just as much as human judgement will vary.

OPA controls have resulted in the curtailment or closing of a number of plants of beef slaughterers adhering to these regulations; the slaughtering pattern and distribution system of the industry has been distorted and this has resulted in the creation of extensive black-market operations by those who have taken advantage of illegal profits to be realized through failure to adhere to the regulations. This contention is supported by the record of cattle shipments from all the public markets showing the rapid rate of increase in cattle shipments from markets in the period 1942 through March 1946.

This rate of increase is the result of numerous slaughterers going into business at a time when, due to provisions of the regulations, slaughterers adhering to these regulations were unable to operate profitably in their beef business, and because of cattle prices being higher than maximum permitted by MPR 574, they were unable to purchase close to their normal number of cattle. In spite of the fact that slaughterers located on the markets were unable to purchase even minimum cattle requirements, other operators, most of them new, were able to purchase substantially more cattle on these same markets than at any time in the history of the markets, ship them to their slaughtering plants and increase their slaughter or start new slaughtering operations.

Chart No. 4 shows what we mean by compliance. Taking these two grades here, grade A, which is a good steer, and B, which is a commercial steer, the ceiling price on a grade A steer that will yield 58 percent or 58 pounds of dressed meat for every 100 pounds of live meat is \$15.75. If you buy this steer at \$15.75 per hundred pounds and get dressed weight of 58 percent, you are in compliance. However, if you purchase this steer as a grade A steer and it drops down to grade B, then the ceiling price on that steer becomes 13 cents and must yield 56 percent. So you take the dressed weight

and you divide it by 56 to determine what the live weight would be which would be 1,036.

At the ceiling of \$13 that cattle would cost \$134.68, yet you have paid for it \$157.50. You are \$22.82 out of compliance. If you had 10 steers that turned out to be grade B out of a purchase of 50 you would be \$228 and some cents out of compliance and you would have to purchase some other steers, cows, heifers, bulls, or something that much below maximum price to be in compliance at the end of th' month's accounting period.

Senator MITCHELL. There are plenty of people around looking for those lower qualities?

Mr. HAYNIE. I am sorry to say that we are, too.

Senator CAPEHART. Mr. Chairman, I would like to ask—maybe it would take too long to explain it. Maybe it is unexplainable. I am rather inclined to believe it is unexplainable. But why did OPA adopt such a complex system?

Mr. HAYNIE. Well, if you had to have price control on live cattle. It is about the only thing they could adopt. I don't know what you could do to the regulation to make it more workable. I think the whole price structure on live cattle and dressed beef has proved itself to be unworkable. If that were not the case I don't think the condition would have become as bad as it is now. It is almost in a ridiculous position now, so far as the established slaughterer is concerned. It has become that way in spite of almost 100 directives on beef, and I don't know how many amendments in addition to that.

Senator TAYLOR (presiding). Please proceed, Mr. Haynie. We have some other witnesses here and we will have to keep it moving.

(Chart No. 4 is as follows:)

CHART No. 4

Variations in beef grading disastrous to cattle and beef industry

1	2	3	4	5	6	7	8	9
Grade	Yield, percent	Chilled-carcaass weight	Calculated live weight	Maximum paying price per hundred-weight	Maximum permissible live cost	Subsidy rate per hundred-weight	Total subsidy	Sales value decrease in grade per hundred-weight
AA.....	61	610	1,000	\$17.00	\$170.00	\$3.00	\$30.00	\$1.00
A.....	58	610	1,052	15.75	165.69	2.95	29.50	
Difference.....					¹ 4.31		² 0.50	
A.....	58	580	1,000	15.75	157.50	2.95	29.50	2.00
B.....	56	580	1,036	13.00	134.68	1.90	19.00	
Difference.....					¹ 22.82		² 10.50	
B.....	56	560	1,000	13.00	130.00	1.90	19.00	2.00
C.....	54	560	1,037	11.00	114.07	1.25	12.50	
Difference.....					¹ 15.93		² 6.50	
C.....	54	540	1,000	11.00	110.00	1.25	12.50	2.75
C and C.....	46	540	1,174	8.25	96.86	1.25	12.50	
Difference.....					¹ 13.14			

¹ Maximum reduced due to grading.
² Loss in subsidy.

CHART No. 4

Variations in beef grading disastrous to cattle and beef industry—Continued

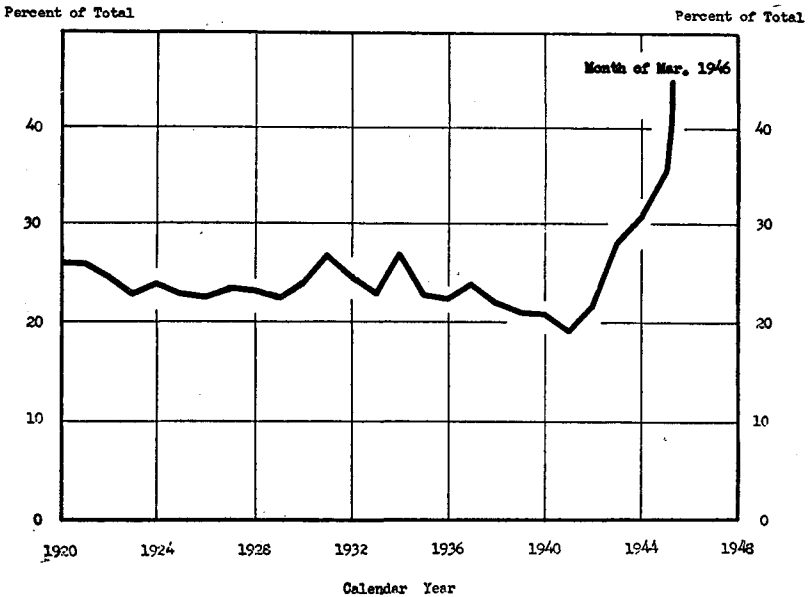
SUMMARY

Grade AA to A (reduce maximum, \$4.31):	
Loss in subsidy.....	\$0.50
Loss in sales price.....	6.10
Total loss.....	6.60
Grade A to B (reduce maximum, \$22.82):	
Loss in subsidy.....	10.50
Loss in sales price.....	11.60
Total loss.....	22.10
Grade B to C (reduce maximum, \$15.93):	
Loss in subsidy.....	6.50
Loss in sales price.....	11.20
Total loss.....	17.70
Grade C to C and C (reduce maximum, \$13.14):	
Loss in subsidy.....	14.85
Loss in sales price.....	14.85
Total loss.....	14.85

Mr. HAYNIE. It will be noted in chart 5 that, through the years 1920 to 1942, inclusive, shipments of live cattle from public markets for slaughter varied from 19 to 27 percent of the total receipts. This percentage was along somewhere between 20 and 30 percent consistently until about 1942. However, with the inception of OPA in 1942, shipments of slaughter cattle from public markets have continued to increase, reaching 45.1 percent of total receipts in March 1946.

(Chart No. 5 is as follows:)

SLAUGHTER-CATTLE SHIPMENTS FROM PUBLIC MARKETS, PERCENT OF TOTAL CATTLE RECEIPTS AT PUBLIC MARKETS



Mr. HAYNIE. Shipments of slaughter cattle from the Chicago market in relation to receipts by months from 1939, as shown by chart 6, further illustrate this diversion. Shipment of live cattle for

slaughter from the Chicago market in the period 1939 to 1941 held at a level of about 25 percent. With the inception of OPA in 1942 shipments began to rise, reaching over 50 percent in 1945. During the months of January, February, and March 1946, the rate has increased rapidly, reaching the unprecedented proportions of 71.9 percent of the salable receipts on the Chicago market by week ending April 13, 1946.

If you wanted to put it up here it would be about 80.3 for the last week in April. That is where it would be, up there somewhere.

Senator HICKENLOOPER. In other words, Mr. Haynie, that curve represents the cattle that are shipped into Chicago and the central market and then are purchased there and shipped out of Chicago for slaughter somewhere else?

Mr. HAYNIE. For slaughter somewhere else; yes, sir.

Senator HICKENLOOPER. Have you any comparison with what it used to be?

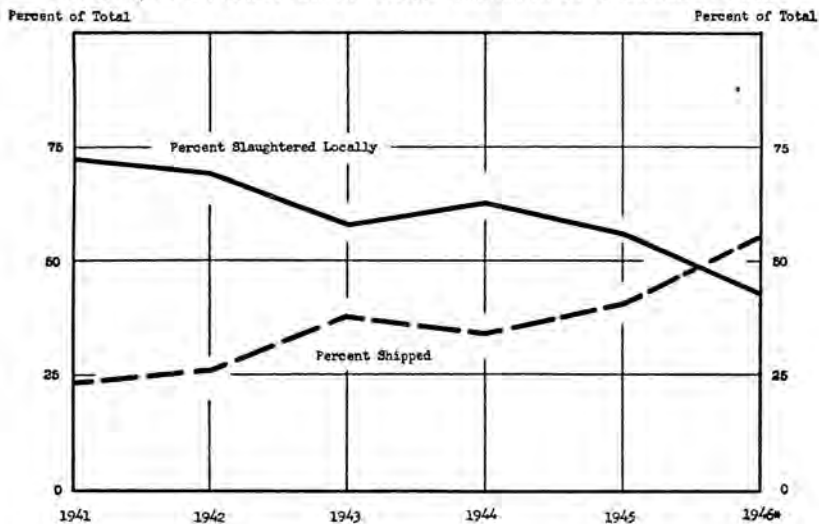
Mr. HAYNIE. Yes; to go back to 1939 it ran along about 25 percent, but at the start of price control it rose, it is interesting to note, with the exception of this current year, in 1945, at the time the control order went into effect it reached its peak.

Senator CAPEHART. Well, that represents the black market?

Mr. HAYNIE. In a large part; yes, sir. In 1945 at the time the control order was put in you will note it was higher than at any time previous to that.

