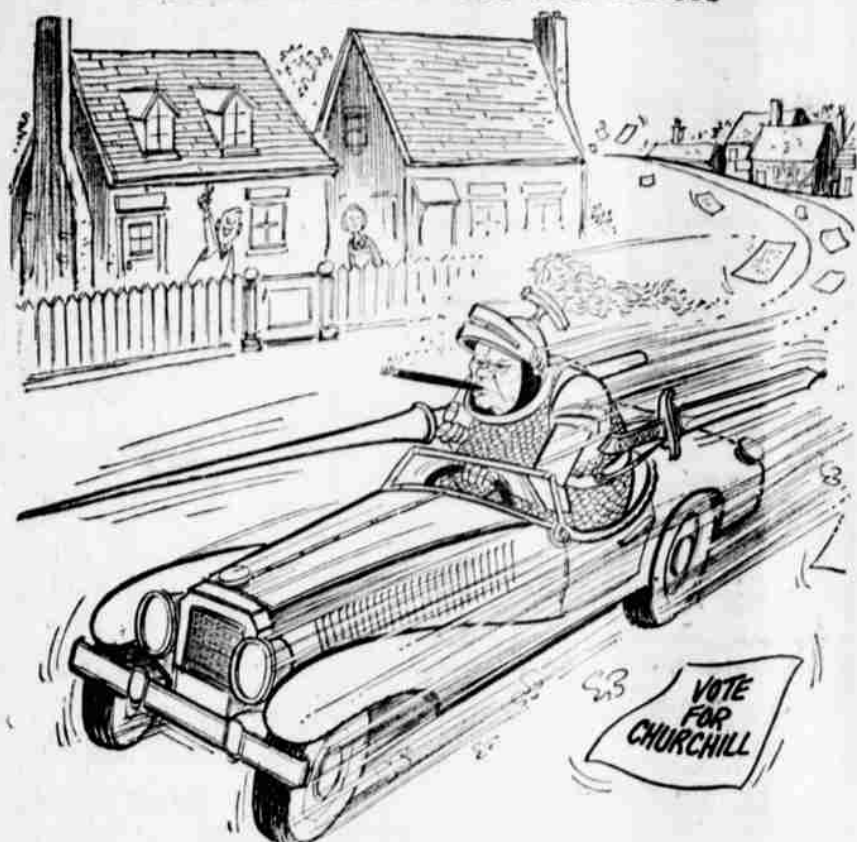


He's Worn Out All His War Horses



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EDITORIAL PAGE

LA GRANDE OBSERVER

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"Without or with friend or foe, we print your daily world as it goes"—Byron.

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Can't Eat Cake . . . Have It, Too

Inflation is the great evil of today. What is its cause?

If there ever could be agreement on the answer to that question, then the task of combatting inflation would be much simplified.

One of the common misconceptions is that inflation is due almost solely to the continuing demand of labor unions for higher wages. If higher wages makes things cost more, prices rise, and that seems like a logical explanation of inflation.

Actually it is not that simple. The best explanation we have seen on the basic cause of inflation was offered recently by Dale Brozen, professor of economics at the Graduate School of Business, University of Chicago.

First of all he reviewed the recent history of inflation. From January 1947 to December 1952—when President Truman was in office—the Consumer Price Index rose by 24.4 per cent. From January 1953 to December 1958, with President Eisenhower in office, the rise was only one-third as large—amounting to an 8.6 per cent increase.

This would make it appear that politics have a great deal to do with inflationary forces, and actually that is so. That is because the actual supply of money in circulation is regulated by the Federal Reserve Board. But, isn't the Federal Reserve Board supposed to be outside politics? Members are appointed for 14-year overlapping terms so that no majority on the board will ever be answerable to the party in power.

