

PERILS OF INFLATION CITED BY OPPONENTS; FALL FROM GOLD STANDARD IS FEARED

Doubt Expressed That Commodity Prices Would Be Raised; See No Way to Assure Control.

BY HERBERT LITTLE
Times Staff Writer

WASHINGTON, Feb. 8.—The roar of the printing press sending out bales of greenbacks is the fear of the anti-inflationists. These include such leaders as President Hoover, Secretary Mills, Senator Carter Glass, and most bankers and investors.

Their distrust is particularly toward currency inflation, some of the arguments for which have been presented in this series.

They see three main dangers in any currency inflation plan: One, that it won't inflate, or raise commodity prices; two, that it can not be controlled; three, that it will take us off the gold standard.

The plans all involve an increase in the amount of money in "circulation," which now is around \$5,700,000,000 part of it hoarded. If an increase is accomplished merely by making the money available in the banks—as was done by the Reconstruction Finance loans—there is danger that the banks will not lend it out. There then would be no inflation.

No Shortage of Money

If the money should be forced out into the public's hands—as proposed by the currency inflationists, in the form of a cash soldier bonus, payment of part of the public debt, or some such scheme—it might go right back into the banks.

There is no shortage of money or bank credit now. The volume of money in "circulation" is more than a half-million dollars above the peak figure of 1929.

Transfusions of federal reserve credit and federal reserve member bank balances is high.

The billion dollars loaned by the government in 1931 on soldier bonus certificates went directly to consumers, and therefore should have inflated to some extent, stimulating purchases and stopping the fall of prices. But it didn't.

There was a slight increase in new and used automobile sales, but for the most part the ex-soldiers seem to have used the money to pay off accrued grocery bills, rents and back loans. The money went into debt's and was not used for purchase of goods. There was no stimulus for business.

Not Enough, They Cry

The inflation reply is that the billion dollars wasn't enough. Their programs call for three billions to ten billions of new money.

Difficulty of control, however, is the principal objection to inflation. If the government prints more money not fully backed by gold, its obligations and expenses will increase rapidly. To meet enlarged expenses of government, it will be necessary to print more money.

Anti-inflationists claim this process will continue indefinitely, as it did in Germany after the war. It is impossible, furthermore, to keep gold behind part of the money while issuing billions of paper money, because of the economic law that "bad money drives out good money."

That is, the holders of the new paper money, guaranteed even though it is by the government, will trade it for the gold-backed money, or gold itself, and hoard this. This removes the gold money from circulation.

France went off the gold standard and the franc dropped from 19 cents to about 5, where it was pegged by the national bank of France.

Back on Gold Standard

Then having wiped out three-fourths of her internal debts, both private and governmental, France went back on the gold standard. Germany was not able to control her post-war inflation. All internal debts were wiped out and money became worth nothing. Then a new gold mark was adopted, and debtors and creditors started from scratch.

Most of the currency inflation plans involve going off the gold standard. The gold standard means that a government guarantees to meet its debts, and pay out gold in return for paper currency, at the accepted world price of gold. This is about \$20 an ounce.

Currency inflation means that the amount of gold behind each dollar bill will be reduced—making the price of gold \$30 or \$40 an ounce—or that the government will pay either partially or wholly in silver if it desires. Adoption of currency inflation—or even serious discussion of it in congress—immediately would begin a run on the treasury, it is believed, with capitalists here and abroad both demanding gold.

If carried out to the logical extreme, this would deplete our treasury—federal reserve store of monetary gold. The treasury would be compelled to forestall this by "going off the gold standard"—refusing to pay and forbidding export of the yellow metal.

Can Credit Stand Strain?

This would depreciate the government's credit and securities. The question is, "Can the government's credit stand the strain?" And the anti-inflationists answer no. But inflationists point to Great Britain and say it can, if the people are aroused patriotically to support of the government.

Many of our debts, including real estate and farm mortgages and government bonds, call for payment in gold at the present standard, and anti-inflationists assert that creditors would have the constitutional right to collect at this rate even if the currency were inflated.

But the inflationists declare the Constitution gives congress the power to regulate the value of money, a power superior even to the sanctity of contracts.

The next story will tell what inflation would mean to most of us.

FIREMAN IS PROMOTED

Harry Golder to Become Chauffeur; Injured Last Fall.

Harry Golder, first grade private in the fire department Tuesday, was promoted to chauffeur by the safety board. The promotion will become effective Saturday.

Golder was injured last fall when the pump truck which he was driving collided with a car at Sixteenth street and Central Avenue. He was in the hospital about two months. Fire Lieutenant Louis Stanley was killed in the accident.

Free Luncheon Provided

Free luncheon provided by the P.T.A. will be given to pupils of School 19, at 1635 East Palmer street, Feb. 16.

Young Adventurer Branded Wanderwell Slayer by Members of Yacht's Crew



The fog of mystery and adventure which has surrounded the death ship Carma is expected to lift in the Long Beach (Cal.) court room where William James "Curley" Guy is on trial charged with murder. A former associate of the adventurous Captain Walter Wanderwell, who was found shot to death

in his cabin on the Carma, Guy is believed to have been seen aboard the ship shortly before the murder. He is shown, at left, with his lawyer in court.

The blond beauty of the widow, Mrs. Aloha Wanderwell, right, schooled in adventure, was unmoved as the trial began and she confronted the accused Guy.



'GUILTY' DECREE TO TURN JAPAN GUNS ON JEHOL

Geneva's Formal Decision on Manchuria to Bring Defiant Drive.

By Scripps-Howard Newspaper Alliance
WASHINGTON, Feb. 8.—Japan's answer to the League of Nation's likely verdict of guilty in Manchuria, dispatches from responsible Chinese sources in the Orient indicate, will be to withdraw from Geneva, and aim another blow at China.

