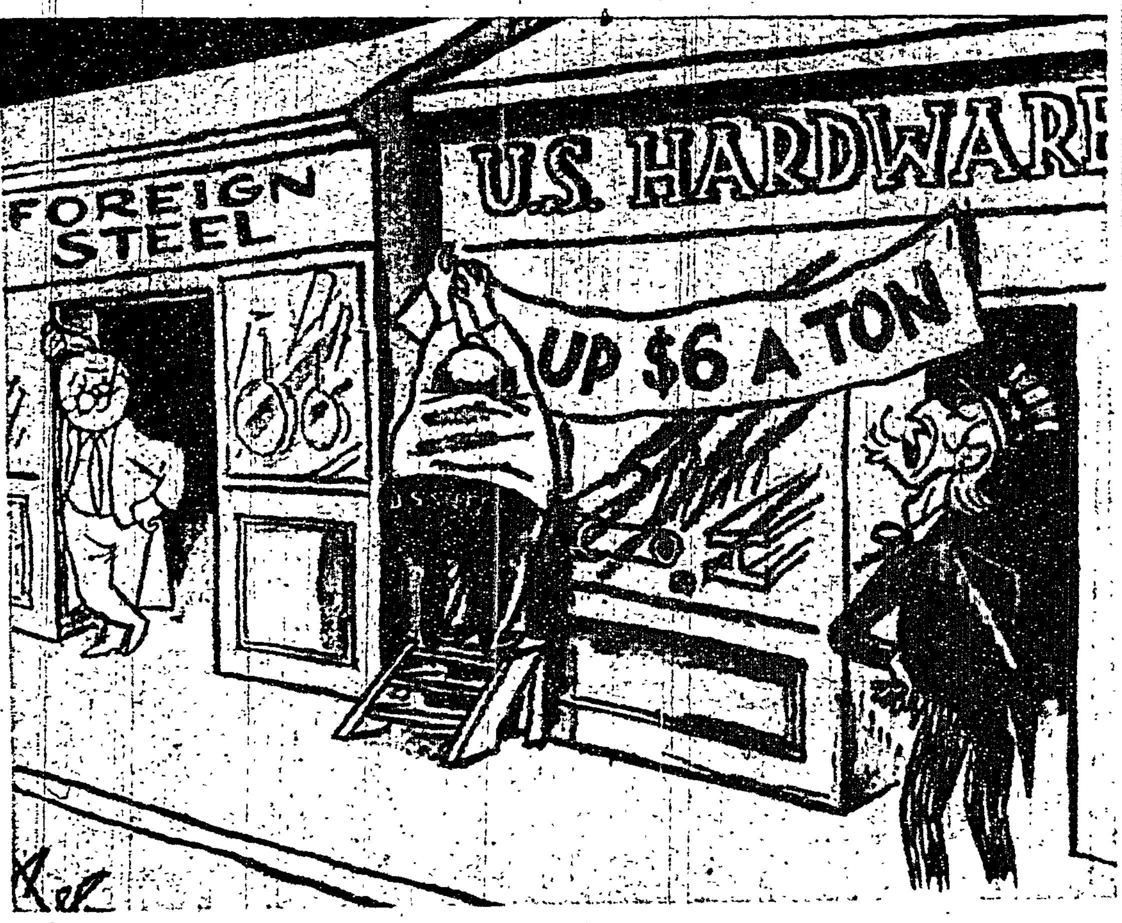
Behind the News



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"Hey, What's Going on Here?"

Public Interest Pricing

By ARTHUR H. REEDE
Professor of Economics

Most of the comments regarding the controversy over steel prices have tended to miss the essential issue. The question is not whether, in general, companies have a legal right to raise prices. They have, of course.

The question concerns rather the wisdom of raising steel prices at this time, whether from the point of view of the companies, of their employers or of the public. If deemed unwise, the issue turns on the consequences of such unwisdom for these three groups.

It continues to be argued, to be sure, that prices are economic matters, to be determined by market forces alone. Actually, steel prices, like the prices of any product produced by a small number of large companies, are policy decisions in the making of which market conditions are considered but not passively accepted.

Such a decision is made in the first instance by a leading company, and is usually followed by the remaining companies. If not, it is reversed.

No 'Political Vacuum'

Such decisions are not made in a political vacuum; moreover, they usually have political consequences. In the writer's opinion, it would be politically irresponsible to ignore anticipated consequences or to seek to guard against unfortunate consequences. At an earlier time, it was common to refer to economics by the somewhat broader and more apt term, "political economy."

The government of the United States is directed by the Employment Act of 1946 to use "all practicable means" consistent with our institutions "to promote maximum production, employment and purchasing power."