That is true, but here is what happened:

During World War II the government needed vast sums of money to pay the war bills. Savings bonds were offered to the people but the interest rates were so low that not enough of these bonds by any means were sold to pay the war bills. So the administration went to the Federal Reserve Board and asked it to buy government bonds and to provide banks with additional money so that the banks could. As a patriotic duty, as much as anything else, the Federal Reserve Board complied. As a consequence the stock of money increased from 39 billion dollars in 1940 to 94 billion dollars in 1945.

At the end of the war, says Professor Brozen, the treasury had become so accustomed to selling bonds at low interest rates, that it did not want to raise interest rates and thereby be able to sell bonds to the general public. So more pressure was exerted by the Truman administration on the Federal Reserve to keep buying bonds and to keep, in effect, manufacturing the money for banks to buy bonds. Consequently the quantity of money continued to increase and went up to \$110 billion in 1950, and that was the worst inflationary period of all.

Marriner Eccles, former chairman of

the Reserve Board of Governors, who once explained this matter, finally rebelled and told Truman the trend was going to have to stop. Eccles, who had been brought into public life originally by Franklin Roosevelt, and Truman fell out completely and Eccles was campaigning for Eisenhower in '52. By 1952 when the country changed Presidents, the Federal Reserve was back on its old policy and keeping hands off the government bond market. Thus, since inflation since 1951 has proceeded at a moderate pace, it becomes apparent that Federal Reserve Board policy does have a marked effect on inflationary tendencies.

What is the moral of this experience? Professor Brozen says it is this: Inflation is not possible and will not occur without an increasing quantity of money. Secondly, the quantity of money will not increase unless the Federal Reserve either provides extra money, or makes it possible for the banks to increase the stock of money by providing them with more reserves or by cutting required ratios. Thirdly, the Federal Reserve increase the stock of money primarily as a result of the pressures exerted on it to assist in financing government deficits and secondarily to assist the treasury in refinancing maturing debts when the demand for funds is strong and the treasury would have to offer more attractive interest rates to get the money from non-inflationary sources.

Incidentally, that is exactly what the government is doing now, offering bonds at high interest rates to the general public, and the public is snapping them up. By stop demanding of government rather than put money into circulation, because money comes from the reserves of the people, rather than from the banks and the Federal Reserve.

The way to control inflation, then, is to keep the government from engaging in deficit spending. For if it does not do that, it will not be pressuring the Federal Reserve to engage in manipulations that in turn cause inflation.

It all sounds quite complicated, but actually it is not. And how do we keep the government from engaging in deficit up. This takes money out of circulation, means an ever increasing amount of expensive services. That is difficult to do when there are so many men in Congress who believe the only way they can keep on getting votes is by promising more and more.

Barbs

A man may be smart enough to read his wife like a book, but can he shut her up?

The best way to feel for the unfortunate poor people is deep down in your pocket.

DREW PEARSON SAYS:

Soviet Success In Firing Dogs In Space Shakes U.S.

WASHINGTON — The Pentagon has now received positive evidence that Russia has been bringing dogs back alive from outer space preliminary to shooting the first man into space.

As a result our experts are resigned to the fact that Russia will beat the United States into space with the first human explorer. They expect this historic rocket ride to be timed just before President Eisenhower's visit to Russia next spring.

Meanwhile, Russian rocketmen have been firing dogs out of the earth's atmosphere and recovering them without mishap. Medical tests have shown that they are none the worse for their trip out of this world.

The undeniable results of Russia's dog shots have stirred confidential warnings inside the Pentagon that Russia will score another psychological and propaganda triumph with the first man in space.

Dr. T. Keith Glennan, the nation's civilian space chief, has also warned privately that the United States is not closing the rocket gap with the Soviet Union. Some of his subordinates even claim the gap is widening.

Note 1 — The Defense Department has put off the next moon shot until late November — Despite the fact that we have several rockets on hand capable of reaching the moon. The Pentagon wants to double check past failures to make sure the next shot won't be wasted. This will save money but will also delay the American space program. Meanwhile, the Russians are reaping propaganda rewards all over the world for hitting the moon first.

