Technique of 'Inflation-Proof' Finance Best Shown by Israel Supporters

12-Year Bond To Protect Against Inflated Money

By LYLE C. WILSON
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Washington—(U.P.)—In a time of 20-cent street car rides and five cent cigars for 15 cents, the Wall Street Journal comes up with a sad tale of "inflation-proof" finance.


Lyle C. Wilson

It could happen here, too. The Finns, the French, the Red Chinese, the acute financiers of Israel, and others, are dabbling with the new technique. It is a plan whereby long-term bonds are sold with some measure of guarantee against future currency inflation.

Israel offers the best example. In the seven years of Israel's national life, its unit of currency has slipped in value from the original $4.04 to 55 cents. That is considerable inflation, although not a patch on what has happened to the money of Red China after World War II or what hit the currency of central Europe after World War I.

The Israeli investor who bought an Israeli government or industrial bond for currency worth $404 in U. S. money in 1948 can sell it now for no more than $55 in terms of purchasing power. That is what inflation does to long-term securities with fixed interest return .

Interest Follows Price

So Israeli's Palestine Portland Cement Works is briskly floating a 12-year bond which pays 6½ per cent interest, with a further guarantee. Both the interest rate, the Journal relates, and the final repayment of capital will swell over the 12-year period in exact proportion to the rising price of cement.

Since the inflation of money generally would hike cement prices along with all others, the bond buyer is sure to get back from his bonds money which will buy as much as his original investment plus interest on the increased capital sum.

Could it happen here? Hear this from the Journal:

"These schemes should, perhaps, be of some interest even to lenders in the United States, where a bond bought 15 years ago now has lost about 48 per cent of its real value, and where great labor unions have deemed it wise to switch from straight money wage contracts to purchasing - power guarantees bolted to the cost-of-living index."

Those union contracts represent a small beginning here of what has become a big thing in those countries so unfortunate in resources so wastefully administered or so woefully burdened that their currency steadily cheapens in relation to what it must buy. The Journal's reference to the slump in the real value of a U. S. bond bought 15 years ago must be translated this way

Costs of War

A $1,000 U. S. government bond purchased in 1940-41 is worth today in terms of what it will buy, approximately $480. World War II costs and failure to tax to cover them caused much of the inflation of the past 15 years. Much of it must be charged, too, against the refusal of presidents and congresses over peacetime years to keep spending within income or to hike federal income to cover spending.

Spending and government income have been coming closer together in the past two years, a period during which the inflationary spiral has been checked. The U. S. dollar at this moment is relatively stable, but without guarantees for the future. That will depend on future presidents and future congresses.

Confidence Shaken

There was a period, 1947-48 and again in 1951, when confidence in the integrity of the U.S. dollar was so shaken by inflation that it was not feasible to float long-term U.S. bonds (five years or longer), barring the small denomination savings bonds which were far short of being good investments. They were safe. But you stood to make no gain or, even, to lose on them.

First regular U.S. long-term bonds came on the market again in 1952. They were for five-seven years. The Eisenhower administration began in 1953 with a five-year 10-month issue followed shortly by more than a billion of 30-year bonds. Last year a 40-year issue was successful.

MEDFORD MAIL TRIBUNE
PULITZER AWARD 1934

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Columbia Water Supply Plentiful

Portland —(U.P.)— A plentiful water supply in the Columbia basin this spring is the weather bureau's river forecast division outlook.

The heavy precipitation which occurred up to January 1 and the above average rainfall in January prompted Anthony J. Polos, hydrologist in charge of the center, to make the optimistic forecast today.

Polos warned that the combination of well-primed soils and the heavy accumulation of snow may cause flooding this spring at some points in the Columbia basin.

The tentative peak flow forecasts will not be available until about March 1, Polos said. He added that it was too early to issue any specific forecasts on the spring flow as these flows are dependent upon several things, including temperature, precipitation and the coming of spring itself.

McGrew Brothers Are .. Low Bidder On Timber

Yreka — McGrew Brothers of Medford were high bidders on 6,500,000 board feet of salvage timber at an oral auction here earlier this week, according to the United States Forest service.

