My name is Richard S. Jones and I am an officer of the Pet Milk Company of St. Louis, Missouri. In appearing before your Committee I am representing the Dairy Industry Committee, with offices in the Barr Building, Washington, D. C. This is an organization composed of official representatives of national associations whose members are engaged in the dairy manufacturing, processing and distributing fields, and since 1934, has been concerned with major problems confronting the entire dairy industry. The member associations are as follows:

- American Butter Institute
- National Creameries Association
- National Cheese Institute
- American Dry Milk Institute
- Evaporated Milk Association
- Milk Industry Foundation
- International Association of Ice Cream Manufacturers

The dairy industry produces, manufactures, processes and distributes dairy products to all of our people.

Milk and cream are produced on 75% of the nation's farms every day. These farms are located in every state of the union. The dairy industry contributes more than 10 billion dollars annually to our national commerce and aside from milk and cream, supplies approximately 40% of our beef. Housewives spend about 15% of their food budgets on dairy products and for this they get nearly 30% of the food consumed annually in this country. About one bite out of every three on our national menu is a dairy product.
We assume that the question of wage and price controls in event of all-out war is not at issue. While our two most recent experiences with national emergencies involving war would indicate that an immediate freeze of prices and wages might be highly desirable in event of a future emergency, it is impossible to determine here and now that such a freeze would be necessarily appropriate. The question is enactment at this time of standby legislation which can be activated by the President without action by Congress. The Dairy Industry Committee is opposed in principle to any such legislation.

I shall first address myself to S. 753*, but I shall not engage in a section by section analysis of that bill. I shall also confine myself to a discussion of Title IV. In connection therewith I shall make the following points:

1. It is impossible to foresee either the circumstances under which it might become advisable to re-impose wage and price controls or the economic situation which might then exist, and accordingly, it is impossible at this time to write a formula to become operative at some future date.

2. Congress should not grant administrative power of such far-reaching importance in advance of any need therefor, but should retain its traditional constitutional power and stand ready to act jointly with the Executive in writing appropriate legislation when and if an emergency should arise, geared to the specific needs when the emergency arises.

3. S. 753 would require an enormous expenditure to maintain the staff and to finance the "studies" which the staff would conduct continuously on a make-work basis. This would mean an unnecessary governmental expenditure on a large scale at a time when the need is for a reduction in expenditures and for the balancing of the budget to combat the causes of inflation.
4. The effect of standby wage and price control legislation would be inflationary.

Sound Law Cannot be Devised

A sound law to go into effect at some uncertain future date cannot be devised. The impracticability of the undertaking becomes evident from an examination of S. 753 itself. The key provisions of the bill - the formulae to be employed in fixing wage and price ceilings - are left blank; but they would have to be filled in on some arbitrary basis before the bill could be enacted into law. This highlights the difficulties inherent in such a proposal.

Control legislation suitable to become effective in time of an economic boom would undoubtedly differ radically from that to become effective in time of an economic depression. Moreover, wage and price control legislation must be geared to our dynamic changing economy and is necessarily subject to constant change and amendment.

The Emergency Price Control Act of 1942 was not only amended several times, but was also supplemented by the Stabilization Act of 1942 and the Stabilization Act of 1944 and was finally supplanted by the Price Control Extension Act of 1946. Each such amendment brought about some changes in the basic law which experience had demonstrated to be necessary. In 1950, in reimposing wage and price controls, Congress again found it necessary to alter the formula of wage and price control of World War II to fit the then current economic need. The amendments of 1951 and 1952 were also dictated by the need for change.
This is further demonstrated by the fact that the dairy industry is not now able to make specific proposals for additions to or amendments of S. 753 to meet specific needs of the dairy industry, because those needs can only be evaluated by superimposing such a bill upon a concrete, current set of operating conditions. Wage and price control legislation cannot exist in the abstract. It can only operate and be evaluated when related to a specific economic situation. A long, complicated bill, conceived in a vacuum, would be a bad law and worse than none at all.

If there is to be such a law, Congress should not disregard the many problems relating particularly to the dairy industry for which Congress itself sought answers and prescribed amendments to the Defense Production Act of 1950, as amended, as it observed the functioning of the wage and price control program.

Congress Should Act Jointly with the Executive

Congress, as a coordinate branch of the government, should retain its law making functions and act jointly with the Chief Executive in the light of conditions then existing, if the imposition of controls becomes an issue calling for governmental determination. Experience has taught us that when the need arises the Congress can and does act quickly. Any past delays in applying controls upon wages and prices have not been due to lack of legislation.

Huge Expense

During the last twenty years bureaus, authorities and agencies multiplied to an extent never before thought possible. To create and maintain the standby organization envisioned by S. 753 would duplicate much of the work being done by existing agencies, such as the Departments of Commerce, Labor and Agriculture and would involve substantial and unnecessary expense. The new Administration has as
one of its goals the elimination of unnecessary agencies, reduction of governmental expenditures and the balancing of the budget, as a preliminary to lightening the excessive tax burden.

