

## Chapter 1

# The Blind Leaders of Our Blinded World

Very appropriately on April Fool's Day, on April 1, 1974, the *New York Times* published on its first page one of the most extraordinary stories which has ever appeared in a modern newspaper. Since the *New York Times* is the most widely read newspaper in America and perhaps the most influential published in the whole world, this must be an extraordinary story to justify making such an extraordinary statement about it.

The story was written by Soma Golden of the Financial Department of the *Times*. It is devoted to the fact "Inflation Grips the United States", as one of its headlines states, and the fact that the leading economists of the nation *do not know what to do about it*. As Paul C. McCracken, who was Chairman of the Council of Economic Advisers early in the Nixon Administration puts it, "high probability" must be given to the notion that "modern societies do not have the knowledge and the will to keep the price level reasonably stable"—that neither the economists, who provide societies with their knowledge about money, nor the bureaucrats and bankers, who put that knowledge to work, know what to do or are willing to do anything which will "curb inflation."

Golden quotes the nation's leading economists and monetary authorities—including Secretary of the Treasury George P. Schultz; Walter W. Heller, who was Chairman of the President's Council of Economic Advisers in the Kennedy and Johnson administrations; Henry Kaufman, a leading Wall Street economist; Milton L. Friedman, of the University of Chicago; James Tobin, of Yale University, a member of Kennedy's Council of Economic Advisers; and Arthur Okun, another former Chairman of the Council of Economic Advisers. He sums up what they have to say as follows:

"After years of slowly rising prices and seeming immunity from the virulent inflation elsewhere, the giant and troubled American economy stands poised in the middle of an inflationary spiral."

"Economists are stunned by it."

They do not agree entirely on what to do about it, according to Golden. Many of them admitted that *they did not know what to do about it at all*.

Even Milton Friedman, who is one of the few distinguished economists in the United States who is not a Keynesian and who expects that United States inflation will begin soaring steadily at a rate of 10 to 12 per cent, came up only with an expedient which accepts inflation; none of them proposed anything to stop it, and none offered anything except the hope that it might be reduced.

Let's face the facts: the men who are actually leading us, who are responsible for what is going on, who are making the decisions about what is to happen, are confessing their blindness. The economies of the West, headed by that of our own, are heading for catastrophe led by blind leaders of a blinded world.

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We are being victimized by so-called authorities who are what Pitirim Sorokin called "amnesiacs." They are men so

absorbed in what is happening and what is being said today—whose noses are so close to the grindstone—that they have lost all knowledge of what was written and what happened in the past. They are men who have never heard, apparently, of Samuel Jevons or Irving Fisher, or of F. A. Hayek or Frank D. Graham, of Jan Goudrian or Benjamin Graham, of Henry George, of Horace White, of Louis D. Brandeis, of Thomas Jefferson and Alexander Hamilton.

They are men who have apparently never heard or never read, or forgotten what they have read, about the ideas of these men. They are men who know all about the minutest details of what is considered economics today but not that in economics as in everything else, ends dictate means, and that if ends are wrong, the better the means used to realize them, the worse the result.

They have forgotten their histories. They do not know that in the conflict of ideas about the American dream, it was Jefferson who lost and Hamilton who won. They do not know that Jefferson's goal was democratic, Hamilton's plutocratic. They do not know that Jefferson believed that the freedom, the justice, and the integrity he wanted could only be realized in an agrarian and decentralized society. They do not know that Hamilton believed that the rich and powerful America he wanted, called for the creation of an industrialized and urbanized nation. Above all they do not know that Hamilton succeeded and Jefferson lost because Hamilton laid the foundation for the monetary and banking confusion which bedevils us to this day. Finally they do not know that in the conflict between the original American dream of a free economy, a free polity, and a free society on one hand, and the Socialist and Communist dream of planned and regimented prosperity on the other, it is the Socialist dream which is certain to prevail unless by some miracle the moral equation is injected into the resolution of the crisis we face today.

They write their text books, they teach their classes, and they advise the government about what it should do as if all

the basic problems of how to avoid inflation had not been solved long ago when Jevons and Fisher called attention to the significance of index numbers, and as if some of the best economists of all time had not advocated the issuance of commodity-backed currencies so as to provide a constant value for the unstable and variable so-called "standards" of value of the past.

They certainly never heard, or if they have, have forgotten what Henry George made clear in *Progress and Poverty*, that unemployment is a pseudo-problem; that it has troubled and is troubling mankind for only one reason, because self-employment and in effect full-employment is made impossible by the expropriation of land and the prevention of access to it without prior payment of tribute to the land-speculators who own it.

All of the economists and authorities Golden quotes in his story are "amnesiacs." What all the Keynesian economists are teaching us, out of the Keynesian economic text books which they use, consists of pseudo-economics. None of them are willing even to consider repudiating those who have and are misleading and bamboozling the world, and of turning to an alternative which would make it possible to escape from the catastrophe toward which they are leading us.

There are four things which all these economists and all the officials and bankers who are responsible for our monetary policies ignore:

1. The first is that inflation is *dishonest*. It is a form of embezzlement. What is worse, it is a form of legalized embezzlement. Those who ignore this fact in effect condone it. And there is no excuse whatever for condoning any form of stealing.

2. The second fact is that the inflation is *deliberate*. It was planned. It is in actuality a sort of conspiracy entered into by nations and those who represented and partici-

pated in the International Monetary Conference held in Bretton Woods, New Hampshire in 1944. It is an on-going conspiracy still being carried out by all the nations which are members of the International Monetary Fund. The dishonesty involved is therefore deliberate.

3. The third is that it is *unnecessary*. None of the so-called reasons, none of the excuses and rationalizations of those who are responsible for the inflation or who condone and justify it, have any real validity.

4. The fourth and final fact is that almost without exception those leaders of the world who say that they are against inflation and who claim to be fighting against it, are *lying*. It is a lie to say that you are against something which you are in truth advocating. It is a lie to say that you are against something which you are in fact deliberately doing. It is a lie to advocate doing a little of what in fact should not be done at all. It is a lie to say you are against stealing, when you are in fact saying that a little stealing is alright. It is a lie to say that a little inflation, say two or three per cent, is not stealing but that a lot of inflation, say ten or twenty or thirty per cent, is all wrong.

They do not therefore know that Keynes was wrong when he persuaded the whole West to accept his doctrine that the only way to ensure economic growth and to abolish unemployment was to use inflation. They certainly do not know that it is wrong from every standpoint except that of immediate political expediency. It never therefore occurs to them that the real problem is not how to "curb" inflation—how to reduce it or how to prevent it from running away—but how to stop it altogether. Even less does it occur to them that inflation will be neither curbed nor stopped until some alternative is offered to the existing inflation-prone currencies of the nations in the IMF, and that it is made possible for people to turn to a currency which is inflation proof—a currency based upon some such solution of the problem

which in the Exeter experiment I called a constant. When that becomes possible we will have Gresham's law operating in the reverse—good money will be driving bad money out of circulation.