



Your Money's Worth

By SYLVIA PORTER
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DO BUDGET DEFICITS SPUR ECONOMIC GROWTH?

"You should read an article which has just appeared in 'The New Republic' on this question of the American economy's inadequate growth in recent years in comparison with the strong growth rates of European economies and what should be done about it," said William McChesney Martin, chairman of the Federal Reserve Board, "for the article says things people here should understand." The face of a man I have known since he was the boy-wonder president of the New York Stock Exchange years ago, broke into a broad smile. "Of course, the reason I'm asking you to do this is that I agree with the points the article makes."

So naturally, as soon as I left the Federal Reserve Board's headquarters in Washington, I picked up the magazine (Aug. 27 issue) and studied the article "Deficits and Economic Growth" by Matthew J. Kust, identified as a "Washington lawyer specializing in international tax and financial matters." It is not easy reading, but here in simple language are the major points Kust makes.

(1) It has become fashionable this year to suggest we examine what Europe has been doing that we have not been doing to spur economic growth—and an argument gaining adherents is that Europe "owes its greater economic growth to a bolder use of government deficit finance." But before we accept this, we should inquire whether government budget deficits have the same economic impact in the U. S. as in Europe.

(2) We have kept pace with European countries in running deficits during the past decade. Our federal, state and local governments had deficits in eight of the last 12 years, England had deficits in nine of the last 11, France had deficits in each of the last 10 years and Germany had a deficit in four out of the past six years.

(3) Why, then, have government deficits resulted "in such an inadequate rate of growth in the U. S. while yielding such high rates in France and Germany?" The answer is that, "Europeans have accepted, which we have not, the principle of the mixed economy wherein the government conducts many industrial undertakings that are privately owned in the U. S." In Europe governments own, by and large, transportation, communications, power and many basic industries such as coal, gas, petroleum, iron and steel. When European government budgets go into the red, a fundamental cause is that they are investing in these enterprises—which are productive, make jobs, spur growth.

(4) In the U. S., the situation is drastically different, for, "Much that would be government enterprise in Europe is privately owned." When our federal budget goes into the red, little of the extra spending is for productive enterprise; most is for purposes which do not result in productive investment. Kust dramatizes his point by remarking "It would be quite different if, let us say, the government owned the railways and floated a multi-billion bond issue for rehabilitation and modernization."

(5) In short, European deficits mostly create productive investment. U. S. deficits mostly create consumer spending.

(6) Tax policies also are key factor. We tax corporations far more heavily than other countries do. "Since corporations undertake most of the private productive investment in industrialized countries, heavy taxation of their earnings discourages growth." The same goes for our personal tax structure which "discourages savings—and yet savings are essential to great investment in productive facilities. We invest much less of our total annual production in new machinery and equipment than European countries do, and the outcome is that the U. S. has an old and obsolete industrial plant."

Kust's conclusion is that "it is this striking difference in the economic impact of our various government policies 'which may provide the answer to the great difference in growth rates' and he clearly believes the fundamental need is to overhaul our fiscal policies with the primary aim of stimulating investment rather than consumption."

Whether or not you agree, this is a thoughtful contribution to the debate on what we should do to get back on the road to strong growth. And most significant is that Martin sympathizes with this view, for, as head of the powerful Central Bank of the U. S., Martin is among the most informed and influential men in the free world.

Contracts Awarded For New Josephine PP&L Service Unit

Grants Pass — Award of contracts for construction of Pacific Power and Light company's new Josephine county service center was announced Monday by William J. Moyer, PP&L district manager in Grants Pass.

He also said construction will begin immediately.

Ausland Construction company, Grants Pass, was awarded the general contract for the project. Other principal contractors, all Grants Pass firms, are Royal Plumbing and Heating, Browne River Hardware and Rognell Electric.

Moyer said the date for groundbreaking ceremonies, which will launch the project, will be announced within a few days. Completion of the \$200,000 installation is scheduled for about Jan. 1.

Site of the new service center is at the junction of Highway 99 and Redwood Highway, south of Grants Pass, a tract formerly occupied by the Mutual Lumber company. Plans call for two main structures on the six-acre site.

