opinion

Gov't spending causes inflation spiral

by Professor Barry W. Siegel

Editors note: Professor Siegel hails from the Economics Department and has taught at the University since 1961. He received his Ph.D. from the University of California at Berkeley and is a specialist in monetary theory. Currently he is finishing a textbook which will be published in 1981.

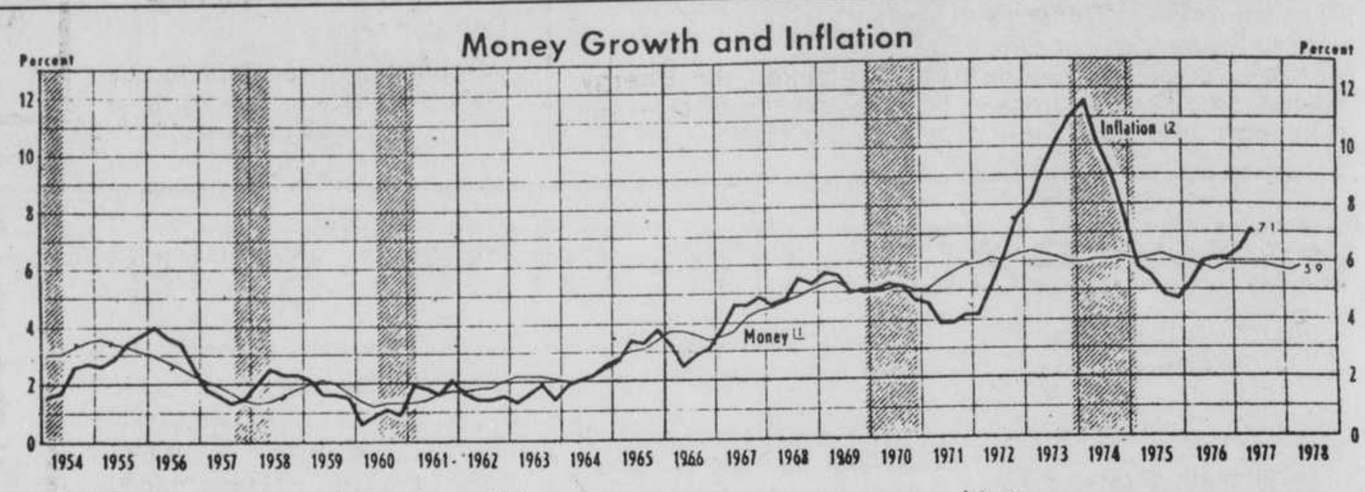
In a recent letter to the editor (Oct. 1), Tim Alcott and David Lerman say that the post-war inflation in the U.S. is mainly a result of monopolistic corporations, aided and abetted by the federal government, raising profits at the expense of workers and competitive firms. The evidence and theory they use in support of their assertions are unconvincing. In addition, they omit discussion of the true cause of inflation — inflation of the money supply by a high spending government.

Alcott and Lerman state that "Monopoly price setting and government policy-making have combined to make inflation a permanent feature of American life." Apart from pointing to government aid to Lockheed and (perhaps) Chrysler, they offer no analysis of how government intervention causes inflation. But, in support of their monopolies-cause-inflation theory, they offer the following "facts": (a) Prices in monopolized industries in each of the six post-war recessions have risen while prices in non-monopolized recessions have fallen, and (b) that corporate profits have risen as a share of national wealth.

In contrast to these facts, consider the following: (a) Prices in all industries — monopolized or not — have risen substantially since the current inflation got its start in 1965. Just compare today's grocery prices to those 15 years ago and reflect upon the fact that agriculture is probably our most competitive industry. (b) The share of total corporate profits after taxes has not increased over the post-war period. In fact, although they are currently lower as a percentage of gross domestic corporate product than they were during the boom years of the 1960's, they are about the same as they were in the early 1950's, provided that you add to profits the net interest payments they pay to their creditors. If you don't add in the interest payments, you will find that corporate after-tax earnings are now substantially below their margins of the early '50's. (See Fortune Magazine, Aug. 27, 1979, article entitled "Unravelling the Mysteries of Corporate Profits").

The most serious error in the Alcott-Lerman article is to ignore the true role of government in fostering inflation. Inflation is fundamentally a monetary phenomenon. Excessive money creation in response to bulging government deficits sweeps all prices in its wake. Wages, interest rates, prices of goods and services produced by corporations and prices of products of the farm sector and other competitive industries are all driven up by excessive and continuous monetary growth.

The force of money on inflation is illustrated in the accompanying chart, drawn from an article published in the September 1978 Review of the Federal Reserve Bank of St. Louis. Notice how money growth tracks the inflation rate. Except for the period of Nixon's price-wage controls in 1971-72 and the combination of world grain shortages and OPEC price increases in 1973-74, the correlation between growth of the M1 money supply (currency and checking deposits at commercial banks) and inflation (growth of the GNP price deflator) is very high.