(Chart No. 6 is as follows:)

CATTLE SHIPMENTS FROM CHICAGO STOCKYARDS, EXCLUDING STOCKERS AND FEEDERS, AS PERCENTAGE OF TOTAL RECEIPTS OF SALABLE CATTLE



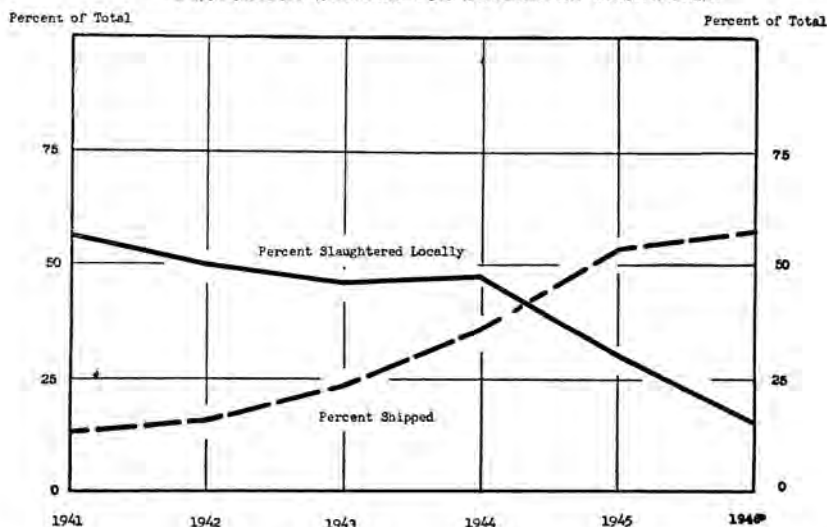
Mr. HAYNIE. At the same time shipments for slaughter elsewhere have been going up, I would like to show what has happened to slaughter on these principal markets. The slaughter of cattle by

packers located in Chicago has continued to decrease during this time of shipment increase. As shown by chart 7, in the years 1941 to March 1946, the percentage of cattle receipts slaughtered in Chicago has decreased from 72 percent in 1941 to 42.1 percent in 1946. At the same time the shipment of live cattle for slaughter from the Chicago market has increased from 22.7 percent in 1941 to 55.5 percent in March 1946.

At the start of price control in 1942 shipments off the market for slaughter elsewhere started to rise, and the slaughter at Chicago started to drop, until today—or at the end of March 1946—55.5 percent are shipped off the market for slaughter. The average is 42 percent in 1946 as against 72 percent in 1941, slaughtered on the Chicago market.

(Chart No. 7 is as follows:)

PROPORTION OF CATTLE RECEIPTS AT CHICAGO SLAUGHTERED LOCALLY AND PROPORTION SHIPPED FOR SLAUGHTER ELSEWHERE



Mr. HAYNIE. There has been a similar trend at markets other than Chicago. For example, chart 8 showing cattle slaughtered in the National Stock Yards market, shows a decrease in local slaughter from 63.4 percent in 1941 to 28.6 percent in March 1946, and an increase in shipments of cattle for slaughter from that market from 23.4 percent in 1941 to 66 percent in March 1946.

In other words, 66 percent of the cattle of the National Stock Yards market are shipped elsewhere and 23 percent slaughtered locally.

Senator BUTLER. How do you explain the fact that the out-of-town market increased more rapidly down there than it did in Chicago?

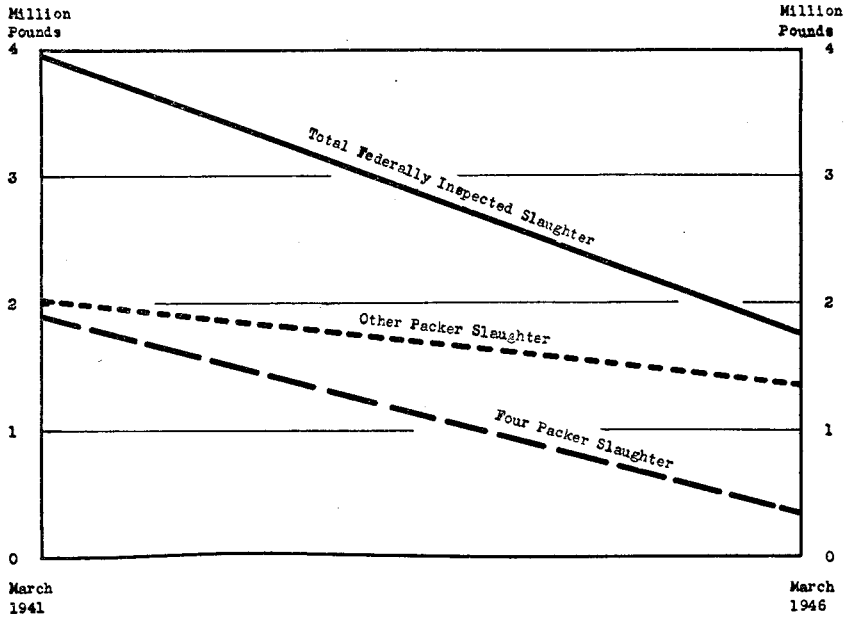
Mr. HAYNIE. My impression is that it is due to excessive movement to southern points for slaughter.

Senator BUTLER. Has there been any shift in the consuming public that would account for any part of that?

Mr. HAYNIE. No, sir.

(Chart No. 8 is as follows:)

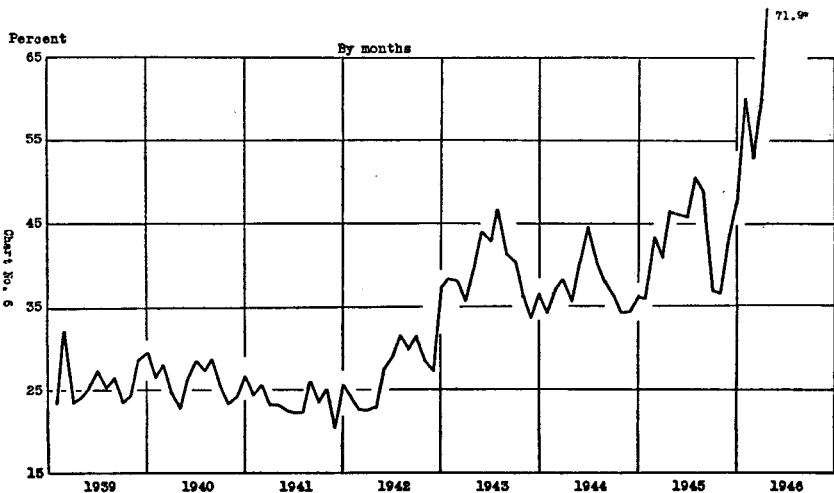
PROPORTION OF CATTLE RECEIPTS AT NATIONAL STOCKYARDS SLAUGHTERED LOCALLY AND PROPORTION SHIPPED FOR SLAUGHTER ELSEWHERE



Mr. HAYNIE. An even more drastic change in pattern is shown in the analysis of receipts of the Fort Worth market where the percentage of cattle receipts slaughtered locally has decreased from 63.1 percent in 1941 to 15.2 percent in March 1946, as shown by chart 9. At the same time shipments for slaughter from that market have shown a continual and rapid rate of increase from 13 percent in 1941 to 56.8 percent in March 1946.

(Chart No. 9 is as follows:)

PROPORTION OF CATTLE RECEIPTS AT FORT WORTH SLAUGHTERED LOCALLY AND PROPORTION SHIPPED FOR SLAUGHTER ELSEWHERE



Mr. HAYNIE. Now, all that has happened—these increased shipments have all happened when the people located on the market could not buy cattle in line with Government regulations so they decreased their slaughter, yet in spite of the fact they could not buy them in the market and slaughter them themselves, other people who were able to buy them and take them off the market shipped them somewhere else and slaughtered them.

These trends show conclusively that, in spite of the fact that legitimate, established operators located on the Chicago, National Stockyards, and Fort Worth markets, were unable to purchase cattle in compliance with the present Government regulations, slaughterers located elsewhere have been able to increase their purchases on these same markets in substantial numbers. Similar conditions prevail on other markets.

In addition to this I would like to quote a recent statement appearing in *Livestock, Meats, and Wool, Market Review and Statistics*—published by the United States Department of Agriculture. It says [reading]:

A 12-market decrease of nearly 20 percent from a year ago in salable cattle and calves for March is out of all proportion to farm numbers and reflects a disturbed trend in normal marketing pattern as a result of operations of many new small slaughterers who obtained a big share of their cattle direct from producers.

The statement has been made that OPA regulations have forced numerous slaughterers to close their beef operations. As partial evidence of this we must submit the fact that of 14 major slaughterers operating in 1941 in the New York area, only 4 of these slaughterers are still slaughtering in 1946 under the same name and in the same plant and on the basis as in 1941. The remaining 10 slaughtering plants have either changed ownership, changed name, or changed type of operations to a custom-slaughtering basis.

Figures of this nature could also be given at other major slaughtering points. In the case of calves, in 1941 there were 11 calf slaughterers in the New York area under Federal inspection. This increased to 15 in 1946, but only 5 of the original 11 are still operating at the same location and under the same name. The balance are new slaughterers or new operators of plants which were in existence in 1941.

This is not the entire picture, however. Chart 10 shows the beef produced from the slaughter of cattle in the New York area for the month of March, indicating that from March 1941 to March 1946 the total slaughter in the New York area has increased from 21,261,000 pounds to 25,634,000 pounds.

In 1941 the four packers slaughtering in the New York area who are the only major slaughterers now remaining in business under the same name and type of operations, slaughtered a total of 14,181,000 pounds dressed weight of beef, and in March 1946 the slaughter of these same four packers had decreased drastically to 5,581,000 pounds, or almost two-thirds, because they cannot buy livestock in compliance with the Government regulations.

At the same time the other packers in the New York area increased their beef production from 7,079,000 pounds in 1941 to 20,052,000 pounds in March of 1946, representing an increase of about 200 percent.

It seems unusual, to say the least, that while the slaughter of these four packers was being reduced drastically, due to their inability to

purchase cattle in line with Government regulations, other packers located in the same area, purchasing cattle on the same markets, were able to increase their business approximately three times.

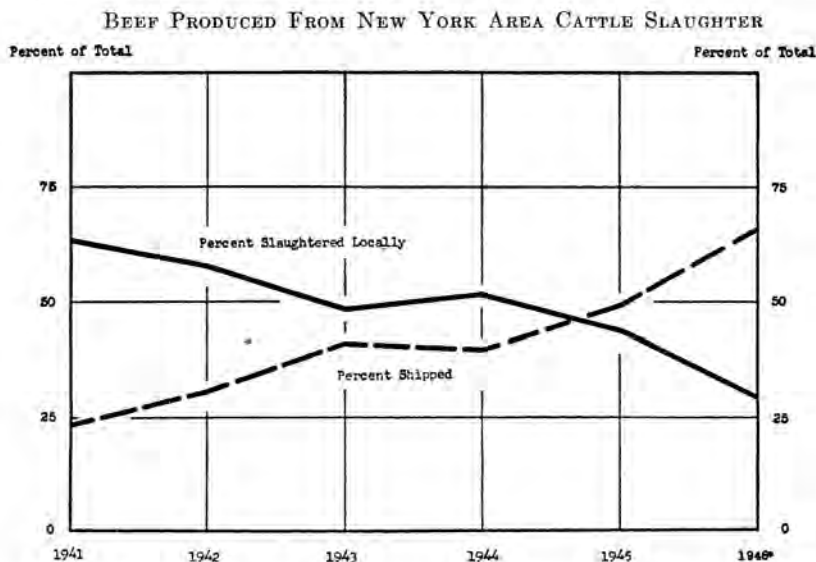
Senator MITCHELL. Where did that OPA control start on that chart?

