

## CHAPTER 6

# DEMOCRATIC MYTHS AND METHODS



Democracy, representative government, and universal adult suffrage go difficultly with modern technical society. The new techniques form vested interests of their own. They render older vested interests, clustered around older methods, fearfully rigid and anxiously tenacious. The specialization and sub-specialization of all kinds of human work, the mechanization of so much of everyday life, the growing bigness of business and civil administration, the expansion of the State's duties and powers over more and more details of its citizens' daily lives—these increasingly make modern societies depend on smooth co-ordination and articulated functioning. They make them complex, sensitive, vulnerable. If the co-ordination and articulation are interrupted, thrown out of mesh, a whole society now breaks down, whereas less than 200 years ago the effects of political, military and economic disruptions were confined to the space of a day's ride on horseback.

The government of a modern industrial democracy finds itself the focus of contending vested interests. Its farmers are organized to extract from the State, by taxes or subsidies or artificial high prices for their produce, a levy upon the technical advances of industry—which prevents under-developed countries overseas from selling more of their produce to the industrial democracy and buying the products of its industrial population in return. Its industrialists clamour for protection from foreign competition, and for relief from the high taxes necessitated by the State's welfare schemes. Its trade unions, developed in days of poverty and oppression, now as much opposed to each other's 'differentials' as to employers, act as pressure-groups on the State agencies and private employers to secure monopoly profits for their mem-

bers. These latter and their families are now on balance the beneficiaries of all the new or expanded State welfare, at the cost of all taxpayers (including themselves). So the demands on the public purse of the modern industrial democracy become crushing.

To fulfil them, the State raises taxes upon private enterprises and the more productive or more responsible individuals to penal heights where they become disincentives to enterprise, creative initiative and responsibility. When taxes on individual and corporate persons become intolerably high, the State has recourse to inflation to pay its own bills for its ever-mounting expenditure, to keep 'full employment' going, and to pay all the subsidies and other demands of vested interests. Once inflation is pursued as a fund-raising policy, it is to the advantage of all to be debtors rather than creditors, to pay even a high rate of interest on loans rather than to receive it (since it is a cost or expense allowed against taxes), to spend rather than save, and to 'bump up' all costs and expenses. And at that point the feet of a democratic society are already well advanced along the primrose way.

Clearly the obvious way to avoid inflation, then, is for the State, the government, not to give in to the demands of the voters arrayed in their various vested interests and pressure-groups; not to keep up steam for 'full employment' of all resources, so that group interests become vested and their demands irresistible. But that is precisely what the leading democracies did not do after 1945. They gave in to any and every vested interest, and created new ones by inflation. The great post-war inflation coincided with 'full employment' as a policy. But 'full employment' almost everywhere was interpreted as the employment of everyone who wanted to work, and at any job old or new, without distinctions about efficiency or economy or comparative costs. Inflation alone, persistently cumulative, could realize such a definition. It was justified in the name of Lord Keynes who, before the war, had done much—and justifiably—to popularize the need to employ to reasonable fullness a nation's resources so that none lay idle and wasted.

#### *Keynes Misappropriated.*

Keynes talked of a continuous fall in interest rates until 'the euthanasia of the *rentier*' came about, and even of a negative rate of interest (when savers would pay fines to save). He talked and

wrote during the bad old days of idle and wasted resources, wanting to employ them productively. But he carefully emphasized the dangers of inflation: of carrying 'managed money' so far and so persistently that 'full employment' of all resources became 'over-full', shortages developed all round, queues formed, the currency went rapidly to pot, and society disintegrated. None was more insistent than he on every government's need to manage money so that saving and investment continued to be worthwhile, prices were kept comparatively stable, the progress of productivity showed itself more by *reducing* costs and prices, and taxes were raised and budget surpluses created in times of boom (and taxes reduced and budget deficits created whenever recessions began). His advocacy of 'managed money' was never an indiscriminating recommendation of constant, continuous, cumulative inflation halving any currency's purchasing power in a decade.

