

part. For example, in determining the amount of relief required in a particular case, consideration had to be given to probable costs and volume of production for the coming year, factors that were inevitably subjects of opinion and judgment rather than established fact. In addition, the Board could no longer make a clear distinction between essential and non-essential production in the application of pricing policy, since, in terms of employment, most forms of production became desirable with the shift to peacetime activities. Finally, in the interests of maintaining desirable production the Board had also to be prepared to consider limited price adjustments to meet losses which could be shown to exist in the production of significant lines of goods even when over-all financial need could not be established.

Price Adjustments.—In a number of industries the cancellation of war contracts brought into clear relief substantial increases in costs which had remained hidden during the War, either because the goods in question had not been produced or because a large volume of war work had enabled manufacturers to absorb cost increases on their civilian output. At the same time it was difficult to estimate prospective costs of production of goods which had not been produced in volume often for some years. The problem of establishing maximum prices as closely in accord with basic period values as was practicable under prospective cost conditions was thus a very difficult one. The Board was, however, assisted considerably by the Government's action in reducing or eliminating certain taxes. Excise taxes on automobiles, cameras, record players and radios were reduced and the excise tax on electrical and gas appliances and fixtures was removed. The sales tax on building materials and production goods was removed and the war exchange tax was completely eliminated. The removal of these taxes provided substantial leeway for the absorption of increased costs within the framework of basic period prices. Even so, a considerable number of price adjustments were still required. Many of them were made on an individual basis, where particular firms could show the need for them. Some adjustments, however, were made on an industry-wide basis, and the more important of these are discussed briefly below.

On Apr. 1, 1946, the maximum prices of iron and steel and their products were increased by amounts approximately equivalent to \$5 per ton of steel ingot. The increase was necessitated by the loss of war contracts which had, during the War, enabled the iron and steel industry to sell to civilian markets at basic period prices in spite of serious increases in production costs. The manufacturers using iron and steel in their products were, with some important exceptions, permitted to pass on the price increases. In the farm machinery industry, relief had also to be provided since it was affected directly by the loss of war contracts and since on the products of this industry there were no war excise taxes to be removed or reduced.

Maximum prices of pulp and paper products were also increased on Apr. 1, 1946. Increases ranged from 5 p.c. to 10 p.c. for paper and paperboard and from 5 p.c. to 8 p.c. for converted products, but it was expected that at the retail level increases would be negligible. The price adjustments were necessitated by increased costs and they also had the effect of correcting inequities resulting from the uneven distribution of exports, which were never under price control.

Price increases were also authorized for furniture, and for butter, pork and certain other foods. It was emphasized, however, that these adjustments did not mean a weakening of anti-inflation controls, but rather a gradual and planned policy of adjustment to post-war conditions.