

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date July 24, 1946

To Chairman Eccles

Subject: Price Control Bill

From Richard A. Misgrave

The main provisions of the new bill are as follows:

(1) Establishment of a Price Decontrol Board

A 3-man board appointed by the President and consent of the Senate is established. It is to include a minority party representative. The main functions of the Board are:

(a) To take action prior to August 21, if price control over certain agricultural commodities is not to be resumed at that date;

(b) To recommend reintroduction of price controls over certain agricultural commodities after that date if considered necessary;

(c) To reconsider petitions for decontrol of commodities whenever such petitions have been rejected by either the Secretary of Agriculture where agricultural products are concerned or the Price Administrator where other commodities are concerned, and to reach a final decision subject to no further review.

(2) Agricultural Products

With respect to food prices, it is provided that ceilings on meats, dairy products and grains shall be reestablished beginning August 21, unless the Decontrol Board finds that continuation of ceilings is not necessary. The Secretary of Agriculture shall make recommendations to the Price Administrator to decontrol agricultural commodities wherever they are no longer in short supply, or to establish ceilings on commodities which have come into short supply, or to adjust price ceilings on commodities which are considered necessary to obtain adequate supply. Recommendations by the Secretary of Agriculture have to be executed by the Price Administrator.

(3) Cotton

The pricing formula for cotton ^{goods} is changed to allow for the market price of cotton as against the parity price heretofore considered. This will raise the raw cotton price allowed for in

the formula from 26 to 35 cents and result in a substantial increase in the price of textile products. The same procedure applies to woolen goods, but no price change will result.

(4) Other Products

With respect to other products, a new pricing formula and decontrol procedure are established.

(a) The formula provides that a price ceiling for each line of product should be based on prices for 1940, plus cost increases per product, both being based on industry averages. No ceilings shall be established which do not permit adequate profits per product. At the same time, OPA is permitted some leeway to check price increases called for by this formula where they would give rise to excessive profits due to large volume.

(b) The decontrol procedure is as follows:
The Industry Advisory Committee, appointed by the Price Administrator will recommend decontrol to the Administrator, who within 15 days after the receipt of a petition shall either grant it or reject it. In the latter case, the petition and the Administrator's opinion will then be submitted to the Price Decontrol Board for a final ruling within 30 days.

*or increase
of ceilings*

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As compared to the earlier bill, the new bill has the advantage of providing a price formula for non-agricultural commodities which is more workable because it is based upon lines of production and industry averages rather than individual products and individual firm conditions. The new bill is less effective than the old bill because important agricultural commodities are left out of control until August 21, at which time they may or may not be recontrolled.

The bill considerably reduces the policy authority of OPA. In the case of agricultural commodities, final responsibility rests with the Department of Agriculture. As far as decontrol is concerned, final responsibility rests with the Decontrol Board.

To: Chairman Eccles

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practicable

The bill provides that the President should make recommendation as soon as possible and not later than January 15, 1947 for "such further legislation as in his judgment is needed to establish monetary, fiscal and other policies which are adequate to supplement the control of prices and wages."

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