Those who, since his death in 1946, have pled him in aid to justify such inflationary excesses have had their eyes mainly on social and political revolutions to be achieved by monetary means. That was something Keynes condemned more sharply than anything else. He had more in common with Lord Beveridge and the latter's statistical advisers (most of them Socialists) who, preparing *Full Employment in a Free Society*<sup>1</sup> in the war, advocated an *average* long-term figure of 3 per cent of unemployed persons at any time; whereas the *average* in Britain from 1950 to 1960 was below 1½ per cent, less than half the Beveridge recommendation. Keynes could hardly have disagreed with the Beveridge figure, for his humane and fertile mind had seized at the very outbreak of war the social dangers of a 'siege-inflation'. Accordingly he at once published *How to Pay For the War*<sup>2</sup>, a plan to mop up and immobilize the proportion of people's purchasing power which—'for the duration'<sup>3</sup>—could not be spent on normal peacetime goods and services no longer available. He was thereby the 'onlie begetter' of the unpopular British 'post-war credits': an extra wartime income-tax intended to stand to people's credit until redeemable in peacetime when normal production supplied once more the necessary consumers' goods and services.<sup>3</sup> The

<sup>1</sup> Allen & Unwin, 1944.

<sup>2</sup> Macmillan, 1940.

<sup>3</sup> See also Chapter 2, p. 27.

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scheme was sound: as sound as his earlier programme for managing money so that booms were damped down by it and recessions filled in.

What went wrong was not Keynes's schemes. It was his optimism about politics, politicians, employers and trades unionists. They ensured after the war, in combination against timid governments, that money was only managed to secure perpetual inflation, to achieve continuous boom conditions. Consequently the wartime 'siege-inflation' went on: the post-war credits could not be repaid. When the inevitable punctuating crises occurred—as they regularly did for example, in France, Britain, Holland, Sweden, etc.—money was not managed to compensate the booms, halt inflation, and keep prices and moneys stable. Devaluations of currencies were preferred, physical controls on all kinds of economic activity were applied in panic, and after far-going economic convulsions the inflationary process was resumed. Keynes would have been the foremost to denounce such behaviour as the doom of democracy.

### *Inflation Not Vital to Growth*

Yet the British Labour Party and its chief financial supporters, the trade unions, when in power from 1945 to 1951, pursued a steady 3 to 5 per cent inflation as a matter of policy. Simultaneously they put penal taxation on individuals and businesses, but demanded more saving and investment by companies and individuals, and more foreign lending by Britain. They still demand these things in the 1960s. The irreconcilability of such policies—which enormously encourage consumption and penalize saving—is scarcely perceived. Inflation in the last fifteen years has heavily advantaged the Labour Party's supporters—who are most of the beneficiaries of the Welfare State and most of the trades unions' members. They have now emerged with a net advance of 30 per cent in real income per head since 1938 on average. But the net advantage to this newly-privileged class was not wholly—not even mainly—derived from the rise in output per head, *i.e.* from productivity. It was mainly derived from redistribution of the comparatively lagging national income between the penalized groups in favour of the others, by way of taxation (positive Government policy) and inflation (negative Government policy).<sup>1</sup>

<sup>1</sup> See Chapter 3, p. 49.

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On the other hand the inflation allowed lazy and unenterprising employers to settle for an easy, cosy, salaried life, with adequate inflationary *paper* profits; but in reality they were eating their seed corn, consuming their original capital. A premium was thus put on waste, inefficiency and consumption.

Continuous inflation is not needed to ensure the fullest economical use of a nation's resources and the most rapid rate of growth. At least Russia's progress—albeit under a dictatorship—shows that. But so does the progress in standards of living, with relatively more stable price-levels and no periodic crises or devaluations, of Americans, Swiss, Germans and Japanese after the war. They are democracies, too. They have strong—some of them, e.g. the United States, have militant—trade unions. And they have had employment percentages as stable as those of the inflating democracies like Sweden, Britain and France. Inflation is an ever-present danger, even among them and even today; but that is no detraction from their long success in averting or restraining it.

