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on the air

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Can We Bring Prices Down?

A radio discussion over Station WGN and the Mutual network

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Can We Bring Prices Down?

MR. BUCHANAN: In restaurants, on the elevated, at a football game, under theater marquees, in offices—everywhere I went this week, someone was worrying about high prices. And no one seemed to know the answer. *Can We Bring Prices Down?* What can we do about prices?

Here to give us their answers to these questions are the Honorable Thomas L. Owens, United States Representative from Illinois; Hubert H. Humphrey, Mayor of Minneapolis and National Vice-Chairman, *Americans for Democratic Action*; and Marshall Dimock, Professor of Political Science, Northwestern University.

Congressman Owens, I know that the people in your congressional district are wondering "Can We Bring Prices Down?" How would you answer them?

MR. OWENS: Well, Buchanan, it is my opinion that prices *can* be brought down. But it is going to require the co-operation of all of the people of the United States. When I say all of the people, I mean government, business, and the individuals, themselves. Yesterday in the newspaper there were several headlines concerning prices. One of them said, "Bare Millions Spent by U.S. to Keep Prices Up." That, of course, is the situation which we will have to investigate and change. There is another article, "Congress Can't Help on Prices, Says Secretary Anderson." I believe Congress *can* help on prices. Senator Taft stated that we would have to stabilize prices at a figure, say, 50 or 60 per cent above the 1939 level. However, I believe, in the meantime, the people can control prices voluntarily by cutting down on the amount of food and other items which are being consumed, and also by using cheaper cuts of meat and reducing the type of food that is being eaten and by co-operating in every possible way to avoid real controls.

MR. BUCHANAN: I am sure the residents of Minneapolis are no different than the people here in Chicago when it comes to concern over prices, spiraling up and up. Mayor Humphrey, do you think we can bring prices down?

MR. HUMPHREY: Yes, I do. I not only think we *can* bring them down; I think we *must* bring them down. And I know everyone recognizes that checking inflation is not an easy proposition. There isn't any one single answer to the problem of rising prices or to an inflationary trend, but it is my opinion that we will have to recognize that this is an emergency, that this is a critical situation which has both domestic and foreign implications.

It is my belief that our foreign responsibilities are being threatened. Our foreign commitments are endangered by this rise in prices, and on our home front, in our domestic economy we are facing a period of industrial chaos unless something is done to check rising prices. So I say we ought to do it the same way we did during the war—by controlling prices.

We ought to break the bottlenecks of production because production is definitely a part of the answer. We need more and more production. We ought to do this by direct government action, if need be. There should be conservation of food and conservation of clothing—two very important items in the family budget. And we definitely should stop speculation in food. It is my candid opinion that speculation in food today is not only economic madness, but it is downright immoral when thousands and millions of people in the world are starving.

THE REVIEWING STAND is a weekly radio forum presented by Northwestern University. The program was first broadcast by Station WGN, Chicago, on October 14, 1934. It has been on the air continuously since that time, originating in the WGN studios, and since 1935, carried by the stations of the Mutual Broadcasting System. THE REVIEWING STAND presents members of the Northwestern University faculty and distinguished guests from business, government, education, and the press in round table discussions of contemporary problems—the questions that are in the news. The program is under the general direction of James H. McBurney, dean of the School of Speech and director of radio, Northwestern University, and Miss Myrtle Stahl, director of educational programs, station WGN, Chicago.

I believe, likewise, that we should stand pat on taxes and re-establish the excess profits tax. We should encourage nationwide savings and resume credit controls, particularly time-payment or installment-buying controls.

As far as our exports are concerned, the American program ought to be one of strategic exports to countries that are in need of rehabilitation, choking back those other exports where countries do not need our products for rehabilitation purposes. And, ultimately, I believe that we must set up an economic adjustment board to take the necessary steps to prevent us from a drastic deflation or slump.

The real problem in inflation is not only the going up, the going on the dizzy drunk, but it is the hangover and the sudden collapse of the whole economic house. And if that happens—and there are signs of the times which indicate it may—America will see a depression and will see economic chaos such as it has never witnessed before.