Mr. HAYNIE. That shows only two points, sir; between March 1941 and March 1946.

Senator MITCHELL. I just wondered. Your four big packers' slaughter was going down all through that period, so that trend started before OPA.

Mr. HAYNIE. This does not show the trend by years. I want to make this point, that the bulk of the slaughtering of cattle in New York is cattle purchased on western markets and slaughtered there. When these packers had to decrease from this point to this point, in the same market other people were buying the same kind of cattle and increased their business some 200 percent.

(Chart No. 10 is as follows:)



Mr. HAYNIE. Chart No. 11 shows the slaughter by years, which might answer your question.

The same condition is shown in the number of head slaughtered in the New York area. Chart 11 gives a good picture of what has happened since 1942. While the total slaughter has increased from around 123,000 head for the months of January, February, and March, 1942, just prior to the issuance of price control regulations, to around 147,000 head during the same period of 1946, there have been some significant trends in the division of the total. Of that 123,000 head of FIS slaughter in January, February, and March, 1942, 77,000 were slaughtered by the 4 packers and 35,000 by all other slaughterers.

You will note that in 1943 the total slaughter has gone up considerably. The 4 packers' slaughter stayed about even, and then started down in 1945 when your control order was supposed to be working and it has continued to go down; whereas the other slaughter has

risen constantly from 1943 until today it is 125,000 head, or as much as the total original slaughter.

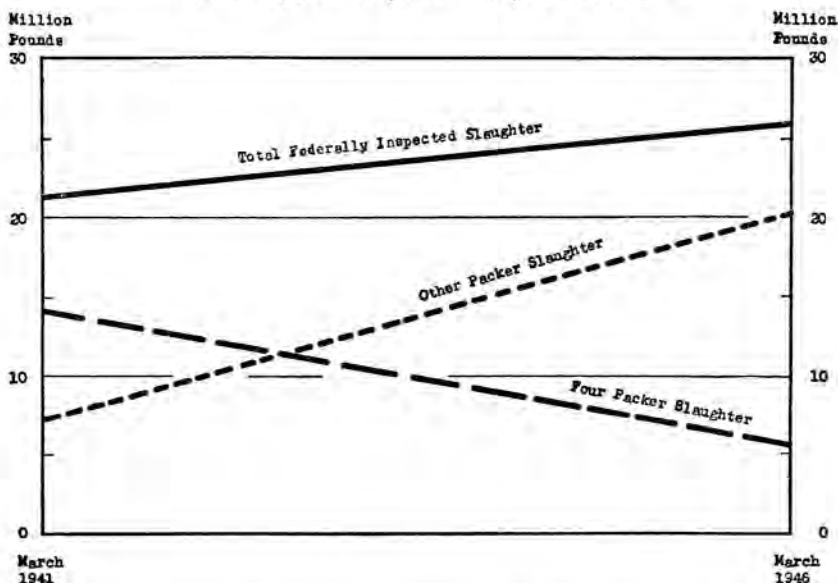
The 4 packers' slaughter has decreased from about 77,000 head to 27,000 head.

Senator HICKENLOOPER. Mr. Haynie, do I understand that the slaughterers represented by the red line on that chart are slaughterers who were not in business in 1941, under their present name, at least, and have come into business since 1941?

Mr. HAYNIE. Present name, present plant, and doing the same type of business.

(Chart No. 11 is as follows:)

TOTAL FEDERALLY INSPECTED CATTLE SLAUGHTER IN NEW YORK AREA, 3-MONTH PERIODS, JANUARY, FEBRUARY, AND MARCH

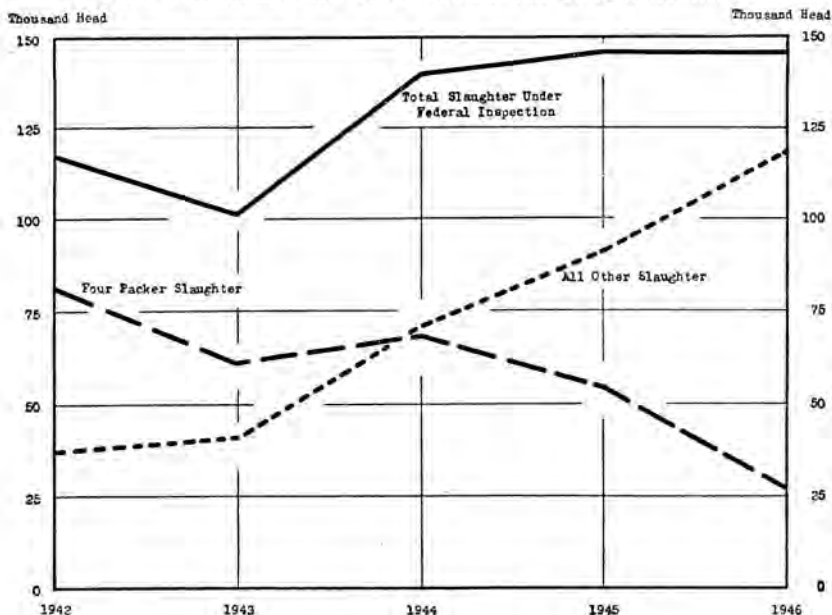


Mr. HAYNIE. The logical question seems to be: How can this happen if all are operating under the same rules? No clearer picture can be shown of just how legitimate operators are being forced from business. I do not mean to imply that all of the other slaughterers are illegal. Some have been and are being hurt as badly as the four, but there can be no other conclusion than that most of this increased slaughter is in illegitimate channels in one way or another.

The same situation existing in cattle slaughter exists in calf slaughter for the same periods, as shown by chart 12. In March 1941, the total calf slaughter in the New York area was 3,951,000 pounds of dressed veal. This slaughter decreased to 1,754,000 pounds in March 1946. The slaughter of the same four packers totaled 1,889,450 pounds in March 1941, but only 367,725 pounds in March 1946, reflecting a decrease of approximately 70 percent. At the same time slaughter by other packers in the same area has decreased only from 2,063,065 pounds in March 1941 to 1,386,225 pounds in March 1946, reflecting a decrease in slaughter of only about 30 percent.

(Chart No. 12 is as follows:)

VEAL PRODUCED FROM NEW YORK AREA CALF SLAUGHTER



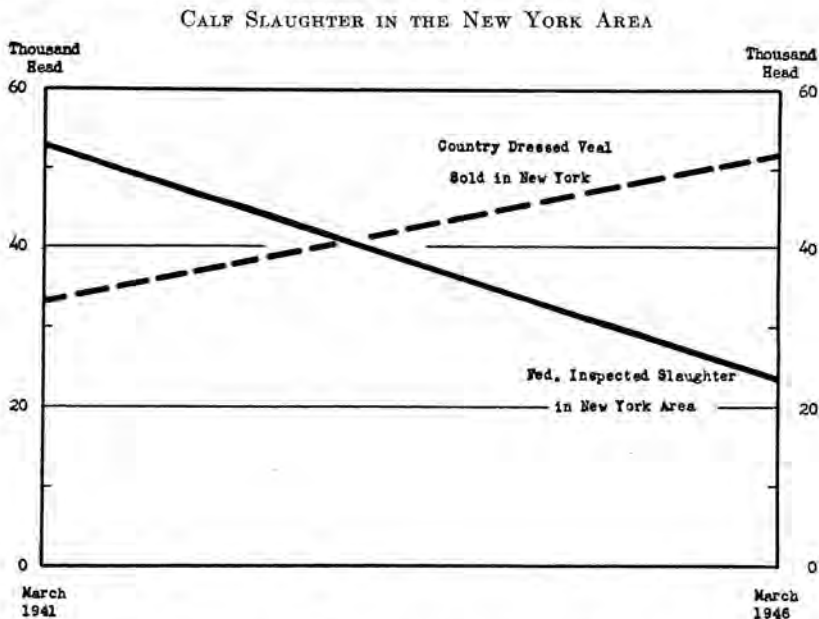
Mr. HAYNIE. The next chart shows what has happened to cause the reduction in federally inspected slaughter of calves. A comparison of federally inspected slaughter with country-dressed veal sold in New York area brings this out.

Chart No. 13 shows that in March 1941 federally inspected slaughter of calves was 52,681 head, and that this number of head decreased in March 1946 to 23,380 head.

At the same time country-dressed veal sold in the New York area had increased from 33,409 head to 51,423 head.

Apparently the same influence that caused a reduction in the slaughter of the federally inspected calves in New York didn't influence the country-dressed veal price, and it is no accident that conditions which forced the federally inspected slaughterers to decrease operations did not restrict operators selling noninspected country-dressed veal in the New York area. They almost doubled their volume of business.

(Chart No. 13 is as follows:)



Mr. HAYNIE. Evidence that this situation is Nation-wide is shown by chart 14 giving the percentage of slaughter of 10 representative meat packers located in all parts of the Nation to the United States federally inspected slaughter, as well as the percentage of slaughter of those of the 10 packers who slaughter in the Northeast region.

These are the 10 major packers who normally do the bulk of the distributive beef business in the United States. The dark line shows the February slaughter, United States total. The red line shows their March slaughter. It shows in March, for example, where in 1939 these packers were slaughtering a little over 70 percent of the United States total, and continuing along about that level to 1942 when you started price control it goes downward from that point until they reach 39 percent—from a little over 70 to 39 percent by months.

In March 1946 they had reached their new low point at that time, even though the control order was in. I beg your pardon, the control order didn't come in until after that time, but the trend was there.

This chart indicates the percentage of slaughter in the months of February, and March, 1939, through 1946.

Trends on these charts are clearly labeled and indicate that in both months the percentage of slaughter of these 10 packers to the United States total has decreased continuously since 1942, and the percentage of slaughter in the Northeast region by these packers has decreased even more rapidly, despite the fact that the over-all slaughter in that area has increased substantially.