### *What is Democracy?*

Democracy is not always good or safe; it is assuredly not always right; and it does not always guarantee to its citizens, individually or in their associations, their basic freedoms of action and expression. The democratic process of creating a 'mixed economy' brings with it great dangers for the individual citizen. Accordingly that process deserves to be better understood by the citizenry.

It is entirely democratic for a majority of the electorate, in a country run by universal adult suffrage and representative government, to pass laws altering the value of money and contracts, preventing anyone engaging in trade, taking away people's property, compelling all children to receive the same State education in the same subjects, making adultery a crime, stopping citizens travelling abroad or foreigners coming in, decreeing all production and all consumption, and freezing everyone in their occupations. Only in democracies enjoying the safeguards of a written constitution guaranteeing personal liberties, and where some other body than the government of the day has powers to enforce them, can universal suffrage and representative government be safe from 'the worst tyranny of all' (in the words of De Tocqueville, John Stuart Mill, Walter Bagehot, James F. Stephen,

Lord Acton and many another): that of the majority over the minority. Generally only federal states and constitutions are so governed.

Without such safeguards, democracy and representative government can easily slip into the hands of one party in a temporary majority. That one party can forthwith abolish basic liberties, undo society, refashion it overnight in that one party's image, and deny to all minorities their own ways of life in favour of the supporters of the majority party alone. All of this would be 'democratic' in the literal sense of that much-used, much-abused term. All of it would equally be 'representative'. All of it might be egalitarian. But it would be neither just nor equitable; for it is unjust and inequitable to treat equals in certain things unequally, or unequals in certain things equally. Thus a personal dictator, despot or tyrant might be more just and equitable to *all* his subjects than a tyrannous, despotic, dictatorial democracy, run by a man or an oligarchy duly elected by a majority of the citizens in the name, and by the method, of representative government.

#### *Democracy and the State*

This is no treatise on political philosophy, theory, or practice. But it is necessary these days to clear much public misunderstanding from the terms of democracy. The vestigial democracies of the free half of the world—certainly those which are already industrialized—have made themselves 'mixed economies' by undertaking in the sphere of their citizens' economic affairs, by and with the powers of the State (*i.e.* of the temporary majority as a Government), responsibilities and functions formerly fulfilled by citizens in free competition. Most of the State's 'mixture' in these remaining democracies has occurred this century. Most of it has been in the spheres of monetary control, economic relations with other countries, defence, communications, fuel and power, and of the minimal standards of hygiene, health and material welfare for their citizens. Most of it has come about 'democratically'; that is, a majority has voted for each advance of the State into the economic sphere, or has at least ratified it after the event, no matter which political party formed the temporary government.

This has gone on in America as well as in Western European democracies (where it began). And now, on the plea that an

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'affluent society' needs more Federal Government taxing and spending to lay down 'appropriate' goals of production and consumption, and keep up a desirable rate of growth, American voices are raised to demand more and more State activities and powers in the economic field. The economy of the American democracy—and, since it leads the world in output per head, presumably therefore of all others—'should', according to this argument, become more and more 'mixed'.

By its very nature—arrogance towards freedom of consumers' and producers' choices, collective *dirigisme*, and economic determinism by a knowing *élite* or minority of controllers—this argument arouses suspicion. Whither does it lead? Where is it to stop? Why 'should' it stop anywhere short of complete 100 per cent totalitarianism? In that case what can logically distinguish it from Communism, Socialism, or other eventually authoritarian social systems?

Too much State activity, too rapidly, means too much State spending. Too much State spending too fast means a rapid multiplication of State controls to stop private spending: that is, restrictions on production and consumption *plus* higher taxes. Rapidly rising, or too high, taxes on individuals and companies mean a building-up of costs, since persons and firms take account of the high or rising taxes in their prices. Plumbers, actors, lawyers, trade unionists, farmers, businessmen, all ask for their remuneration at levels which will allow them to live as they feel they and their families should live net of taxes; *i.e.* they seek for fees, wages, profits that give them a net purchasing power at *their own* command, after the State has taken its various 'cuts' or taxes.

