

# YES!

By JOSEPH C. WILLIAMS

**I**NFLATION stands as an ominous threat to the prosperity we have achieved. . . . We already have an alarming degree of inflation. And even more alarming, it is getting worse." In his speech to Congress on November 17, 1947, President Truman outlined the basic reasons behind his request for emergency control powers. On January 7, 1948, in his State of the Union message, the President renewed his request for wage-price controls and rationing authority, declaring that "high prices must not be our means of rationing." The special session of Congress had rejected most of the President's ten-point program of controlling inflation, and had substituted a Republican measure providing for voluntary action to allocate scarce materials.

Before his November, 1947, speech, the President's opposition to price and rationing controls had been widely known; his request came as a shock to many congressional leaders. Members of the President's Cabinet were not surprised; they had debated the speech paragraph by paragraph before its delivery. After 1,200 words of explanation about the need for foreign aid, the President had devoted 2,800 words to domestic problems, i.e., inflation. Democratic applause had been vigorous. Republican opposition was tempered by the growing realization that Truman had put his political enemies "on the spot."

"The harsh effects of price inflation are clear," declared Mr. Truman. "They are felt by wage earners, farmers, and business men. Wage earners are finding that bigger pay checks this year buy less than smaller pay checks bought last year. Despite generalities about high farm prices, the income of many farm families cannot keep up with the rising cost of the things they buy. Small business men are being squeezed out by rising costs. Even those who are well off are asking, 'How long can it last? When is the break coming?'"

Specifically, the President wanted authority to control consumer and bank credit; to con-

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control speculation in commodities; to strengthen export controls; to allocate transportation facilities; to promote marketing of livestock at weights calculated to conserve grain; to encourage food conservation at home; to allocate scarce commodities; to control rents more firmly; to ration scarce goods "which basically affect the cost of living;" to impose price ceilings and wage ceilings where necessary.

The special session of Congress called in November took no action on the following portions of the ten point program: consumer credit controls; marketing of livestock at weights representing the most effective utilization of grain; extension and strengthening of rent controls; consumer rationing; price and wage ceilings. The Republican substitute program Mr. Truman characterized at the time as "pitifully inadequate." In his speech of January 7, Truman called to the attention of Congress the continuing rise in prices, adding: "The events which have occurred since I presented my ten point program to the Congress on November 17 have made it even clearer that all ten points are essential."

To the ordinary American citizen, caught in the inflation squeeze, the need for government action is more than obvious. Despite opposition to government control from such special interest groups as the National Association of Manufacturers and some labor unions, the great majority of Americans stand only to gain from government controls and to lose miserably from continued inflation.

First of all, even a minimum foreign aid program endangers the already unstable economy of the United States. President Truman asked Congress on November 17 for \$597 million interim aid for Europe. Although the administration made no detailed

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## NO!

By CAROL L. THOMPSON

**I**N a rather crude attempt to tie domestic policies to the European relief program, President Truman appealed to Congress last November for emergency control powers over domestic inflation. The issue was raised again in his State of the Union message of January 7, 1948. That inflation has reached dangerous proportions in the United States no one can deny. It seems equally obvious that the measures proposed by the administration are ineffectual and unconstitutionally arbitrary.

In the first week of December, wholesale prices in the United States reached a new high; food prices were climbing steadily; factory wages were averaging over \$50 per week; unions were beginning a drive for further wage boosts in 1948. The cost of living had risen from 153.3 to 166 during 1947 (1941 figure: 105.2).

The basic reason behind the rising cost of living was not hard to find. Between 1940 and 1946, hard cash in circulation had increased from \$40 billion to \$106 billion, creating an unprecedented demand for all types of commodities. Although 1947 was a record production year in the United States, production has by no means kept up with demand. In addition, the wretched condition of the rest of the world makes it impossible for most foreign countries to contribute much to the world production total. Thus, in 1947, the United States turned out more than 50 per cent of the known industrial production of the world, compared with 30 per cent before the war. The resulting inflation in the United States can hardly be met by haphazard government planning.

President Truman has asked for stringent controls over the economy and has declared that we should not let rising prices cure the inflation. Yet rising prices, in a free economy,

will eventually cause demand to drop and inflation to disappear. The *Economist* of London, already too familiar with government controls on the British economy, has put the matter well:

Rising prices and inflation are . . . associated together, like scarlet fever and rising temperatures. . . . But so far from being the same thing, one is nature's cure for the other. Inflation is an excess of demand over supply and one way in which the two can be brought into balance is by such a rise in prices that the available supply absorbs the demand. . . . Nobody in his senses would advocate an indefinite rise in prices as an end in itself. But it does bring the inflation to an end; whereas holding all prices down merely guarantees that it . . . shall go on forever.

As a matter of record, the unit volume of retail sales declined an estimated 10 per cent in 1947; few and far between as they have been, there have been sporadic price cuts throughout the year, as industrialists tried to lower the cost of their products and thus increase sales.

### FAILURE OF O.P.A.

Even in war time, price controls under the O.P.A. did little to help the average American. To prove the effectiveness of price controls by quoting ceiling prices during the war is unadulterated nonsense, as every consumer knows. Scarce items were simply not available at ceiling prices. With plenty of money to spend, normally patriotic citizens patronized black markets in food, in nylons, in automobiles—in all the countless consumer goods driven off the legitimate market by unrealistic price policies. Without the emotional stimulus of all-out war, it is hard to believe that if price controls are re-established, black markets will not again become the order of the day. Even in war-time, the administration was unable to cope with strong union demands for higher wages; once the power to raise wages is again in the hands of federal bureaucrats, strong unions will have little difficulty in gaining

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