So I think we have to have a comprehensive program, and we have to be at it very soon.

MR. BUCHANAN: Dimock, your experience in governmental activity has given you an insight to the importance of prices in the national economy. How do you view our question?

MR. DIMOCK: I agree with Humphrey that we will have to do something about spiralling prices for two very important reasons: One is that, if the present trend toward higher and higher prices continues, purchasing power will eventually shrink to a point where we must expect a depression like the one that began in 1929. Secondly, if we don't stop rising prices we must cut off shipments to Europe and discontinue efforts to help rebuild those countries.

Now, either one of these situations would be a very serious thing. The encouraging note is that the American people for the first time in, say, 18 months have really become alert about this situation. Now, it is not enough that the American people should be concerned about it, because I doubt very much whether buyers' strikes and whether the criticism of prices, whether all forms of voluntary action are going to be sufficient. My reason for saying this is that we are still in a very abnormal situation since so much of the resources of the world were destroyed by the war. During the war we had price controls, and we controlled prices. Now that the war is over we have taken off price controls too quickly. As a result prices are out of control. The problem, therefore, is how can we reinstate the necessary controls in order to rectify the mistake which we made when we dropped price controls too quickly.

MR. BUCHANAN: Before we get too far into what we might do about prices—I suppose I am guilty like everyone else of complaining about high prices without knowing all the facts. Just where do prices stand now? What comparisons do we have with previous years? Owens, what do you think?

MR. OWENS: There has been a habit recently of taking 1939 as what might be called the hundred year, because it seems to be the year just before the war when things were fairly normal. And, if you will look at the statistics, you will find that the cost of living over-all is up about 60 per cent from 1939 to the present time, although food, itself, is up 100 per cent. The food rise is balanced by the fact that other items, particularly rent, are up only 5 per cent. So your over-all percentage is 60. In the meantime, wages have

risen 110 per cent. So you have the difference between 60 per cent in the cost of living and 110 per cent in the rise of wages. But you have high income taxes which eat a great part of that, you might say one-quarter. It still makes a difference of about 30 per cent. But, unfortunately, a great number of the people haven't had wages raised in the same proportion; white collar people haven't had a 100 per cent raise. There are a certain number of people, including teachers, who haven't had that change in salary—people who are living on pensions and whose incomes are more or less static. And they are the people that we are going to have to care for right now. The others are still in a position where they are not only able to meet the cost of living and taxes, but still are able to save money. The over-all picture shows there is still a saving of 6.8 per cent throughout the United States despite the change in the cost of living.

MR. BUCHANAN: Humphrey, do you agree with these general statistics?

MR. HUMPHREY: Basically I do. I think I have some facts which may be enlightening on the rise in living cost since 1939. Incomes of some of our white collar and professional people have failed to keep pace. That is what you were saying. Forty-eight per cent of the people on payrolls have managed to keep incomes abreast of prices, or possibly a little bit better; 31 per cent have scored substantial income gains in relation to prices. However, in the last few months there has been a sudden break in these figures. For example, real wages for the factory worker in the first half of 1947 have actually decreased by about 5 per cent. Now, real wages compared to money wages have dropped. Your real wage is lower in purchasing power.

MR. BUCHANAN: You mean by real wages the amount of food or clothing the wages will buy?

MR. HUMPHREY: Yes. For example, the average worker's wage is now \$49.37 a week. That will buy on today's market equivalent to about what \$30.00 would have purchased back in 1939 or 1940.

Something else, I think, ought to be brought into this picture. I recognize that wages have gone up. I agree with Owens' figure, 110 per cent (I believe that was the figure,) from 1939. But I wonder how many of us recognize that net corporate profits have also gone up. And I would like to explain that. Net corporate profits mean profits after the kitty has been filled up, after depreciation, after all taxes have been paid. Net corporate profits have gone up from 1939 from around a figure of 5 billion dollars to the first half of 1947 estimate of 17 billion dollars, net. That is a 300 per cent increase in corporate profits. That is an estimate of the top 385 corporations, and it is further substantiated by the Federal Reserve Board using figures from more than 2,000 corporations. It indicates a drastic rise in profits, a definite rise in wages where organized labor is concerned, while—as Owens has pointed out—in that non-organized group, in that white collar group you have had a static situation which has almost been disastrous.