This has been seen at its worst since 1945 in the British and Swedish democracies, where inflation has concomitantly shown itself acutely, where the currency has accordingly badly depreciated, but where the citizens and companies have loyally (and more honourably than elsewhere) paid their penally high taxes. In some other remaining democracies they have contrived not to, and inflation has consequently been even more acute. But that does not detract from the principle: namely, that if the majority's demand on a democracy is for more and more State activity, responsibility, and power in its economy, the majority's demand is really one for higher taxes, more State controls, and less economic freedom for *all* citizens. As this soon becomes apparent to a demo-

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cracy's Parliament, press, and public, the government tries to avoid the necessary unpopularity of taxing and controlling people more.

Published, known, formal, recognized taxes are pushed to their upper limit: a limit of toleration for persons and companies alike. Those limits involve controls enough, in all conscience: for instance, penalties for trying to get property out of the democratic country's jurisdiction, inability to travel abroad, even inability (as in Britain until the 1950s) to change certain businesses from making one thing to making another. To this day the top rates of tax on individuals' incomes in Britain, Norway and Sweden are the highest in the world. They act as penalties on success. One year's gross earnings out of every four are taken by the State from top executives, skilled managers, and leaders of the State's own public services. Such State penalization of administrative responsibility, productive skill, and creative enterprise, quickly broadens down, at lower but still heavily penalized levels of income, to racketeering, 'fiddling', black marketing, and other illicit dealing. These are already familiar ways of evading fiscal laws which have strained and snapped traditional morality. By being suddenly made too onerous for ordinary mortals, democracy's fiscal demands bring all law and order into contempt.

When such a stage is reached in the democratic process of rapidly creating a 'mixed economy' (by greatly expanding State economic activities at the cost of private economic enterprise) inflation as a deliberate instrument and policy of government is inevitable. It has in all probability been going on, secretly and subtly, for some time already, and has therefore been playing its historic rôle of helping to bring such a state of affairs in a society about. From that point or stage there are only two roads: one leading on to the overthrow of democracy and personal freedoms altogether; the other leading back to sound money and a reasonable balance between State and private economic action, upon which personal freedoms depend.

### *Myths of Democracy*

Much public sufferance of inflation in modern democracies is due to party politics, particularly (but by no means entirely) to Communist, Socialist and other collectivist ideologies. The modern mass-voters in an industrial democracy are also mass-



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producers and mass-consumers. They have been led by political and economic organizations to believe in party-political mass-myths, which are important working-parts of a mass-ideology: *e.g.* that wages rising faster than productivity need not be inflationary; that only 'the rich' need be despoiled by inflation and progressive taxation; that trade unions can always get 'one jump ahead' of inflation, by putting upon 'the rich' the real cost of all wage increases larger than the rise in productivity; that companies can be forced to reduce profits and dividends permanently in favour of wages; that perpetual inflation offers all other sections of society no defences, but only a defence to trade unions; and so on.

One such myth is that 'full employment' (meaning no temporary unemployment) and the most rapid economic growth can only come by a steady and persistent inflation. It is a myth because it is an element of faith or belief, irrational and not proven. Indeed, the opposite proposition—that reasonably full employment and more rapid economic growth in the masses' material welfare (including leisure) could come by avoiding inflation and by the consequently greater adaptability—is more rationally probable. This is because the discoveries and applications of science, and the consequent sudden needs to modify and adapt and render flexible a modern economy, are unpredictable and un-plannable.

In the mythology of the Left in the remaining West European democracies (not in the United States, where there is no Left at all in the original European sense) inflation as a policy is treated as a way of expropriating 'the capitalists', as well as a way of securing perpetual 'full employment' and economic growth by forced savings. Higher taxation of these same capitalists (mainly companies) is then made to yield—among other things—enough to recompense pensioners and other 'reputable' receivers of fixed money incomes (*e.g.* small savers) for the inevitable loss of their purchasing power year by year. Left-wing Governments thus push taxation of higher incomes (individuals' and businesses') to penally high levels, but defray their rising running and other current costs, all of which they are naturally boosting at the same time, by the deliberate inflation.

