

# Stand Still, Little Lamb

Condensed from Economic News

FROM one point of view the "forgotten men" (virtuous citizens who pay their debts and taxes and are never heard of outside their small circles) are *not* forgotten. [An article distributed to half a million readers of Economic News published by the American Institute for Economic Research, Great Barrington, Massachusetts, entitled "Stand Still, Little Lamb, To Be Shorn," points out that their votes are sought, and they provide the funds for all public projects "ranging from the necessary to the sometimes worse than useless." On these citizens too rests the burden "of that hidden tax attributable to a depreciating dollar, the inevitable result of inflation."]

If the "forgotten men" understood the extent of this burden they would see how much they are relied upon by the beneficiaries of inflation and might, after recovering from the shock of counting their losses, develop a quiet pride in their burden-carrying capacity. Perhaps even a sheep develops pride in its ability to grow a good coat of wool, in spite of discovering that his fate is to be shorn.

The situation may be more calmly viewed by the victims of inflation if, instead of counting their losses, we count their contributions to the "success" of prolonged inflation. The fact that their contributions are made without their consent is an interesting aspect of the matter that perhaps makes "embezzlement" a more appropriate name for the process. However, different names do not alter the facts in the case.

The funds belonging to the nation's "forgotten men," from which they contribute to the "success" of pro-

longed inflation are held largely in nine principal forms of investments.

One of their largest single investments is in life insurance and annuities. The actual sum thus accumulated at any time is not the face amount of outstanding life insurance and annuity policies but the reserves held by the insurance companies for such policies.

A second important investment made for individuals is the total of trust funds held by the government for old-age pensions, employment and disability insurance, railroad retirement funds, and veterans' life insurance.

A third source from which contributions to the "success" of inflation are made is the total of savings of time deposits in commercial and mutual savings banks. When the depositor is lucky, his loss of buying power in a year may be less than his interest earnings. In some years, however, the percentage depreciation of each dollar on deposit exceeds the interest earned during the year. In such years, the depositor contributes not only all of the interest he thinks he is earning but also some of his original capital.

A fourth principal investment likewise vulnerable to the thieving propensities of the inflationists is the total of accounts with savings-and-loan associations, with credit unions, and in postal savings. A fifth is in the form of U. S. Government bonds—about two-thirds of the total held by individuals are the U. S. savings bonds so widely owned. After these come bonds of states and municipalities, bonds of corporations, loans secured by mortgages and the currency hoarded by many individuals in inactive or idle checking accounts awaiting future purchases.

If this huge supplementary tax, this

forced contribution, made the process of inflation successful in stimulating sound and sustainable economic growth at a faster rate than would otherwise be possible, the results might be worth the price. But there is no instance in the known history of the world when such was the outcome. On the contrary, every prolonged inflation has fostered maladjustments such as those obvious in the United States today.

As a result of these forms of investments nearly \$200,000,000,000 has been contributed to the "success" of inflation since 1939. If the nation's "forgotten men" comprise about half the population, this forced contribution approximates \$10,000 per family involved. In relation to the federal income tax on individuals, the losses on savings alone attributable to embezzlement via inflation equal such taxes for 4 or 5 years at the current rate.

As a matter of fact the situation is worse, much worse than is indicated by the nearly \$200,000,000,000. That is only part of the loss and perhaps the smaller part at that. Not only did the "forgotten men" lose that amount from their accumulated savings, they and others lost still more from their current incomes. All whose incomes increased less rapidly than did the cost of living lost still more, an amount difficult to ascertain but assuredly large. Those whose incomes were relatively fixed, those dependent on pensions, annuities, income from bonds, and on salaries or wages that were not increased as rapidly as the cost of living rose, all those many millions of individuals also were forced to contribute to the "success" of prolonged inflation.

