

Why The Dollar Shrinks and Shrinks

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In the "good old days" one of the greatest compliments which could be paid a person was the statement that he or she could certainly stretch a dollar. By this of course was meant the "stretcher" could make a dollar go a long way, thereby giving it a maximum of purchasing power.

Today it seems impossible to purchase any thing of much consequence for a dollar, let alone stretch it. In other words, we are confronted with a constantly shrinking dollar which continues to buy less and less as the months and years roll by.

Look at what has happened to the American dollar since just before World War II began in 1941. Using that year as base and saying that a dollar would purchase a dollar's worth of a commodity, we see that today the same dollar, on an average, may purchase 40c worth of like items. To state it differently, the 1940 dollar has lost 60c of its value. This also means that in 24 years, average-wise, each year has seen the dollar shrink or depreciate between two and three per cent.

The causes of this significant shrinkage are many. Foremost among these causes are the philosophies and policies of those concerned with government and politics. Certain of these are the cause, and others, the effect of our social, economic and political philosophies.

This is the age of government sponsorship, aid, and assistance, work-making, subsidizing and relief. It appears that everyone wants something from the government, with the often-childish belief that government is all-wise and that somebody else will pay the taxes, not the group the government will aid. People tend to forget that something must be taken away from somebody else if it is given to them. And, in this process the planning, executing and distributing of funds must be done by people who work for a salary which comes from governmental money. This makes it certain that the dollar which is paid in taxes never goes back to the people as a dollar; at most perhaps a 60-70% basis. Meanwhile, the people who supply the tax money have only one way to get it back, —higher wages, higher prices, etc. Sort of like a dog chasing its tail! However, it is a factor in making the dollar shrink.

Closely allied with national governmental assistance is the constant drain on the resources of the United States for foreign aid. Some of the foreign-aid projects have much merit and are efficiently planned and managed. By contrast, many have benefitted only a few with itching palms; thus are wasted enormous resources provided by the American taxpayer. An irreplaceable loss to the public treasury is thereby created. This drain must be replenished by additional tax money. Once again the dollar shrinks.

Our foreign trade policies, maintenance of military installations across the waters, governmental grants to our allies and others, have caused the United States, for many years to be faced with an unfavorable balance-of-payments situation. This means that the goods that we buy from other nations (imports) plus our foreign aid projects and military programs annually amount to from \$3 to \$5 billion more than the goods and services we furnish those nations (exports). This difference must be made up by dollar (or gold) payments. To compensate for this the American taxpayer must provide the difference and again the dollar shrinks.

It is indeed exceptional when the Federal government or very many of our other governmental divisions, take in enough tax money to pay for the vast sums which are appropriated for various governmental expenses. This year for example, it is estimated that the Federal government will spend perhaps \$9 billion more than it receives as taxes. This deficit must be made up in some manner, usually by issuing more government bonds which must be repaid, in 20-30 years. Of course the bonds bear interest which may total as much as the bonds themselves when they are presented for refund or for payment at maturity. Who foots the bills? The taxpayer of course who holds, at best, the skinking dollar, only temporarily.

Politicians usually give voters pretty much what they ask for, no matter what it costs. Otherwise, the political office holder soon loses his job. Today, most voters want more and more services from the government and its several agencies. Once again, we hope that somebody else will be taxed and we will get something for nothing. For example, owing to the rising cost of living and the dollar shrinkage, currently there is considerable agitation for larger social security benefits for the retired and disabled groups. Those already retired and those nearing retirement age are strong for this increase which would be a wonderful thing in their opinion. But, who will pay for it? Almost everyone who is gainfully employed. As a consequence, soon will come a demand for higher wages and an inevitable rise in the prices paid for consumer goods. Obviously, this is another cause of the shrinking dollar.

How long will this shrinkage or inflationary trend continue? What must be done to prevent further deterioration in the value of the American dollar and stop the danger of its becoming practically worthless?

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The answers, in part, are implied in the earlier portions of this article. They may be summarized as follows.

- (1) We must get over the idea that we can get something for nothing. Most of us are common, ordinary folks: wage earners, professional people, farmers and small business men. Individually we are little people: yet as a group we pay about 90% of all taxes collected by the various governmental agencies. From us comes the money which keeps the government and our economy rolling.
- (2) Governmental policies and actions are set forth by human beings like ourselves. These individuals are not much smarter than we are, if as smart, so they make plenty of mistakes and bad guesses.
- (3) Government is big business and is owned by all the people, not the office holders. It should be conducted economically and efficiently for the welfare of the majority, not for the benefit of small cliques, political allies and pressure groups.
- (4) Deficit financing on what now seems to be a perpetual basis is most unhealthy economically. It passes the responsibility to oncoming generations and lowers the respect other nations have for our country and its dollar.
- (5) Governmental officials are the employees of the people. As such they are responsible to our citizenry. These officials must work for the taxpayers, not themselves. If they don't, let us find someone else who will work for our interest and be faithful to his trust. Integrity should be expected at the top as well as at the bottom.
- (6) There is a limit to helping people. As the old saying goes, "The Lord helps those who help themselves."
- (7) If the dollar continues to shrink it will not be very long before the United States government will be compelled to re-value our currency. This situation will cause untold financial losses to most Americans and bring about an economic catastrophe such as occurred in Germany and France after World War I, and in more ancient nations who followed the same false pattern which we are following today.