LETTERS TO THE TIMES

Federal Reserve's Role in Inflation

President Carter's policies to curb inflation are ignoring its real causes. Inflation can be caused by too many dollars chasing too few goods. The higher interest rates Carter proposes may help to control that kind of inflation, but today's inflation is not the result of excessive demands. Inflation has been largely confined to *essentials*, not luxuries or option purchases.

In the last six years food is up 73%, energy up 95%, medical care up 65%, and housing up 62%. Carter has done nothing to curb the rise in costs of these necessities and in fact has at times aggravated them.

Food was up 1% last month. Carter's deregulation of natural gas will touch off a series of steep price boosts for consumers. The cost of home ownership will skyrocket with Carter's new tight money policies and the increases in the interest rate.

The difference between a 30-year $25,000 home mortgage at 6% and the same mortgage at 10% is an additional $69.50 per month or $25,020 over the entire 30-year period, doubling the cost of the mortgage. That extra $25,020 adds no value to the home, does not pay for repairs or drive a single nail. All that extra $69.50 per month does is help the banker, fuel inflation and deny families the security of buying their own home.

Nor has Carter done anything about another large contributor to inflation—our balance-of-payment deficits. It was $27 billion last year and we are told is caused by oil imports. But oil imports are decreasing and have been for the past several months. What is increasing are imports of manufactured products—goods that directly compete with American-produced goods and jobs.

Carter has turned his back on thousands of Americans who have lost their jobs to imports through "unfair trade" or the "dumping" of foreign goods sold below cost with the help of subsidies by their governments. This policy directly contributes to unemployment, perhaps the most inhumane contributor to inflation. When American jobs are lost to unregulated imports or when uncontrolled U.S. companies ship production facilities abroad, the American economy pays the cost.

Unemployment is by its very nature inflationary because unemployed workers receive money in the form of unemployment insurance, food stamps or welfare, but are not able to produce any goods or services for sale.

And last, but not least—the cruelest blow of all—Carter's head of the Federal Reserve Board, in the name of curbing inflation, is calling for deferring the minimum wage increase scheduled for Jan. 1. The minimum wage worker in America is the victim of inflation, not its cause.

Instead of dealing with the real causes of inflation, Carter is imposing the same tight-money, high-interest rate policies imposed by former President Nixon and former Federal Reserve Chairman Arthur Burns, which touched off an inflation cycle six years ago that wage earners are still struggling to overcome.

The result was extremes of both price inflation and unemployment, the worst since the end of World War II. Corporate profits were the only thing that didn't suffer. Over the last six years corporate profits have more than doubled—from $51 billion in 1972 to nearly $110 billion this year after taxes, an increase of 113%, exactly twice the increase in the cost of living.

Carter has not proposed limits on profits. Over the same six-year period, the after-tax weekly wage for the average non-supervisory worker is up less than 50%, less than half the rate for profits, and nearly 7% less than the Consumer Price Index. Today's wages translated into purchasing power are below what they were six years ago. Wages have not been the cause of inflation, but have only been trying to catch up. Yet Carter proposes to limit them to a 7% increase each year.

When will the Carter Administration address the real causes of inflation and stop penalizing its victims—workers, the poor and retirees—in attempts to curb it?

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