

Failure to meet wage and price guidelines may bring American recession — economist

By BONNIE HELWIG
Battalion Reporter

Americans may enter into an economic recession this summer if wage and price guidelines set by President Carter are not met, an AFL-CIO economist said at Texas A&M University Thursday.

Speaking on "Labor's Concerns and Issues Within the Economy," Bill Cunningham told SCONA 24 delegates that the guidelines fail to cover the major causes of inflation.

The biggest problems are in health care, food and energy costs, which have risen the most in the last two years, he said.

"We have a situation where inflation has been 8 percent for the past two years and we are now moving toward 9 percent," Cunningham said.

"If interest rates aren't lowered, credit is not increased, or if government spending on job programs is not cut, we will definitely move into a recession," he said.

The AFL-CIO has recommended

a full-fledged program of economic control, Cunningham said, covering all forms of income such as dividends, rent, professional fees, plus wages and prices.

"We did not favor this program after the recession of 1974 caused by the wage and price controls, but we feel strongly that we must have a mandatory program," said Cunningham.

The U.S. trade policy has also adversely affected the economy, he said.

The United States reported a \$26 million trade deficit last year which he said was proof of a failing trade policy.

"Jobs are being lost because the import of goods are coming in so rapidly and flooding the markets," said Cunningham.

Cunningham said some foreign companies can operate at 1 percent profit, he said, due to federal subsidies from their own governments to undermine the U.S. market.

living, will decrease it.



Bill Cunningham

But Cunningham said Americans were still more productive than German or Japanese competitors, according to a study done by a German bank.

"The Japanese rate of produc-

tivity is increasing about 6.5 percent each year, while we are increasing our output by only 2 percent in the 1970s."

Cunningham said that countries like Germany and Japan are far be-

hind the United States in technological advancement but are gaining rapidly as their growth rate increases.

Banker tells SCONA group inflation, unemployment have no easy solutions

By ERIN BECKERS
Battalion Reporter

There is no obvious solution to inflation and unemployment, a Dallas banker said in a speech Thursday afternoon at a session of the Student

tem is less efficient. It is not as easy to determine relative prices in an inflationary period," which tell us where to spend money and what to produce, he said.

Burns listed four phases concern-

ing the relationship between unemployment and inflation.

The first, which he called a theoretical notion, is that there is a "permanent trade-off" between the two.

Phase two states that the tradeoff between the two is only temporary.

Burns said if policy makers attempt to reduce the unemployment rate by stimulating economic policy, unemployment will only decline for a short period of time. "The adjustment period brings uncertainty," he said.

In phase three, the higher rate of inflation pushes the unemployment rate higher and does not return to the original rate of unemployment.

"So efforts to reduce the unemployment rate by stimulative monetary fiscal policy are not actually counterproductive. They lead only to a higher rate of inflation, which in turn leads to higher unemployment rate than would exist if nothing had

been done.

Phase four does not acknowledge that there is a relationship between the two and is known as the "ra-

tional expectations theory." Burns mentioned this fourth phase briefly "only for completeness."



Dr. Joseph E. Burns

conference on National Affairs.

"We'll probably continue to muddle along much as we have with our standard of living slowly being eroded," said Dr. Joseph E. Burns, senior vice president of the Federal Reserve Bank of Dallas.

"Economists can't even agree among themselves, so not only does the man on the street hear one story or another, but he doesn't understand, he hears two or three," he said.

Burns' speech, "The Inflation-Unemployment Problem," explained the basic causes of inflation and its relationship with unemployment.

"The results in the research done on this subject are neither definitive nor a unanimous agreement. It's the understanding of the problem which allows the problem to persist," Burns said.

The goal for the average citizen of the United States is the highest possible standard of living, he said.

Reduced levels of unemployment improve standard of living, he said. The smaller amount of goods produced, less income is generated. Less pie has been produced to be distributed among the same number of people.

When speaking on inflation, Burns said, "Unexpected changes in prices are costly and disruptive to the economy." Expected rates of inflation can be planned for and cause little disruption. He said the unexpected change causes an increase in uncertainty.

This uncertainty causes the businessman "to spend more time trying to hedge against inflation and less time toward his business."

Households also attempt to hedge against inflation, Burns said. "They place more of their wealth on houses, durable goods and real estate rather than financial assets, such as deposits, stocks and bonds."

"With the reduced incentive to save and invest, the economic sys-

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