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The Problem of Controlling Prices

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It must be clear to everyone that if even approximately correct policies for the prevention of inflation had been adopted a year ago, when we started the defense program, there would not now have to be all this scurrying around trying to get Congress to do something about prices. But such policies were not adopted. The Administration was convinced that we could have both guns and butter. And it remained convinced of this, or at least continued to issue statements to that effect, until only a few weeks ago. But at last it appears to have changed its mind and decided that a new control program is needed. It is, of course, completely right in this. The need for a change of policy is most urgent.

Reports as to just how far the Administration is willing to go in the way of a change of policy, however, are not encouraging. According to current Washington dispatches, Administration leaders believe that it will be sufficient if Congress merely provides for placing a ceiling over industrial prices, with perhaps further action sometime later for holding down rents. And that is all. Nothing is to be done about wages. Nothing is to be done about agricultural prices.

Such discrimination in the control of prices is of the utmost seriousness. It is without any conceivable economic justification. Let's look at a few facts.

First, consider what has been happening to the prices for farm products. Those agricultural commodities which the Bureau of Labor Statistics includes in its sensitive index have risen in price during the past year by just a little less than one-third.

That is the cover-all picture. Details are even more enlightening. As compared with a year ago, wheat is up 30 per cent, corn 11 per cent, rye 18 per cent, butter 27 per cent, eggs 62 per cent, lard 70 per cent, pork 44 per cent, and cotton 54 per cent—which lifted it to the highest level in eleven years.

In the field of wages the scope of the upward movement is almost unbelievable. In the month of April alone, according to official statistics, 9.4 per cent of all wage earners in manufacturing industries received increases, the average of such increases being 8.5 per cent. In

May a further 10.5 per cent of such workers got raises, this time the average advance being 9.2 per cent. In other words, in the space of only two months—the last for which figures are available—about one-fifth of all the workers in the manufacturing plants of this country got a raise of wages.

On rents the data are less complete. On the basis of the facts available it appears that except in a few cities there has not as yet been much of an increase. It is quite clear from the figures, nevertheless, that the trend is upward.

So much for those parts of the price structure which according to present plans are to remain "free." Obviously there is just as much need for control here as there is for control of industrial prices. In fact industrial prices, as measured by the commodities entering the sensitive index of the Bureau of Labor Statistics, have gone up a little less than agricultural prices. Compared with a year ago, the advance for industrial prices has been 30 per cent, as against 33 per cent for farm prices.

To pass a bill at this time fixing a ceiling only over industrial prices, while leaving agricultural prices and wages uncontrolled, would be worse than useless. Industry cannot continue to turn out goods if it is subjected to constantly increasing costs for raw materials and labor but is unable to raise the price for its finished product. The net effect of such one-sided legislation as is now being considered, therefore, would be either that so many exceptions would have to be made in the price ceiling that as a control measure it would be meaningless and we would be right back where we are now, or else industry would be forced to reduce its output in many directions, which certainly would not help the defense program and might well cause it to bog down disastrously.

In a word, if the problem of price control is to be met successfully it must be met head-on, with no political compromises on wages and agriculture. We are in danger of a serious inflation in this country. Because of past errors, the prevention of this is going to be extremely difficult under even the best of circumstances. A halfway price-control measure would be just so much oil thrown on the fire.