



Ross Wilhelm
Disaster — unless

To boost state's economy

Moratorium on Michigan labor costs urged

By Tim Richard
staff writer

President Reagan's economic program "is exactly the prescription we need to revive the American economy," says business economist Ross Wilhelm, "but for Michigan it won't be enough."

Michigan will need "a moratorium on total labor-cost increases," in the form of fringe benefit reductions, in order to compete for industry, said Wilhelm.

The University of Michigan professor of business economics spoke Tuesday to a fund-raising breakfast of the Livonia Chamber of Commerce Political Action Committee. About 75 persons attended the \$15-a-plate breakfast at which chairman Charles Chandler reported \$2,000 was raised last year to aid friendly political candidates.

WILHELM is known nationally through radio broadcasts for predicting misery for self-indulgent consumers

and governments, and he was in good form this week.

"It is absolutely critical" that inflation be controlled, he said, or by 1985 the rate will be 50 percent. "No democracy (except Israel) has ever survived with an inflation rate of more than 20 percent."

Reagan's combination of curbing the money supply, reducing the federal deficit, cutting spending and trimming taxes are aimed at releasing resources to encourage productivity, Wilhelm said.

To the question of whether the tax cut will result in more inflation, Wilhelm said inflation could be avoided if withholding rates are kept high and rebates are repaid the following April.

"THE KEY to recovery is business investment," said Wilhelm, and that is governed by the relationship between risk and profit. "We've held profits

'The key to recovery is business investment. We've held profits pretty much flat.'

— Ross Wilhelm
U-M professor

pretty much flat.

"Over the past 15 years, we have steadily increased the risks of investment in the American economy — recalls, lawsuits, reduction of productivity by the dead hand of government regulation."

Reagan's expansion of military spending, he said, will help Michigan, which produces such conventional weapons as tanks, small boats and arms. Michigan will need it because "the auto industry will never employ as

many as in the past."

"Reagan's program will help, but we'll have to do things ourselves," Wilhelm said, advocating competitive action by state government.

IN ANSWER to audience questions, Wilhelm said:

• Michigan political leaders are in the process of learning that the people want tax cuts but haven't figured out what to do about the business climate. "This state's on a disaster course. The industry that's here will move the hell out."

• Automobile safety decisions should be made by the marketplace. "You can't provide a world without risk. Consumers must make the decision, not some engineer in a government bureau."

• "We're moving toward single (financial) institutions — a combination of the brokerage house, bank and savings and loans."

• Savings and loans face a "dire" situation and many failures in 1985. "They are locked into long-term mortgages and need to attract savings." His prescription: Allow mergers and takeovers.

• If Consumers Power Co.'s natural gas prices are to soar, the solution is to use less gas. "Insulate your house," Charley. Put in your storm windows," Wilhelm recalled being ridiculed for a 1985 prediction that there would be a natural gas shortage in the '70s.

• Local governments are affected by auto industry wages, but politicians tend to solve problems with labor-intensive rather than capital-intensive solutions. It is "a sad but true" that local governments must learn to get along with less.

• School districts have tried to do "all things to all people." Schools should consider there are "lots of ways to teach besides having a teacher in front of a class — TV, programmed learning devices."



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