Shaded areas represent periods of business recessions.
1. Twenty quarter annual growth rate of M1.
2. Four quarter annual growth rate of the GNP Deflator, ending four quarters in the future.
Latest data plotted: Inflation 2nd quarter 1977, Money 2nd quarter 1977

There really is no way around it. Money, not monopoly, is the cause of our inflationary woes. Except for brief periods, you cannot explain long-term rising prices in any other way. The real problem we face is how to curb and regulate the activities of the federal government. If we do not, our civilization will drown in an ocean of money.

yours

Policy berated

This summer I filed a formal academic grievance against the provost's office with the Student-Faculty Committee on Grievances. This grievance is as much a complaint against a policy (or lack of one) as it is against the person, Mr. Robert Albrecht, vice provost for academic planning resources, whose actions left me with no other avenue within the University through which to express my concerns.

I am concerned about the hypocrisy of University administrators who say they are trying to attract more students and lower their rate of attrition, and who then deny funding to well attended academically sound classes, which they also refuse to offer on a self support basis (by which student fees are applied directly to instructional costs).

I am concerned about the fact that the University's provost and three vice-provosts (Olum, Albrecht, Civin, and Wattles), as well as President Boyd, all serve on the Faculty of the College of Arts and Sciences (their respective fields are Math, English, Economics, Math, and History), and that their funding decisons may reflect a bias toward that College. Given the enormous control that these five men have over the University's budget and its curriculum, it is my judgment that no more than three of them should be chosen from the College of Arts and Sciences. The other two should come from the professional schools (Music, Law, Journalism, Community Service and Public Affairs, Education, and Recreation).

This would, I believe, give the entire academic community more equal representation in Johnson Hall that would, hopefully, be displayed in a more equitable distribution of the University's budget, which as accurately as possible reflects the academic and professional needs of the student body. I think it is indeed peculiar that not a single faculty member from one of the University's professional schools or colleges is currently serving in the provost's office.

I am concerned that even though the State Board of Higher Education recently approved a self-support policy, by which student's fees can be applied directly to the instructional costs for specific classes they might wish to take, Mr. Olum, vice president for academic affairs and provost, and Mr. Albrecht have seen fit to reject this method of funding, in spite of its obvious potential as a means for bringing new courses and new teachers to the University campus, without requiring any increases in the University's budget and thus, at no additional cost to the taxpayers of Oregon.

I suspect they are afraid that such a system would infringe upon their own personal power over the University's budget, curriculum and faculty. They are, in effect, violating the intent of the state board and are reducing the University to a status quo institution, looking to the future in terms of yesterday's failures and divorced from the changing educational needs of contemporary American society, particularly those of the "adult (25 and over) learner." This is a segment of the population that University officials would be well advised not to ignore, especially in view of the anticipated decline in the number of 18-22 year-old students in the near future.

I am concerned about the lack of protective statutes or regulations to insure that untenured, part-time, adjunct faculty members will not be subjected to personal and political harassment or job termination by the University Administration. Without such controls, these "faculty members" are totally at the mercy of the provost's office when the time for contract renewal comes around.

Under the present system, the provost's office has absolute authority not to renew the positions of part-time faculty,, who have no legal rights to appeal such decisions (other than the University's internal grievance procedures, which I am currently pursuing). This creates a climate of fear that is totally inconsistent with the ideals of personal and academic freedom and an open, tolerant exchange of differing opinions that should be the cornerstone of any institution of "higher learning."

Paul Halpern, M.A.

Input request

It's that time of year again. The Student University Affairs Board and the Incidental Fee Committee are looking for a few good people to run for a position with their organizations. And once again this year there appears to be precious few interested people willing to run for these offices. Why this apathy? Unlike many other student positions at the University, members of the IFC and the SUAB do possess a semblance of power. Budgeting and curriculum analysis play an important (though frequently underrated) role in University life. The fact that more people aren't interested in helping other students in the department of their major, or even themselves, is a sad commentary on the priorities of the modern college student. It is our hope that more students take the opportunity to become involved in an important part of our University. The results will prove the effort worthwhile.

There are seven positions open on the IFC

The filing deadline is October 8th at 5:00pm. Information is available in Suite 4 of the EMU.

Charlie Weaver
ASUO University and State Affairs
Senior, English

Dorm options

Thank you for your article "New rules Give Dorm Residents Hearing Option," (ODE October 1, 1979). In the article you indicate that our Office of Student Advocacy was concerned about procedural rights being violated by the old dormitory system. Indeed, there were isolated incidences where some facet of a student's procedural rights was violated.

The second remark attributed to me, that students complained that they were not given adequate support or action from dormitory authorities, may or may not be true. However, I certainly did not make that contention.

The article goes on to talk about contested case procedures. Your readers may want to know that our office can provide defense services to a student should he or she decide to go with the more formal option. We are also available for informal advice regarding procedures in the dormitory systems.

Don Chalmers
Director, Office of Student Advocacy

letters policy

The Emerald will accept and try to print all letters and opinion columns containing fair comment on ideas and topics of concern or interest to the University community. Letters and opinions will be run on a first-come, first-served basis. Both letters and opinion columns must be typewritten, using 65 character margins, and should be triple-spaced. Letters and opinions must be signed and the author's field of study (or faculty status) noted.