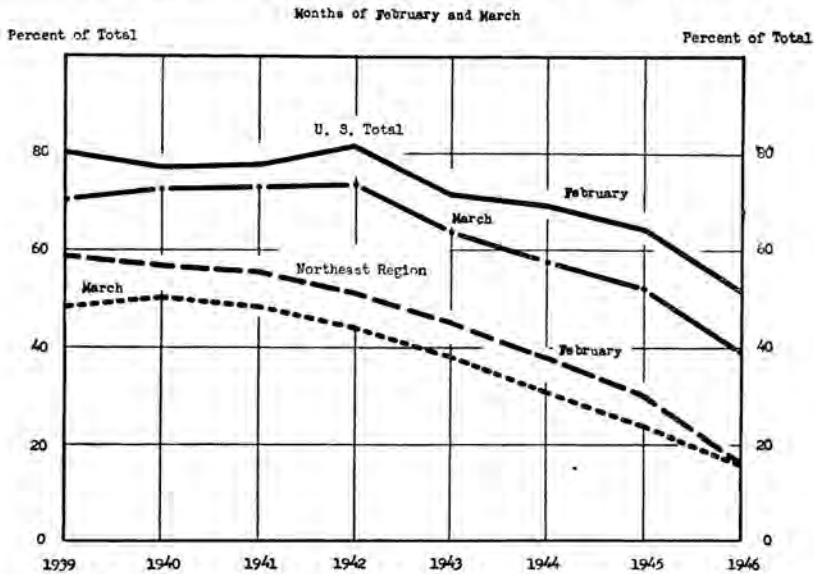
In spite of the fact that total federally inspected slaughter for March 1946 was almost identical with that of March 1942, the percentage of slaughter of these 10 packers has decreased from slightly more than 70 percent in 1942 to 38.9 percent in March 1946. An

even more drastic reduction has continued through the month of April.

It is important to note also that plants of these 10 slaughterers located in the Northeast region do little or no processing. However, because they are part of a national processing company, they do not collect the 40 cents additional subsidy provided for nonprocessing slaughterers. This has resulted in the continuous operation of these plants at a loss. Of course, other slaughterers have increased their operations or many new slaughterers have started operations.

(Chart No. 14 is as follows:)

PROPORTION OF TOTAL FEDERALLY INSPECTED CATTLE SLAUGHTER REPRESENTED BY THE SLAUGHTER OF 10 REPRESENTATIVE PACKING COMPANIES



MR. HAYNIE. The effect of the decreased slaughter of these 10 packers on the Nation-wide distribution of beef is indicated by chart 15.

In February and March 1941 these 10 packers shipped into the New York area a monthly average of 26,334,489 pounds of beef, but during the same months in 1946, due to their inability to purchase cattle at their points of slaughter, as well as due to other Government regulations, their shipments had decreased to 7,861,932 pounds monthly average, or a decrease of 70 percent.

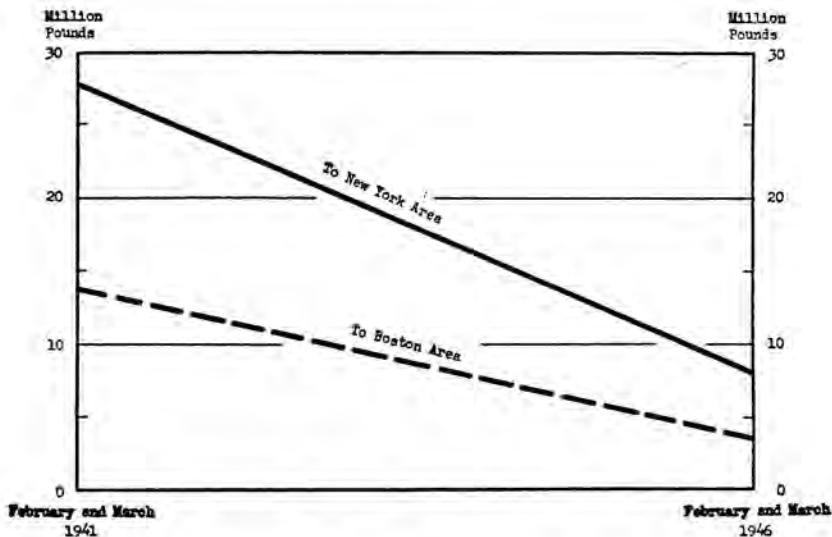
This same condition is shown by shipments to the Boston area. In February and March 1941 these packers shipped 13,436,939 pounds of beef to the Boston area on a monthly average, but in February and March 1946, only 3,767,139 pounds monthly average, a decrease of slightly more than 70 percent.

The inability of these slaughterers to ship necessary amounts of dressed beef to the New York and Boston areas put their retail customers in a position where, to secure even minimum requirements of beef, it was necessary that they patronize black-market operators. This, of course, increased the incentive for black-market operations.

stimulated the demand at the live market centers, further reduced the operations of legitimate slaughterers located on those markets and thus created a vicious cycle which cannot be remedied under present controls.

(Chart No. 15 is as follows:)

BEEF SHIPMENTS TO NEW YORK AND BOSTON AREAS BY 10 NATIONAL PACKERS



Senator MILLIKIN. Would the Government set-aside affect that graph any?

Mr. HAYNIE. To some degree, yes; the slaughter pattern, as I told you a while ago, plus the set-aside will reflect all of it, sir.

In addition to the reduction of slaughter, the destruction of distribution by these packers, and the creating of black-market operations; there is a distinct economic loss in excessive shipments of live-stock. I want to show you just what that means, in chart 16, using the years 1941 to 1945 as an example.

Shipments of cattle from United States public markets for slaughter in 1941, amounted to 2,900,000 head, whereas the shipments for the same purpose in the year 1945 were 7,900,000 head, or an increase of 5,000,000 head.

With an average live weight of approximately 950 pounds per head, this was an increase in live shipments for slaughter from United States public markets of 4,750,000,000 pounds live weight.

Established trade experience is that live cattle will have an average meat-tissue shrinkage of 2 percent of live weight in shipment. That is, the actual meat will be 2 percent less than when shipped out.

Applying this formula to the total live weight shipped, shows that there was an actual loss in meat to the American public of 95,000,000 pounds in 1945, due to the extensive shipment of live cattle from public markets alone.

At 25 head per car it would require 200,000 more rail cars.

This loss in meat would be further increased when the increased death and bruise losses are considered. This is a serious economic loss when you consider that it came at a time when there was not an adequate supply of meat to fill armed-forces requirements, lend-lease obligations, and civilian needs.

There are, of course, other serious economic losses in the use of offal and byproducts under black-market operations. An average animal slaughtered will produce 35 pounds of edible fat, 5 pounds of inedible fat, 8 pounds of grease exclusive of fats, 1 pound of hoof meal, 7 pounds of dried blood, 25 pounds of tankage and meat scraps, 6 pounds of tripe, 2½ pounds of casings, 1 pound of diaphragm meat, 6 pounds of cheek and head meat, three-quarters pound of beef brains, 1½ pounds of melts, 1½ pounds of oxtail, and 60 pounds of hide, to mention only the more important items. Tanners report that there is a 15-percent loss in usable hide for leather in country hides, or 9 pounds per hide.

If we are conservative and assume that only 40 percent of this excess shipment of cattle is slaughtered in garages, barns, under trees, or in ill-equipped slaughterhouses and only these products are lost, there is an actual loss to the economy of 70,000,000 pounds of edible fat, 10,000,000 pounds of inedible fat, and 16,000,000 pounds of grease other than fats, 2,000,000 pounds of hoof meal, 14,000,000 pounds of dried blood, 50,000,000 pounds of tankage and meat scraps, 12,000,000 pounds of tripe, 5,000,000 pounds of casings, 2,000,000 pounds of diaphragm meat, 12,000,000 pounds of cheek and head meat, 1,500,000 pounds of beef brains, 3,000,000 pounds of melts, 3,000,000 pounds of oxtail, and 18,000,000 pounds of hide for leather.

This product has a value at present ceilings of \$32,840,000. It is lost at a time when we are told that the world faces the greatest shortage of foods, fats, and feeds it has ever known. This does not take into consideration the slaughter of cattle that never reach public markets, but are purchased on farms or at auction markets for slaughter in these places or for shipment to similar places. This number could easily double these estimates of losses in product and money.

(Chart No. 16 is as follows:)

CHART No. 16

Economic loss from increased shipments of slaughter cattle, public markets, 1945

Shipments from United States public markets, 1941.....head..	2, 900, 000
Shipments from United States public markets, 1945.....do....	7, 900, 000
Increase, 1941 to 1945.....do....	5, 000, 000
Average live weight per head.....pounds..	950
Increase in live weight shipped.....do....	4, 750, 000, 000
Shipping shrink (meat tissue).....percent..	2
Actual meat loss.....pounds..	95, 000, 000
Extra rail cars used (25 head per car).....cars..	200, 000

1140 EXTEND PRICE CONTROL AND STABILIZATION ACTS OF 1942

Byproduct loss on 2,000,000 head¹

[40 percent of increased shipments]

	Pounds per head	Total		Pounds per head	Total
Edible fat.....	35	70,000,000	Diaphragm meat.....	1	2,000,000
Inedible fat.....	5	10,000,000	Cheek and head.....	6	12,000,000
Grease.....	8	16,000,000	Beef brains.....	3/4	1,500,000
Hoof meal.....	1	2,000,000	Melts.....	1 1/2	3,000,000
Dried blood.....	7	14,000,000	Oxtail.....	1 1/2	3,000,000
Tankage, meat scrap.....	25	50,000,000	Hides (60 pounds at 15 per cent).....	9	18,000,000
Tripe.....	6	12,000,000			
Casings.....	2 1/2	5,000,000			

¹ Total value of products lost, \$32,840,000.

Mr. HAYNIE. In addition to that I have a letter which I would like to submit and put into the record, from Mr. William H. Mooney, president of the American Oak Leather Co., with regard to the hide situation, in which he submits his figures showing the reduction in hides from federally inspected sources from the year 1942 to 1945, inclusive, and January, February, and March of this year, and also hides from uninspected sources. It shows that the hides from federally inspected sources dropped from 12,347,000 hides for the year 1942 to something like 904,000 in March 1946.

Mr. Mooney says [reading]:

CINCINNATI 14, OHIO.

SENATE BANKING AND CURRENCY COMMITTEE,
Washington, D. C.

GENTLEMEN: We are one of the larger producers of sole leather in the United States and number among our customers most of the major shoe-manufacturing companies and many of the smaller ones. Since the first of the year we have been increasingly concerned as to where we were going to obtain a sufficient supply of cattle hides of the proper quality and take-off to keep up our production and supply our trade.

