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THE CONGRESSIONAL FRONT.
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PROS AND CONS ON SUBSIDIES.

What was all this furore in Congress over subsidies? Why was the administration so determined to use subsidies for the purpose of rolling back prices? Why were both branches of Congress so deeply agitated over this subject? Perhaps a definition, a little history and a presentation of the arguments on both sides will serve to summarize the problem.

WHAT IS A SUBSIDY.

Webster defines a subsidy as "aid or assistance." That's rather meager. It needs a bit of expansion. As applied to government, a subsidy is really a grant of money to a person or company for some sort of service that is considered necessary and beneficial to the people as a whole, or to a substantial group of people. The money which was provided for so-called parity payments to farmers to bring prices of certain commodities to the parity level was a really a subsidy. When airmail first began, it cost about 7¢ more to carry a letter from New York to California than what the sender of the letter paid when he put a 6¢ stamp on the envelope. That 7¢ came out of public funds and is a subsidy. To build up our merchant marine, ship builders received a grant from the government which represented the difference between what it cost to build a vessel in our shipyards and what it cost to build it in a foreign yard. That's a subsidy. Thus a subsidy is a kind of financial aid to secure some kind of service or result.

PRICE SUBSIDIES

Now comes the price subsidy which developed the present fuss. Early in 1940 Congress passed the Price Control Act for the purpose of stabilizing prices, rents, wages and salaries and created the Office of Price Administration to handle the job. Price ceilings and rationing were imposed to attain this goal. This act ^{was} further amended in October of 1942. The aim was to keep prices and wages in line. Since the Price Control Act has been on the books, certain things have happened. Certain wage increases were allowed. As materials and manpower became scarcer, the cost of producing and handling food and other commodities went up. A squeeze began. The prices of all goods had been frozen as of the month of March 1942. If a butcher bought ham from a packer at 35¢ a pound and had to sell it to the customer at 35¢ a pound to stay under the ceiling, he was being squeezed. Unless he made some profit, he could not pay his rent, light, clerk hire and other expenses and remain in business. Since prices had been frozen at the retail level, it was still possible for manufacturers' costs and prices to go up. They did go up. The squeeze got worse. More and more folks in business found it difficult or impossible to stay in business. Ceiling prices must be lifted or some other device found to meet this problem.

THE ROLL BACK

As a remedy, it was proposed to roll back prices. Suppose the grocer was to sell butter at 40¢ a pound and that it cost him 45¢ a pound to obtain and sell butter. Who would make up the nickle? Obviously the consumer, the grocer or the creamery couldn't make up this 5¢ difference. That's where the remedy comes in. It was proposed to take this nickle out of public funds and pay it to the creamery so that the butter maker could sell butter to the grocer and enable him to sell it at 40¢ a pound and still make a profit. Thus the consumer got a 40¢ price, the grocer got a profit, and the creamery received a subsidy to enable it to make a profit and stay in business. Everybody was happy. If this remedy were applied to all commodities, everybody would be happy.

WHAT'S WRONG WITH THIS PICTURE

The argument in favor of this is that it stops the inflation spiral; it holds wages and prices in check, and is much cheaper than a general price rise, even though the cost of this remedy might be a few billion. So what's wrong with the picture? Here are the arguments against it: (1) the cost of rolling back prices by means of subsidies must be paid later in the form of taxes so that the benefit is fanciful rather than real. (2) It is inflationary because it increases purchasing power at

a time when there is so much more money in the country than there is goods to be bought (3) It is unfair because butter makers who produce less than 1000 pounds of butter per month or slaughterers who produce less than 4000 pounds of meat per month do not share in the subsidy benefits. (4) it holds down production of food at a time when production is most needed. (5) it affords the greatest benefits to the wealthy rather than to folks in modest circumstances (6) Borrowed funds must be used to pay such subsidies (7) it encourages the doctrine that government should support the people (8) that there is danger that such a program would become permanent (9) it would make manufacturers, producers and distributors dependent on government and invite further governmental control And that's the story.