

From Ms Udall,
f.y.i.

f.y.i.—for your information—is a periodic summary of legislative activity of the Congress of the United States and of proposals and general information of interest to the residents of the 2nd Congressional District of Arizona.

The Fight against Inflation: A Report

About a year ago, I proposed an alternative to mandatory wage and price controls, to help the country fight inflation. The alternative is known as a Tax Incomes Policy (TIP), in which both business and labor are granted tax incentives (and disincentives) to encourage them to bring wage and price increases within certain guidelines each year.

This approach has a lot of appeal. For one, it calls for no new bureaucracy. The machinery under which it would operate is already in place; it would work much the same as investment tax credits already work.

A big part of inflation today is caused by events over which the federal government has little control. An erratic world climate has played havoc with food supplies. Foreign oil has skyrocketed in cost, continuing to seriously drain our balance of trade. And unions and business seem trapped in a "push-pull" game of raising wages and prices not to meet the costs of today, but to anticipate the expected increases of tomorrow. It's a ruinous game, and we all lose.

What a TIP would do is help induce noninflationary behavior into the economy -- by rewarding those who hold prices and wages down. It wouldn't mean an explosion of profits. But I think it could work. And I think it's a far better mechanism than "voluntary restraints" (which don't seem to work very well) or mandatory controls (which don't work well either, and require a mammoth new layer of bureaucrats.)

Senator William Proxmire has looked at TIP, and may introduce his measure in the Senate in this session of the Congress. I want to introduce the same bill here in the House. The legislation has required more time to draft than expected, but it is nearly ready to go in the hopper. By the same token, if the Administration announces their own tough moves before that time, TIP may not be necessary. We'll see.

In the meantime, there have been some other developments on the anti-inflation front that are worth noting.

- * The federal budget deficit has been reduced from \$66 billion four years ago, to \$55 billion, then to \$39 billion, to a projected \$29 billion this year. It may go lower still. That represents real progress.
- * I have added my name to the list of co-sponsors of HR 2, the Sunset Act of 1979, a proposal that would require periodic justification of programs and agencies or they would face automatic extinction.

Both of those areas represent broad national concerns. On a smaller scale, however, I think it important that we in the Congress set an example. There have been developments there as well:

- * Last year, Senator Dennis DeConcini and I both voted to halt construction of the extravagant Philip Hart Senate Office Building. It's wasteful and the Senate doesn't need it.
- * Legislation has been introduced in the House this year to give members a \$50-a-day tax deduction to offset expenses of maintaining two residences. I oppose that bill, and will vote against it if it reaches the floor.

Inflation didn't hit us overnight, and it won't go away overnight. But the Congress and the President had better keep at it hard. Solutions don't come fast enough for many of us -- Congress included. But I think we are moving in the right direction.