Month by month this year we have found our usual sources of supply, mainly the larger packers who operate under Government inspection, less and less able to supply us with our usual quantities and we have been compelled to go to new sources of supply originating from uninspected plants. The following figures will show the trend:

All cattle hides produced in the United States

[000 omitted]

Date	From Federally inspected sources	From uninspected sources	Percentage uninspected
Year 1942.....	12,347	7,399	37.5
Year 1943.....	11,717	6,237	34.7
Year 1944.....	13,960	6,634	32.2
Year 1945.....	14,541	8,305	36.4
January 1946.....	1,012	889	46.8
February 1946.....	1,014	1,323	56.6
March 1946.....	904	(¹)	(¹)

¹ Figures not yet available.

It is obvious from the above comparison that there has been a rapid diversion of cattle killing from inspected to uninspected plants since January 1, 1946. While official figures are not yet available for March, the packers who normally supply us with our raw material inform us that this diversion was greater in March and April than in the preceding months of this year.

How does this situation affect us as tanners? The answer is very simple and would be corroborated by any tanner in the United States, as follows:

1. Hides taken off in uninspected plants are usually much more badly cut on the flesh side than those removed in the larger inspected establishments. This is especially true in the case of small packers who have greatly increased their kill during the past few months, since taking off a cattle hide is a highly skilled operation which requires great care on the part of a trained operator. These badly cut hides are an economic loss to tanner, shoe manufacturer, and consumer, since fewer good soles can be produced therefrom, so the cost per sole is higher.

2. We find that hides purchased from Federal inspected packers are usually in better condition than those received from uninspected packers. To have a hide in good condition, it is necessary that it be cured in a refrigerated cellar with clean salt and that it remain long enough in cure that excess water and brine may drain off. Otherwise, the tanner is paying for a great deal of excess moisture with a reduction in the yield of leather and a consequent increase in the cost per pound of leather produced.

3. It is very much more difficult to get uniform selections for grades and weights of hides from a great number of small producers than from a few larger producers. The larger packers kill in sufficient quantities that hides can be selected as cows, steers, and bulls, and as heavies, lights, and extra lights. Obviously, it is more expensive to send inspectors to several different points to take up a given quantity of hides than to obtain this same quantity in one place.

4. The foregoing is serious enough but now we are finding difficulty in getting enough hides of any kind. They seem to have disappeared from the market. Hides are still being allocated to the tanners by the Civilian Production Administration. We received our monthly allocation yesterday, which was reduced 25 percent from comparable allocations we received last year. We are having difficulty in filling it and shall be happy if we can obtain 70 percent of these hides. Consequently, we are facing a reduction of 50 percent in our normal rate of operations and at a time when there is a world-wide shortage of leather.

All of the above economic waste adds up to an appalling loss to the tanning industry and it is particularly disturbing since we operate under fixed OPA ceilings which provide most of us little or no margin to absorb such increases in the cost of our raw material.

Let us take the factor of decreased yields of leather per pound of hide occasioned by excess moisture and poor condition. The differences in leather yield from a well-cured hide and one in poor condition containing excess moisture and salt is unbelievable, and we have had cases in which the cost of our finished leather was increased more than 3½ cents per pound. Needless to say, if we were compelled to run our plant entirely on such hides, we would very quickly have to discontinue our business on account of heavy losses.

The leather industry is not the only one experiencing difficulties due to diversion of cattle killing from normal channels. Friends in the pharmaceutical business tell me that shortages are impending in drugs derived from animal products. A partial list is as follows: Bile salts, pancreas (insulin), thyroid, liver, renin, pepsin, suprarenal extract.

It is very difficult to obtain any of these products now and this condition is rapidly getting worse.

If there is any further information that I can give you I shall be very happy to do so.

Respectfully submitted.

THE AMERICAN OAK LEATHER Co.,
WILLIAM H. MOONEY, *President*.

Now, these are our own company figures, on just how this situation that I have discussed here has affected us.

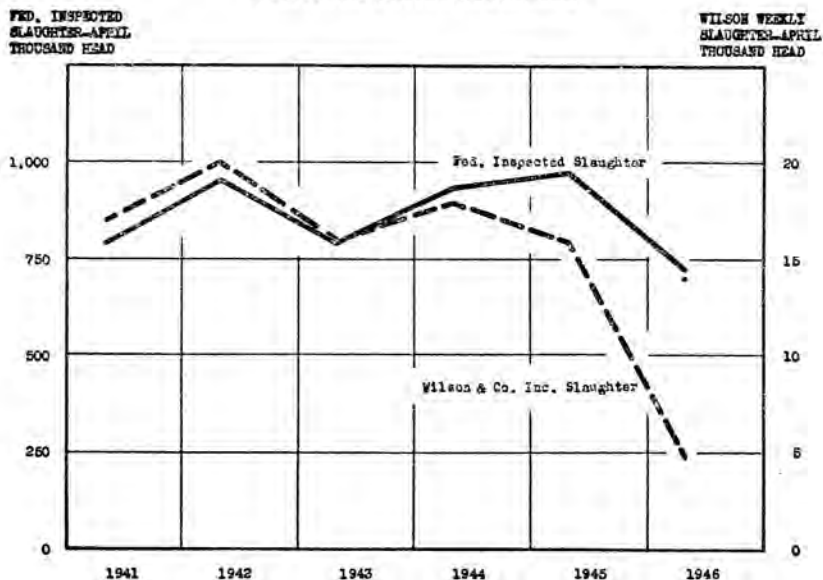
Chart 17, showing the slaughter for the month of April 1941 to 1946, inclusive, brings the picture out very clearly. There has been a significant change in Wilson & Co.'s slaughter from 1941 to 1946, as well as a very significant change in Wilson & Co.'s slaughter from 1945 to 1946. The volume of Wilson & Co.'s slaughter has decreased from a peak of 20,000 head weekly in April 1942, to a low of 4,600 head weekly in April 1946. It is obvious that this reduction in slaughter is much more severe than that experienced by the entire federally inspected slaughter.

This is the scale here [indicating] for the federally inspected slaughter which is a continuous dark line, and this [indicating] is the scale for Wilson & Co. slaughter, which is a broken line.

You will note in the years 1941 and 1942—that this is for the month of April for all those years—that our slaughter, while following the pattern of the federally inspected slaughter, in 1943 it started to drop away from the federally inspected slaughter and in 1945, in spite of the control order, it was falling away considerably, although the federally inspected slaughter was increasing at that time.

(Chart No. 17 is as follows:)

COMPARISON OF WILSON & CO. INC., CATTLE SLAUGHTER AND TOTAL FEDERALLY INSPECTED CATTLE SLAUGHTER



Mr. HAYNIE. Chart No. 18 shows what happened for the 4 weeks of April 1946.

What does this reduced slaughter mean? It means that out of 4,600 cattle slaughtered per week in April 1946 approximately 25 percent must go to the Government under set-aside regulations, reducing the available supply for civilian needs to 3,450 beef; therefore, to the customers of 85 branches and 300 car routes we can give 3,450 beef, or product produced from 3,450 beef, when in April 1942 we were able to give these same customers 20,000 beef, or product produced therefrom.

Senator MILLIKIN. That must have made a very substantial addition to your costs?

Mr. HAYNIE. Yes; I have that in just a moment.

Senator MILLIKIN. Before you get rid of that other chart, why did you fall away from federally inspected slaughter so sharply?

Mr. HAYNIE. Well, in the month of May—

Senator MILLIKIN. Let me ask you this as a preliminary question: Am I correct in assuming that federally inspected slaughter is something that you keep pretty good track of and that, you might say, represents the curve of legitimate slaughter?

Mr. HAYNIE. Well, when you talk about black marketing, in the terms I have used, I haven't meant then just the fellow who kills in

insanitary places, but I meant also anyone who operates outside of legal compliance with all the OPA regulations.

Now, I think the OPA would agree with me when I say that the violation of either the OPA live maximum or the OPA dressed ceilings is not confined entirely to the noninspected slaughterer. Both the Government-inspected slaughterer and the noninspected slaughterer, and the State-inspected, and the city-inspected, are in various proportions involved in those transactions.

Senator MILLIKIN. How many slaughtering plants do you have?

Mr. HAYNIE. Wilson & Co.?

Senator MILLIKIN. Yes.

Mr. HAYNIE. We have nine.

Senator MILLIKIN. Can you give me the range or percent of capacity between the one that is doing the best and the one that is doing the worst?

Mr. HAYNIE. The best plant we have at the present time is our Omaha plant, in which we have a capacity of 3,000 cattle and we will kill this week 700.

Senator MILLIKIN. That is your best?

Mr. HAYNIE. Yes. In the case of our Chicago plant we have a capacity there of 8,000 cattle and last week I think we killed 454. In the case of our Kansas City plant we have a capacity of 6,000 cattle and I believe it was 252 killed.

Of course, the worst one I overlooked, is Oklahoma City, where we can kill 5,000 cattle; one week we didn't kill any, and the next week I think we killed 17. Last week I think we killed 51.

Senator MILLIKIN. How can you maintain an organization under those circumstances?

Mr. HAYNIE. Only by dipping into some other source of income or into the reserve and try to weather it through until someone sees fit to straighten up this situation, so that legitimate people can once again operate like they should be able to operate and like they have operated for 50 years in this business.

Senator MILLIKIN. Do you make any money on hogs?

Mr. HAYNIE. I am not prepared to answer that because my particular duties are all in the beef end of the business, sir, but as you probably know our company has extended operations some of which are not at all connected with livestock in any way.

Senator CAPEHART. Mr. Chairman, I don't know that these figures mean anything, but they might be interesting to the other Senators. I have a chart here which shows the average meat prices in various cities and the percentage over ceilings on pork in Indianapolis is only 1 percent and the highest was Newark, N. J., at 26 percent. I don't want to intimate, of course, that our people in Indiana are more honest, but I just wanted to call the Senators' attention to the fact that in Indiana we are only 1 percent in the black market.

Senator MILLIKIN. On pork.

Mr. HAYNIE. If you really want to know why it is you have trouble buying a beef steak and why it is that retailers have to buy meat in the black market here is the answer to it:

Chart 19 shows just how this affects the distribution of our company to our retail meat dealers. In April 1941 Wilson & Co. sold beef to all of our retail customers over the Nation in the amount of 6,372,817 pounds, weekly average.

In 1942, with the Government purchasing a portion of our slaughter, this amount was reduced to 5,134,726 pounds. Further reductions due to Government purchases were evident in 1943 and 1944.

