## Continued Inflation? C. O. Borgmeier

Under the guise of controlling inflation the administration in Washington has actually resisted and combated deflation. Instead of putting into effect a rigid policy of wage and price controls from which there would be no deviation, we have another expansion of the bureaucracy to play around with wages and prices to appease first one segment of our economy and then another. We have transferred the operation of our economy from economic control t political control, which will wind up in a mess. What would be wrong with imposing rigid controls and then using the power of government to reduce wages and prices, not increase them according to the whims of politicians?

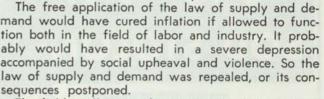
Deflation is unpopular with government, union labor, business and agriculture. So the Department of Agriculture is subsidizing and supporting farm crop prices, necessitated by huge increases in production. Large food crops should be a blessing to the nation and should decrease the cost of living by a price reduction in all processed food and that would happen if the Department of Agriculture allowed the law of supply and demand to operate. Instead, it jumps in with price supports and give-away programs to appease the farm industry. The eight billion dollar farm support program is scandalous and a fraud. It is not keeping the young on family type farms but encouraging corporate operations with guaranteed prices and subsidies not justified economically. Union labor is demanding and obtaining approval of outrageous wage increases instead of halting inflation or reducing wages to stimulate certain segments of the economy and discourage the inportation of cheaper foreign goods. Generally the people accepted the August 15, 1971 imposition of the 10% surcharge on imports. The government backed down on this in a hurry when foreign nations threatened retaliatory action.

There is a feeling of shame and humiliatin among many people that this proud nation, supposedly the strongest in the world, has devalued the dollar, once the soundest currency in the world. Now with the withdrawal from South Vietnam our place in the world is degenerating fast.

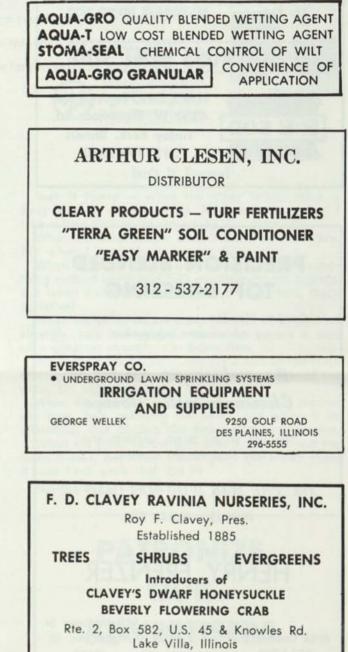
We can't put the blame for this on President Nixon. It started with our engaging in the no-win Korean War- under President Truman and continued under all successive administrations.

Our deficit, the diference between what the government collects in taxes and what it spends, is inflationary because it creates 25 billion annually in additoinal spending.money. U.S. Bonds and notes are money in a fixed form on which the U.S. Treasury pays interest if held to maturity. When the urge to spend outweighs the desire to collect interest theron they are just so much more money. We are undermining our dollar at home and abroad by this continued fiscal irresponsibility. The recent devaluation of the dollar is just a starter. The same thing will reoccur a year or two hence.

We will continue to have inflation because it is the accepted economic policy. The present administration endorses it, hopefully setting the pace around 4% annually. The financia! interests like inflation because it makes for liquidity of loans and debts payable with constantly cheaper dollars. The merchandisers don't object because inventories go up in value on replacement cost and losses are negative. Union labor, while giving luke-warm support to antiinflation measures, would not forego the periodical demands for higher wages to justify the leader's big salaries and expense accounts with the membership. Industry doesn't object to inflation as long as prices can be increased commesurately.



The field is all set up for continued inflation, hopefully restrained or controlled, but slowly destructive of the dollar value in wages, salaries and fixed incomes.



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