The appraised value of the stumpage was $49,235 and the total amount of the bid was $137,435.

Prairie City Widow May Be First Woman Ever To Start Gold Rush

Prairie City, Ore.—(U.P.)—Mrs. Gladys Laycock, a widowed drug store clerk, who may go down in history as the first woman ever to start a gold rush.

Whether she starts it depends on how she makes out in court with a suit against the U.S. government.

Mrs. Laycock has her own private Fort Knox. She owns a sizeable chunk of a gold mine that contains gold worth about $40,000,000 at the government's pegged price of $35 an ounce.

But she has to keep working in the drug store here to support this "gold elephant." She figures it would cost her the whole $40,000,000 just to get the gold out.

Government Can Take Gold

Mrs. Laycock points out that under its power of eminent domain the government can take all the gold she mines but must pay her "a fair market price." She contends that $35 an ounce, the government's official price for gold, is not a fair market price in this day of the depreciated dollar.

Therefore, Mrs. Laycock argues, she is being deprived of her property without due process of law.

Her case against the government involves the fifth amendment and a constitutional questio which her lawyers say the U. S. Supreme Court never has ruled on.

Part of the fifth amendment, better known these days for its role at congressional hearings, provides that "no person shall . . . be deprived of life, liberty or property without due process of law; nor shall private property be taken for public use without just compensation."

Besides contending that $35 an ounce is not "just compensation" for gold these days, Mrs. Laycock's case challenges the way the government uses its constitutional powers to "coin money and regulate the value thereof." Mrs. Laycock contends this doesn't give Uncle Sam the right to horde all the gold that is mined in the United States.

If Mrs. Laycock wins her point it could touch off a gold rush—new activity at many rich gold mines that have been lying dormant for years because of the squeeze between mining costs and the fixed price of gold.

Western mining circles are watching her case with interest. A victory for the lady drug store clerk would knock the props out from under the gold reserve act of 1934 and the trading with the enemy act of 1917.

Mrs. Laycock lost her first legal round when the U. S. District court in Portland ruled against her. But she gets another try this week when lawyers open arguments in an appeal before the Ninth Circuit Court in San Francisco.

Tooth Decay Stems Chiefly For Consumption of Sweets

Editor's note: This is another in the series of articles on dental health which was prepared in cooperation with the Southern Oregon Dental society. The series is part of observance of National Children's Dental Health Week, Feb. 5 through 11.

The teeth of European children who lived on war-lean diets were much healthier than the teeth of American children during World War II. The difference was sugar.

Sweets were almost non-existent in the war-restricted diets, while the annual consumption of sugar in the United States was nearly 100 pounds per person.

The sugar-decay relationship was demonstrated at Lobund, an experimental laboratory at the University of Notre Dame. It was found that tooth decay could not be caused in rats without the presence of bacteria in the mouth—together with sugar.

Chemical Reaction

Minutes after eating, a chemical chain reaction takes place in the mouth which transforms sugars into acids. Repeated acid attacks gradually eat away the enamel until the softer dentin underneath is also invaded.

Left unchecked, the decay would eventually destroy the pulp, cause an abscess and finally lead to extraction of the tooth.

People sometimes forget that once a cavity has been formed, it can be repaired only by removal of the decayed portion of the tooth and insertion of a filling. The tooth with dental decay cannot repair itself.

A well-balanced diet is important while the teeth are forming, between birth and about eight years.

No Special Supplements

During the first eight years, no special supplements to the diet are necessary for healthy teeth—with the single exception of fluoride in the drinking water. A diet that is good for general health will also be sufficient for the dental needs of your body.

The physical character of the foods you eat, however, does have some effect on the teeth. Soft foods tend to impact between the teeth, while fibrous or granular foods, such as apples, oranges, cucumbers, celery and carrots, sweep between and around the teeth and clean out food particles.

The most important dietary rule for dental health is to cut down consumption of sugar-sweetened foods and beverages.

New York—(U.P.)—Handy and Harman, bullion dealers, have raised the price of silver ¼-cent to 90¾ cents a fine ounce, the fourth price boost in nine days.