

Weather

cloudiness today, high 50
clearly tonight, low 37 to 42.
high, 58; low, 42.
and Map, (Page C3)

THE



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Living standards falling

Inflation drains nations' wealth

By ART PINE

Washington Bureau of The Sun

Washington—A new, unprecedented worldwide wave of inflation is undermining the prosperity of the world's major industrial nations, with governments bewildered about how to stop or slow the spiral.

Over the last 13 months, the near-record surge in prices has visibly eroded incomes throughout Europe, Japan and North America, cutting into living standards and creating gnawing uncertainties for businessmen and workers alike.

Reports by Sun correspondents in key capitals indicate that, along with other unsettling developments recently, the price spurt has generated angry frustration in the electorate, leaving many Western governments dangerously weak-

et, neither policy-
or private econo-
mics—where—including
the United States—
workable for
the price

terim without either aggravating inflation or sliding the world into a serious recession.

Economists predict some moderation of the price spurt later this year, particularly if farm prices slow. However, most believe inflation will be high throughout the industrial world for another 2½ years.

Although the shift occurred only last year, analysts say the sudden turnabout from cheap, seemingly boundless surplus, to costly new scarcity actually had its roots back in the mid-1950's, in the period following the Korean war boom.

Import rather than expand

As economists explain it, the sharp buildup of Western production capacity during the wartime expansion left many industries painfully over-equipped for the peacetime lull. There was no incentive—or need—for further expansion.

When demand finally did begin to outstrip domestic production capacity in many countries several years later, the situation frequently still



Sheik Ahmed Zaki Yamani (left) of Saudi Arabia, with Ismail Fahmy, Egypt's foreign minister, in C

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By G. JEFFERSON ... ed its preparations