

Ferdie J. Deering

JUL 19 1974

Even Talk on Inflation Escalating

A LOT of things are escalating these days. Prices are on the up escalator. Labor unions are putting cost-of-living escalators in their contracts. Manufacturers and suppliers are writing escalator provisions into sales orders.

Even those who depend on social security, food stamps and federal pensions have been voted escalation by Congress, which also has acted to protect its members from hardships of inflation. Escalation has put millions of workers into higher tax brackets, too.

When money is coming in at a faster rate, either from sales or salaries, it is economic growth. When money is going out at a faster rate for expenses or taxes, that is inflation.

If that explanation sounds like reverse English, try this one from the reliable U.S. News and World Report:

"The cost of living will still go up and up—but not as fast as now. Some things may even get a bit cheaper—after they have become more expensive."

Herbert Stein, chairman of the President's Council of Economic Advisers, has blamed the American people for inflation and recommended the "old time religion" of self-discipline—not government action—to slow the pace. The revival hasn't started yet.

Nobody would argue with Kenneth Rush, White House economic counselor, who declared: "Inflation is a very difficult thing to bring under control once it's under way."

A news story explained official frustration this way: (1) Present anti-inflation approaches are running into trouble; (2) The administration doesn't seem to have any workable policy alternatives to its present course; (3) Even if some bold new strategy to conquer inflation could be devised, there is widespread doubt that it could be put into effect. The report wasn't optimistic.

William E. Simon and other economists have suggested that it would help if the government would quit spending so much money. White House plans call for reducing this fiscal year's budget by \$5 billion but

calculations show that new outlays could cause it to swell by \$3 billion instead. Inflation escalators go up; not down.

Most governments solve problems of over-spending by just printing more money. Our government gets the same effect by borrowing more and paying it back with tax dollars from inflated incomes that are worth less.

At least the money lenders are getting ahead of inflation. They have the prime interest rate up to 12 per cent, and the current rate of inflation is only 10 per cent!

It is reported that the White House plans a conference to give the image of doing something about inflation. It is called "jawboning". This may be just the opposite of the old Pontotoc County expression: "Do it and then talk about it!"

The bravest forecast of all showed up in a July survey of bank economists. One said: "I think if you took a survey you would find that fewer people than at any other time are willing to forecast what they think will happen."