

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date August 9, 1946

To Chairman Eccles

Subject: Price Decontrol Board

From Richard A. Musgrave *RAM*

Most of the provisions under the new Act are aimed at expediting the decontrol process. The distribution of functions is as follows:

## Decontrol Board

The functions of the Board are:

- (1) With regard to livestock, milk, cottonseed, soy beans and grains (or products processed in substantial part from these materials): No price ceilings shall apply prior to August 21, 1946, but these commodities shall again be subject to ceilings unless the Board recommends to the contrary. Hearings to determine such action will start on Monday.

If the Board does not recommend reapplication of ceilings as of August 21, it may do so at a later date. The conditions under which the installment of ceilings can be recommended are set forth in very general terms, including "the public interest".

- (2) With respect to poultry, eggs and tobacco (or products processed therefrom): No ceilings shall apply prior to August 21, 1946, but the Board may recommend reintroduction of ceilings on these products after that date.
- (3) With regard to other commodities, the Board is concerned with decontrol only. It takes no initiative but merely reviews petitions for decontrol submitted to it. It has nothing to do with adjustments of ceilings but only with their removal.
  - (a) If petitions for decontrol have been submitted to OPA or Agriculture and have been denied, the Board reviews and makes a final decision. This decision must be reached with "the utmost expedition".
  - (b) If OPA or Agriculture wish to reinstitute ceilings on decontrolled products, the Board must sanction this.

- (4) The Board may determine reestablishment of subsidies to commodities under (1) if ceilings have been reapplied.

The Board has thus the initiative in recontrolling commodities mentioned under (1) and (2). It is a final authority for decontrol where such decontrol has been requested by an Industry Advisory Committee but denied by OPA or Agriculture, without however taking the initiative for such action. Also, the Board has general control over the subsidy program.

#### Department of Agriculture

The Secretary of Agriculture each month shall certify to OPA which agricultural commodities shall be continued under ceilings and which shall be decontrolled or be given ceiling adjustments. These certifications are not subject to review by OPA which merely carries out the prescribed policies or by the Decontrol Board. Action by the Decontrol Board is needed only where ceilings are to be reinstated on decontrolled commodities or petitions for decontrol are denied by the Secretary of Agriculture.

Agricultural commodities are defined broadly to include food or food products "processed, or manufactured in whole, or substantial part from any agricultural commodity". This means that livestock as well as meat prices are subject to control by the Department of Agriculture--I suppose this also includes a substantial part of the control of food prices in restaurants.

#### OPA

The Price Administrator fulfills the same function with regard to non-agricultural commodities as does the Secretary of Agriculture for agricultural commodities. No ceiling shall be maintained after December 31, 1946, unless the Administrator has found the commodity in question to be "important in relation to business costs or living costs". Ceilings shall be removed whenever "supply balances demand". A new price formula based on 1940 industry profits plus cost increases since then is prescribed. OPA is instructed to adjust ceilings to comply with the new formula and an Industry Advisory Committee may apply to the Administrator for such adjustments, in which case the Administrator is to make the necessary adjustment within 60 days or deny it. If no OPA action is taken within this period, the Industry Advisory Committee may petition the Emergency Court of Appeals which may require the Administrator to make an adjustment within 30 days.

Summary of Procedure

Decontrol may result from:

- (a) Decision initiated by Department of Agriculture (for agricultural commodities) or OPA (for other commodities). No agreement by the Board is required. The Department of Agriculture or OPA may take such action on the basis of a petition by an Industry Advisory Committee. The Department of Agriculture or OPA shall hold hearings within 10 days and issue a statement within 15 days thereafter explaining why the petition has not been granted. At any time within 30 days thereafter the Industry Advisory Committee may petition the Price Decontrol Board to review the matter. The Board is to act with "utmost expedition".

Recontrol may result from:

- (a) Decision by the Decontrol Board with regard to commodities under (1) and (2).
- (b) Recommendation by OPA and Department of Agriculture with approval of the Decontrol Board with regard to other commodities.

Ceiling adjustments may result from:

- (a) Initial action by Department of Agriculture for agricultural commodities or OPA for other commodities.
- (b) Action by these departments upon petition by an Industry Advisory Committee, or if denied upon instruction by the Emergency Court of Appeals.