In West Germany Chancellor Adenauer confided to diplomats that his faith in American technological supremacy has been shaken by the latest Soviet rocket achievements.

Note 2 — Two years ago administration leaders from the President down scoffed at the first Soviet Sputnik and promised that Russia's rocket lead would be cut down in a year or so. Like

declared that the Sputnik didn't have "one iota of military significance." This is two years and two weeks after the first Sputnik, and the Soviet lead has not been narrowed an inch.

Mario Lanza's Troubles

When Golden-voiced Mario Lanza died in Rome the other day, a secret held only by him and a few government confidants died with him. It was the manner in which underworld figures tried to muscle in to manage his career.

The chief muscled was Thomas Luchese, known in the New York underworld as "Three-Fingered Brown." The experience was recounted by Lanza to some federal men who were trying to help him.

Lanza was living in Los Angeles in 1955, in precarious financial straits, when he got a call from a Los Angeles sports promoter. Lanza had been introduced to him by Rocky Marciano, the heavyweight boxing champ, and some days after their introduction, Marciano and Lanza were sitting in the latter's home when their mutual friend walked in accompanied by Luchese and a third party who was never identified.

They proceeded to discuss the opera singer's financial condition, and proposed that if Lanza would work for Luchese all his problems would be solved. They named another famous singer who had been in bad shape financially and pointed to his comeback.

When Lanza said he wasn't interested, one of his callers became nasty. The group claimed it had an interest in a film corporation with which they could star Lanza. He still refused. One of the callers then called him a "damn dago," at which Lanza hit him in the stomach.

"That's a good way to get yourself killed," warned Marciano, who packs a lot of weight behind his own punch.

Apologies followed. In the end, a total of \$150,000 was offered Lanza for a 10 per cent interest

in his future. Again this was refused, and the callers left.

Marciano told his friend afterward that he was wise, and that it was a lousy business, and that he had once been required to turn over 50 per cent of his earnings to get rid of a deal one of his managers had made with an underworld syndicate.

"Mr. Mafia" Threatens

Later, when Lanza moved to Italy, he told a federal agent of a call he received from an Italian in Naples sometimes known as "Mr. Mafia," who wanted him to sing in Naples on Saint Gennaro Day.

Lanza had come to Italy to start work on "The Seven Hills of Rome," jointly filmed by MGM and Titanus, an Italian company, and he told "Mr. Mafia" he was not permitted under his contract to accept outside engagements. He was then told that the newspaper publicist had already been released and he would have to sing.

Finally the "Mr. Mafia" served an ultimatum on Goffredo Lombardo, owner of Titanus films: "You own 15 movie houses in Naples. I don't think you would like to see them lose money." Lombardo gave him consent, and Lanza sang in Naples.

In describing this incident to government agents Lanza said that he had received many offers from such night-club owners as Frankie Costello, Willie Fischetti and Tony Accardo to sing for under-the-table payments which would escape taxes. He said he accepted none of them.

Vice President Nixon has urged President Eisenhower to attend a salute-to-Eisenhower dinner in Los Angeles on January 27. Nixon pleaded that Ike's personal appearance is needed to offset the Democratic national convention which will also be held in Los Angeles next year.

He urged the President to give special attention to California to save the state from going Democratic in the 1960 presidential elections. (Also, Nixon's presence with Ike at the dinner would help counteract the current Rockefeller tour to California.)

COST OF DYING UP

ST. LOUIS (UPI) — The cost of dying is rising nearly as fast as the cost of living; a business counselor told the National Funeral Directors Assn. Monday.

Hot Lake Women Take Trip To Idaho To Visit Relatives

Mrs. Crystal Laughry and Mrs. Helen Yardstrom drove to Idaho Saturday evening. Mrs. Yardstrom stopped at Payette to visit relatives, and Mrs. Laughry continued on to Emmett to attend a birthday party given in honor of her grandmother who celebrated her 95th birthday.

