

SYMPTOMS VS. CAUSES

I have mentioned my growing stack of news clippings dealing with the economy. Few of the articles shed any light at all in the way of diagnosis or solutions. Some of the symptoms of a crippled economy are treated as if they are primary causes. A complete list of all of the things which different people consider the cause would be very long. A short list would run the risk of leaving out the one you consider the cause. I shall take that risk.

1. Some people blame the high cost of borrowing money (they call it interest but it is interest plus risk plus inflation.) This cost is only a symptom. The high cost of credit is not in itself a first cause without a cause. It is a result of inflation, which is a result of public (government) policies which increase the money supply without permitting the supply of goods and services to increase correspondingly.

I won't say the high cost of borrowing does not produce plenty of distress for those who need to borrow, but a better question might be: Why do so many need to borrow? What keeps them against the wall and kissing the lenders' feet? (Actually, the interest portion of the cost of borrowing is extremely low right now.)

2. Some people blame low farm product prices or high farming costs or the combination. But that is only a result and not a primary cause. Keep in mind that a sale is half of a trade. When a farmer wants to sell his crop, what he really wants is to trade it for something else. The people who want farm products and who have for sale what farmers want to buy are going broke just as fast as farmers are. The belief that farmers are somehow at a disadvantage compared to other occupations doesn't hold water.

The farm problem is a market problem and the market problem is mostly a non-farm problem.

3. The general over-production theory deserved to die a long time ago. Even in The Great Depression, as now, general production was way down. What looks like surpluses in special areas is actually a production failure in at least one other area, so that a trade cannot be carried on.

The question of foreign trade sort of belongs about here but would be better handled in another essay.

4. Many people blame their economic distress on high labor union wage demands but their case is weak. No matter how much the unions might ease their demands, any savings to the hiring company or to the buyers of their product would gravitate to the same place as it would if the union laborers got it first. In fact, it might even gravitate their sooner—I am referring to the price of land (and I don't mean farmland)—I mean the really expensive locations.

The feedback I have received from this column so far has been most valuable and I welcome more—even debate.