P.S. to the NEWS
by PHYLLIS SCHLAFLY

Box 618, Alton, Illinois 62002
Phone: 618-462-5415

RELEASE: APRIL 29, 1980

WAGE AND PRICE CONTROLS

The galloping inflation which hurts everyone (except government) is producing a rising clamor for some kind of drastic cure -- which is good. Unfortunately, it has also produced a demand for a pain-killer which is not only not a cure, but can compound the illness, perhaps fatally, by postponing real curative treatment.

Wage and price controls would only be an anesthetic which would temporarily dull some of the pain in some parts of the economy while fatally postponing the remedial action which alone can remedy the problem.

Wage and price controls have failed every time they have been tried in the last 4,000 years. That was the conclusion of Robert Schuettinger and Eamonn Butler in their book "Forty Centuries of Wage and Price Controls" published last year. So the perennial peddlers of such quackery have packaged their elixir in a new bottle.

This time they don't claim that controls will cure inflation. They know the public is too smart to believe that. Instead the slick-talking salesmen say that controls will give us a "breathing spell" during which we can give the effective policies (such as balancing the budget and controlling money and credit) time to start working their cure.

Inflation is the result of the U.S. Treasury's rolling the presses to print the dollars to pay for one government deficit after another. Those extra dollars are chasing too few goods because American business is hamstrung with taxes and regulations which impede production and productivity.

U.S. Chamber of Commerce president Jay Van Andel, in a hard-hitting speech to the Chamber's winter meeting, charged that "the root cause" of inflation is government deficit spending amounting to $354 billion over the last eight years. He estimated that each U.S. household pays $160 per week for government at all levels.

Van Andel predicted that, if government spending continues its present rate of

(more)

growth, by the year 2000 we will pay more than 60 percent of our earnings to the government.

Wage and price controls, in the long run, increase inflation because they aggravate the economic distortions already caused by excessive government regulation and reckless fiscal policies. Controls lead to more unemployment by stopping efficient firms from making the profit necessary to invest in new equipment and by stopping them from paying the market price for workers.

Controls lead to shortages of materials because it doesn't pay to provide supplies at the government-mandated prices. When unions and corporations are prevented from making contract agreements, productivity declines and industrial conflicts are generated.

Interest rates are now at least 20 percent for prime borrowers such as General Motors or Standard Oil. This means an even higher rate for other borrowers. Such high interest rates discourage businessmen and farmers from borrowing money to expand, or to buy new machines to improve efficiency, or even to plant this year's crops.

Interest rates, like wages and taxes, are a cost of doing business. The prime rate in 1976, the last year of President Gerald Ford's Administration was 5.17 percent. The responsibility for raising interest rates almost four times what they were in 1976 rests on the Federal Reserve Board and the Treasury officials appointed by Carter.

Such high interest rates are an intolerable burden on everybody. The excuse for this policy is that it is supposed to stop inflation. Inflating interest rates four times over does not seem the best way to stop inflation.

All prices must include the interest costs paid by the farmer, manufacturer and retailer. Adding to these interest costs causes higher prices and hurts everyone.

The lesson is clear. The way to increase jobs is to encourage the flow of savings into capital investment, cut interest rates, cut regulatory red tape, and stop suffocating business especially small business. This will stimulate the economy, lead to more jobs, and thereby cut the inflationary deficit because more jobs will generate more tax revenues.

(end)