The 'forced savings' by the State thus generally and largely fail in a democracy to become 'forced investments'. They go mainly

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on current consumption, either in welfare and subsidies to lower income brackets or in additions to the pensioners' or small savers' incomes by the 'beneficent' governments to correspond with their depreciation of the currency. In that way the minority of productive, responsible, enterprising or highly skilled persons—the main source of initiative and personal savings—is penalized by 'progressive' taxation in favour of the great majority of current consumers, a number of whom are not productive.

Irrationality and mythology become apparent in all this as soon as one delves into the evidence. One discovers that a policy of perpetual inflation certainly secures 'full employment', but only by making work—not what work turns out, or at what cost, or for whom—the main criterion of growth; that if expropriation of capitalists occurs merely to defray *current* spending, forced savings from the entire community become imperative for *capital* investment, and then the government has to raise them, not from the expropriated minority but from the masses themselves (as in Russia); that individual freedoms progressively disappear; and that such a society cannot long remain a democracy. It will last as a democracy an even shorter time, the more dependent its people are for their material welfare on competitive foreign trade.

That was what Lord Keynes meant when he declared that debauching a currency sapped the foundations of a society more subtly, swiftly and permanently than any other conspiracy. The society which emerges after a period under such a policy of inflation is different. More important, it has to be run differently. So a democratic government may embark on such a policy; but it can only pursue it by controlling and repressing more and more; and it quickly becomes non-democratic. That may be all right as long as it is what such parties and governments want. But if they really do not want it, it is as shortsighted and stupid as policies making compulsory the use of out-of-date fuels, materials, machines, industries or methods. These only tax the community, and hold up technical progress and economic growth, on behalf of a small minority's vested interest: like refusing to allow a new machine to cut unit-costs and spread products more widely by turning out all of which it is capable. Far from being social dynamics and progress, it is social statics and retrogression.

*Democracy and Totalitarianism*

'The preponderance of mythical thought over rational thought in some of our modern political systems is obvious.'<sup>1</sup> Our wonderful modern communications—a cheap and excellent press, television, radio, high personal mobilities by private and public vehicles, longer leisure with more travel—make the spread of such irrational myths, slogans, and other political party dogmas easier than the spread of logic and reason. Their emotional appeal is naturally to the overwhelming majority in a mass electorate; for that less-inquiring majority is naturally the least rational and least aware of the evidence for rational conclusions.

Later in this book<sup>2</sup> we confront 'the American way' with that of the Russians. It is worth emphasizing here how far back the causes of such a contemporary confrontation go. They go back through two markedly opposed streams of opinion about politics and society.

'The American way' still reposes more than any other (save that of the Swiss) on individual freedoms: on man as an end in himself, striving with freedom of choice to realize more and more of his potentialities in self-expression, and by his own (and others') trial and error utilizing all freedoms of self-expression. It goes back along a path of rational philosophy to Kant, the apostle of eighteenth-century Enlightenment and reason, of personal freedoms, and of man as an end who must never be used by other men as a means.

The way of the Russians and other totalitarians also goes back to the eighteenth century, but along the pathway of myth, unreason, and determinism. Along that path we find people like Hitler, Spengler, Nietzsche, Marx, Gobineau and Hegel. (They by no means agreed with each other.) Hegel's absolute State as the realization of the Fashioning Spirit on earth, supreme in might (and therefore in right) above all else on earth, is as deterministic as Marx's inevitable dictatorship of the proletariat fashioning a classless society (though Marx claimed to have 'stood Hegel on his head'). All of these irrational, fatalistic philosophers of history and society push individual freedoms into the background and proclaim the might or the freedom of the State (whatever that means) as right and pre-eminent. They look

<sup>1</sup> *The Myth of the State*, by E. Cassirer, OUP, 1946, p. 3.

<sup>2</sup> See Chapter 8, p. 123.

on individual men as means, not ends. Society is the end, not those who compose it. The State is not made for man, man is made for the State. The collective whole is greater than the sum of its parts.

