

OUR READERS WRITE

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will continue to be faced with ever higher inflation and declining productivity.

It's against this back drop that we believe the arguments against the proposed tax rate reduction must be evaluated. In short, "business-as-usual" tax policy must be replaced by fundamental changes, if we are to regain long-term economic health.

Arguments against such changes in tax policy vary from the "timing is bad" to "it'll be inflationary" to "the budget isn't balanced."

The "time is bad" argument is one that has really never been raised about the "timing of federal spending". Timing is never right when it comes to taking tough economic medicine.

Will the time be right in 1985 after taxes go up another \$200 billion? To say that now is not the right time to say that the tax structure is now at an optimum level and the changes proposed would leave individuals worse off. Most economists agree the present tax rate structure is not an optimal one.

The "it'll be inflationary" argument is not defensible since only a part of the tax reduction will be added to the deficit. Federal deficits, in and of themselves, are not inflationary.

Germany and Japan have had substantial deficits but the central banks in these countries impose strict discipline on money supply growth. The Administration continues to encourage the Federal Reserve not to inflate the money supply to accommodate the deficit. Both of these international competitors have substantially higher productivity growth than the United States.

The "budget isn't balanced"

argument is hollow in light of the unbalanced budget in 20 of the last 21 fiscal years. An unbalanced budget that accommodates more and more federal transfer payments is fundamentally different from a deficit which returns money to the savings pool for future capital investment in productive economic projects. The latter is more likely to be eliminated over time. The former is more likely to require larger future deficits.

Under our present system, the budget will never be balanced because Congress will always find reasons to spend. There will always be the threat of either economic recession or economic boom.

The proposed tax cut would be a contract with the American people to alter the spending question from "How much money can be shoveled out the door via direct taxes and the inflation tax?" to "How should Congress spend the limited amount of money the taxpayers allow them to spend?"

It is somewhat ironic that this round of the tax policy debate the burden of proof has been placed on those who support 10-percent reduction in tax rates for a three-year period. This is a substantial challenge.

Our economic history has not been exactly filled with tax rate reductions and therefore there is a shortage of facts to support the policy initiative. The historical record has been one of increased taxes and spending. The results of these policies are apparent to almost everyone — ever-higher inflation and ever-lower national productivity.

Recent economic data have caused opponents of the tax part of the Economic Recovery Program

to claim that things are getting better and that maybe it is time to ease up on all the unpleasant talk about budget restraint and tax reductions.

It is undoubtedly satisfying to hear that consumer prices rose in April by only 0.4 percent, particularly since the April figure followed the favorable 0.6 percent increase in March. But, beware, we have been down this path before.

In 1976, when the inflation rate moved from 13 percent to less than five percent, there was a relaxation in the battle against inflation and government spending was increased to combat the pending recession. We were back to "business as usual" by focusing on short-term economic information rather than the long-term adverse economic trends.

We know what happened to inflation after the government spending spree between 1976 and 1980. Policymakers had, once again, underestimated the persistence of inflation and the need to make the tough economic policy

Long-term policies are essential to reverse the inflation and declining productivity trends that plague the economy. The tax part is the heart of the overall economic policy package.

The proposed three-year reduction in income tax rates is directed at creating new wealth and increasing future savings. It is directed at increasing the efficiency of all resources and improving the quality and quantity of the overall work effort. It is aimed at establishing incentives to work, save, and invest among individuals and businesses.

The economic recovery package, including the tax report, is not without risks. There is a risk that the Federal Reserve will continue to inflate the money supply. There is a risk that the federal spending reductions agreed on by Congress

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Farm Calendar



Today, June 20

Lancaster County Dairy Princess program, Lancaster
Beaver-Lawrence, Perry, and Susquehanna Dairy Princess pageants

Chester County Country Fair, Nottingham Park, 11-8 p.m.
Seven Valleys Farm Tour, 10-4, Seven Valleys

Tuesday, June 23

Thomasville Community 4-H club meeting, York County 4-H Center, 7:30 p.m., Program: June Dairy Month by Central Dairy 4-H Club

Lebanon Oil Gas Leasing meeting, Municipal Building auditorium, 7:30 p.m.

Wednesday, June 24

25th Annual Md. Wool Pool, starts

at 12:30 p.m. to 3:30 and all day Thursday, 7-3 p.m., Timonium fairgrounds

Berks gas, oil lease meeting, Kempton Rod and Gun Club, 3 miles north of Lenhartsville, Rt. 143, 8 p.m.

Friday, June 26

Lycoming County Dairy Princess pageant, 7:30 p.m., Lycoming Mall, Route 220.

York Farmers Forum, 7 p.m. Rutters Restaurant.

Saturday, June 27

PA Holstein Assn. State Sale Eastern Regional Jr. Angus Heifer Show, Montgomery County Fairgrounds, Gaithersburg, Md.; concludes tomorrow

PA Red Cherry Showers annual meeting, 6:30 p.m., Lamp Port Restaurant, Gettysburg

PA Polled Hereford Assn. field day, JDH Farm, Dover, 10-4 p.m.



Now Is The Time

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There is no herbicide that can be used without killing all the corn.

On tilled or minimum tilled, the cultivator can be used to kill the plants between the rows. On no-till there is no means of eradication except the hand hoe. The larger the corn becomes, the less you'll want to cultivate because of root pruning. We are again back to using the hoe.

All this volunteer corn growing is a reminder that part of our 1980 crop was left in the field.

To Prepare Grain Bins

We are approaching barley harvest season with wheat not too far behind, so I would like to remind our grain producers that

now is a good time to clean up your grain bins in preparation to harvest.

First, clean out all the old grain. Sweep down the sidewalls and floor making sure to remove old grain lodged in the cracks.

Next spray the floor and walls with a residual insecticide. Malathion or Methoxychlor are still very effective — follow the label for directions.

Finally, prevent birds and rodents from entering the bin. Repair holes with metal or other rat-proof material. Clean up all spilled grain around the bin to discourage the various pests from the area.

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