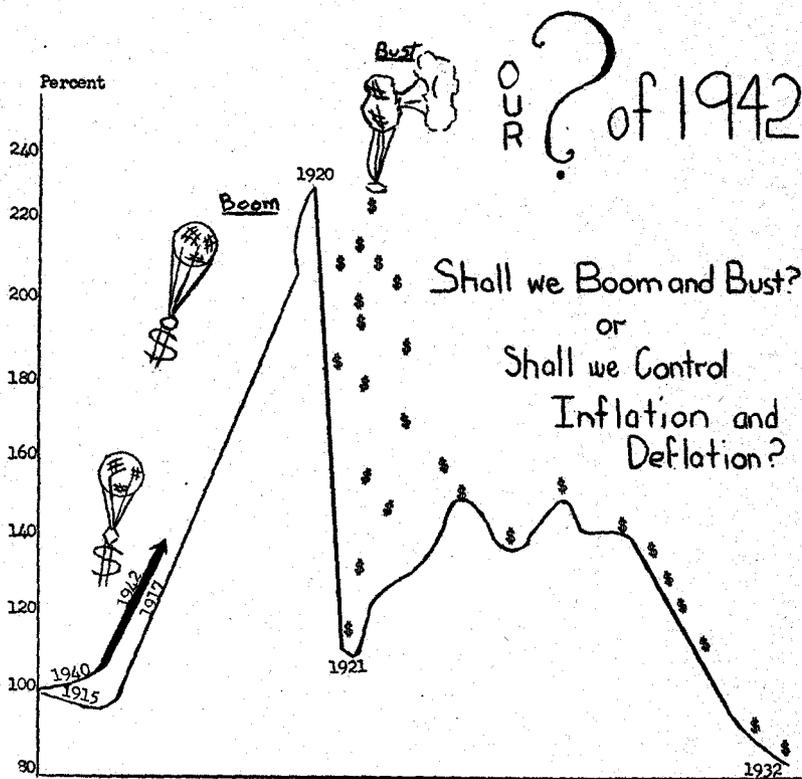




The Nation's Program to Control
INFLATION

A WARTIME EMERGENCY HANDBOOK
 FOR NEIGHBORHOOD LEADERS



Deflation follows inflation. The effects bear heavily on farm families. Farm prices were below parity for 20 years following World War I and farm families by the hundreds of thousands lost their farms and homes on debts.



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THE NEIGHBORHOOD LEADER'S FIRST JOB

The first job for neighborhood leaders will be to explain to the families in their neighborhood how families may help the Nation control inflation and the cost of living and benefit themselves by doing so. Neighborhood leaders should become well informed on all phases of this great economic problem in order that they may answer any questions about which families in their neighborhood may be in doubt.

The Nation's program to control inflation includes many economic and financial measures in addition to price ceilings and rationing. The most important among the measures which are necessary if we are to control inflation and prevent disastrous deflation are:

1. Tax heavily and hold profits down.
2. Fix ceilings on wholesale and retail prices.
3. Stabilize wages paid to workers.
4. Stabilize prices received by farmers.
5. Encourage the purchase of war bonds.
6. Ration essential commodities that are scarce.
7. Discourage credit and installment buying and encourage paying off debts.

Each of these measures involves great problems for the Government. We all need a full understanding of the program and what each of us can do to help the Nation control inflation. These matters are explained more fully by the pages which follow.

***Military action alone is not enough.
Victory requires civilian action too.***

The Nation's Program to Control Inflation

HOW WE MAY HELP THE NATION CONTROL INFLATION AND HELP OURSELVES

As farm families, we can support the war, help in the Nation's program to control inflation and the cost of living, and get the most for ourselves in the "long run" by using our income in ways that will reduce the demand for nonessential goods. We can use our money to:

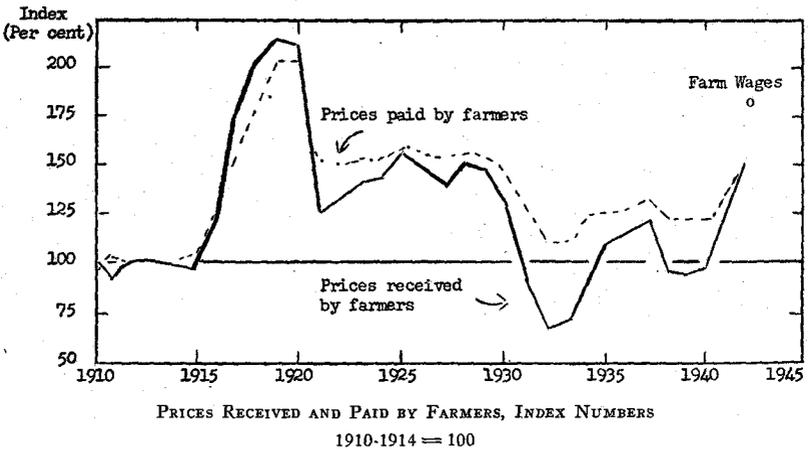
1. Pay off or reduce our debts.
2. Purchase more war bonds and stamps.
3. Pay our taxes promptly. (Reserve funds to meet higher income taxes.)
4. Pay cash for purchases. (Pay accounts due—avoid installment buying.)
5. Guard against losses with insurance on life and property. (Make advance premium payments.)
6. Guard family health through good diets, medical counsel, etc.

