sist on costly benefits regardless of the effects on the nation's currency and economy, makes them a dangerous pressure group for inflation.

There are the pressure groups advocating multibillion dollar foreign aid programs, federal road construction programs, public utility programs, federal housing programs, and many others. Again, all these schemes would not be inflationary if all the money were raised by taxation. But in most years since 1930 the federal government operated with large deficits, the funds for which were made available through credit expansion.

The Social Security Burden

There is one spending program standing high in the public mind that in the future will constitute a powerful reason and excuse for inflation, although in the past it even counteracted inflationary ambitions. This is the social security program. Since January 1, 1937, an ever greater part of the working population has been taxed to finance the Federal Old-Age and Survivors Insurance. For more than 20 years the annual intake of the Social Security Administration exceeded the benefits paid out. Consequently, a surplus of more than $20 billion resulted that was merged with other tax revenues and spent by the government. It is obvious that this amount helped to pay for the various New Deal programs and thus prevented the government from inflating the nation's currency by this very amount.

In the future the situation will be quite different. An ever larger number of taxpayers is reaching retirement age and drawing old-age benefits. But this is not the only reason for an expected rise in outlays. Since 1939 the benefits were broadened to provide for wives, widows, and dependent children of retired workers. Payments were increased repeatedly in order to assure adequate support. Each worker's old-age claim is no longer based on the amount of his contribution, but on our politicians' definition of need and adequacy.

This criterion for benefits has led, and must lead in the future, to costly revisions of the program, especially when the costs of living are rising. Each political party is tempted to bid for the votes of the aged through higher old-age benefits. Consequently, rising expenditures will require much higher taxes and, in case the revenue should not be forthcoming promptly and sufficiently, also monetary expansion. The social security program, which in the present fiscal year is expected to

suffer its first deficit, therefore will constitute another reason for inflation and monetary depreciation.

Labor Union Pressure

Our labor unions comprise the *second* important pressure group advocating inflationary measures. Through collective bargaining, strikes, and many other methods of coercion they tend to lift wages above the rates determined by a free labor market. But whenever wages are forced above those determined by competition in the market, unemployment inevitably results. This in itself constitutes no inflation, merely a maladjustment. But then the very unions that bring about these harmful effects begin to clamor for federal aid and easy-money policies. Through their influence on public opinion and their connections in Congress they pressure the Board of Governors into inflationary money policies to provide relief for their depressed industries. We can observe this phenomenon in all industries in which there are powerful labor unions.

Until recently the American residential building industry, for instance, has been working at less than 70 per cent of capacity. For years powerful unions have pushed building industry wages far above free market wages, which fact raised housing prices considerably. And while prices were rising, the demand for houses declined. Unemployment of capital and labor resulted. Now, instead of shouldering the responsibility for this maladjustment, the labor unions clamor for easy-money policies which would supply the mortgage money needed to sell more homes at higher prices. In other words, they ask for inflation as a cure for maladjustment.

Even during recessions when business suffers from unprofitableness labor unions continuously raise business costs. Consequently, they increase unemployment. A comparison between the unionized North and the South with its less harassed labor relations clearly demonstrates this causal connection. Where are the 5 million workers who presently are unemployed? They live in the industrial North that is plagued by union activities. They live especially in the union strongholds, in Chicago, Detroit, Pittsburgh, New York, New England, etc. And where did the last recession have its most depressive impact? Every objective observer will agree that it is the unionized North that breeds recessions.

Trimming Wages through Inflation

Facing the dilemma of mass unemployment, our Washington ad-