

DEEP FREEZE?

By George Hagedorn

Chief Economist
National Association of Manufacturers

The conviction seems to be growing, in some quarters, that the wage-price spiral cannot be broken without some form of direct government intervention. The solution sometimes proposed is a government-imposed freeze of wages and prices, either for a year or for an indefinite period.

We can understand why some people should feel this way, in the light of what is happening, especially in the construction industry. But we also believe that this line of thought is seriously mistaken.

The premise of the argument -- the assumption that the wage-price spiral must go on indefinitely in the absence of direct government controls -- is wrong. And the conclusion -- that a government wage-price freeze is a practical and effective solution to the problem -- could lead to disastrous departures in national economic policy.

There certainly is a problem, and nothing written here is meant to deny that. The problem is especially apparent in the building industry. It is usually described as follows: The fantastic wage increases occurring in the building trades lead to the expectation that building costs will continue to rise indefinitely. And this expectation leads those who plan any future building to try to get it done as quickly as possible. The building that might have been put up next year, will be put up this year instead. The resulting inflated demand for construction, and for construction labor, strongly reinforces the position of the labor unions in demanding still higher wage increases. The effect is to confirm the belief that building costs will continue to rise, and to stimulate still further the rush to get buildings up.

For the moment at least this is an accurate description of what is happening. For the longer run it may appear to be a vicious cycle -- a perpetual motion machine that will run on forever, unless the government sticks a shaft between the spokes. But perpetual motion is as impossible in economics as it is in physics. The self-reinforcing spiral described cannot go on forever.

If the construction industry is, in the first half of 1969, borrowing from the business it might have done in the second half of 1969, we must ask what it will do for business after midyear. If your answer is that it will then be borrowing from the business it might have done in 1970, you are simply putting off the problem to a later date. The industry can't continue indefinitely getting ahead of the underlying current need for its output. The spiral is self-terminating rather than self-perpetuating.

The construction boom is a phase of the capital-expansion boom, which is a phase of the general inflationary boom. This column believes that the boom, in all its aspects, is close to an

end. The reader may, or may not, regard this as good news. We regard it as in any case inevitable, and the quicker the better.

This is not to say that anyone can be happy about current or prospective developments. Even after the current inflationary episode is over, its painful effects will linger on for years. Wage increases negotiated in the present overheated atmosphere will impose cost increases when the economic temperature is much lower.

This leads to the beguiling thought that maybe we can ease the pain by wage and price controls. Maybe we can even preserve the boom that way and have the best of both worlds -- a booming economy without inflation.

But the freedom of wages and prices to respond to market forces is an essential part of the mechanism which keeps our economy in adjustment. Unless controls operate in such a way as to produce about the same prices and wages that would occur without controls, they result in chaos instead of stability. Controls are either pointless or disruptive.

We may be misled by the thought that controls can be applied selectively, that is, only to the most flagrant cases of inflationary excess. But if the price of any item is to be controlled. And if any wage rate is to be controlled, obviously the prices of the things wage-earners buy have to be controlled. If you control anything, you have to control practically everything.

WAGE, PRICE FREEZE

A freeze on wages and prices seems deceptively simple. You just pass legislation forbidding anyone to raise any price or any wage rate, and you prosecute anybody who does so. At first glance it looks as though there would be no problem of administration and very little problem of enforcement.

But a freeze in this literal sense is impossible, even for a brief period. Productivity trends -- the link between wages and prices -- vary from one industry to another and from one time period to another. You have to treat every one of the millions of items produced by the American economy as a separate case. Every decision of the price administrator would have to be constantly reviewed and frequently revised. Every action would be controversial -- with no clear standards for setting the controversies.

Wage and price controls quickly become an administrative nightmare -- both for those who have to live with them and those who have to administer them. We have no doubt at all of the sincerity of both the Johnson and Nixon Administrations in their strong opposition to wage and price controls. Although there is at the moment a small wave of public sentiment in favor of controls, their ac-

COW HOLLOW

BY GLENDA BARNES
Phone No. 372-2345

COW HOLLOW - Mr. and Mrs. Ray Strickland and their guests, Mr. and Mrs. Henry Anderson spent a recent weekend at the Strickland cabin on Lake Owyhee.

A reunion of the Joe Callahan family was held July 13 in Idaho City. Among those attending were Mr. and Mrs. Elza Niccum, Mr. and Mrs. Marvin Niccum and family, Mr. and Mrs. Irvin Durfee.

Mr. and Mrs. Edward Topliff and Rita Mae visited July 12 at the home of his parents, Mr. and Mrs. Leslie Topliff. Recent Tuesday evening guests of the Leslie Topliffs were Mr. and Mrs. Alfred Dades of Parma.

Mr. and Mrs. Sam McConnell, Mr. and Mrs. Leslie Topliff dined July 4 at the Palomino cafe in Ontario.

Danny Garner, son of Mr. and Mrs. Dee Garner, recently fell off a haystack, breaking an arm. Roger Garner visited recently at the home of his parents, the Dee Garners, and returned home July 13. He attended the wedding reception of Marie Durfee and Vance Woolley. Also visiting at the Garner home that day were her mother, Mrs. Mamie Harrison, Mrs. Wilma Garner and daughter, Michelle. Mr. and Mrs. Shelton Raines, Mrs. Suzy Walker and family spent the July 4 weekend at the home of Mr. and Mrs. Wayne Lattin. The visitors were from Elko, Nev.

