

Failure to handle inflation threatening U.S. industry

By JACKIE KLEIN
"If you are not confused in this economy, you are not very intelligent."

THE RESULT. MacArthur contended, is stunted growth of the nation's productive capacity.

Inflation, he said, robs corporate treasuries. More than 80 percent of manufacturing corporations don't have inventories on a last-in-first-out basis.

Reported earnings, MacArthur said, are too high by an amount equal to the cost increase of goods that must be replaced. In 1973, he noted, excess earnings were \$17 billion and the estimated 1974 figure is \$25 billion.

"Effects of the topsy-turvy economy are many," he said. "Money has grown at a pace far slower than that of bank loans and wholesale and consumer price rises."

"The Federal Reserve is permitting only moderate growth of money and credit, more than eaten up by inflation. Corporate commercial paper borrowers may not be able to meet maturities."

Consolidated Edison's de facto bankruptcy should be looked at as the tip of the iceberg, MacArthur claimed.

USING AS his source J. S. Dusenberry, Harvard professor of money and banking, MacArthur said the United States has a chronic bias toward inflation. "There is a constant tendency for prices to rise," MacArthur said. "It is much easier to adjust prices upward than downward."

"Industries with a moderate degree of market power fear a downward price will not be increased by competitors at a later date. Wages rise faster than growth in productivity."

"We have a full employment policy with severe imbalances in our labor force. A substantial number of persons are only qualified for a limited range of poorly paid jobs."

"Government in employment downturn reduces taxes and increases expenditures over revenues to stimulate employment, increase consumer confidence and buying."

The dollar lost more than 20 percent in value compared to other major currencies in the United States in 1971 and 1973, MacArthur said.

"TOTAL FINANCIAL assets declined by more than \$200 billion in 1973 to a level below that of 1968," he said. "However, since 1968, consumers invested almost \$5.5 billion in financial assets."

"Consumers' ability to borrow as an inflation hedge is limited by rising prices of essential goods which reduce the ability to repay the record level of loans."

"Attempts to rebuild inflation-eroded wealth positions will limit the recovery of consumer spending in 1974 and perhaps in 1975."

It is frightening from the public policy standpoint, MacArthur said, that the reinvestment of corporate earnings, realistically measured, has almost ceased. The ef-

fect of inflation, if not realistically handled, is the liquidation of business, he added.

"In 1973, the rate of inflation was nearly nine percent," MacArthur said. "In about eight years, at that rate on a compounding basis, values will be one-half of what they are today."

Retail prices, he said, are rising well about a 10 percent yearly rate. Little new capacity has been added since the economy hit its ceiling in 1973.

"New forces at work are decontrolling of prices and wages and the impact of higher oil prices," he said. "The consumer hasn't been as pessimistic in the last 25 years. He's been robbed of his purchasing power."

"The economy is in a bind, the recession though hasn't been reached and the consumer who started the recession will remain a drag on the economy."

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Oakland council to publicize arts

A new county arts council is being planned—an umbrella organization to serve all culturally-oriented groups, businesses and individuals in Oakland County.

A representative advisory committee agreed to form the council and seek official recognition from the Oakland County Board of Commissioners.

"We'll serve primarily as a communications medium," said Southfield Arts Council President Ronald Sevold, who is spearheading formation of the new council.

If the new council receives approval from the Oakland County Board of Commissioners, its first major project will be promotion of local cultural activities during the biennial celebration in 1976.

MEETING recently to plan the new agency were Marlo Baininger, president of the Farmington Arts Council; Isabell Harlan, president of the Arts Council Triangle of Birmingham, Bloomfield and Troy.

Also, Darreck Wemher, director of Pontiac Creative Arts Center; Dr. Donald O'Dowd, president of Oakland University; Dr. Vaughn Whited, assistant to the president of Oakland Community College.

Also, Kenneth Gross, executive director of the Birmingham-Bloomfield Art Association; Judge Norman Feder, 9th District Court; Clifford Scherer, superintendent of Huron Valley Schools.

Larry Goldsmith, deputy director of Parks and Recreation for Southfield; Dennis Frazzho, Arts Council Triangle; County Commissioner Lawrence Pernick and Sevold.

"THE COUNTY council would not originate events," explained Sevold, "but function as a communications medium."

Ideas discussed at the meeting included the council's setting up a county-wide artists' registry, determining what facilities are available for events and the actual listings of all events taking place.

Optimists struggling for charter

By SHELLEY EICHENHORN

The future of the newly formed Farmington Hills Optimist Club is uncertain.

As of Aug. 1, the club had only 20 members, 15 short of the number needed to receive a formal charter.

The group is chaired by Thomas Kukes and Bruce Frankel. Since May, the first members have been meeting every Wednesday morning at McInerney's restaurant on Northwestern Highway.

"Aiding kids who need direction in their lives by giving career guidance and drug counseling are some of our major concerns," Kukes said.

"We want to reach responsive members of the community and encourage them to join our efforts."

Thirty-five members are needed by September to meet the requirements for a formal charter.

"We're going to make our membership goal," Frankel said. The group is planning the charter dinner for September. They're optimists.

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