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## Is Further Inflation Inevitable?

ON NOVEMBER 18 <sup>1946</sup> Ralph Borsodi, a consulting economist and author of "Inflation Is Coming," and William J. Baxter, head of the International Economic Research Bureau and author of "No Inflation Coming," gave their opinions.

MR. BORSODI: Because of the policy adopted by Washington for financing the war, sooner or later we shall be confronted by the worst depression in history. And this terrible catastrophe is inescapable; it has been made inevitable by what those in charge of our Treasury Department and the Federal Reserve Banking System have been doing for the past fifteen years.

Firstly, because of our money system which we have had ever since Alexander Hamilton laid its foundations over 100 years ago. This system aims at serving the needs of the government, not the people. It lends itself to manipulation. Alternately, every ten years or so, it generates a boom and then creates a depression.

Secondly, for over fifteen years, the fiscal policy of Washington has been inflationary. Washington has financed the most fantastic government waste and the most expensive war in all history by inflation. It is still financing scandalous govern-

ment expenditures by inflation. As a result, it has piled up a national debt so enormous that it must eventually be repudiated. It is being repudiated; not by refusing to pay bonds when they become due; it is being repudiated by inflating the currency, by depreciating the dollar; it is with this creeping repudiation only that the credit of Washington is being preserved.

Thirdly, the facts about the extent to which inflation is wiping out our savings in life insurance, bank deposits, and government bonds and other securities, is being concealed from us; it is being hidden by absolute and arbitrary control of the money market. After World War I, in 1920, when we had a free money market; when the national debt was only 25 billions, the value of Liberty Bonds fell 20 per cent below par. Now with a national debt over ten times as high, what are our Victory Bonds really worth? No one knows. The truth is concealed by currency ma-

nipulation. During the past week currency in circulation was again increased and reached a new high. It is now \$28,671,000—roughly six times as great as before the present policy of inflation was adopted.

Fourthly, prices are still rising. Control or decontrol has not prevented prices from rising. The wage-price spiral is still operating. Strikes for higher wages are being faced in industry after industry. Nothing can be done to stop the wage-price spiral because it is really the result of the prior inflationary policy of Washington.

Finally, Wall Street seems to be anticipating an end to the boom we have been enjoying.

If most of us continue to depend upon Washington; hope that some economic miracle will save us; ignore the fact that we have had depressions over and over again in both Republican and Democratic administrations, we shall not only be unprepared for depression; we shall not be ready for what is coming in the next depression—the challenge of revolution. We shall have made the terrible mistake of giving the fifth column, a fifth column composed this time of Communists rather than Fascists, the opportunity for which they are waiting.

MR. BAXTER: I want to assure you that the American dollar is in a very strong position today. It is

in great demand all over the world. In other countries they hold on to our American dollar for dear life, and in our own country many of our great commercial enterprises are running short of dollars and are borrowing them from our large banks and insurance companies.

Many of you will say "What good are those dollars when they buy less and less due to the rise in prices in recent years"? Every time we, in this nation, went through a war period during the last century and a quarter, we were plagued with high prices and, during each of these times, the calamity howlers predicted that the American dollar was going to the dogs, and, each time they were proven 100% wrong because the American dollar became more valuable.

In the Civil War period, cotton goods were almost unobtainable, so exorbitant were prices. Yet this lasted for but a short time and in the many years to follow, those who held their savings were able to buy oodles and oodles of cotton goods at much lower prices. Many of you can remember how foolishly money was spent for \$25 silk shirts in the First World War period—and then how for many years afterward you could have bought a dozen silk shirts for the same \$25.00.

Once again we are in one of those abnormal war periods where

prices are but temporarily high. Once again almost the entire population have come to believe that prices will stay at these levels or higher for years to come. There is absolutely no justification whatever for this view.

Let us compare the British restricted system with the American surplus system. In this wartime period both the British and American housewife waited in line for meat, for cigarettes, for potatoes, hosiery, and many other items. In Great Britain the housewife still waits in line for these things. Why? Because Great Britain does not have the "know-how" and the American genius for mass production and mass distribution to bring out the goods. The American housewife quit waiting in lines for many items some time ago. For some items she quit almost overnight. To show how our surplus system works, the tables have turned and now the government is waiting in line begging her to buy its great glut of potatoes. Cigarettes and stockings are offered to her freely and even meat is going begging. Sugar today is considered very scarce, but if the American pattern works true to form, sugar also will soon be a glut on the market.

This brings us to the natural conclusion that if these products are in great supply, then prices cannot

run away from this level. With the greatest farm production in agricultural history; with more machines, plants, and men producing peacetime goods than ever before; with supermarkets and giant distributors now in our midst, then these alone stand as an absolute guarantee that prices are coming down to normal levels more rapidly than in any other previous war period.

Already a great unorganized buyers' strike is under way. The movement back to more reasonable price levels is already under way and should gather momentum. I say this in the knowledge that huge inventories of goods between the government and industry totaling some fifty billion dollars assure this movement toward lower prices.

Those of you who through their belief in inflation at this time show little or no confidence in government bonds, in our banks, and in our insurance companies are doing so just at the time when these institutions are in the strongest position of their entire history. By denying them confidence you will follow the path which leads to trouble in your family. Those who have hedged against inflation by expanding their business abnormally, by buying real estate and common stocks, or commodities, are becoming more unhappy about this move daily as prices decline.