In addition to these ways of using our money, we all have certain responsibilities as wartime consumers. We should

1. Learn all we can about price control—watch quality.
2. Buy only what we need—hoarding is unpatriotic.
3. Learn about and observe rationing regulations.
4. Learn about the care and repair of clothing and of home and farm equipment.
5. Raise and conserve more of our own food.
6. Help save essential war materials.

ECONOMIC BACKGROUND AND SUMMARY OF THE NATION'S PROGRAM TO CONTROL INFLATION

On April 27, 1942, the President sent to Congress a general plan to control inflation, which contained seven points: (1) tax heavily, (2) price ceilings, (3) stabilize wages, (4) stabilize farm prices, (5) sell more war bonds, (6) ration some commodities, (7) pay debts and buy less on credit. On April 28, under the authority of the Emergency Price Control Act of 1942, passed by Congress in January, the Office of Price Administration (OPA) issued a Gen-



With the fall of the general price level following World War I, farm prices fell faster and farther than other prices and remained below "parity" until after World War II began. The situation became acute in 1921, but even more so with the decline in prices after 1929.

What does parity mean? Parity price means a price for the farmer's product which will give it an exchange value, for things the farmer needs to buy, equivalent to that in a specified base period. The base period mostly used as "par" has been the five years before World War I, 1910-1914. The parity-price yardstick for gaging the economic position of agriculture by means of price statistics was adopted by Congress in the Agricultural Adjustment Act of 1933, after years of discussion and action on farm relief measures during the depression following World War I.

eral Maximum Price Regulation. This regulation, with certain exceptions, fixed maximum prices for commodities and services at the highest prices during March 1942. The regulation will be subject to refinement and revisions, according to OPA Bulletin No. 1.

More money than goods causes inflation. In 1941, the individual incomes totaled \$92,000,000,000, of which \$74,000,000,000 was spent on consumers' goods and services. Personal taxes and savings accounted for the balance. Price inflation gained momentum in 1941. There will be \$25,000,000,000 more income in 1942, according to official estimates.

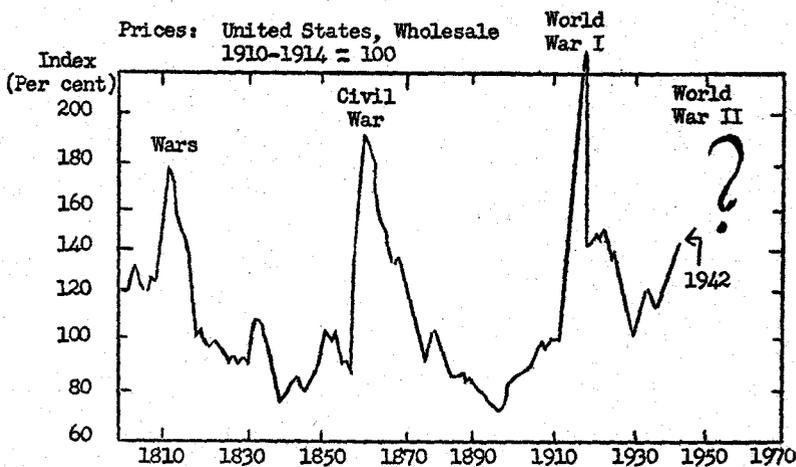
Out of \$117,000,000,000 of income that individuals are expected to have in 1942, without inflation controls it is estimated that there would be \$86,000,000,000 for spending on consumers' goods and services, 16.2 per cent more money to spend. But, it is estimated that the supply of goods and services available for consumers will be 12.2 per cent less, owing to the diversion of production into materials for war.

\$17,000,000,000 excess purchasing power. The excess purchasing power would amount to \$17,000,000,000 in 1942, even assuming that taxes and savings would amount to \$31,000,000,000

which is \$13,000,000,000 more than in 1941. If left uncontrolled, \$17,000,000,000 of excess purchasing power would force the price level up 25 per cent this year and set the stage for greater and greater inflation. The ultimate result would be a deflationary collapse probably far more serious than that of 1921, which was followed by more than twenty years of "disparity" for agriculture.

Price ceilings alone will not control inflation. Unless this "universal price ceiling" be "buttressed by complementary economic measures," quoting further from the OPA bulletin, "there can be no effective price control while at the same time there is so large an amount of excess purchasing power."

