

ED ESHLEMAN'S WASHINGTON REPORT

Rebates have become a popular way for business to reduce inventories in this recessionary period. The

automobile companies started the rebate programs, but other industries seem to be picking up on the idea.

So far, the rebate procedure seems to be successful, partially, at least, because it benefits both manufacturers and consumers. When a company or a dealer is able to move previously unmoveable and expensive inventories, the program is a success from that perspective. And the customer is happy because he is getting back money on his purchase.

The long range effect of rebates hopefully will be an incentive to the overall economy to move forward. If people are buying, then perhaps the whole economic picture will brighten.

Though rebates seem to be a reasonable way for business to meet today's problem, they also seem to me a sign of something very wrong in our free enterprise system. Rebates are, in effect, a way of cutting the price of a product without really cutting the price even when the basic economic conditions dictate a permanent price reduction.

If our free enterprise system was working like it is supposed to work, the present downturn in

economic affairs would be met by price cuts. Business faced with dropping sales would reduce prices to try to get their products moving again. And, they would not be talking about February 28 cut-off dates for saving the consumer money. Rather, the cuts in price would be across the board to get the customer back to buying throughout the year.

But business does not feel that it can make the permanent price reductions that would normally be expected under present circumstances. Why? Because all over Washington, the political liberals have been making noises about imposing price controls. The companies don't want to get caught with their prices down if price controls are passed by Congress. They don't want to get caught because they fear that the same liberals would not be willing to hold the line on the wage increases their labor allies would demand and could not hold the line on the price of foreign goods. Their fear of price controls is simply that if they lower prices, they will get frozen at a level that cannot be sustained when other costs begin to climb.

Therefore, business has adopted the temporary price cut mechanism and called it a rebate. But as nice as rebates are for a short time, they offered no long-term relief for the hard-pressed consumer nor long-term relief from inflation for the economy as a whole.

It is a shame, as far as I'm concerned, that Capitol Hill

has thrown the economy so out of kilter that it cannot respond to changing economic patterns. And it raises the question of who the real friends of the consumer are. Are they liberals who have talked long and loud about their com-

mitment to consumerism but whose policies end up denying all consumers reduced prices? Or are the consumer's real friends those who have tried to preserve the responsiveness of our free enterprise system?

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