Mrs. Herb Casteele from Enterprise visited her parents, Mr. and Mrs. George Green, on Friday.

Mrs. Annie Salisbury received a visit from her son and his wife, Mr. and Mrs. Grant Salisbury from Bend on Monday.

Mr. and Mrs. Alvin Kennison from Cove entertained at a birthday dinner honoring their daughter, Betty, Tuesday evening last week. Attending from here were the following nurses.—Mrs. John Roberts, Mrs. Helen Yardstrom and Mrs. Evelyn Knapp; Mrs. Alice Davis from Cove, Mrs. Crystal Laughry and Mrs. Laurel McElvain from La Grande, and Mrs. Frances Hooker from Union.

Mrs. Jo Hasselblad drove to Pendleton Tuesday and spent the day with Mr. and Mrs. Sam Cummings from Newberg, who are hunting in Eastern Oregon.

Vance Orchard, roving reporter from the Walla Walla Union Bulletin was a weekend visitor.

On Saturday afternoon a concert of "old favorites" was given in the nursing home. Mr. Eldredge from La Grande, brought out his Hammond organ and provided music for an entertainment. Huffman's cousin, Mrs. Rowena Davis, is a nursing home resident.

Dr. A. J. Roth returned home from Chicago Sunday with other Oregon delegates who have been in attendance at the five day convention of American Nursing Homes, Inc. Dr. Roth reports that the 1961 convention is scheduled for Seattle. Delegates will bring reports of the Chicago meeting to the monthly general meeting of Oregon Licensed Nursing Homes, Inc. to be held in Eugene next week.

Mr. and Mrs. Percy O'Neill from Marietta visited her mother, Mrs. Susie Knapp, this week. With the O'Neills were Mrs. Frank Morton and Mrs. Ada Keely, who are also from Marietta.

Mrs. Stan Smith and Mrs. Russell Rode of Baker visited Clarence Wicks on Thursday. While here they also visited Mrs. Orville Roberts, who is Mrs. Rode's aunt.

Richard Roth attended the La Grande-Pendleton football game held in Pendleton, Friday evening. Patients and guests attended group singing Thursday evening with Gray Lady Belle Paxton from Union at the piano. Other Gray Ladies brought their special kind of good cheer to the bedsides of patients unable to attend.

REMEMBER WHEN

. . . 25 years ago, more than \$4,057,000 was reported as spent in building construction in La Grande over the 16-year period prior to 1934. According to J. E. Starns, city recorder-treasurer, 1927 was the peak year in building, with 1932 the off year.

Eastern Oregon Normal beat Whitworth College 26 to 0 for the Mountaineers' third football win in four starts during the season.

Keith Hibbard, 15, local high school student, bagged a 150-pound bruin in Hunter's canyon above Mt. Glenn.

"Pretty Boy Floyd," notorious hoodlum of the prohibition era, was felled in Ohio by bullets fired by federal agents.

. . . 15 years ago, Pvt. Willard E. Hall, La Grande, was identified as one of 83 U.S. soldiers rescued from a Japanese prisoner-of-war camp. Hall was the son of John Hall, formerly of La Grande. He was a basketball athlete at La Grande High School.

The Art Research Society met at the home of Mrs. Frank Jasper. Officers elected were Mrs. B. B. Johnson, president; Mrs. John Speckhart, secretary; Mrs. C. A. Kopp was outgoing president.

Damage from an invasion of grasshoppers earlier in the year in the county was tabulated at \$136,250 by Price Schroeder, assistant county agent.

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Bookcase bed and double dresser

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A dream of a bedroom group now at this low, LOW Wards price! Bed includes footboard and rails. 2 rich finishes, Walnut or Sea Mist. Chest . . . 36.88 Stand . . . 5.88

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