The increased inflationary pressure and the Universal Price Ceiling Regulation "serve as a setting for companion steps in wages, profits, and fiscal policy." In addition to the price ceilings regulation to fix wholesale and retail prices, measures are being taken to stabilize prices received by farmers and for stabilizing wages paid to workers. These measures are designed to limit the further growth of purchasing power. It is important, as well, that the excess of purchasing power already at hand be controlled, as "there can be no effective price control while at the same time there is so large an amount of excess purchasing power."



DEFLATION FOLLOWS WARTIME INFLATION

From 1800 to 1932, the United States passed through three great wartime inflations of the general wholesale price level. Each was followed by deflation and long periods of "disparity" for agriculture.

Engaged in World War II, we are again confronted with wartime inflation. We are faced by the question: Can the Nation's program to control inflation save us from the consequences of violent deflation such as followed other great wars?

Complementary economic measures stated. "The universal price ceiling . . . makes possible an effective war labor policy, more stringent income and excess-profits taxes, and greatly enhanced savings." Heavy taxation, increasing sales of war bonds, increasing payments on debts, less of credit and installment buying and rationing of essential commodities that are scarce are some of the economic measures considered as essential to overcome inflation.

"Without the ceiling, the economic measures might prove to be too little and too late." "Without the economic measures, the ceiling would in the long run become administratively unenforceable and socially harmful."

QUESTIONS AND ANSWERS ON INFLATION

1. What is inflation?

Inflation is a rapid increase in prices resulting from a big increase in the amount of money in the nation without a corresponding increase in the amount of goods available. Owing to our huge production of armaments, we are producing even less of ordinary goods than last year. At the same time, we have billions more to spend.

2. Why should inflation be controlled?

Inflation shrinks values of savings, life insurance, and old age pensions by reducing the value of the dollar.

It increases the cost of war. For example, a battleship costs many millions more, which we pay for later. The inflation we already have will add billions to the war bill.

It increases taxes because our local, state, and federal governments must pay higher prices.

Deflation always follows inflation. "What goes up must come down."

Farmers are forced to sell on falling markets to pay debts. In the last period of deflation, United States land values fell more than 50 per cent and more than one-third of American farms were lost by foreclosures, bankruptcy, or other forced transfers. Banks fail—most Oregon counties had at least one such failure, some had several. Depositors lost heavily.

Unemployment—12 million people without jobs in August, 1933. Millions on relief.

Inflation encourages extravagance and speculation. Some groups suffer while others prosper.

Deflation follows and sets the stage for social unrest and political revolution—as in Germany.

3. What is being done about the seven points to prevent inflation?

TAX HEAVILY—there has been no new legislation by the Congress since the President's message, although consideration is being given to it.

PRICE CEILINGS—the OPA has announced ceilings on nearly all retail goods except certain foods which were too low to allow it under the provisions of the price ceiling law.

STABILIZE WAGES—the first step in this field was to stabilize the cost of living by fixing price ceilings. Further steps must follow.

STABILIZE FARM PRICES—retail price ceilings already affect about 60 per cent of the farm products, and other products will be affected as they reach 110 per cent of parity. There is no restriction on raw farm products, except indirectly, and a farmer may retail not over \$75 worth in any one month.

SELL MORE WAR BONDS—the campaign is on an active voluntary basis but is falling short of the needs materially.

RATION SOME COMMODITIES—this has started with such things as rubber and sugar. Coffee and other items are expected to be placed on the list soon.

PAY DEBTS AND BUY LESS ON CREDIT—some folks are doing these things. The government has limited certain installment buying.

4. Why should there be inflation?

There should not be inflation if we are willing to finance the war through sufficiently heavy taxes and War Bond purchases and to carry out the whole anti-inflation program. If the government doesn't obtain enough money through taxes and War Bonds, there will be inflation.

5. Why is it necessary for this country to have rationing of some commodities?

First, to insure that the armed forces receive those things that they must have to carry on the war, and second, to prevent price inflation for such commodities and bring about as nearly

as possible an equitable distribution of goods that are scarce among all of the people. More price inflation means more rationing will be necessary or people with small incomes must do without things they need.

6. Will price ceilings work?

Yes, if the government collects the extra money through taxes and War Bonds from consumers who have surplus money to bid up prices.

7. Can the situation be met without price ceilings?

The government says "no" and it is true that the people have not invested enough money in War Bonds, and the government has not been collecting taxes in amounts that will permit financing the war without inflation. The people will have twenty-five billion dollars more money income this year than last, but the supply of things to buy will be much less.

8. How can price control work when there is all this additional money in circulation?

Price control will not work by itself. Unless it results in the payment of debts, purchase of more War Bonds, payment of higher taxes, stabilizing wages, and less buying on credit, price control will break down.

9. Will this war have to be paid for largely by future generations?

Yes, by the payment of War Bonds and debts. The more we pay now, the less will future generations have to pay.

10. Will the anti-inflation program succeed?

We, the people, through our action have the answer to that—we and our government. Battles are won by soldiers who do their duty.

Cooperative Extension Work in Agriculture and Home Economics
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Printed and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914