MR. BUCHANAN: Dimock, how would you illustrate the fact that prices have risen?

MR. DIMOCK: Well, I don't know that we have to illustrate the fact, because everybody knows from his own shopping just what prices have done, and that is particularly true of the housewife who, of course, is the greatest spender.

I have here a graphic statement as to what has happened to food prices.

When the war began in September, 1939, it shows what \$16 would buy. Now, in September of 1947, you would have to pay \$34 to buy the same thing that you would have paid \$16 for when the war began.

The real problem lies with that very large group which makes up most of the middle class, salaried workers who do not earn profits or wages but who earn salaries. They are the backbone of the middle class. There are the postal workers, for example. If you reduce their standard of living—it has been proved over and over again in this country as well as in other countries—you have one of the principal factors which contribute to a depression. When there is a shrinkage of mass purchasing power, you cannot buy back the products of industry. If you cannot buy back the products of industry, people are laid off, and the result is that the whole thing begins to spiral. Before you know it, you are in a depression. That being the case, therefore, we have to do something for these people whose wages and salaries do not increase as prices increase.

Now, there is one other comment I would like to make on Owens' statement. He said that we are still putting a good deal into savings. That is true, but I want to call your attention to the fact, as brought out by the President's Economy Advisory Report, that in the last two years the total savings in the United States have rapidly diminished because people have had to dig into their savings so rapidly, sell their war bonds. The principal explanation is rising prices. This also is a very important factor since it bears on the danger of a depression, because when people reduce their savings and have very little to rely upon, they are not going to have the wherewithal to buy the products of industry hence that is another factor conducive to a depression.

MR. BUCHANAN: Now, what brought us to this particular situation? We are agreed that prices have gone up, and we have talked about wage increases. But what brought on these increases, Owens?

MR. OWENS: Buchanan, before I would say what brought on increases, I would like to answer one or two of those points that were brought out by Humphrey and Dimock, particularly when Humphrey mentioned corporate profits. You often hear that such profits have risen. Let me analyze that for a moment. Those profits are distributed to the various stockholders—and that means people all over the United States—the millions of people who pay from a small percentage all the way up to 86 per cent taxes on that which is distributed by means of work or by relief and charity throughout the United States. But, if every penny of those profits were paid out as wages, it would give the people who are working throughout the United States only \$3.50 a week.

As to what we can do about rising prices, I would say, Number 1: We should do something about the millions that are being spent in competition with business—where government is competing with business buying grains and other commodities and shipping them to foreign countries, keeping up prices in every way possible while, at the same time, the government is trying to lower them. That has to be stopped.

Number 2: We must have reductions in taxes—income taxes—because when we do, it will aid all the people. You take the average reduction that we would have had recently if it hadn't been vetoed, about 30 per cent to the people who need it most. It would have given them an increase in their gen-

eral income of about 10 per cent. It would have helped them meet this situation.

Those are the two points which should be carried out immediately.

MR. BUCHANAN: Let us take them up in order. What about the question of exports? You would suggest that we discontinue exports to foreign countries?

MR. OWENS: No, we will have to continue exports. We will have to take care of those countries. I believe the people of the United States in their charity and generosity would be very willing to realize that they are going to have to cut down on their own food and lessen the quality in order to help those stricken people. But take government out of competition with business.

MR. HUMPHREY: I would like to challenge Owens on this, because, first of all, he doesn't really want to face the fact that what he is saying is "no more exports to Europe." He says, on the one hand, he wants us to be generous with our friends in Europe, and particularly, I suppose, with those countries of democratic inclination, or democratic institutions. But, on the other hand, he says government must get out of the competitive market. Well now, it is government that is going to help these countries in Europe, and obviously the government must be in the market to purchase grains and strategic industrial materials necessary for rehabilitation.

