

OFFICE OF WAR INFORMATION  
BUREAU OF MOTION PICTURES  
HOLLYWOOD OFFICE

NOTE: The following information is being sent to you as a supplement to the War Information Manual. Its purpose is to give further amplification to the Government's war program, and to provide material for short subjects and feature pictures. If more detailed information on the subject is desired, it will be furnished to you, on request, by the Office of War Information. Should you wish to use this material in your short subject or feature program, kindly communicate with this Office in order to avoid unnecessary duplication.

INFLATION

THE PROBLEM: AMERICA IS UNPREPARED TO MEET THE THREAT OF INFLATION

What is inflation? Inflation is a widespread and rapid rise in prices, caused by either a flood of money or a scarcity of goods, or both. Today both causes are present to an alarming degree.

The threat of inflation is immediate. This year, after deductions for taxes and savings of all kinds, the people of the United States will have more than 85 billion dollars to spend. But there will be less than 70 billion dollars worth of goods that they can buy. This vast difference between demand and supply of goods represents the extent of the inflationary gap.

John Jones, the Average American, has heard a great deal about the threat of inflation -- from the radio, from the press, from financial and political spokesmen. But to him, inflation is still a

nebulous theory, vaguely menacing and apparently without tangible cause. As far as he knows, there is nothing he can do about it.

John Jones is partly misinformed, but mostly uninformed. First, inflation is not a nebulous theory or a shadowy menace. What it means to John Jones is as simple as addition and subtraction. It adds to his debts and subtracts from his income. Second, inflation, like a disease, does not just happen. It is caused. And it can be prevented. It can be prevented by John Jones and his fellow-Americans, provided they know the nature of the disease, its causes, and the means of combating it.

#### THE NATURE OF THE DISEASE

Inflation, like cancer, spreads widely and rapidly. It attacks every organ and every cell in the national economic system. Once it gets out of hand, the case is hopeless. It is then only a matter of time until the inevitable collapse.

Here is what inflation would mean to John Jones, today and tomorrow:

- (1) His share of war costs would increase enormously.

Higher prices would require the government, and ultimately John Jones, to pay more for war materials and equipment ... more for victory. Inflated prices have already added more than 62 billion dollars to the cost of the war program.

- (2) His standard of living would drop. His dollar would be worth only a fraction of its present value. His weekly pay check would buy less food, less clothes, less of the things he and his family need. War means sacrifice. But if we had inflation, the sacrifice would be uneven. A few would profiteer and acquire great wealth. Thousands would be liquidated altogether.
- (3) His security would be jeopardized. His savings, insurance and investments would gradually lose their value. If he were to die, it might mean impoverishment for his family.
- (4) He would start hoarding goods. As the value of his dollar decreased, John Jones would start buying as many tangible goods as possible, fearing that tomorrow they would be beyond his means. Everyone else would do the same. There would be grave shortages. Production of both civilian and war goods would be disrupted. There would be less material for the fighting forces.
- (5) His job would be imperiled. Unstable prices and costs would make it impossible for his employer to plan ahead, would discourage him from investing more money. The employer would curtail production and reduce his personnel.
- (6) His fighting spirit would be undermined. Living in constant uncertainty, John Jones would begin to lose

faith in his government, in the future security of his country, in the democratic system. His loss of morale would be reflected in a weakening of the will to win.

- (7) He would face inevitable depression. After inflation had run its course, prices would tumble from their dizzy heights. John Jones would probably find himself out of a job ... loaded with debts ... his savings and investments gone. A good share of his fellow-workers would be in the same predicament. Farmers would have lost their land. Business firms would have failed. We would be in the midst of a deflation that would tend to destroy the kind of economic system we have.

#### CAUSES OF THE DISEASE

The causes of the inflation threat which John Jones faces today are: (1) a flood of money, because more people are working and are getting more for their work, and (2) a scarcity of goods.

- (1) Everybody has more money to spend. Because more people are working. Because more people are working longer hours. Because they are getting higher wages. Because they have been graded up to higher levels. In addition, industry profits are up, and farm income has increased as much or more than wages because

farm prices have risen. John Jones, like the rest of us, has more money than he had a year ago. His natural inclination is to buy more goods.

- (2) But there are fewer goods available. Factories, raw materials (copper, aluminum, steel, etc.), and workers must be diverted to produce munitions. We must have guns instead of automobiles, planes instead of vacuum cleaners. Moreover, we must supply food as well as war materials to our Allies. Hence John Jones has surplus money, and no way to spend it.

