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STATEMENT OF PRICE ADMINISTRATOR CHESTER BOWLES
BEFORE THE HOUSE BANKING AND CURRENCY COMMITTEE
WEDNESDAY, APRIL 12, 1944

Mr, Chairman:

It is my earnest recommendation that the Emergency Price Control Act be renewed, substantially in its present form.

There is no questioning the fact that the law passed by Congress more than two years ago has served most effectively in stabilizing prices and rents. Under the present law the cost of living for the average American family has risen only six and one-half per cent since price control was first introduced at retail in May 1942.

For the past year, the average cost of living has been held in check with no over-all rise whatsoever. The level of wholesale prices, too, stands today almost exactly where it did a year ago.

These figures are not ours. They are the regular published figures of the United States Department of Labor, secured through techniques and methods which have been in use for the past forty years.

Thus for one entire year, in the midst of the greatest war in our history, and in spite of the most powerful inflationary pressures, the average American family has been protected against any over-all increases in its cost of living. For one year, too, the average business man has been protected against increases in his cost of raw materials and equipment.

Has this record of level prices been established at the expense of farm and industrial production? Certainly there is no such indication.

On the contrary, production under wartime price control has increased by leaps and bounds. Both farm and industrial production have increased during this war four to five times as much as they did during World War I.

Profits during the present period of wartime price control are also at record levels. Corporation profits during 1943, even after all taxes, were twice what they were in 1939. Business failures were at the lowest point in fifty years. The net income of our farmers, after all expenses were 45 per cent over the most profitable previous year in all farm history--1919.

However, the administration of price control is a vast and complicated procedure involving the control of more than eight million individual prices. It is inevitable that there would be a certain degree of inequity and hardship.

During the next two or three weeks various individuals will come before you to recommend many different amendments to the present law in the hope that every economic hardship can be in some magical way eliminated.

In general, the amendments which they will suggest will fall into three categories.

One will include the so-called "hardship amendments" designed to make it mandatory for the OPA to establish prices which are profitable to each of our 3,000,000 business concerns. The amendment most frequently suggested to accomplish this purpose would eliminate the word "generally" before the phrase "fair and equitable"; thus forcing us to establish prices high enough to allow a profit to all companies regardless of their relative efficiency.

It is my considered opinion that any such amendment would make our work of effective price control administratively impossible.

Under the present law, we are receiving some 6,000 requests for price adjustments each week at our various offices throughout the country. In practice the various "hardship" amendments which have been suggested would increase this work load many times over. They would overpower us with administrative difficulties beyond all comprehension.

But most important, these "hardship" amendments would cause unforgiveable increases in the cost of living--increases which would fall heavily on those of our citizens who could least afford to pay higher prices. They would also result in substantial increases to our actual war costs and to our national debt, on which we must pay taxes at best for many generations to come.

Finally, these "hardship" amendments, in my opinion, would set off the greatest orgy of wartime profiteering this country has ever seen. Such profiteering would be seriously detrimental to the morale of both our armed forces and the average American here at home, who is concerned only with seeing this war won in the shortest possible time, and with no special advantage to himself.

It is well to remember that, in ordinary times a substantial percentage of business firms operate in the red. As a former business man, I should emphasize that the day the United States government guarantees every individual business a profit, regardless of its efficiency....on that day private enterprise in America will be dead. Today under wartime price control, the number of firms suffering hardship or losses is at the lowest point in modern business history.

Whenever individual hardships today can be relieved by price increases, without endangering the price line or raising the cost of living, we will, of course, grant them. During the last few months we in the OPA have taken step after step to fit individual regulations to the complexities of different industries and even individual firms.

But an amendment to the present bill, legislating the relief of all economic hardship on a broad scale, regardless of the over-all consequences to our economy, would be a disastrous blow to the entire program of price control.

A second type of amendment which will be suggested to you, deals with the exclusive jurisdiction of the Emergency Court of Appeals. This Court was established by Congress as an emergency wartime body to establish the legality or illegality of all OPA regulations on a national basis. It has served its wartime purpose admirably.

However, there are certain groups which are recommending that this exclusive jurisdiction feature be scrapped, and that any individual or firm be allowed to challenge the legality of an OPA regulation in any one of our 93 Federal District Courts.

On a basis of ordinary peacetime legal procedure, this suggestion is most appealing. But it will not, in my opinion, bear analysis, when judged against the background of wartime conditions under which we are now forced to operate.

If each individual OPA price regulation could be challenged in each individual Federal District Court, it is not an exaggeration to say that instead of price control we would soon have price chaos. Court decisions would conflict with one another on the same regulation in various parts of the country. Months would go by while appeals were taken to the higher courts. As one court has recently pointed out "the Administrator would spend his time fighting litigation instead of fighting inflation."

In the meantime businessmen would be in a state of wide-spread confusion. Distribution would be thrown out of gear. Enforcement on the particular regulation in question would break down completely.

Such an amendment added to the present bill, regardless of the good intentions of its advocates, would be good news indeed for the Black Marketeers. It would spell higher prices on dozens of items and place a further strain on the pocketbooks of our citizens.

A third type of amendment which will be suggested to you, is designed to split up the price control functions of the OPA among the various so-called production or supply agencies. Thus, the War Food Administration would assume control over food pricing. The War Production Board would establish all prices for industrial materials. The Petroleum Administrator for War would establish petroleum prices. The Rubber Director would decide the price of rubber. And so on.

It is difficult for me to see how anyone could propose such an amendment who actually believes in the control of prices and in the over-all anti-inflation program. This amendment has been advanced quite frankly on the theory that the agencies whose major responsibility is over supply, would be more readily susceptible to pressure for higher prices than an independent agency such as the OPA, responsible to the Congress and the people solely for effective price control.

These three types of amendments will be recommended to you in various forms. Perhaps most of those who advocate them will sincerely feel that they, too, believe in the wartime control of prices. Others will present them for no other reason than their wish, for selfish reasons, to break down the OPA's efforts to protect all the people against a rise in the cost of living, and to lessen, to the greatest possible extent, the cost of fighting the war.

But on this issue there must be no confusion. Regardless of the sincerity of many of the proponents, these amendments if accepted, can have only one end result. Prices in general will go up. The record of stable prices, established with such difficulty during the past year, will be blasted. Inflationary forces headed by the wartime profiteers, will again be on the march.

Mr. Chairman, the final all important decision as to whether or not the present price line should be held, or whether the cost of living and the cost of the war are to be increased, is a question which Congress alone must decide.

But I know that you favor price control. I know that you would not intentionally cripple its effectiveness.

Knowing that, I would be remiss in my duty as Price Administrator, if I did not do my utmost to convince you that the major amendments proposed, whatever the intentions of their sponsors, would mean substantially higher prices.

I am sure, gentlemen, that you will see to it that this does not happen.

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