"In addition to providing an efficient center for the company's service crew operations and the warehousing of materials and supplies, this modern center will be a handsome addition to the city's industrial and commercial section," Moyer stated.

Modern lines are the keynote of the center's design, according to plans drawn by Robert F. Fisher, Grants Pass architect. External walls will be of concrete construction, with the contemporary front and entrance on the office quarters section. The main building will house operations office quarters and warehouse facilities. The district's vehicle fleet will be housed in the second building, Moyer reported.

The power company manager said 48 of the district's 74 employees will work out of or in the new center. Interiors

of the two structures will be air conditioned and heated by a latest type electric powered heat pump, he said.

A large section of the service center site will be assigned to pole storage. Facilities also will include a heavy duty working platform for outdoor storage of large capacity transformers used in normal service improvement projects as well as emergency service work.

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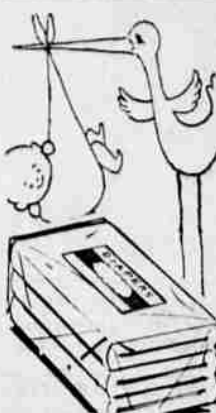
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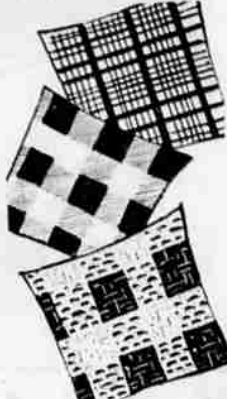
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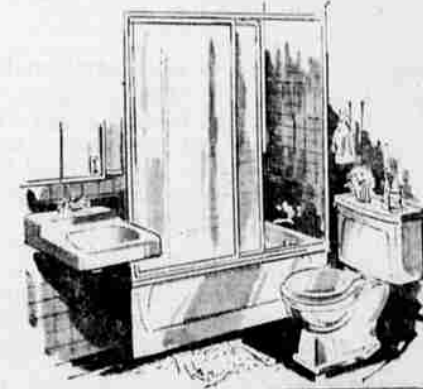
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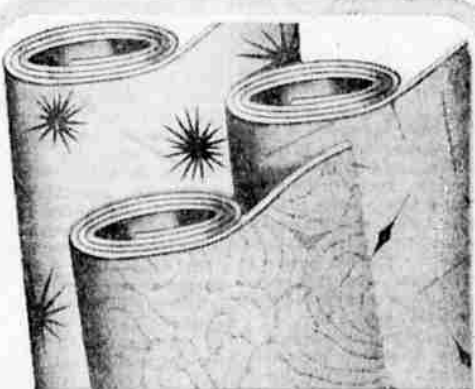
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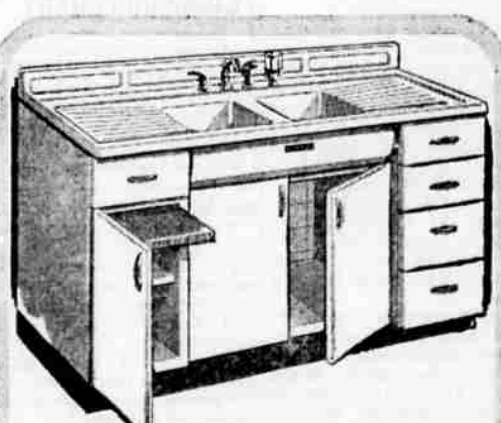
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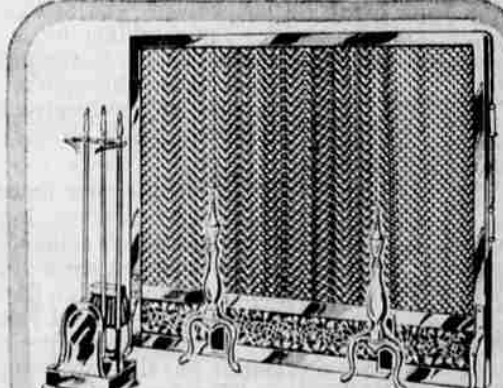
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