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STATE OF THE ECONOMY WORKSHOP

Arley D. Waldo, Chairman

The discussion focused on the (then) forthcoming mini-summit conferences leading to the summit conference on inflation. Material prepared by mini-summit conference participants identified six major causes of inflation on the demand side: federal budget deficits; monetary policy; world demand for U.S. farm products; easy credit for consumers; inflation psychology; and lack of effective competition to limit wage and price boosts. Other contributing demand factors are: welfare payments; spending by nonproductive groups such as retirees and young people; and changes in people's expectations from selves, government, and business.

Reasons given for lack of adequate supply response to rising prices were: economic and political power of organized labor and big business; insufficient capital investment; trend toward service-oriented economy; dislocations caused by price and wage controls; government programs which perpetuate inefficiencies; adverse weather for crop production; and political disruptions like the oil embargo.

The depressed state of the housing industry was discussed by the entire group. Building codes were cited as being partly responsible for high construction costs. Another problem is that savings and loan associations are unable to compete for funds because of restrictions on interest rates. Better planning and zoning are needed. Especially the interrelationships among location, transportation, and heating and air conditioning should be studied as the basis for housing developments.

Possibilities for controlling inflation discussed by participants were: increasing production within restrictions imposed by shortages of raw materials; encouraging investment of petrodollars in the U.S. economy; reducing consumption by "jawboning," price rationing, and higher taxes; and curtailing the monopoly power of big business and big labor while providing more bargaining power for farmers and consumers. The group recognized that greater unemployment is the price to be paid for price stability.

PART II

Food Policy