Elza Niccum went to Grandview, Idaho recently to take Marie's horse to her. She recently moved back to that mining town. Recent visitors at the Niccum home were their grandchildren, Michelle and Peter. While here they celebrated their birthday anniversaries. Their father, Marvin, who recently received his Master's Degree at Pocatello, came after them and they all returned home July 13.

tual imposition would quickly create a large tide of disgruntled citizens.

Spectacular wage increases are a complication of the inflationary disease which make its cure much more difficult. But they are a result, not a cause, of inflation. For several years prior to 1965 -- when this inflation got underway -- wages rose approximately in line with productivity.

Wage and price controls look better at a distance than they do up close. Both inflation, and its cure through monetary and fiscal policy, are painful experiences. Let's not make them worse by direct controls.

FORM, RATE CHANGES SIMPLIFY STATE TAX

SALEM SCENE - BY EVERETT CUTTER

"I got the April 15 blues, From my eyebrows to my shoes . . ." -- Traditional American refrain.

Paying state personal income taxes is not expected to be any less painful, but thanks to the 1969 legislature Oregonians now will have an easier time figuring out their shares.

Effective retroactively to Jan. 1 this year, House Bill 1026 simplifies Oregon's complex tax law by relating state and federal taxable income. It is considered to be the most significant change in Oregon's personal income tax in its 40-year history.

It does not mean that state taxes will be assessed as a flat percentage of federal taxes paid, as is done in some states. It does provide that federal taxable income as defined in the Internal Revenue Code and reported on federal returns, less certain deductions and plus some additions, is taxable income for purposes of Oregon's personal income tax.

Allowable deductions from federal taxable income in arriving at state taxable income include:

-- Amount of any federal income taxes actually paid by the taxpayer during the taxable year, less the amount of any refunds or abatement of federal taxes paid or credited to the taxpayer.

-- Certain retirement incomes.

-- Interest or dividends on obligations of the U. S. and its territories and possessions exempt from state taxation.

Additions to federal taxable income include:

-- Amount of any Oregon income taxes deducted on the taxpayer's federal income tax return for the taxable year, less any refunds or abatement of Oregon income taxes paid or credited to the taxpayer.

-- Interest or dividends on obligations or securities of any foreign state or political subdivision of any foreign state.

-- Interest or dividends on obligations of any authority, commission, instrumentality and territorial possession of the U. S. which by the laws of the U. S. are exempt from federal income tax but not from state income tax.

The revised law also enacts new rates for Oregon taxpayers, running on a scale from 4 per cent of taxable income under

The Old Timer



"Ah, for the good old ways when a teacher's strike landed on the seat of the pants!"



Mr. and Mrs. Darryl Lee Seuell of Nampa announce the birth of their first child, Christine Marie. She arrived Sunday evening, July 20, 1969 and weighed seven - pounds, three-ounces.

Grandparents are Mr. and Mrs. Harold Burnham of Fairview, Ore., Mr. and Mrs. E. M. Seuell of the Big Bend area near Adrian.

MALHEUR MEMORIAL HOSPITAL, 1969

July 24 -- To Mr. and Mrs. Candelario Rodriguez of Adrian, a girl.

July 25 -- To Mr. and Mrs. Carlos Hernandez of Adrian, a girl.

July 26 -- To Mr. and Mrs. Darrell Keeton of Payette, a girl.

July 27 -- To Mr. and Mrs. Jose Sifuentes of Nyssa, a girl.

July 27 -- To Mr. and Mrs. Don Young of Payette, a boy.

July 28 -- To Mr. and Mrs. Daniel Hernandez of Nyssa, a boy.

HOLY ROSARY HOSPITAL, 1969

July 26 -- To Mr. and Mrs. James Grunke of Nyssa, a girl.

LAW SAYS NO PETS ALLOWED IN FOOD ESTABLISHMENTS

Your family pet may be treated as one of the family at home, but don't expect him to have the same acceptance as you do in Oregon's food establishments.

Oregon's Department of Agriculture says it has nothing against dogs and other pets but they do not belong in food establishments.

This is not just a regulation imposed by the department. It is in a food law passed by the 1965 legislative session and was assigned to the department to enforce.

The big problem area is grocery stores and in some localities stores are finding it difficult to enforce the law.

There are those customers who seem to think the family dog is an exception, particularly if he is small enough to be carried in the arms or in a basket.

But under the law, a dog, whether considered a member of the family or not, is still classed as a pet and just as capable of contaminating food as any other pet regardless of size, says the Department of Agriculture.

Stores having food and produce displayed outside also have been warned by the department to take adequate precautionary measures against contamination by animals. Produce must be protected so as to keep it out of reach of animals.

The department says the store managers and operators are as concerned about the pet problem as the department. Not only must they comply with the law, but they are most aware of consumer demands and most customers will reject foodstuffs they think unsanitary or contaminated.

COW HOLLOW

BY GLENDA BARNES
Phone No. 372-2345

July 27 guests in the Irvin Durfee home were his parents, Mr. and Mrs. Charles Durfee of Caldwell.

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IF YOU ARE DRY
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(COOL-CLEAN-COMFORTABLE)
OR BUY ONE OF OUR BEER TAPPERS

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- * 2 1/4 GALLON SIZE
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Rummage Sale Set By Senior Citizens

The largest rummage sale ever held in Nyssa, and one of "quality items" will begin at 10 a.m. Wednesday, August 6 and continue until most articles are sold, it is announced by Senior Citizens of the area. Items to be sold are varied and numerous and the sale will be held in the former Western Hotel, which until several years ago, housed the Nyssa Furniture firm.

Proceeds will go toward obtaining a permanent meeting place for senior citizens' activities.

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5/8" A-D	\$4.75
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Various other kinds at low prices.

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