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NEWS from U.S. Senator Bob Dole

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SENATOR BOB DOLE SPEAKS ON PHASE IV

The recent announcement of Stage A of the Phase IV controls program enjoyed mixed reactions. For example, it was welcome news to most of the nation's producers of raw agricultural products, but a disappointment to the beef industry.

The price ceiling on all agricultural products except beef has been lifted. This will permit a dollar for dollar pass through of production cost increases incurred since June 8 on raw agricultural goods.

The regulations allowing for the pass through on production costs will undoubtedly result in some increase in the consumer's grocery bill. However, they will serve his interest by helping to ensure adequate future supplies of food. This is critically important in light of the fact that under the freeze some food items were beginning to disappear from the store shelves.

FOOD PRICE DILEMMA

Nowhere have the dilemmas of price control been clearer than in the case of food. Eariler this year, rising food prices were the largest part of the inflation problem. Even many of those who strongly oppose economic controls admitted that if price restraint was needed anywhere -- it was needed for food. However, since the freeze was imposed, food has given the clearest evidence of the harm that controls can do to supplies. This dilemma is no coincidence. When food prices were rising most rapidly the freeze held most prices below their natural level, thereby having a critically adverse effect on supplies. We must pick our way carefully between a food price policy so rigid as to cut production sharply, thus making shortages inevitable, and a food price policy so loose as to give us an intolerable inflationary bulge. The Phase IV regulations are an effort to strike that careful balance.

BEEF CEILING A MISTAKE

In my view, the decision to leave the ceiling on beef prices until

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September 12 is the most short-sighted aspect of Phase IV. This will continue to work a hardship on cattle producers and meat processors which the economy in Kansas, where cattle production is a billion dollar a year business, can ill afford. The impact of the meat ceiling has forced several plants to close and has driven some smaller operations out of business. Continued imposition of this ceiling can only compound this critical situation.

Phase IV in some respects appears tougher than the Phase II regulations. So long as the system is regarded as temporary, I feel that most businesses will be able to operate reasonably well and continue to expand production under these rules. I am hopeful that the regulations will be lifted in a short time, but certainly not before the economy is able to adjust itself so that no further hardships will be imposed upon either the consumer or the producer.

The primary objective of Phase IV is to stabilize prices. Stabilization of food prices, however, cannot be accomplished by low ceiling prices and empty shelves. There is overwhelming evidence pointing to the fact that only if a rise in food prices is permitted now can shortages and still higher prices be avoided later on. I believe most Kansans understand this. I only hope that some of my colleagues in the Congress who represent urban areas will not be deluded by the idea that they can produce low-priced food through Acts of Congress or Executive Orders. We will continue to be the best fed nation in the world provided only that America's food producers can continue to receive a fair return for their work, and an incentive to work as hard in the future as they have in the past.