

AIRLINES' SUBSIDIES

by Marquis Childs

WASHINGTON.—When Secretary Brannan put out his plan to subsidize the farmer and at the same time allow the consumer to buy food at comparatively low prices, there were loud outcries. This was an evil scheme, so the critics said, to get government to underwrite permanently a large sector of the economy.

What the defenders of free enterprise often overlook is that important business interests are also subsidized by the government. If there is something inherently wicked in a government subsidy, then perhaps the time has come to look more closely at certain practices.

A conspicuous example is the airline industry. The government is now paying airlines, in air-mail pay and subsidy, approximately \$100,000,000. The Civil Aeronautics Board believes this must go up to \$125,000,000 in the next fiscal year.

Chairman O'Connell of the CAB said in a speech before the New York Bar Association not long ago that of this total he could not tell "whether the subsidy element represents \$30, \$40, \$50 or \$60 million dollars." That is a pretty remarkable admission for a responsible official.

The net operating losses of the airlines, both domestic and international, before mail pay in 1948 was \$91,636,000, which compares with \$76,748,000 in 1947. It is fairly clear, then, that the government is underwriting the profits of the airlines in a period of high business prosperity, while the passenger is getting his airline ticket for a lot less than he would have to pay if it were not for government subsidy. Here in essence is the Brannan plan—subsidizing producer and consumer.

Aid for New Industry.

This subsidy may be vital. It may be essential to the development of a relatively new industry, although the "temporary period" when subsidies were theoretically necessary should now be at an end. National defense—the maintenance of a going air transport system—may be sufficient justification.

But, at the very least, the taxpayer has a right to an accounting that will show to what extent he is subsidizing this private industry. One of the recommendations of the Hoover Commission was as follows:

"We recommend that the amounts of these subsidies should be paid to the postoffice by open appropriation from tax funds and not imposed upon the postoffice or the mail users in this hidden manner. By such a course, the president, the Congress and the public may know what the amounts of the subsidies are."

This is what Senator Johnson of Colorado proposes to do in one of a series of bills now before the Senate. In hearings before the Senate interstate and foreign commerce committee, of which he is chairman, Johnson has indicated that he intends to push hard for passage of this long overdue reform.

Johnson has taken a strong line in spite of the fact that the CAB seems inclined to postpone any change by proposing that the bill be held up until CAB completes long draw-out studies of the cost of carrying airmail. Similar bills have been introduced in the House by Rep. John F. Kennedy of Massachusetts, who is likewise urging the right of the taxpayer to know what he is getting for his money.

Yardstick for Revenues.

Johnson and Kennedy propose an allocation system that would fix the costs between passengers, cargo and mail. This would be a yardstick to apply to airline revenues.

If they were not sufficient to cover the cost of operation under these three headings, as they almost certainly would not be, then the CAB would determine the subsidy necessary for each line. Congress would then be asked to appropriate those specific amounts and the taxpayer would know exactly where things stood.

Johnson and Kennedy also propose to create an air merchant marine. In line with the recommendation of the president's Air Policy Commission, their bill would set up the aircraft development corporation with government funds to develop and build freight planes for lease to private carriers. This directly touches national security, since most studies have shown the country woefully deficient in transport planes.

There is reason for concern over the drift toward ever increasing governmental intervention. It is possible to drift into stateism, and a major cause of that drift today is the concentration of economic power in private monopoly or near-monopoly. Let's at least know what we are doing in this business of subsidies.