

Reagan's fast cuts won't halt inflation — Shapiro

By TIM RICHARD

President Reagan's proposed "tax cuts" are too large and come too soon to give the United States a credible anti-inflation policy, according to Harold Shapiro's economic forecast.

Shapiro, one of the nation's best known economic forecasters and since 1980 president of the University of Michigan, told a Schoolcraft College audience "Reagan may not have gone far enough," however, in making spending cuts.

Shapiro saw the three main components of Reagan's policy as spending cuts, tax cuts and defense boosts and called each component acceptable. All are due for implementation Oct. 1.

"But if you don't time them somewhat differently," he warned, "they will not achieve the desired results — reviving the economy in the most beneficial way."

THE 10th president of the University of Michigan, Shapiro, 45, has been on a fast track since he joined the economics department faculty in 1964.

He became department chairman in 1976, dean of the liberal arts school in 1978 and president last year. Meanwhile, his work in economic forecasting has brought him national attention.

He spoke without fee to an audience of 200 in Schoolcraft's cultural and



HAROLD SHAPIRO
Space out tax cuts

public affairs series.

"Inflation is our most important problem, in the sense that we're not going to solve unemployment until we solve the inflation problem," he said.

"Continuing inflation comes from only one source... federal government deficits. OPEC (oil price increases) cannot cause continuing inflation. It can cause a once-and-for-all inflation."

Shapiro said he would have exempted no area of federal spending in looking for ways to cut expenses, even social security.

BUT BEFORE instituting three personal income tax cuts of 10 percent a year beginning with fiscal 1982 on Oct. 1, he would prefer to "see if Congress has the will to control the budget."

"Inflation is an economic symptom of something else. Continuing inflation is a political problem. Congress hasn't had the will to increase taxes and decide which of the conflicting (spending) interests will be denied."

Assuring Congress has the courage to hold down the budget deficits should take only 12-15 months, Shapiro said. He cited eastern European economies which, after World War I, suffered from inflations of 12 percent a month compared to the United States' 12 percent a year.

"I've studied those economies. Those inflations came to a stop within a year when it became apparent someone was making (fighting) inflation a priority."

"I think we can get it down to 5 or 6

percent) only if we can get people to believe it's a priority... to wind down people's expectations. It's critically important that we adopt an anti-inflation program."

He would start tax cuts in the business sector because American savings and investment have been so low.

Without addressing the need for defense increases, Shapiro urged a slower approach to boosting that share of the budget. "Even if one is a hawk on defense, there are other things besides hardware you need — a strong economy and social solidarity."

MICHIGAN'S economic future is

Kemp boosts Broomfield fund-raiser

U.S. Rep. Jack Kemp will be the featured speaker at an April 3, \$50-a-plate birthday breakfast for U.S. Rep. William S. Broomfield, R-Birmingham.

Kemp, a former football player, is chairman of the House Republican Conference. The New Yorker co-sponsored an unsuccessful attempt to legislate an income tax cut plan similar to the one now backed by President Ronald Reagan.

Breakfast proceeds will be used to finance Broomfield's re-election campaign next year. His 19th District includes the Birmingham, West Bloomfield and western Rochester areas.

The breakfast begins in the Main Event restaurant in the Pontiac Silverdome at 8 a.m. and will finish by 9:30 a.m. Tickets may be reserved by writing the Broomfield Campaign Committee, P.O. Box 24, Birmingham 48012.

hard to forecast in the next 10 years, he said.

"The auto industry will revive. The auto companies will not move away. But the auto industry won't provide increased employment in this state."

Growth will come from small- to medium-sized companies which are labor intensive and employ high technology.

Despite much talk about diversifying Michigan's economy since 1953, "nothing has been galvanized."

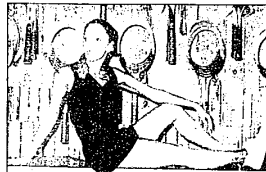
In answer to a question, Shapiro said Reagan's move to deregulate natural gas will help Michigan, which must import most of its energy. Deregulation

has the money gets the energy."

On the University of Michigan's own future, Shapiro predicted a shrinkage of enrollment on the Ann Arbor campus from the current 35,000 to perhaps 30,000, adding, "That's not all bad... Programs where we don't do well, we'll just get out. Inside every crisis there's an opportunity."

While the shrinkage in the number of 18-22-year-olds during the 1980s will hurt colleges, Shapiro said the decade ahead will also see a great growth in the 25-40 prime working age group. He called that age group, along with "the capacity of the American economy to adapt to change," two of the nation's

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The Oakland County Tornado Warning Siren system will be tested then, according to County Executive Daniel T. Murphy.

The tests will be made during what Gov. William Milliken has declared as

Michigan Tornado Safety Week, March 15-21.

Portions of the county are located in the path of a frequent tornado runway. This month is the fifth anniversary of a major tornado which damaged 95 homes, destroyed \$7 million in property and cost several lives in West Bloomfield Township and Farmington Hills.

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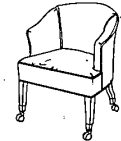
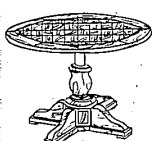
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