Ordinarily prices would rise as the demand for goods increased and the supply of goods diminished. It is simply a matter of arithmetic. The arithmetic is reduced supply, increased purchasing power.

Today, however, the government has put a lid on the price of most consumer goods. But price ceilings alone do not eliminate the danger of inflation. Why? John Jones demands goods from the retailer. The retailer demands goods from the wholesaler. The wholesaler demands goods from the manufacturer. In brief, surplus money in the hands of John Jones and millions of other Americans serves to create an inflationary pressure that is sufficiently explosive to blow the lid off prices.

#### PREVENTING THE DISEASE

John Jones can protect himself, his family and the security of his country by joining with his fellow-Americans in carrying out the

President's 7-point counter-inflation program:

- (1) He must help maintain price ceilings. Price ceilings constitute the first, direct method of keeping the cost of living under control. It is illegal and unpatriotic for John Jones to offer more - or for a retailer to accept more - than the ceiling price for an article.
- (2) He must buy only what he needs. If John Jones purchases articles he does not need, if he hoards scarce articles, or if he replaces articles that can be repaired, he is aiding the enemy. Every man-hour spent on consumer production is a man-hour lost to war production.
- (3) He must obey rationing laws. He must understand that scarce commodities are rationed in order that they may be distributed fairly among consumers, and not merely in accordance with financial ability to pay high prices for them. He must realize that a few sacrifices today mean security tomorrow.
- (4) He must cut down on credit or installment buying. When John Jones buys on credit, he adds to the amount of money in circulation, enlarges general buying power, and increases the pressure against price ceilings. On the other hand, when he pays off debts, mortgages and other obligations, he helps to reduce the amount of surplus money.

- (5) He must agree to the stabilization of wages and profits.  
The supply of goods available for consumption cannot be increased by increasing money income. Further rises in wages and profits only jeopardize stable prices.
- (6) He must not object to increased taxes. Inflation is disguised taxation in the form of higher prices, which are unfair and irrational in contrast to imposing taxes uniformly and according to ability to pay. The more money John Jones pays in taxes, the steadier will be the price levels, the stronger the national economy, the lower his ultimate share of the war cost.
- (7) He must buy more War Bonds and Stamps. First, because such purchases take surplus money out of circulation and reduce the pressure against price ceilings. Second, because War Bonds and Stamps provide John Jones with the soundest possible investment in democracy and in his own future security.

The battle against inflation is being waged on seven fronts.

The attack must be made on all seven fronts simultaneously. Leon Henderson, head of the Office of Price Administration, says: "The President's program against inflation will succeed only as its every element is made fully effective. Without price control the other elements cannot be put into play; and only as the other elements are made effective can we count on continuing to hold the line on prices. Hesitation

on any of the major fronts imperils the entire campaign."

FOREWARNED IS FOREARMED

John Jones knows that his country is fighting for its life. He knows that in time of war the safety of one depends on the safety of all. He is ready and willing to take his share of responsibility for national security. But he does not realize to what extent the national security is imperiled by the threat of inflation. He does not realize that the danger exists today. Not tomorrow or after the war, but today!

The job, then is to inform him. To clarify, sharply and dramatically in his mind: (1) the nature and evils of inflation, (2) the causes of inflation as they are operating today, and (3) the means by which he can help protect the nation and himself against inflation.

The problem lends itself to dramatization. John Jones is every American. What he thinks and what he does is going to win or lose the war. He and his country are menaced by inflation today. He must be armed now with the knowledge and the determination that will defeat this menace and preserve the national strength to win the war -- and the peace.



The Second Industrial Revolution !....

MANPOWER MOBILIZATION

America needs help!

Skilled help ... semi-skilled ... unskilled.

America needs 10,000,000 more workers to arm the army.

Where are they to be found? How are they to be trained?

Who is going to place them where they are needed most?

This is the problem facing the War Manpower Commission -- the problem of putting every idle pair of hands to work, of shifting great masses of the population from one section of the country to another.

The problem affects every man and woman in the country, because this is total mobilization.

It affects you, the people who make motion pictures, because on you rests a large share of the responsibility of explaining the program, of dramatizing the need, of supplying the inspiration that will line the whole nation behind the production front.

The job is urgent. It is tremendous in proportions. It calls for all the ingenuity and enthusiasm that the motion picture industry has to offer.

The basic facts on Manpower Mobilization are to be found in the accompanying folder.

Office of War Information