And I state very frankly, that unless the American people recognize the importance of rehabilitation such as the Marshall Plan outlines, a blueprint of action—of economic action—in Europe, unless we carry through that, we have already lost a great section—let me say a great part—of the war, that totalitarianism will inevitably take over Europe, and that we have lost our first front in the battle of building the kind of a world we would like to have.

And I insist that, from my point of view, at least, the government should continue its purchasing of food materials and industrial materials for Europe.

I would just like to say one other thing here about income taxes and corporate profits. Now, you can divide the corporation profits by dividing the number of workers into the amount of corporate profits and say it only means \$3.50 a week. But the point is that profit has a great deal to do with the price of a commodity, and profits, accumulated as they are—that means after these little reserve kitties have been set aside. Forty-five per cent of the workers' savings have already been dissipated in this last year; the corporation isn't dissipating, isn't losing its savings. It is building up these reserves. In other words, it has a philosophy of depression. It says, "Well, a depression is going to come, so let us get ahead and have a bank full of money." But there aren't going to be any workers who will be able to sit around to clip coupons and to have a big reserve when the depression comes. That was exactly the situation in '27, '28, and '29. In '28 and '29 we found all this money piling up in reserves, which was a drag on the market, and which promoted easy credit, and which ultimately brought the stock market speculation. I believe, Dimock, you will substantiate this.

MR. DIMOCK: I do agree with that. I would also like to point out that it is possible to have a depression despite the fact that there is an unsatisfied consumer demand. In other words, the mere fact that business is prosperous is not in itself an assurance that we will avoid a depression, because the only way you can prevent a depression is to continue consumer demand. This means that prices and wages must be in accord, that is, they must not be out

of balance, because if they are out of balance, then a constantly growing part of the population will not have the wherewithal to buy the products of industry, and if you can't buy the products of industry, then you are going to lay off people. And if you lay off people, then you are going to have a depression.

I should like to say also, with regard to Owens' statement on taxes, I find myself in very fundamental disagreement with him. And I think that every economist I know is in disagreement with him, too. It seems perfectly obvious that in times when profits are high, when production is high, when employment is high, the country can afford to tax itself and use the income from taxation in order to reduce the national debt. And I think almost everybody is agreed that we ought to reduce the national debt. Therefore, when you have a situation with all those conditions, to recommend that we cut taxes seems to me to be a very shortsighted statement.

MR. BUCHANAN: What would happen to prices now if we cut taxes? What is the connection?

MR. OWENS: That statement that was just made by Dimock certainly can bear analysis, because he was talking about times when you have great profits. He indicates this is a time when we should have taxes, and here we are sitting here trying to ascertain how we can help the people live. I mentioned the fact that one of the ways of helping people live is to cut taxes and give them that much more money to spend. And when he talks about less employment, about the fact that we would have deflation, we would have bad times, he is bringing into the picture corporations—which means all of the corporations of the United States, small ones as well, those who maybe have 50 or 200 or 300 people employed. The total amount of their assets if distributed over their employees wouldn't pay them six month's wages. So that if they had bad times for six months they would be through. This business of talking about taking money away from firms is a joke. What we have to do is to get down to fundamentals. Do the very things I mentioned. Cut those taxes. Give people a chance to live with that, and let the people themselves come through. They are charitable. They are generous. They will reduce their ways of living. They will find ways of sending food to Europe by private individual firms. And the government can step out of it!

MR. BUCHANAN: You might suggest, then, holding the price line voluntarily. Is such a thing possible?

MR. HUMPHREY: Let me just take on Owens here again. First of all, let us analyze his position. He said in the very beginning, one of the reasons we have inflation is because there isn't enough production to take care of the demand. Now, demand is only a demand when you have money in your pocket to make a demand. This theoretical demand, this idealistic demand never bought anybody any pork chops. You have to have some money in your pocket. Now Owens comes along and says what we need to do is to put more money in people's pockets. What we need to do is to reduce the taxes, which means we put more money in people's pockets, which has an inflationary trend. And then we are going to hope—and we are going to pray a good deal—that prices stay down.