Many people ask us, "But what can I do, I am only one citizen, I am all alone?" We marvel that anyone can be so unobservant. The nation's "forgotten men" are not alone; they number many millions. If that were not so, they would not have so much that

can be transferred to the beneficiaries of inflation. On the other hand, the farmers today are a small minority, and only a few of that small minority benefit on a large scale from the farm programs; but the politicians heed them because they act, if not more like men, at least more like hogs than like sheep. They evidence their desires, and the politicians heed them.

The fact is that the power of the nation's "forgotten men" is vastly more than they seem to realize, enough to change the course of history whenever they choose to act like men instead of like sheep. In West Germany the "forgotten men" after two thorough shearings via inflation (in 1923 and again two decades later) finally insisted on an end to inflation; and they now have both a rapidly growing economy and a currency for which they can obtain gold on demand.

Does this imply that in West Germany the politicians are better informed than those in the United States on money-credit matters or are more diligent in voluntarily protecting the "forgotten men's" interests? Not at all, statesmen are always on the side of the "forgotten men" in any event, but politicians are alike the world over. Politicians don't have deep-seated convictions; they are keenly alert to the desires of any group that may hold the balance of political power in an election district. When such a group, especially if it is as numerous as are the nation's "forgotten men," evidences definite desires, the politicians will be eager to vote as the "forgotten men" wish.

Some readers may suggest that many politicians already have evidenced their intentions to stop inflation. This raises the question, what is satisfactory evidence of such intentions? No one should assume that words, however sincere they may seem to be, are sufficient evidence. Vigorous advocacy of and actual voting for restoring the

gold standard for the nation's currency at the earliest practicable date (perhaps setting a date 5 to 10 years in the future because of the many inflationary maladjustments to be corrected) would constitute, in our opinion, the only worthwhile evidence of an intent to stop inflation. As we interpret them, mere oratorical con-

demnations of inflation by politicians and assurances that the dollar will not again be devalued (like Sir Stafford Cripps' several denials that the pound would be devalued, the last on the day before that action), in short, all verbal shadowboxing with inflation can be translated thus, "Stand still, little lamb, to be shorn."



## *A Letter to Readers of The Henry George News:*

IN recent issues of Economic News, the American Institute for Economic Research in Great Barrington, Massachusetts has exposed the inflation issue and issued a challenge that every Georgist should gladly accept (See page 12). The author, presumably Colonel E. W. Harwood, though the article is unsigned, stated that if the readers of Economic News alone would act, they would constitute a large enough minority to influence Congress.

The two preceding issues gave a clear picture of the monetary mess in which the U.S. finds itself, and which the Secretary of the Treasury realizes. The salutary effect of resuming the gold standard in the desperate crisis after the Civil War is a matter of history which Colonel Harwood related in preceding issues.

I propose a campaign by the Georgists of America (or those who agree with Colonel Harwood) to tell their Senators and Representatives that they are voting for resumption of the gold standard. With the letter should go a copy of, or clipping from, Economic News, with a brief explanation of the scope and purpose of the Institute for Economic Research. [As a possible substitute, the shortened version of the article in this issue might be used.]

There are fields in which Georgists should *act*, not merely educate. The fact that land speculation is the basic cause of booms is no reason for failure to tackle other related problems.

I request that Georgist publications in other cities print a copy of this letter.

I shall never forget the moving appeal Dr. Henry George III made at the 15th Anniversary dinner of the Newark School. It did not concern the gold standard, but rather prison reform. Dr. George begged Georgists, while not neglecting their principal mission, to join the ranks of those working for justice in whatever fields lay open to them.

Here is a cause very near the central issue. Let us write our letters today. A copy to the local newspapers might awaken many non-Georgists to join in the effort. Let us act before we are all so deeply in the prison of inflation that no power in the world will constitute enough prison reform to release us.

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A most welcome letter has been received from Henry George IV, a student at the University of Knoxville, Tennessee, enclosing a contribution which makes him a member of the Henry George School. It is a great delight to make the acquaintance of the great-grandson of Henry George.