PRICE SUPPORTS

Paradoxes and pressures seem to go hand in hand with politics. Federal officials and lawmakers decry high prices with fervent eloquence, but at the same time they formulate and enact measures to keep prices from falling. Present laws provide for the support of a market basket full of items, from oats, peas, beans and barley to peanuts and potatoes. Federal support of last year's potato crop has already cost over $ 150,000,000.

What happens when government supports prices? Who gains? Who loses? W. M. Curtiss, of the Foundation staff, presents down-to-earth answers to these questions. This article is based upon an address at a recent meeting of the Northeastern Vegetable and Potato Council. Editor's Note, March, 1949.

1. What is "...the basic objective of the over-all price support program for agriculture..."? See page 128.

2. "Prices of goods and services may be compared with water in a lake." Give author Curtiss' explanation of this statement. See page 128.

3. "Changes in the prices of individual commodities, ...serve a useful and important function." Explain this statement with particular reference to the price relationship between corn and hogs in 1947-1948. See pages 128 and 129.

4. Explain the statement: "Price supports are a one-sided form of price control." See pages 130 and 131.

5. Describe the functioning of the free price mechanism. See pages 130 and 131. Relate your description to your answer to the preceding exercise.

6. Give author Curtiss' description of "another method of guiding production and consumption." See pages 130 and 131.

7. How does he explain his statement: "There is no third choice"? See page 131.

8. On page 131 you will find a paragraph briefly describing the nature of price control. Explain the difference between price supports and price ceilings as forms of price control.