In 1945, our supply of beef for our retail trade had dropped to 1,500,894 pounds, but in April 1946, we were able to give to all of the retail trade of our branches and car routes a grand total of only 253,667 pounds weekly.

This represents approximately 4 percent of the amount of beef we were able to give to these same customers just 5 years ago. This means that to every customer on all markets in all parts of the United States to whom we were able to give 100 pounds of beef 5 years ago, we can today give 4 pounds. It means in turn that this retail meat dealer can give to every customer to whom he gave 1 pound of beef in 1941 he can today give six-tenths of an ounce.

Senator MILLIKIN. Unless he finds some black-market meat?

Mr. HAYNIE. I mean from our experience a man obviously cannot operate a retail market under those conditions. It would be impossible for him to do so. He has to do the best he can. He has to buy what he can buy and he must charge more than the ceiling prices.

Senator MILLIKIN. Mr. Haynie, is the record about the same with the other large packers?

Mr. HAYNIE. I have no way of knowing what their actual figures are, but I think the pattern is reasonably the same.

Senator MILLIKIN. That means that the balance of the meat the American people are consuming is sold in the black market?

Mr. HAYNIE. Yes.

(Chart No. 19 is as follows:)



Mr. HAYNIE. Now, how can these retail customers who formerly purchased their entire supplies from us, or a large share of their

supplies from us, continue in business? Obviously, they cannot go to our principal competitors because they, too, are hard pressed to give a small amount of beef to their customers.

It just means that these retailers are forced to buy their requirements from illegal operators at black-market prices or close their business. If they do purchase at illegal prices they must charge illegal prices or close because of losses.

This trend in the month of February and of March of these 10 national packers, and they are the people who normally do the distributive meat business in this country, you will not a decrease down to here, which is approximately a 70-percent decrease, only 30 percent of what they used to do.

Senator HICKENLOOPER. That means that the legitimate packers in this country who are complying strictly with OPA regulations are being rapidly driven out of business?

Mr. HAYNIE. That is exactly right. It would be almost correct to say, Senator, we are out of business. The only thing we haven't done is to turn the key in the door.

Senator HICKENLOOPER. And the business of those companies who are in one way or another violating the regulations is on a startling increase?

Mr. HAYNIE. That is correct. I think the figures that have been submitted to this Government by all those sources will reveal that. I mean, it is not a matter of impression; it is a matter of actual facts.

Senator CARVILLE. Mr. Haynie, I note you don't have any figure from any western packers—that is, the far West. Do you happen to know H. Moffat & Co. in San Francisco?

Mr. HAYNIE. Yes. I don't know Mr. Moffat personally.

Senator CARVILLE. I know Mr. Moffat personally and I would like to read a part of a letter that he sent to me. He says [reading]:

Those of us who have exerted ourselves to produce meat during the war and since and observe laws and regulations have been severely penalized by competition with the black-market operators. The black-market operators have become so strong that they have absorbed the supply of cattle that legitimate operators must have to continue operation because they will pay prices above permitted maximum limits and higher than legitimate packers can pay and remain in compliance. They need pay no attention to subsidies as they can add on sufficiently to prices to make handsome profits.

Mr. HAYNIE. I think that is exactly parallel with the experience of our own California plant, at Los Angeles. They did not feel this pinch as quickly as we did elsewhere in the country, but this last month it has been becoming serious there, as it is everywhere else.

Senator CARVILLE. Mr. Chairman, I would like to have permission to put this whole letter into the record.

Senator TAYLOR (presiding). That may be included in the record. (The letter referred to is as follows:)

RENO, NEV., April 25, 1946.

Hon. E. P. CARVILLE,
United States Senate, Washington, D. C.

DEAR TED: OPA controls about have me down and on account of the extension bill being now before Congress I am asking you to do all you can to eliminate OPA controls on meat and meat animals.

A large amount of good evidence has been obtained by the House committee and your Senate committee on the bill and I have followed it carefully. The American Meat Institute's testimony gives a very true picture of the meat problem and its views are concurred in by the National Independent Packers Association

as well as many other associations representing the different elements of the meat industry. You are undoubtedly conversant with this evidence and I need not go into great detail to get over to you what I consider is wrong with the meat control.

I have so far succeeded in keeping my head above water because of my other interests, but the packing part of my business has continually lost money since controls have been in effect and my meat production has been reduced. New formulas have been added by the OPA from time to time until now it is impossible for me to find my way through the restrictions.

Those of us who have exerted ourselves to produce meat during the war and since and observe laws and regulations have been severely penalized by competition with the black-market operators. The black-market operators have become so strong that they have absorbed the supply of cattle that legitimate operators must have to continue operation because they will pay prices above permitted maximum limits and higher than legitimate packers can pay and remain in compliance. They need pay no attention to subsidies as they can add on sufficiently to prices to make handsome profits.

You remember the character of black-market operators in liquor during prohibition times and I assure you they were of the same quality and nationalities as the present black marketeers of meat. Just liquor could not be controlled under prohibition laws. The futility of the controlling food products, especially those that are perishable, under like laws and regulations seems very apparent.

If the OPA controls are eliminated black marketeers will disappear, just as did the bootleggers after prohibition. Only some of the money now being paid black marketeers will be needed to cover possible price increases and subsidies would be velvet to the taxpayers.

Removal of OPA restrictions would promote greater production of meat for Government agencies and the public. Animals and meat would be more economically produced and marketed. I believe there is little danger of a run-away market, at least I am sure it would last a very short time.

I trust you will find it possible to take a considerable interest in this matter and I will appreciate whatever you can do to eliminate OPA controls.

I trust you are finding your senatorial duties and relations very satisfactory and happy.

With best personal regards,
Yours sincerely,

W. H. MOFFAT.

Senator MILLIKIN. Mr. Haynie, I believe it would be well to point out that you have made it clear that the larger packers, the larger legitimate packers are having a lot of trouble.

I think it is also true that the real small packer who is following the legitimate practices is in the same trouble.

Mr. HAYNIE. I meant to convey that impression earlier, that this affects anyone in all of these markets who is definitely trying to follow all the regulations.

The condition reflected here is the principal result of the widespread violation of beef regulations at wholesale levels, and the principal cause for overceiling sales at retail levels, and no more positive proof of its effects can be given.

This affects the producer also. Wilson & Co. has furnished for 30 years a cash market for livestock. We have through Nation-wide distribution sought the best market for product from livestock, and this has increased the producers' realization. We have, through extended operations and processes, increased the value of meat. We have, through extended operations and processes, increased many times the value of byproducts and offal. All of this increased the live value of the livestock purchased. All of this, because of the increased value, helped the producer. If Wilson & Co.'s operations are destroyed along with the operations of others like Wilson & Co., the producer will feel the effects.

The effect of this on the slaughterer in cost to slaughter and dress only—in just direct labor cost—is indicated by chart 18, which shows that the weekly slaughter at the Chicago plant in April 1941 was 7,000 head, with a killing rate of 155 per hour, that our per-head cost for this operation was \$2 and indicates the effects of reduced volume on increased expenses.

With a lower volume of 4,000 head in 1945, with a killing rate of 108 per hour, our expenses had risen to \$3.15 per head; however, with a drastic reduction in volume occasioned by current difficulties in April 1946, with an average weekly kill at the Chicago plant of 665 cattle at a rate of 57 per hour, these expenses had risen from \$2 in 1941 to \$10.20 per head in 1946, or by more than five times.

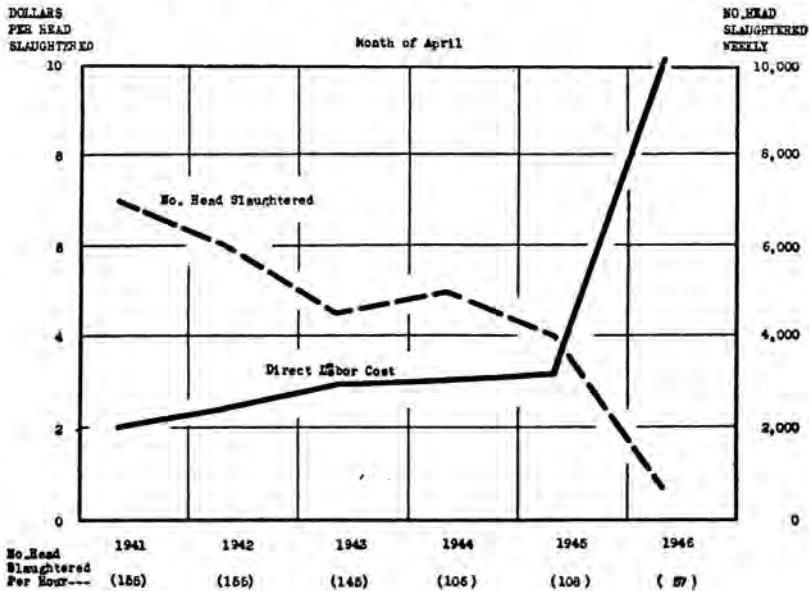
It should be noted that with an average rate of kill of 57 per hour and a total kill of 665 cattle, this represents only 11½ hours of work at this reduced rate of kill. You get about 12 hours a week. You still have to pay your crew for 24 more hours they don't work—24 hours you pay for and you don't get a dollar out of it. We are forced to pay guarantee time to our employees for 36 hours a week.

Senator MILLIKIN. You also have a large factor of unemployment there?

Mr. HAYNIE. That is the next thing I want to bring out.

No adjustment through the Barkley-Bates amendment can eliminate this difference, and above that, no one can give you an adjustment on cattle you do not slaughter. In addition to loss in volume it is readily apparent there is a considerable loss in money involved. (Chart No. 18 is as follows:)

WILSON & Co., INC., CHICAGO PLANT, DIRECT LABOR COST TO SLAUGHTER CATTLE



Mr. HAYNIE. I want to say one more thing about Wilson & Co.

Charges have been made by some Government people and other people that the beef packers are on a strike and are not attempting to buy cattle. I want to answer those charges—buying instructions of our company to all of our cattle buyers have for months been to buy every head of cattle they could purchase, irrespective of grade, weight, type, or kind, which could be slaughtered in compliance with OPA Regulation No. 574.

We have invited producers to sell cattle to us on a dressed grade and yield basis at the full OPA maximum. We have sent wires to Mr. Fred W. Stover, president of the Farmers Union, giving him plant killing capacity of all of our plants, inviting his organization to ship cattle to those plants to be slaughtered and paid for on the basis of the highest permissible prices on a grade and yield basis under OPA regulations. We have been unsuccessful in securing any cattle in this manner.

