Inflation's cause is seen as over use of resources

WASHINGTON D C Explicit over-commitment of our economic re-sources is the basic reason for in-flation; Prof. Paul W. McCracken of the University of Michigan told the American Bankers Association Sym-

American Banders Association Symposium recently. The former chairman of President Nixon's Council of Economic Advisers said "our problem, in short, is not the technocracy of managing economic policy although the instruments can always stand improving. "Our problem is that in quite explicit ways we have over-extended ourselves in obligating our Jeconomic resources. If the managers of economic policy are to pursue a imore orderly course, these imbalances between explicit and programmed claims on resources and what we can reasonably expect the economy to Jediver must be redressed."

ON THE restoration of this balance.

ON THE restoration of this balance, ON THE restoration of this balance, the U-M economist warned, 'may well depend not only a better price level performance, but our free society itself.' McCracken emphasized that 'heavy demands on the economy, many of them requiring financing, have been so inexorable and insistent that a Fed-

so inexorable and insistent that a Fed-eral Reserve policy admantly limit-ing the rate of monetary and credit ex-pansion to, say a five per cent pace (instead of a rate in excess of seven per cent), would have risked a real fi-nancial crisis.

"The key question, therefore, now becomes evident. Why do we have de-

becomes evident. Why do we have demands in the economy so omittowers but explicit claims on output seem so persistently and inexarably to outrue productive capability?

"While such things as the oil embargo, poor crops and artificial shortage, from price controls have placed a short-term role, a more basic problem has been building for some time.
"The fundamental problem;" has been building for some time.
"The fundamental problem; have a control of the fundamental problem; have a controlled the some simple of the fundamental problem; have been building to see how the controlled the fundamental problem; have fundamental for a future use of economic resources with inadequate or no cast-benefit analysis and with inadequate or not adding up to see how it matches against our productive capacity.
"And these explicit large and grow."

pacity. "And these explicit, large, and grow-ing commitments involve financing re-quirements that have our credit mar-kets floundering."
SUGGESTING the Federal budget is "out of control", the U-M ecomom-

is noted that during the last two decades we have have had only four fiscal years in the black.

From 1968 to first quarter 1974, he
said, the rise in nondefense government expenditures (federal, state,
local) was equal to 450 pe cent of the
Said of the state,
The political process has tended to
vote programs with large and rising
future outlays with the reassuring
thought that mow' is no time to raise
tax rates.

"Through the legislative process,
large commitments of future economic resources are made that often do
not show up in the budget as such."



WILLIAM E. KREGER, has been reappointed to a two-year term on the public transportation council, a nine-member citizens council, a nine-member citizens advisory council assisting the State Highway Commission. He was reappointed by Senate Democratic Floor Leader Jerome T. Hart. Kreger is chairman of the Huron-Clinton Metropolitan Authority where he represents Wayne County. He also is a board member of the Downriver Federal Savings and Loan Association. A former mayor of Wyandotte, Kreger is vice president of the Great Lakes Coca-Cola Bottling Company.

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He cited the Housing and Urban Development Act of 1989 which declared a national policy of building 26 million dwelling units in the ensuing decade, the \$500 per car mandated safety and emissions equipment by the next model year, and high outlays for environmental and safety stands in in-

model year, and nign outlays for environmental and safety stands in industry.

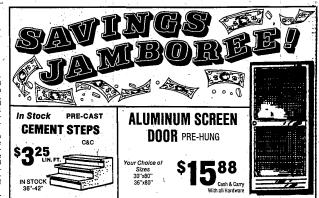
McCracken suggests that a program for regaining a reasonably stable price level must move in three directions, seeking: a more realistic rate of monetary and credit expansion and stronger fiscal policy: higher operating rates for the economy; and, programs that deal with the inequities of inflation.

grams that dear was inflation.

"Because the basic relationship are annuly and gross national areas and the second "Because the basic relationship be-tween money supply and gross nation-al product (GNF) is fairly stable, and our capacity to increase output is growing at not over four per cent, this monetary requirement for price stabil-ity can be put in fairly specific terms. "Our objective should be to work the rate of expansion in the money supply down to the four-five per cent zone as rapidly as it is prudent to do so.

supply down to the four-five per cent zone as rapidly as it is prudent to do so.

"A steader and stronger, fiscal and expenditure policy is obviously essential. The normal target for the budget should be a surplus equal to about three per cent of federal outlays." THE PUBLIC sector, he added, has an obligation to be candid with citizens about the full economic costs of its program decisions, whether the compart of the properties of the program decisions, whether the properties of the propertie



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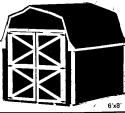
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