

## Management Council Told

# Public Confusion Won't Stop Inflation

By Darrell West

Inflation will not be stopped due to a lack of public understanding of its causes and solutions, businessman Robert Morrison emphasized in a speech Tuesday night before the YMCA International Management Council.

The speaker is chairman and chief executive officer of Molded Fiber Glass Companies in Ashtabula, Ohio and is the author of two books on inflation.

Part of the public confusion has arisen, he said, because there are four differing varieties of inflation which have affected the system in the past.

The first type is cost increases due to scarcities of raw materials, products and services. This type, which usually occurs during wars, has been only a minor cause of inflation in recent decades due to the over-supplies of most products. This challenges the view that oil-price hikes are the major source of inflation, he said.

### Second Cause

Government deficits are a second cause of inflation. Morrison minimizes this source after comparing the deficits in the 1959-1964 period, when inflation was low and the 1965-1970 period when inflation was increasing due to the Viet-

nam War and social welfare spending. Morrison said that total government deficits between the two time periods were approximately equal.

A third historical cause of inflation has been increases in the money supply. Morrison discounts this source as responsible for current inflation, saying if inflation could be controlled by manipulation of the money supply, it would have been solved already.

"The Federal Reserve has tried, time and time again, to hold down inflation by tightening the overall money supply, but all these efforts have done is to cause business activity and employment to decline, with very little effect on prices," Morrison pointed out.

It is the fourth source of inflation, compensation-cost-push, which Morrison points to as the culprit responsible for "70 per cent of the peace-time inflation since 1933." This type of inflation arises, he says, by "paying people more and more year after year for doing the same work or less."

Labor unions are mainly responsible for wage compensations larger than increases in productivity, according to Morrison. He said:

"The biggest mistake made during the Twentieth Century has been to permit and encourage groups of people to strike against society for their own economic benefits. The law of supply and demand must be allowed to operate in every phase of our economy if the free enterprise system is to continue. The price of labor is no longer being set by supply and demand."

Morrison went on to argue that "unions and minority groups control the politicians and the country. The great middle-class American society of hard-working, productive, income-earning consumers and taxpayers is unable and afraid to protect itself."

"The average person will not actively work to stop it," Morrison claimed, "as long as he gets a frequent increase in compensation. He is mesmerized by the increased dollars he gets, not realizing he would get more real income if compensation-cost-push (inflation) did not exist."

The solution for this type of inflation, Morrison said, is his Contax (consumer-taxpayer) Plan. The goal of this plan is to eliminate continuing increases in compensation for doing the same work. To accomplish this, it must permanently

outlaw strikes, unilateral actions and other means of obtaining economic benefits or a group," Morrison said.

"I believe the nation should be operated for the benefit of all consumer-taxpayers, and not for special groups."