Living standards falling

Inflation drains nations’ wealth

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Washington—A new, unprecedented worldwide wave of inflation is undermining the prosperity of the world’s major industrial nations, with governments bewildered about how to stop or slow the spiral.

Over the last 13 months, the near-record surge in prices has visibly eroded incomes throughout Europe, Japan and North America, cutting into living standards and creating growing uncertainties for businessmen and workers alike.

Reports by Sun correspondents in key capitals indicate that, along with other unsettling developments recently, the price spurt has generated angry frustration among the electorate, leaving many Western governments dangerously weak.

Yet, neither policy-makers nor private economists—including those in the United States—workable for the price-terium without either aggravating inflation or sliding the world into a serious recession.

Economists predict some moderation of the price spurt later this year, particularly if farm prices slow. However, most believe inflation will be high throughout the industrial world for another 2½ years.

Although the shift occurred only last year, analysts say the sudden turnaround from cheap, seeming boundless surplus, to costly new scarcity actually had its roots back in the mid-1950’s, in the period following the Korean war boom.

Import rather than expand

As economists explain it, the sharp buildup of Western production capacity during the wartime expansion left many industries painfully over-equipped for the peacetime hull. There was no incentive—or need—for further expansion.

When demand finally did begin to outstrip domestic production capacity in many sectors years later, subsequently...