Ferdie J. Deering FEB. 3 1977

Inflation's Worrying Everyone, But No One Wants the Solution

WHILE making a political survey of personal problems, a pollster reportedly was told by one respondent: "If it wasn't for these tight shoes, I guess inflation would be my biggest problem!"

Inflation is a major problem for everyone, regardless of tight shoes, other difficulties or lack of awareness.

"Inflation can be defined very simply," says Dr. Richard H. Leftwich, regents professor of economics at Oklahoma State University, "as a period of rising prices."

This country has been in such a period almost continuously since the Great Depression. Prices have risen and are rising. Public officials, financiers, economists, businessmen, salaried and wage workers and farmers want to stop inflation.

Their unanimity of purpose might be translated into a program that would enable each group to maintain prices or incomes they receive for goods or services, while prices of what they buy would go down. This is not likely to happen.

After he heard a speaker declare that "we can live comfortably with an inflation rate of 6 per cent," R. W. Laughlin, Oklahoma City geologist, undertook to figure his personal "inflation comfort quotient."

He began with an automobile that could be bought new in 1940 for around $600. By adding 6 per cent per year to the price, compounded, Laughlin arrived at $5,670 for 1977, which is rather close to actual prices.

Carrying his calculations further, Laughlin figured that a similar car would cost $16,185 by 1995. Inflation added $36 that first year, but 6 per cent added to 1976 prices was $321. By 1995, the price would go up nearly $1,000 a year!

These estimates show that the longer inflation goes on, the faster prices increase. Dollars buy less each year.

This was demonstrated in a tabulation published by U.S. News & World Report a month ago. Starting with $1,000 Jan. 1, 1977, and allowing prices to rise by 6 per cent a year, the fund's value in purchasing power would drop to $943 in 1978, to $840 in 1980 and be worth only $558 at the end of 10 years.

It has been argued that prices will come down when unemployment reaches a stage that wages are reduced. But neither workers nor sellers of goods want to be (or perhaps can be) first to reduce their rates. Nobody wants to cut anybody's pay.

"Unemployment must remain at much higher levels than conventional political rhetoric demands if we are to solve the problem of inflation," said an economist in Fortune magazine. But who is willing to drop the first bomb in the war on inflation?

Congress is considering proposals that may accelerate, rather than deter, inflation. One plan is to boost the minimum wage level to $3 an hour and provide for automatic increases tied to the Consumer Price Index. Each would cause the other to rise. Minimum wages might reach $10 an hour within a few years, but an hour's work might buy somewhat less than it does today.

We love inflation when it brings higher pay or bigger profits to ourselves, but we hate it when we spend the money!