**Inflationary Effect**

Everyone admits that permanent price and wage control would lead inexorably and quickly to quotas for production, subsidies, rationing and finally complete regimentation of manpower and the means of production.

Everyone admits price and wage controls treat only the symptoms and not the underlying causes of inflation. Their exercise can delude the people, at least temporarily, and permit Government to follow unsound and inflationary monetary and credit policies, thereby in fact strengthening instead of weakening inflationary pressures.

Standby wage and price control legislation would tend to make permanent the conditions prevailing in the minds of men during the "voluntary" wage and price control phase which preceded the general price freeze under OPS in January 1951. There would be a tendency to keep prices and wages higher than their natural levels because of a fear of a wage and price freeze. Such legislation would be a constant deterrent against the lowering of prices or wages as conditions might temporarily warrant for fear that prices or wages could not later be increased if later conditions should so require.

Standby wage and price control legislation would inevitably hamper the free functioning of the economy. It would be a confession on the part of the Government that Government does not believe in the free enterprise system. Business men, farmers and labor could not make their plans and operate in the faith of an enduring free economy.

In short, standby legislation would exert constant inflationary pressure and is unwarranted under existing conditions.
Our objections to S.753 as it applies to wage and price controls carry over in principle to S.1081. We concede that if standby legislation has to go on the books, S.1081 is less objectionable in this respect than S.753.

Enactment of standby legislation, even of the "freeze" type, would be another step toward building permanently into the statute books a system of Federal bureaucratic regimentation of the economy, since it would be a pronouncement by Congress that Government must intercede to control our free economy from time to time.

Although couched in terms of temporary legislation, experience demonstrates that it is only too easy for temporary legislation to become permanent legislation.

S.1081 is inflationary in nature almost to the same extent as S.753. With a wage and price freeze hanging over industry, agriculture and labor, there will be a decided tendency for wages and prices to resist downward adjustment because of the ever-present fear of the imposition of ceilings at current levels, thus preventing the restoration of such decreases as changing economic conditions would justify.

If an emergency should arise endangering the public safety, Congress could then meet and authorize a temporary freeze of wages and prices, and have the time during such temporary freeze within which to enact appropriate legislation to be operative during the period of the emergency.

The maintenance of the National Advisory Council with such personnel as would be necessary to carry out their functions, as detailed in S.1081, would result in unnecessary expense for services duplicated by existing agencies, although perhaps to a somewhat lesser degree than in the case of S.753.
Congress, in establishing a system of wage and price controls to become effective in the future, finds itself confronted with the necessity for establishing standards to guide the Executive in determining when such controls should be imposed. All might agree that a declaration of war would be such an emergency as would justify such a freeze of wages and prices. However, in recent times experience has demonstrated that major military operations are only too frequently carried on without such a declaration and it is therefore impossible to sufficiently define such a standard as would adequately guide the Executive in determining when such controls should be imposed. Only Congress itself, in the light of the existing circumstances, can determine whether the need for such a wage and price freeze exists.

Turning to S.1081 we should like to make certain observations with respect to specific provisions thereof.

Controlled prices tied to an arbitrary base period cannot be said to have been determined by the free play of economic forces. Likewise, it cannot be said immediately after the termination of such controls that prices have been so determined. If S.1081, describing prices in Sec. 801 to be "now generally in normal relationship" has reference to prices determined in a free market, we submit that it is wholly inaccurate and such language should be omitted from the bill.

It is not clear from a reading of S.1081 whether it would require a simultaneous imposition of wage and price controls. We assume such was the intent since recent experience with wage and price control legislation dictates that such controls are inseparable and neither is effective without the other. In order to remove any possible ambiguity, however, we suggest that the word "simultaneous" be inserted after the word "ceilings" in line 25, page 3 of the bill.
Section 703, as well as Section 705, should not become operative until ceilings are established and there is need for an agency to administer the law. Otherwise, a vast standby administrative agency could be set up and a make-work program carried out at great expense to the nation.

Moreover, S.1081 is deficient in failing to contain any prohibition against hoarding or unreasonable accumulation of inventories which could occur during a freeze period.

Bush Amendment

There has not been an opportunity to review the amendment which Senator Bush introduced on Friday. The reports would indicate it anticipated some of our observations in this statement.

It eliminates the expense of any standby agency and places reliance for necessary economic studies on existing agencies.

The setting of a termination date tends to minimize the inclusion of such controls as a permanent addition to our law. It does not, however, give the Executive any better standards by which to judge the need for controls or eliminate the inflationary effect which the threat of such controls would generate. S.1081, with the Bush amendment, would still shift to the Executive a determination which Congress should make or at least share in.