The Chinese, who have 200,000 troops in position in Jehol, it is stated, are expecting the Japanese to begin a major drive against them as soon as the League formally hands down its decision, and the weather makes an advance practicable.

The munitions plant at Mukden, now in the hands of the Japanese, is described as working night and day, while news dispatches which have passed the Japanese censorship that in Japan stocks of war material far exceed those on hand at the outbreak of the Russo-Japanese war.

Observers here fear that the military clique now in power at Tokio has gone too far to back down.

They either must go forward, or seem to be to present the Japanese suffered humiliating defeat at the hands of a more or less united world.

Means Political Suicide

The latter means political suicide for them at home. Their overthrow would follow almost immediately.

The alternative to such an admission and its consequences would seem to be to present the Japanese public with new military victories and new territory in China.

Thus the gravest crisis since the Japanese began to overrun Manchuria in September, 1931, is regarded as imminent, not only in the far east, but at Geneva.

If the Japanese quit Geneva and defy the world by undertaking further military operations against the Chinese, China is prepared to invoke Article 16 of the covenant.

Article 16 makes an act of war against one member an act of war against all the other members, and calls for severance of all trade or financial relations and the prohibition of all intercourse with the covenant-breaking state. Even armed force may be used to protect the covenants of the league."

"World War" Is Menace

Only last week, at Tokio, government spokesmen warned that Japan would not only withdraw from the League, if the proposed verdict is formally handed down at Geneva, but that any effort to apply sanctions "would mean another world war."

As no sanctions of any kind could be made effective without the cooperation of the United States and Russia, the league will be obliged to get a clean-cut statement of policy from both countries before proceeding with any such drastic move.

While President-elect Franklin D.

Roosevelt has given his support to the Stimson doctrine of non-recognition of Manchukuo, it is understood this government's far eastern policy will be one of extreme caution, with Mr. Roosevelt's firm backing.

"Dad" Elliot to Speak
A. J. (Dad) Elliot, national secretary of the student division of the Y. M. C. A., will address boys of Washington high school Friday at 10 in the school auditorium.

COLLECT \$524,703 TAX
Quarterly Inheritance Fees Are Added to State's Coffers.

Coffers of the state treasurer were enriched by \$524,703.89 Tuesday through quarterly collections of inheritance tax by Clarence Ulum, state income tax collector.

The amount covers the period from Oct. 1, 1932, to Jan. 1, 1933. Total for the calendar year 1932 was \$1,883,755.

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Turn to Page 7 for Block's "Follies of 1932"

SEVERE EARTH SHOCK IS FELT ON RHINE

Quake Does Damage in German State of Baden.

By United Press

KARLSRUHE, Germany, Feb. 8.—A severe earth shock was felt throughout the state of Baden yesterday, from Karlsruhe southwest almost to the Swiss border.

The shock was most violent at Rastatt, thirty miles from here, near the Rhine. Hundreds of chimneys were toppled over and a wall of the local barracks was smashed. No deaths had been reported.

Help the Law

Watch for Gunmen and Call Police If You See Them.

Indianapolis and the middle west today seek five gunmen responsible for the machine gun murder Tuesday of Sergeant Lester Jones.

Descriptions of four of the five gunmen have been broadcast by both local radio stations and have been dispatched to every police official in Indiana and surrounding states. Description of the fifth gunman was not obtained.

If you see these men, call police headquarters immediately.

The descriptions:

No. 1—35 years, 5 feet 2 inches tall; 150 pounds; dark complexion and wearing a dark light hat and light shirt. He is the machine gunner.

No. 2—30 to 32; 5 feet 2; 135 to 140 pounds; light complexion; no description of apparel.

No. 3—32; 5 feet 6; 160 pounds; long black overcoat and light hat. He has a heavy face and is smooth shaven.

No. 4—23; 5 feet 11 inches; 160 pounds; light complexion; wearing gray overcoat and felt hat.

DRIVER IS FREED OF MANSLAUGHTER CHARGE

Peru Man Not to Blame in Fatal Accident, Witnesses Say.

Manslaughter charges against Joseph Volpert, 28, of Peru, were dismissed in municipal court Tuesday after witnesses testified that Jackie Harker, 9, of 1210 East St. Clair street, who was struck and killed Jan. 27 by Volpert's car, had run into the path of the automobile.

Volpert swerved in an attempt to avoid striking the child, witnesses said, and also stopped within a few feet after the accident, which occurred at Dorman and Tenth streets.

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Night Coughs

Decorator Who Turns to Writing

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A poem written to Roosevelt by Halsey has been given a place in the President-elect's scrapbook, according to a letter Halsey received from Louis M. H. Howe, Roosevelt's secretary.

Halsey sent Lutz a poem based on the news story that one of Lutz's love birds died. Lutz thanked him for the poem.

RECOGNITION IS WON

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Two Dead in Crash

NEW ALBANY, Ind., Feb. 8.—Two men were killed and two others injured when a small coupe collided with a coal truck on State Road 62 near here Tuesday night. The dead are Harold Phillips, 29, and Edward Connally, 58, both of New Albany. Both were riding in the coupe.

Stop a COLD the First Day!

This Four-Way Remedy Does It.

Play safe! Take a COLD remedy for a cold!

Grove's Laxative Brome Quinine stops a cold quickly because it does the four things necessary. Opens the bowels, kills the cold germs and fever in the system, relieves the headache and tones the entire system. Get it today and be ready for any cold that may come along. Be sure to ask for Grove's Laxative BROME QUININE. Now two sizes—30c and 50c—at all druggists.

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