Now, I say, if he is going to do that, he ought to be on the bandwagon for price control—and real price control—and then encouraging saving this income tax reduction that he wants by investment in say, government bonds

or some kind of savings bond, because this loose money on the market with the limited goods available is simply going to be an additional inflationary item.

I think we have something else to come to, Buchanan. This business of placing the blame. We are in trouble. Everybody knows we are in trouble. How we got into trouble is a long, sad story in American history. There is depression, there is war, there are a hundred and one things that caused the trouble. But what are we going to do to get out of trouble? That's what I want to do. Where do we go from here? Are we going to just hope that out of the generosity and the spontaneity of American hearts that goods are going to fly to Europe to take care of the people over there? Or are we going to have some sort of planned operation here to see that we fulfill commitments to a war-torn world, on the one hand, and to have a sense of economic stability on American domestic economy, on the other hand.

I am one of those who believe that domestic prosperity and world security are inseparable. You can't divide things up any longer. You can't have one nice compartment, one speech for the outside world and another for the domestic economy of America.

MR. BUCHANAN: You suggest that we take specific action, then?

MR. HUMPHREY: Right!

MR. BUCHANAN: What action, then, the housewife and the worker want to know, can they take, tomorrow, to help bring prices down?

MR. DIMOCK: During the past week I have been making an attempted summary of some of the proposals, and these are the principal ones:

One proposal is that we should eat less, and a variation is that we should have buyer pressure in order to bring prices down.

Another proposal is that we should increase production. Just how that is going to be done on food for at least a year, in the grains at least, I don't see.

Another proposal is that we hold a conference of all the big economic groups, capital, labor, agriculture, etc. That was Phillip Murray's proposal.

Another proposal is that Congress be brought into special session in order to consider the effect of increasing prices on our foreign policy, that is, on the possibility of shipping things abroad.

Another proposal is that we do something about the regulations of the margins on grains.

Another proposal is that there be a more effective enforcement of the antitrust laws with regard, especially to the meat packers and to grain speculation. The antitrust division is doing something about that.

Another proposal is that we reduce exports. Some say cut them out entirely.

Another proposal is that we re-instate rationing and price control.

These, I think, are the major proposals I came across.

MR. BUCHANAN: Some of those proposals would require specific laws. But, immediately, do we have machinery under which we could move toward lowering prices? Humphrey?

MR. HUMPHREY: I feel very definitely that there are some things we could do right now. For example, we could re-instate installment buying controls. The Federal Reserve Board has a great deal of control over the flow of money and the flow of credit, which has much to do with inflationary

possibilities and inflationary trends.

There is definitely some work that could be done in the grain exchange terminals on the basis of control of speculation on food items. And I insist that this whole grain market is a false market. It is inevitably headed for trouble, and when that happens, the farmer of America is going to find out that again he has been outmaneuvered, and outfinagled, that his prices have been handled by people on the top story level and not very close to the soil, and he is going to find out what happens to those prices.

I also think there are other things that I mentioned in my opening statement, such as a mass general savings campaign.

I, too, believe in food conservation. I believe in clothing conservation. I think this style business is just ridiculous. It is not only ridiculous, it is causing us a lot of trouble—you know, this six-inch hem line we have—with textiles being scarce! Textiles is one of our real shortages, and here we are trying to alter styles.

I think there are many other things that can be done, but the *Americans for Democratic Action* yesterday proposed a program which we recognized as being very important. We say there should be an establishment of a federal agency to be known as an Economic Adjustment Administration to guide a price rollback. We don't believe that we should just stabilize prices; we believe prices are too high now. We think there should be a rollback.

We believe in the resumption of food rationing, particularly in critical food items—possibly it would only need to be in the meat industry.

And we believe in the re-enactment of excess profits tax under law.

MR. BUCHANAN: What do you think of these suggestions, Owens?

MR. OWENS: It is my opinion that what Humphrey just said about this, whatever you call this Committee . . .

MR. HUMPHREY: *Americans for Democratic Action*.