Our policy now is exactly the same as it has been for the past several months. We are willing to take any kind of cattle in quantities, and at the prices permitted, by Government regulations, at any of our plants. We earnestly invite cattle feeders, producers, or anyone else owning cattle, to sell them to us on that basis this week or this month.

The simple facts of the matter are that cattle prices at all principal livestock markets and in the country, at auction markets, and at the farms are above the prices which OPA Regulation No. 574 permits us to pay.

This means something more to the employees of the packers. When Government regulations forbid us and other packers in the business to purchase even minimum requirements for slaughter, then we packers have no alternative than to lay off or discharge employees, many of whom have been associated with their companies for a number of years.

Using the same 10 companies which I have previously used as an example, I will show you just what this means:

From week ending January 12, 1946, to week ending March 30, 1946, these companies were forced to release 11,765 employees due to inability to provide work for them because of reduced slaughtering operations.

In addition to that, the remaining employees, after the decrease of 11,765 employees, have worked 11.4 hours less per week and the total amount of hours less is 1,747,814.

Senator CAPEHART. You mean they are working only 11.4 hours each week?

Mr. HAYNIE. No. I mean starting out with the employees in January 1946, there are 11,765 less and those remaining employees work 11.4 less hours per week than the same number did in January 1946, and in the killing and allied departments this shows an even greater decrease.

In addition to this actual man-hours worked in the killing and allied departments of these 10 companies were reduced from 2,429,494 man-hours to 1,268,704 man-hours, a reduction of approximately 50 percent.

In the case of cattle killing and allied departments the reduction in man-hours was from 689,853 man-hours to 315,386 man-hours, or

more than 50 percent. This, of course, reduced the average hours worked by these employees, and the average weekly pay.

(Chart No. 20 is as follows:)

CHART No. 20

Decrease in employment, 10 national packers, week ending Jan. 12, to week ending Mar. 30, 1946

ALL PLANT EMPLOYEES

Decrease in—		
Number of employees.....	-----	11, 765
Weekly hours of work.....	-----	11. 4
Total man hours.....	-----	1, 747, 814

KILLING AND ALLIED DEPARTMENTS

Decrease in—				
Total man-hours.....	-----	1, 160, 790	Hours	Percent
Cattle killing.....	-----	374, 467	54	

Mr. HAYNIE. It becomes readily apparent, then, that the employees of the packing companies whose operations are being drastically curtailed because of inability to operate within Government regulations, suffer along with the companies themselves.

Continuance of the pattern that I have outlined can only result in further curtailment of slaughtering operations by those packers who are trying to follow the regulations, and of the eventual cessation of their beef operations.

That means if it is not corrected that all the legitimate packers are necessarily going to be forced to go out of business as surely as if by design.

I do not mean to imply that it is by design, but it could not be more effective if it were. We are being forced out of business and something must be done to put us back in business.

Thank you.

Mr. HUNTER. In the statement I filed on pages 7 to 12—you need not read it now, but it goes into the subject of strict adherence to the sanitary measures that the Department of Agriculture insists upon in federally inspected plants. If we have proven to you, if you agree with our contention that a great deal of meat today is being killed in these additional 26,000 slaughterhouses that have sprung up since OPA, and if you agree that there are black-marketeers as we feel we have shown, I want to submit into the record some photographs taken by the Chicago Herald Examiner's photographer in 1943.

He went out with a candid camera and took pictures of the facilities that were being used to slaughter black-market cattle, as apposed to the regulations under which federally inspected packers operate [handing photographs to members of the committee].

I think this is the most important thing to the public, regardless of any other factor. There are pictures there showing flies on the ceilings and so on. Those were taken as part of a news story back in 1943.

Senator MITCHELL. Of course, there has always been farm slaughtering; and these pictures could be of any farm, could they not?

Mr. HUNTER. They could be. I don't know where he went other than it is in the Chicago area, and these were put up and were shown by the papers there as examples of the black-market operations around Chicago. There is one picture here showing the deliveries of

black-market meat to a Chicago retailer. So some of it, at least, is getting into the public hands. There has been an increase. I don't know whether it has been mentioned here today. Prior to 1941 there were about 1,500 slaughterers in the United States. Since the OPA's inception that has increased by 26,000 slaughterers.

Senator MITCHELL. When was the principal increase in that number?

Mr. HUNTER. Since 1942.

Senator MITCHELL. It has been steady all the way through?

Mr. HUNTER. Well, yes; I would say it has been. And that does not include farm slaughterers.

Senator MITCHELL. Yes.

Mr. HUNTER. That includes—well, the break-down is: of the 26,665 nonfederally inspected slaughterers, 365 of them produce over 2,000,000 pounds of meat, 4,300 produce from 300,000 to 2,000,000 pounds of meat, and 22,000 produce less than 300,000 pounds of meat, and then there are also the farm slaughterers. So they are all commercial slaughterers to a certain extent and do not include the farm slaughterers.

Now, on page 18, and subsequently in the statement I filed, we have given examples to prove that the OPA has known and admitted that the black market has been in existence for at least the last 3 years and that they have failed to stop it, as witnessed by the tremendous increase in black-market meat.

Senator BUTLER. Have they tried, Mr. Hunter?

Mr. HUNTER. Personally, I do not think so. I think it has gotten to be so big now that it is utterly impossible to control it by regulation or additional controls. Obviously our intention is, or our belief is, that the only way to cure it is to remove controls upon livestock and meat.

Senator MILLIKIN. It has been a constant course of experimentation.

Mr. HUNTER. Yes, sir.

Senator MILLIKIN. For years.

Mr. HUNTER. Yes, sir.

Senator MILLIKIN. And in each instance the industry came in and told them that it would not work, and in each instance they have gone ahead with it, and in each instance they have complicated and tied the thing up still further.

Mr. HUNTER. That definitely is true. Even as recently—and it was mentioned this morning—the pork and the beef and the hog and cattle advisory committees to the OPA, in a resolution, recommended that the only solution to the problem was the removal of all controls.

Senator MILLIKIN. The Senators here, and I, have attended meeting after meeting where the results of these various experiments were clearly foretold, and I cannot remember a single instance where OPA was guided by industry experience and industry prediction.

Mr. HUNTER. Yes, sir.

Senator BUTLER. Not with reference to the meat industry.

Senator MILLIKIN. That is what I am talking about.

Senator BUTLER. They may have done it in some other industries.

Senator MILLIKIN. That is what I am talking about.

Mr. HUNTER. Well, now, further than that, the OPA—as I understand it, Mr. Bowles has made the statement in the past, and there is a record of it in the statement, that controls were a wartime measure

and that they were temporary and that he believed that as soon as supply and demand were reasonably close together or close to being in balance, that controls should be abandoned.

Now, Mr. Anderson, in front of the House Agricultural Committee I believe, testified that there was enough cattle in the country to supply the meat need. Well, now, if the two of them are saying that, it appears that now is the time to remove controls from the livestock and the meat industry, and we consider that is the only way that you can possibly—

Senator MITCHELL. You are not saying there that the price will not go up, are you?

Mr. HUNTER. The price of meat?

Senator MITCHELL. Yes, if the controls are taken off.

Mr. HUNTER. I am again saying that we do not think so, and we believe that the survey has proven substantially that it will not go up, and we believe that the Department of Agriculture—

Senator MITCHELL. Well, you mean there, will not go up over the black-market price?

Mr. HUNTER. Yes.

Senator MITCHELL. Yes.

Mr. HUNTER. And that the Department of Agriculture, in that report that I referred to, apparently agree with that. They say 15 to 20 percent.

Senator BUTLER. Five to fifteen.

Mr. HUNTER. Well, I think their later one might—I don't know just which. The March-April says 15 to 20. Those figures that Mr. Eggert showed indicate at least 20 percent; and if it is true all over as it was in the resurvey of Washington, it probably is higher than that by now, so—

Senator MILLIKIN. Is it your point that this diversion of the greater part of this business into the black market has the effect of stymieing the flow of material from the range and farm to the consumer, and that that is what makes the scarcity, and that that is what makes the black-market price?

Mr. HUNTER. I do think so.

Senator MILLIKIN. Is that your contention?

Mr. HUNTER. Yes, sir.

Senator MILLIKIN. That if the control of the industry were passed back to the industry, it could break the bottleneck; there would be a smooth flow of material from the farm and range to the ultimate consumer; hence there would be no scarcity; hence no black-market price. Is that correct?

Mr. HUNTER. That is correct.

Senator MITCHELL. Well, on that point, did not the stabilization program of 1943 accomplish that to a considerable degree?

Mr. HUNTER. Accomplish the better flow?

Senator MITCHELL. Flow through the recognized industry.

Mr. HUNTER. I do not believe so; no. I believe since, from the period of 1943 until the controls were taken off, that the black market grew by leaps and bounds. I mean the trend of federally inspected slaughter has been going down ever since, and a greater proportion of it going into the hands of other slaughterers, and we contend that as we are set up now we cannot compete with the black market

because we cannot buy the cattle. It is not a matter of price; it is a matter of compliance. We are unable to do it.

Senator MITCHELL. Of course, the OPA contends that their allocation program will meet that, and they contend that the stabilization program in 1943 indicates that, even though they do not have the full controls that they had at that time.

Mr. HUNTER. Well, when we had control before, we had black markets too. I mean they talked of black marketers when Mr. Prentiss Brown was here, and that was in 1943 they talked about black markets. They sent out instructions to their speakers' bureaus advising them to talk against the black market.

Senator MITCHELL. Do you have your figures on the kill during that stabilization period?

Mr. HUNTER. My own figures?

Senator MITCHELL. Yes.

Mr. HUNTER. No; I do not.

Senator MITCHELL. Or for the recognized slaughterhouses?

Mr. HUNTER. Well, here is something that I think might answer some of the questions:

The diversion of livestock from normal commercial channels is tremendous. Based on estimates made by the Department of Agriculture, the inspected slaughter of cattle and calves in comparable plants increased from 16.4 million head in 1941 to 18.1 million head in 1945, or an increase of 10 percent. That is under federally inspected slaughter.

In contrast, other slaughter and disappearance of cattle and calves during this 5-year period increased from 11,700,000 to 19,900,000, up 70 percent, and by far the largest on record.

Similarly, hogs slaughtered in comparable federally inspected plants decreased from 46,500,000 head in 1941 to 38,600,000 head in 1945, a drop of 17 percent. This is in sharp contrast with the slaughter and disappearance of hogs in this 5-year period, which increased from 32,100,000 head to 45,600,000 head, up 42 percent.

