

Economic thinking is changing

United Press International
HOUSTON — A Harvard economics professor Tuesday said Americans are experiencing a major shift in their assumptions about how the economy works and what should be done to cure its ills.

"I believe a major revolution in economic thinking in the United States is now underway — a retreat from Keynesian thinking that has dominated the past 35 years," Dr. Martin Feldstein told the Federation of Financial Analysts.

John Maynard Keynes was the British economist whose belief in

governments' spending their people to prosperity took hold during the Great Depression and, Feldstein said, has dominated American economic policymaking ever since.

"It's obvious that those ideas were not appropriate for the economy of the 1960s and 1970s when they had achieved their greatest influence," said Feldstein, also president of the National Bureau of Economic Research.

"The Keynesian framework is not the way to analyze what's happening to the United States."

Feldstein said Keynes believed unemployment was caused by too lit-

tle demand for products, savings were bad because they took capital out of circulation and government could solve economic problems. Feldstein disputed each idea.

He said current 6 percent U.S. unemployment is not due to shortage of consumer demand, which he said is excessive and helps fuel inflation. He said current joblessness is often temporary and is partly due to unemployment compensation.

On saving, Feldstein said a major problem facing the United States is not too much but too little, depleting the major source of capital funds needed to renew the nation's pro-

ductive capacity. Feldstein said Keynes-inspired federal policy has pushed the U.S. savings rate to 3 percent, compared with more than 10 percent in some European countries.

He cited as anti-savings policies: Social Security, which eliminated fear-inspired saving for old age; tax laws, which burden interest income but give borrowers a tax break, and government deficits, which absorb capital.

Feldstein said the most obvious shift in thinking has been the decline in public belief the government can

solve the nation's economic problems.

"Changing these deeply ingrained aspects of economic life can happen only slowly," Feldstein said.

"The political survival of such (new) policies is far from certain. The coming recession may trigger Keynesian reflexes. The Democratic political process — with 2-year election cycles — may not be able to take a long enough view.

"Despite the risks, I am optimistic. I believe the experience of the past dozen years has educated not only economics professors, but the public and politicians as well."

Same song, second verse: price of gasoline is up

United Press International
WASHINGTON — The average price of gasoline rose 4.4 cents per gallon in March to \$1.23, the government reported Tuesday.

Leaded regular gasoline averaged \$1.202 a gallon in March, up 4.3 cents from \$1.159 in February, the Bureau of Labor Statistics said.

Unleaded regular was \$1.252, up 4.5 cents, and leaded premium averaged \$1.277, compared to \$1.233 in February, it said.

The BLS report showed prices for all types of gasoline were highest in Honolulu, Chicago and San Francisco. The lowest prices were in Cincinnati and Dallas.

Leaded regular gasoline sold for an average \$1.271 a gallon in the Chicago-northwestern Indiana area. In Cincinnati, the cost was \$1.135, the report said.

Unleaded regular ranged from an average \$1.324 in the Chicago area and \$1.338 in Honolulu to \$1.18 around Cincinnati.

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Chemical fire pollutes N.J.

United Press International
ELIZABETH, N.J. — A fire with temperatures soaring to 2,400 degrees burned through an illegal toxic waste dump described as a "chemical time bomb" Tuesday, spewing noxious fumes over a wide area of the New York waterfront.

Schools were closed in two New Jersey cities and the New York City borough of Staten Island, and at least eight firefighters were reported injured, including four with acid burns.

The fire broke out with an explosion at 10:40 p.m. Monday at the Chemical Control Corp., a chemical storage facility that was closed by the state over a year ago.

About 40,000 55-gallon barrels of chemicals including paint thinners, de-greasers and solvents were thought to be at the storage site.

At 9:30 a.m. today, fire officials said the blaze was contained but not under control.

USSR feels grain crunch

United Press International
WASHINGTON — The Soviet Union is beginning to feel the effects of the U.S. grain embargo, an Agriculture Department official said Tuesday.

Howard Hjort, the department's economics director, said, "Feed supplies, already tight because of a poor Soviet grain harvest in 1979, are stretched even thinner now as a result of the suspension." He said the net effect of the U.S. action is that the Soviets will import one-third less grain than they had expected for the first half of 1980.

The Jan. 4 suspension of American grain exports to the Soviet Union was announced by President Carter in response to the Soviet invasion of Afghanistan.

The suspension affected 13 million tons of corn, 4 million tons of wheat, about 1.3 million tons of soybeans and soybean meal and some poultry and other commodities.

A report issued by Agriculture Department today estimates the suspension will leave the Soviets 7 million tons short of the 37.5 million tons of grains they had expected to import from all sources between July 1979 and June 1980.

The report said the major impacts of the embargo will be to restrict growth of the Soviet livestock industry, which is heavily dependent on imported grain for feed; increase Soviet vulnerability to a poor harvest because of their current reliance on grain reserves; and force the Soviets to pay higher prices for grain imports as they attempt to bid grain supplies away from other importers.

Wholesaler to cut prices

United Press International
WASHINGTON — A large wholesale grocery distributor in Texas has agreed to hold down its prices in order to return to compliance with President Carter's voluntary price guidelines, the government said Tuesday.

Last December, the Council on Wage and Price Stability found that Grocers Supply Co. of Houston had not been complying with the president's guidelines.

The company originally requested a reconsideration of the council's ruling.

But according to the council, Grocers Supply has now agreed to hold down its prices for the next six months to make up for its excessive pricing last year.

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