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College Group Looks at Inflation

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A College Group Looks at Inflation

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At the January meeting of the Xi Chapter of Phi Chi Theta, women's national commerce sorority, at the University of Southern California, there was an informal, animated discussion of inflation.

Chairman Peggy Kalpakian opened the discussion with Professor Kemmerer's definition of inflation: "Inflation is too much money and deposit currency—too much currency in relation to the physical volume of business being done."

"I don't agree," one of the girls exclaimed. Her interpretation of inflation was that the circulation currency remained relatively the same and that the dollar would not buy as much as it previously had. Several girls took part in defending and criticising the definition, each stating her opinion on the matter—decrease of supply of consumer goods, increase of supply of currency, increase in deposit currency, price changes and physical productivity changes, total income rises more than production. The result was that they admitted the words *physical volume* justified the definition.

Inflation from the monetary standpoint was mentioned—how the increase in currency supply, through bank deposits, brings about the much-feared condition of inflation, how there has already been a tremendous increase in currency circulation, how the government debt enters into the picture as a source of inflation. When the government, over a period of time, receives a smaller amount of income than is sufficient to pay its bills, it must "create currency" by increasing bank deposits.

A theory currently discussed in economics classes emphasizes the fact that the government debt is not similar to an individual debt since it is a debt *of the people to the people.* It might be compared to owing something (monetary) to oneself. For this reason, the "debt" could go on increasing without the customary fear of repayment.

On the same subject, a quotation from Harry Scherman's *Inflation in One Easy Lesson* was brought up: "Too frequently one hears it said that our total federal debt will rise to such levels that eventually it will have to be "repudiated." Few things are more certain than that the United States Government will never fail to give dollar for dollar on the face amount of its debt. It will do so even if it is obliged to create additional money for the purpose. But how much will those dollars buy? Quite obviously, the proper worry should be whether the dollars the Government pays out in settlement of its debt will then buy only half, or a third, or a tenth of what it now does. In other words, will we eventually see a great inflationary rise in the price-level? We have seen what would cause that: a continued unchecked creation of money.

"It is not unfair to point out that the Enemies Number One of the American people—after the Germans and Japanese are disposed of—will be the irresponsible monetary theorists who are leading many people to believe that our federal debt can go on increasing indefinitely. Such debt-increase means nothing now but the creation of more 'invisible money,' which—we must all never forget!—can buy anything greenbacks could buy. This money-creation, unavoidably, will have gone to such lengths by the time the war ends that the first thing necessary will be to stop it. Unchecked it would be the one certain course that would plunge us into a tragic inflation.

" 'How can it be checked?' By sufficiently heavy taxes on a high national income—for example, 25% federal taxes on an average national income of $100,000,000,000 would do the job. Those who hold that our national income can only be increased by 'deficit-financing' overlook our impressive history of economic growth."

From here, the subject drifted to other countries and their current war labor problems. In England, following a registration of the entire population at the outbreak of the war, a 70-80-hour working week prevailed, but it was found that this did not give rise to maximum output and hours were reduced to 50 to 60 per week. Income to workers has increased through overtime and competition for labor and it follows that demand becomes greater, with the additional problem of lack of consumer goods to meet the demand. Canada has inaugurated a wage stabilization set-up in which a given wage is paid in addition to a bonus which fluctuates in accordance with cost of living. This interesting attempt at stabilization is the only one of such a direct nature in a democratic country.

Everyone put in her comment on the importance of raw materials and their convertibility to war use. Coal, iron, steel, steel alloys, rubber, oil, textiles, and foods were the basic raw materials discussed; their relation to the war effort and comparisons of the allied and axis resources were brought out. Potential man-power, plants and equipment, and consumers' goods were touched on in the course of the lively discussion. These play important roles on the homefront in that they constitute the back-bone of the war-time set-up.

The relation of inflation in wages to former wages was discussed both from a national economic point of view and from a personal point of view. A few historical points were mentioned, such as the lagging of skilled labor wages in Germany after World War I. The fact that Germany was crushed after the last war and that the United States was victorious is significant here. Historical patterns are important for anticipating the future, but all the circumstances of any given pattern must be taken into consideration. An opinion was expressed that present real wages are relatively the same, if not somewhat less than in a period of relative non-inflation.

Inflation and social welfare was the last topic of the evening. From reliable sources, it was stated that through inflation, gifts to charitable institutions become fewer in the long run. However, the students did not quite agree and brought up a case where a local church recently paid off a $125,000 mortgage with donations. Here income tax deductions probably had a great deal to do with it. Several community churches were mentioned in this connection.

Editor's Note: Peggy Kalpakian is a junior at the University of Southern California where she is majoring in Finance and Business Administration. She is vice-president of Xi of Phi Chi Theta and a member of Ephebian, an honorary civic betterment society, membership in which is given to the upper 2½% of high school graduating class. She is also a part-time employee of The Security-First National Bank of Los Angeles in the Escrow Department and office assistant in the office of the Dean of the College of Commerce, U.S.C.

Thanks, Peggy, and best wishes for a world of success. Certainly, the career of one so promising will be followed with keen interest.

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want to stay there permanently if post-war jobs are available for them. It is highly necessary that some sort of blueprint for the future be prepared so that the population shall have an opportunity in private enterprise, thus avoiding a critical unemployment situation in the reconversion of industry from war to peace. It has been estimated that we should have at least 20% more jobs available after the war than we had available in 1940 and this is one of the important problems now confronting the Committee for Economic Development.

Miss Haines's appointment to this important committee is pleasing recognition of her ability.

New AWSCPA Members

AWSCPA welcomes as a new member *Miss Viola Becklin* of Brookfield, Illinois. Miss Becklin, who obtained her C.P.A. certificate in May of 1943, is employed by H. E. Snyder & Company, Certified Public Accountants, in Chicago. She holds a B.A. degree from the University of Chicago and has had accounting training at both the University of Chicago and at Loyola University.

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their return would be only $900. Husbands and wives living in community property states, filing joint return will be entitled to $500 each if the adjusted gross community income is in excess of $1000. The limitation on medical expenses is computed on medical expenses in excess of 5% of adjusted gross income. The limitations on charitable contributions is based upon 15% of adjusted gross income.

The amount of charitable deductions and medical deductions may be a determining factor in deciding whether or not to elect to take the optional standard deduction or compute the deductions in the usual manner.

Every taxpayer has the right to elect the standard deduction. If adjusted gross income is less than $5000, the deduction is 10% of adjusted gross income. If adjusted gross income is in excess of $5000, the standard deduction is limited to $500. If the taxpayer's income is less than $5000, and he elects to use the standard deduction, then he pays the alternative tax, using the table on the optional tax forms. The decision to use the standard deduction in any year cannot be revoked for that year. A taxpayer might find that he should have saved by using his normal deductions, but cannot change his decision for that year. So extreme care should be used in arriving at correct adjusted gross income, and an accurate computation of ordinary deductions for net income, should be made before electing to use the standard deduction.