

Prof. Says Inflation Threatens

ANN ARBOR -- The United States is facing serious inflation which could bring difficult problems similar to those that led Great Britain to devalue the pound, says a University of Michigan business economist.

Associate Prof. Ross J. Wilhelm of the U-M Graduate School of Business Administration explains that devaluation of the pound from \$2.80 to \$2.40 in effect reduces the prices of goods which the United Kingdom sells to other nations and increases the prices of imported goods.

The British have been unable to maintain their position in the world markets because their goods have been overpriced," he adds.

"The overpricing of the export products has come about primarily because the government has used expansions of the money supply and inflation as a means for keeping the economy operating at high level and unemployment at abnormally low levels."

"THE BRITISH labor unions have very great power and have been able to obtain wage increases in excess of efficiency gains. They also have resisted efficiency improvements in industry. In addition, British businessmen have not been strong competitors and have been slow to adopt innovations."

Wilhelm, observes that while the Labor government has reduced the expansion of the money supply and inflationary pressures, "the problem of the labor unions and the lack of competitive spirit on the part of the businessmen remains."

"We in the United States also have been faced with chronic balance of payments problems, the U-M economist notes. "Due to our huge gold reserves and relatively mild inflation, however, we have not faced the grave difficulties experienced by the United Kingdom."

"We are now in a serious inflationary situation, however, and unless our inflation is checked soon, we could face dire problems," Wilhelm warns.

WHEN THE British devalued and raised interest rates, the U.S. also raised interest rates to help keep foreign capital invested in our bonds and securities from shifting to British securities. This will help somewhat to reduce our balance of payments and our inflationary pressures, he adds.

With British prices now being relatively lower than U.S. prices, U.S. exports probably will tend to be somewhat lower than would have been otherwise, and this too will help reduce our inflationary pressures, Wilhelm suggests.

On the other hand, our reductions of tariffs on foreign goods and European reduction in tariffs on our goods with the completion of the Kennedy Round probably means a rise in exports as well, he adds.

While these factors make forecasting difficult, according to the U-M economist, "it is certain that unless we do something decisive about the inflationary pressures in our economy, we are going to face very serious balance of payments problems for this reason."

The rate at which the money supply is being expanded by the Federal Reserve must be reduced and, in addition, there must be a sharp reduction in the anticipated deficit in our federal budget.

"Both the President and the Congress have been behaving irresponsibly," Wilhelm concludes. "The President has failed to provide the leadership needed to decisively cut our federal spending."

"The Congress has failed to raise the taxes to increase the revenues of government and to reduce the effective demand in the economy. Time is running out for us and there is a need for immediate action by both the President and Congress."

Student Minus 1/2 Inch Hair Stays In Class

Half an inch of hair kept 17-year-old Jeffrey Mauser in school in Denver, Colo., this week.

The half-inch was clipped off his sideburns to meet the regulations of George Washington High School.

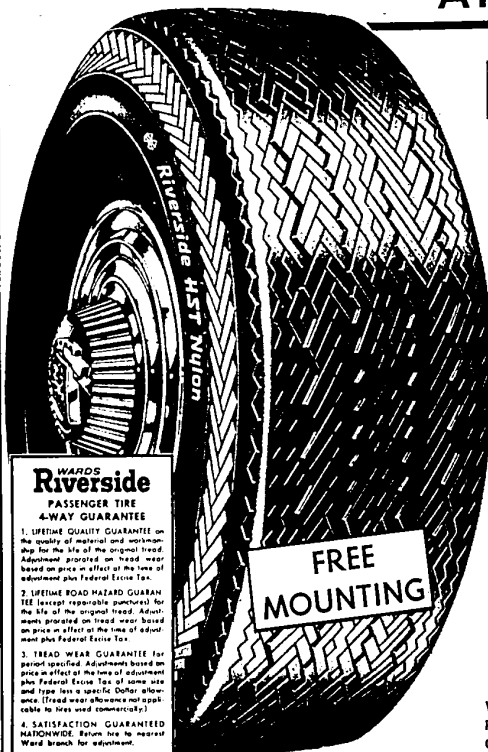
Before going to the barber, the youth had taken the case to district court with the aid of the American Civil Liberties Union. The suit was dropped.

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