MR. OWENS: *Americans for Democratic Action*—you never use the words, "republican action," but anyway . . .

MR. BUCHANAN: You have to watch capital letters on things like that!

MR. OWENS: All you have to do is to look at Senator Taft's program, and you will see here an attempt to emulate it. I cannot disagree with any of the things that Dimock said except at the point where he gets down to the matter of controlling people, controlling the things they do. For the last sixteen years—fifteen years, anyway—we have had just too much regimentation.

There are persons who believe that they can regiment the people—and it is a perfectly permissible word—and that liberty can be had under a guise of regimentation. Now, under our American system we have risen to the point where we have freedom of action. And I still say the American people can bring prices down, but take this heavy tax burden off their shoulders.

MR. BUCHANAN: Your discussion, gentlemen, certainly has shown us that the status of prices is entwined throughout all activities of the nation. And concern over prices across the country, you have agreed, is warranted.

So we can't, then, remain lethargic. But I would suggest that we must move toward some solution, perhaps one—or a combination—of the answers that we have heard this morning.

SUGGESTED READINGS

Compiled by Miss Eleanor F. Lewis, Reference Librarian,
Northwestern University.

Amer. Econ. Rev. 37:287-302, June, '47. "Disequilibrium System," J. K. Galbraith.

Believes that our main concern should be with the control of wages and the prices of wage goods, and thinks that it was a mistake to relinquish control over both prices and resources.

Amer. Econ. Rev. 37:402-7, June, '47. "Price Dispersion and Aggressive Analysis." R. C. Epstein.

Records the percentage of price increases in 367 commodities in August, 1946, compared with 1939.

Journal of Retailing. 23:35-7, April, '47. "The Puzzle of Prices: How the Retailer Can Assist in Postwar Price Readjustments." L. C. Lockley.

Stabilization of the dollar and steadying of the price level is possible only by bringing production and purchasing power into balance.

Have you read these other Reviewing Stand transcripts
on this subject?

HOW HIGH WILL PRICES GO?

Vol. VIII, No. 19

HOW HIGH CAN WAGES GO?

Vol. IX, No. 9

Available for 10 cents in coin.

Nation. 165:273-4, Sept. 20, '47. "How to Check Prices."

Suggests curtailment of exports, consumer resistance, prosecution for price fixing, and restoration of government price controls. Recommends price control at the source of production.

Sociol. and Social Research. 31:297-305, March, '47. "Price Control and Social Control." E. S. Bogardus.

Analyzes the problems of price control from the standpoint of social control. Suggests consumer control through a co-operative organization of production, through distribution, and finance.

Survey of Current Business. 27:17, July, '47. "Farm Price Supports and the General Price Level." H. L. Liebling.

Discusses the problem of determining the significance of the government's farm price support program in relation to industrial prices.

United States News. 23:22-3, Sept. 12, '47. "Europe's Hunger; Blow to U.S."

The world shortage of food means that either the United States can deny itself in order to feed others, and face the danger of price inflation; or it can withhold extra food for shipment abroad, with a probable rise in Russia's prestige.

United States News. 23:11-12, Sept. 19, '47. "Why Food Costs Are Rising: World Scramble for Grain."

Believes that if the government and the people continue to bid against one another for the food supply, the cost of living will rise. Considers it unlikely that there will be a voluntary reduction in the amount of food consumed in this country, says that it would take six months to organize rationing, and that price control might be restored. Also there may be control of the use of grain and of speculation in grain supplies.

United States News. 23:32-3, Sept. 19, '47. "The World Is One." D. Lawrence.

The editor believes that self-discipline and production are the only real remedies for world-wide inflation.

Volumes I to VIII of The Reviewing Stand—List of discussions available on request.

Volume IX of THE REVIEWING STAND—discussions to date:

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| 2. Should the United States Make a Separate Peace with Germany? | 7. Our Churches and Our Government: How Are They Related? |
| 3. Is the Church Doing Its Job? | 8. Is the Marshall Plan Necessary? |
| 4. Are We Exhausting Our Natural Resources? | 9. How High Can Wages Go? |
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