

December 28, 1947.

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CHARLES G. ROSS
Secretary to the President

I am signing Senate Joint Resolution 167 with a sense of deep disappointment that the Congress has seen fit to take such feeble steps toward the control of inflation.

At a time when nearly everyone in this Nation is feeling the pressure of exorbitant prices, the Congress has enacted a bill that is pitifully inadequate as a weapon against the high cost of living.

I sign the bill reluctantly, but feel that I must do so because it contains some measures that are needed now.

On November 17, 1947, I recommended to the Congress a ten-point anti-inflation program. I emphasized that all ten points were essential to an effective program to win the battle against inflation.

Senate Joint Resolution 167 contains appropriate legislation with respect to only three of the ten points that were recommended. And these three points are of minor importance compared with the others.

This bill fails to include the key measures which are essential to an effective anti-inflation program.

This bill will not reduce the high cost of living and it will not keep prices from going even higher.

The meager authority contained in the bill will be utilized to the fullest extent by the Government, but the public must not be misled into believing that this bill will do the job. I would be shirking my responsibility if I did not protest against the obvious insufficiency of this legislation.

The three points, out of the November 17 ten-point program, which this bill covers are: extension of export controls, extension of allocation authority over transportation facilities and equipment; and authorization for expansion of the Department of Agriculture program of encouraging conservation practices in this country and authorization of measures designed to increase the production of food in certain foreign countries. The bill also includes authority to limit the use of grain for distilled liquors, but only for a period of five weeks.

The bill contains, in sections 2 and 6, provisions which are not in accord with my recommendations. These provisions are of doubtful value at best. If they are used as an excuse for delaying the enactment of a sound anti-inflation program, they will do far more harm than good.

Section 2 undertakes to authorize a system of voluntary agreements among businessmen for the allocation of transportation facilities and equipment, for the allocation and inventory control of scarce commodities, and for the regulation of speculative trading on commodity exchanges. These agreements, if approved by the Attorney General, would be accompanied with an exemption from liability under the anti-trust laws.

As the report of the Senate Committee on this legislation pointed out, "It should be definitely understood that this part of the program is purely voluntary. No representatives of industry, business, and agriculture would be compelled to consult with the President. Neither would they be compelled after consultation to enter into any agreement."

The inability of the Government to protect the interests of the people under this section is apparent.

If the members of an industry refuse to make an agreement, there is nothing the Government can do to see that a program is developed for that industry.

If the members of an industry reach an agreement which is inadequate or contrary to the public interest, there is nothing the Government can do to improve it.

If some members of an industry refuse to enter an agreement, or refuse to carry it out when it has been made, there is nothing the Government can do to assist the public-spirited members of the industry to make the agreement effective throughout the industry.

Every effort will be made, of course, to achieve whatever results are possible under this system of voluntary agreements. It is far too late in the fight against inflation, however, to place our main reliance upon voluntary action.

Efforts to obtain voluntary action by businessmen have already been extensively tried. Repeatedly during the past year I have urged voluntary price reductions. Other government officials have attempted in many conferences with business leaders to persuade them of the necessity for making voluntary price reductions. While these efforts to obtain voluntary price reductions have produced some results, they have been wholly insufficient to stem the tide of rising prices.

The Government has also made intensive efforts to encourage conservation practices which help to reduce inflationary pressures. These efforts have accomplished much good, but they have demonstrated that voluntary measures are not sufficient to insure a fair sharing and the most effective use of vital commodities which are critically scarce.

The voluntary methods authorized by Section 2, in the absence of reserve powers to back them up, can therefore be expected to accomplish little.

Another part of the bill which gives me great concern is Section 6. This section proposes that the President submit to the Congress extremely detailed and specific recommendations for mandatory conservation measures for scarce commodities. Presumably the Congress would then determine in each case whether the conservation measures proposed by the President should be adopted, and what the details of the measures should be, and pass legislation authorizing them to be put into effect.

It has long been an established practice for the Congress to enact regulatory measures in general terms, leaving it to the administrative agencies to determine when the measures should be applied on the basis of the standards and conditions established by the Congress. This has proved to be a practicable and workable system. Section 6 of this bill now proposes substantially to reverse this historic process.

Under the provisions of this section, the recommendations which the President is to submit to the Congress can be prepared in the prescribed manner only when the need for mandatory conservation measures is so acute that they should be put into effect immediately. Under the normal operation of our governmental system, when an administrative agency had made this kind of determination, it would put the measures into effect at once. But the only course of action authorized under this section is for the President to submit recommendations to the Congress.

Even if the Congress should pass legislation in accordance with the recommendations it would take considerable time. Then, it would still be necessary to establish the administrative machinery which would put the conservation measures into effect. If rationing were authorized, for example, it would still take some months to print and distribute the necessary forms and documents. Furthermore, lengthy Congressional discussion of specific controls would invite speculation, hoarding, dumping, and other actions to circumvent whatever program might be established.

If the procedure under Section 6 is to be relied upon for dealing with critical shortages, it is hardly possible that effective measures can be taken in time.

The ten-point program which I presented to the Congress on November 17 requested basic authority to deal with inflation. It included a request for authority to regulate consumer credit and business credit; authority to regulate the distribution of scarce commodities which basically affect the cost of living or industrial production; authority to extend and strengthen rent control; and authority to utilize, on a selective basis, rationing and price control for essential cost of living items and essential industrial products.

The bill which the Congress has enacted fails to include any of these necessary elements.

During the six weeks since I addressed the Congress on November 17, and pointed out the alarming course of inflation, prices have continued to rise.

When I spoke to the Congress, a pound of butter in Washington, D.C., cost 88 cents. Last week, here in Washington, butter reached a new high price of \$1.05.

In the last six weeks, men's street shoes in Pittsburgh have gone up from an average of \$8.72 a pair to \$9.38.

In this same period the price of hogs in Chicago has risen from \$24.75 a hundred pounds to \$26.40.

A few days ago in Omaha the price of steers reached a new all-time high of \$40.00 a hundred pounds.

Since November 17 the price of gasoline has risen in Los Angeles from 21.5 cents a gallon to 23.3 cents.

Inflation and the high cost of living confront the American people -- all the American people -- with a grave danger. Unchecked inflation can bring on a serious depression that can cause untold hardship.

The Legislative and Executive Branches of the Government must work together if this grave peril is to be conquered.

The American people look to the Congress to pass legislation adequate to perform this all-important task.

I trust that when the Congress returns it will promptly enact an effective, workable program.