It was this law which established the President's Council of Economic Advisers. Each year since 1946, with the help of its staff, the Council has prepared the Economic Report of the President. Likewise, it has worked closely in matters of national economic policy with the Joint Economic Committee of the Congress," also established by this law, but originally under a slightly different name.

The administration's moves during the 1962 steel negotiations and following the steel price decision should be viewed in the light of these developments.

The rights of companies and unions are not absolute, but relative. Like all our freedoms, they are to be exercised with due regard for the freedom of others and for the public welfare. Thus, the government has restricted the right of unions to strike in cases where the public health or safety is endangered.

Wage-Price Concern

The previous administration, as well as the present administration, concerned itself with wage-price relationships in the steel industry. In 1959, for example, President Eisenhower urged both the companies and the union to follow a policy of "restraint" in the interests of a "non-inflationary" settlement.

It is true that, when negotiations broke down, the government did not then take immediate action. But when it became evident that a bitter and protracted strike was in progress, the Taft-Hartley Act was invoked to halt it temporarily.

Later, when it appeared that it might resume, Vice President Nixon and Secretary Mitchell intervened and, armed with the threat of Congressional action, virtually dictated the terms of a settlement of the 116-day strike.

The present administration has differed primarily from the preceding one not in its general position with regard to the problem, but in its preference to press for desired cooperation before rather than after an impasse had been reached. Hence the "guideposts" laid down in the President's Economic Report for 1962. Hence the activity of Secretary Goldberg in trying to keep negotations going. And hence the measures taken by the President when, following an apparently successful outcome, the steel price rise was announced.

Questions on Intervention

It can be argued that less action intervention in the early stages would have been preferable. It can also be argued that, rather than act on his own, the President should have turned to Congress.

But such arguments come down to the issue of the wisdom or unwisdom of alternative courses of action. They do not support a policy of inaction, much less the concept of an absolute and unvarying right of companies or unions to make decisions without considering the public interest.

The writer is not blind to the problem faced by the American steel industry. Much of its equipment is outmoded and therefore at a disadvantage when competing with the product of mills rebuilt since 1945 in war-ravaged nations.

But how is this situation improved if one raises the price of the product of an old wire or pipe mill competing with a new one? The administration's policy of speeding modernization by more generous tax policies, especially as regards depreciation, seems much better adapted to meeting this problem.

Is it wise to raise prices at a time when there is extensive unutilized capacity and widespread unemployment? Or at a time when the demands of defense production remain high, and when we are losing gold to other nations? Or at a time when, however tacitly, union representatives have been given to understand that a "non-inflationary" settlement is desired and accordingly have agreed to the most moderate contract since the end of World War II?

Differences on Details

There is room for honest differences as to the precise details in these matters. Some economists would admittedly favor a minimum of government intervention in them. In the mixed economy of the '60's, however, and especially while the cold war continues active, a majority of economists will be concerned about "non-classical" or "cost-push" inflation, and, like a majority of our people, will favor an active interest on the part of our government in economic stabilization.

It is a mistake to conclude that the administration has any plans for formal price control. It is interest in evoking, both on the part of Management and of Labor, a greater amount of consideration of the public's interest in economic growth with a minimum of inflation. The President expressed such views with considerable forthrightness in his recent address at the convention of the United Auto Workers.

Contrary to a widespread impression, he did not cling dogmatically to higher productivity as an exclusive guidepost for wage adjustments, but took account of those differences in situations which we often call "wage inequities."

TODAY ON CAMPUS

Bake Sale

The staff of News and Views, a publication of the College of Home Economics, will hold a bake sale in the Home Economics lobby.

Colloquium

Ronald Green, professor of geophysics at the University of Tasmania, will speak on "Geophysics in Australia" at the Mineral Industries Colloquium at 3:45 p.m. in the M.I. auditorium.

Student Encampment

Applications for the fall Student Encampment to be held Sept. 12-14 are now available at the Hetzel Union desk and must be returned there tomorrow.

Meetings

Agricultural Economics Extension, 1-5 p.m., HUB assembly room.

Agricultural Extension coffee hour, 2-3:30 p.m., HUB main lounge.

Gamma Sigma Sigma, 6:30 and 8 p.m., 105 Armsby.

Inter-Varsity Christian Fellowship, 7:30 p.m., 111 Boucke.

Taylor Accepts Position

Hugh Taylor, assistant professor of geochemistry, has accepted a position as an assistant professor of geology at the California Institute of Technology, Pasadena, Cal.

His resignation is effective June 30.

Taylor has taught here since February 1961. Prior to that time he was an assistant professor at the California Institute of Technology for a year and a half.