Senator MITCHELL. Of course, that is showing the two figures, one before the program and one after; and for instance the chart there shows, would indicate to me, that the trend was good in 1945 until somewhere along in the fall, and then shot way up at the end of the stabilization period.

Mr. HAYNIE. I would like to explain just what this chart is. That is the shipments of cattle from market for slaughter only [indicating].

Senator MITCHELL. That is right. And they jumped toward the end of 1945.

Mr. HAYNIE. You will notice the one consistent pattern here, and that is the dip in the latter part of each one of these years. Now, that is the time of the year—

Senator MITCHELL. That is when the grass feed comes in; that is true.

Mr. HAYNIE. Yes; and therefore the—

Senator MITCHELL. But the trend beyond that period, instead of going up to the point a little above 1945 there, as it has in the other peaks, has gone way up to what did you say? 70 or something?

Mr. HAYNIE. You mean currently?

Senator MITCHELL. Currently.

Mr. HAYNIE. Currently it is much worse than 1945.

Senator MITCHELL. That is what I say. It has gone way up beyond the other peaks.

Mr. HAYNIE. 1945.

Senator MITCHELL. Is that because the stabilization program was taken off at the end of 1945?

Mr. HAYNIE. Well, let us see what they show. About September 1 those started to drop, but in 1945 prior to September 1 it continued to rise.

Now, the control order No. 1 was suspended on, I believe, September 8, 1945. Therefore, up until the time that control order was suspended the shipments still continued to rise, reaching a peak, the highest of any time on the market, from 1939 to 1945; and if I expressed it back to 1920, you would find it the highest point since 1920. It reached that point prior to the abolishment of the control order. It dropped down not because the control order was abandoned but because receipts of western cattle provided the market with great, abundant supplies of beef on the market.

Senator MITCHELL. My only point is that the peak now has gone far beyond the trend in former years. In 1944, for instance, the peak was less than 1943.

Mr. HAYNIE. Oh, yes.

Senator MITCHELL. So it does not bear out your statement that the peak is going up steadily.

Mr. HAYNIE. I think it does.

Senator MITCHELL. No; it dropped in 1944. The peak was lower in 1944 than 1943.

Mr. HAYNIE. Of the use, you mean, in those 2 years?

Senator MITCHELL. Yes.

Mr. HAYNIE. Yes; that is correct.

Senator MITCHELL. And then went up higher in 1945. There is no contention on that. But now in 1946 the peak has gone way out of all bounds.

Mr. HAYNIE. Which is reflected in the reduced slaughter of beef on the market by people—shipments of beef by people who normally distribute meat, and ability of merchants to purchase meat.

Senator MITCHELL. That is right. That is, what I want to know is how much weight should be given to the factor of the end of the stabilization program.

Mr. HAYNIE. You mean that control order?

Senator MITCHELL. Control order; yes.

Mr. HAYNIE. I do not think you can give any weight to it because the control order went in, I believe, around the 1st of May, last year, and was suspended around the 8th of September; yet during the time between the 1st of May and the 8th of September the shipments continued to rise. The control order has been something—

Senator MITCHELL. The control order went in—when did the control order go in, Mr. Erikson? Do you know?

Mr. ERIKSON. Last May 1.

Senator MITCHELL. When was the original one that went in in December?

Mr. ERIKSON. The original one was in effect in 1942 and carried on—

Senator MITCHELL. To 1943?

Mr. ERIKSON. To 1943.

Senator MITCHELL. And it went off, and the new control order came in.

Mr. HAYNIE. There was no——

Mr. ERIKSON. There was quite a period when there wasn't any.

Mr. HAYNIE. If I recall it right, and I believe I do, there was no control order from approximately September 1, 1943, until May 1, 1945. Is that correct?

Senator MITCHELL. Yes.

Mr. HAYNIE. Therefore the peak is over here in 1943 when the control order was on, and it dropped off while the control order was off. And the peak here in 1945 was when the control order was on, and it dropped off while the control order was off, showing that apparently the control order had little or no effect on these shipments, and it would not control it when the shipments were at this level, which would be approximately what it would be at the present time during 1945. If it could not control it at that level and it is now so out of bounds it is clear off the chart there, it is questionable whether it would control it now, particularly when it has been delayed so long as to let live prices go so far above the maximum as we contend they are.

Senator TAYLOR. Are there any other questions of the witness?

(No response)

Senator TAYLOR. Mr. Hunter, you have presented a very full and informative and enlightening statement here. It has been of great interest to all of us. Had you finished now, or have you something further?

Mr. HUNTER. Unless there are some questions I would be glad to answer.

Senator TAYLOR. They say they have no questions, and we are practically bogged down.

Senator CAPEHART. I think your presentation speaks for itself.

Senator TAYLOR. You have done very fine. The charts all were very clearly presented, and we appreciate it, and we thank you, sir.

We have a roll call over on the floor on an important nomination, and we shall have to go over there, and I doubt if we can get the Senators back after that; so, as much as we regret the inconvenience to witnesses, we are going to have to let these other witnesses go over until tomorrow. We shall recess until tomorrow morning at 10 o'clock, and we will try to work in these witnesses that we have not been able to hear today.

(Whereupon, at 4:45 p. m., a recess was taken until tomorrow, Thursday, May 2, 1946, at 10 a. m.)

(The following was submitted for the record:)

BUCK PRIVATES ASSOCIATION,
Washington 4, D. C., May 1, 1946.

To the Senate Banking and Currency Committee, Washington, D. C.:

We are an organization of veterans who have honorably served, at some time, as buck privates or the equivalent, in the American armed forces. Please note! The Buck Privates Association is the only organization whose membership is confined to the lowly enlisted men—regardless of higher rank later attained.

Over 50 percent of the active Members of Congress have had intimate experience with military life in one or both world wars, having themselves served in the armed forces, had sons or daughters who served, and in many cases one or more staff members were serving at home or overseas. Therefore we of the Buck Privates Association are confident that the majority of Congress must have practical and personal interest in the health, economic security, and welfare of the veterans.

We earnestly ask you to provide for the control of prices until such time as equipment, food, textiles and clothing, tools, furniture, lumber, etc., are produced in such quantities at practical prices as to be accessible to the average American family. We believe some provision should be made to discourage quality deterioration in staple commodities.

We ask for an alert, businesslike, and progressive OPA.

The average income for veterans' families must cover house rent—and frequently office, farm, or factory rent. Please note! There is no price control on business rents. There are youngsters and clothes to buy for them as well as health protection, food, household articles, etc.

We believe if prices are not controlled on all basic equipment, supplies, commodities, and rents that the family and business life of the average veteran's family will be in danger. Danger from un-American theories, philosophies, and practices of Communists, be they deep red or shady pink; danger of diseases and grave illnesses from meats carelessly butchered, uninspected, packed, and marketed; danger of family break-ups due to tensions, and economic pressures; danger of loss of life and business from the activities of organized lawlessness and racketeers.

We believe you will not let this happen. Your thorough and painstaking current investigations indicate your sincere interest in the welfare of the American family and way of life.

To properly control prices it is necessary to enforce price control. To do this requires a potent enforcement program, with competent personnel, and more stringent penalties for willful violators.

We veterans are able and willing to do our part in this emergency also. We come from every large city, small town and from the farm, and there are millions of us.

At a time when our internal security is being weakened by anti-American activities from without, as well as from within our country, we recommend an enlarged FBI continuing nonpartisan, independent, with greatly increased personnel and authority.

Enclosed as part of this letter is a copy of our creed and platform. We of the Buck Privates Association ask you to protect our veterans' family security, health, and business by providing for control of prices of staple commodities and rents and greater internal security of our country at a time when so much selfishness, greed, and confusion exists within our Nation's business and home life.

Respectfully,

BERT NOBLES,
(For the Buck Privates Association).

OUR CREED

We believe in the One Divine Master, God, and that He does not exist by accident, nor do liberty, necessity, and reason. A condition is not just, because God wills it, but God wills it because it is just. Nil Sine Numine (nothing without the Divine will).

We who have honorably served our country in the American armed forces in either or both world wars, as "buck privates" or the equivalent thereof, do hereby and hereon seek to create a true and genuine brotherhood.

We are conscious of the Master directing and supporting our efforts in the defense of our country and our homes. With His help and our united strength, we will protect our American people from enemies from without and within, who may attempt to weaken our personal and national integrity.

Our purpose is to carry through, *Die Gratia*, for the people of America the principles of freedom, justice, and equality of opportunity. For which principles we servicemen have at some time served honorably as buck privates, or the equivalent,¹ and have sacrificed our lives, our health and our economic security.

We learned after World War I, that victory alone is not enough but also peace must be built solidly and built to endure. War and peace are not infinitely remote to us who have honorably served in the various branches of the American armed forces.

You are cordially invited to join the Buck Privates Association if you have honorably served or are now serving as buck privates or the equivalent—in any arm of the American military service—Army, Navy, Marine, or Coast Guard.

¹ Chaplains, medical officers, nurses, and war correspondents—shall have honorary membership without cost of dues.

A special initiation to those who are now members of the American Legion, and all members of American veterans organizations who have been at one time buck privates or equivalent, irrespective of higher rank later attained.

1942

OUR PLATFORM

(A-m-e-r-i-c-a-'s B-e-s-t)

American way of life built solidly on American principles of democratic government.

Moderation in our standards of living and doing business, thereby building a strong and sound foundation for useful and prosperous lives.

Encourage friendly and tolerant arbitration when differences of opinion arise in the family, business, or political affairs.

Recreations are chosen to strengthen our spiritual, mental, and physical lives, avoiding those which may weaken ourselves and others.

In orderly methods we seek to create and foster understanding and amicable relations between employer and employee and groups or individuals having divergent opinions.

Counsel and advise members and their families, endeavoring to expedite solutions to problems of employment, medical attention, treatment, and business enterprise.

Attempt to so live that we are examples of loyalty to family, friends, country, and in broad human sympathy.

Seek to cooperate with others in correcting injustices in community, State, and national policies, issues, and practices.

Be punctual and honorable in keeping promises and fulfilling personal and business obligations.

Encourage and actively support our American philosophies, traditions, and systems that life may be enriched for all people regardless of differences in religious, educational, or political beliefs.

Safeguard for the benefit of new generations, our wealth of natural resources, educational opportunities, and the privilege of individual enterprise.

True to our faith in God—true to the best in us as individuals—we try to lead useful, constructive, economically sound lives so that brother members and friends will be stronger, happier, more courageous citizens because we live.

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