But then they betray themselves. They then say that the big irrational, swarming mass—more earthy and elemental than the minority of highly developed and rational individuals—must be 'led' by its minority for a while. Only that minority—a Marx, Lenin, Stalin, the Party oligarchs, the Leader—are qualified to know and interpret what is fixed and determined for the whole Society 'far beyond the stars'. Many of them—Marx, Hitler, Stalin—did not even look 'far beyond the stars' for guidance, as did Hegel. Their own earthly might and that of their State was right, and it was quite enough for them.

It is worth remarking that the *non-collectivist* party politics of America, Britain, and other modern democracies—known as Conservative and Liberal, or Republican and Democrat—still show a few traces of ideologies from their past. But they do not now repose upon myths and doctrines. They are overwhelmingly empirical, pragmatic, practical; not 'for all time' like a faith or dogma, but serving the citizenry as best they think they can in their own times. They do not set ahead of themselves some ideal human society on earth, conceived *a priori* or 'revealed' (as in a religion) as being the best, to the realization of which by State action all individual citizens must meanwhile submit and conform, at no matter what cost to them as individuals. British Liberalism and Toryism today, like Americans' Republican or Democrat politics, are not founded upon anything else than the best that temporary governments can do to help *all* individuals to gain more leisure and welfare for their fullest self-realization—not even, and not just, to help 'the workers' or 'the masses' but also to help the more creative and responsible minorities who are the necessary *élites* in any progressive society. These are therefore matters of day-to-day expedients and policy, not of philosophy, ideology, dogma or myth. They admit of tentatives, reversals, trial and error, flexibility, adaptability to the unknown and unforeseeable—whereas the *a priori* ideologies of totalitarians admit only of ideological schisms, social revolutions, and crises of faith whenever something unknown and unforeseeable makes hay of their ideologies, myths, dogmas and doctrines.

*The Necessity of Flexibility*

The *a posteriori* nature of democratic Conservatism and Liberalism (however represented in one or another political party) gives more freedom to governments for variation and experience, for originality and initiative, for *ad hoc* learning from small-scale experiments. So, too, governments of true democracies—pledged to conserve and enlarge the scope of the individual citizens freely to choose their own means of self-realization—should not run their economic affairs by doctrines and dogmas, myths and slogans masquerading as policies, or fatalistic and deterministic secular religions decreeing this or that economic measure as inevitable.

The Open Society, the free society, does not claim to know all the social or economic answers beforehand. Not having such a secular religion and mythology, it has no way of knowing beforehand all the social and economic questions which will arise in human society as human knowledge discovers and applies more and more. So it reposes its policies on freedoms, flexibility and adaptability in order to be able the better to cope with the unforeseeable. This seems more reasonable, and rational, political behaviour than that of the so-called 'planned societies' whose governments loudly vaunt the rationality of their plans while reposing on irrational ideologies, myths, doctrines and dogmas.

'It is beyond the power of philosophy to destroy the political myths. A myth is in a sense invulnerable. It is impervious to rational arguments; it cannot be refuted by syllogisms. But philosophy can do us another important service. It can make us understand the adversary. In order to fight an enemy you must know him. That is one of the first principles of a sound strategy. To know him means not only to know his defects and weaknesses; it means to know his strength. All of us have been liable to underrate this strength. When we first heard of the political myths we found them so absurd and incongruous, so fantastic and ludicrous that we could hardly be prevailed upon to take them seriously. By now it has become clear to all of us that this was a great mistake. We should not commit the same error a second time.'<sup>1</sup>

Inflation conducted as a policy, or permitted by political laziness and cowardice, stems from such a political myth: the myth

<sup>1</sup> Cassirer *op. cit.*, p. 296.

that 'full employment' and the most rapid economic growth can best come by deliberate inflation. The first step to abandoning or avoiding it must be its proclamation, description and recognition as myth, and as a myth that grievously misleads.

### *Reason against Myth*

One often hears the queries 'Why don't citizens of a democracy see the dangers of persistent inflation? Why don't they insist by their votes on its avoidance? Why don't higher-money-wage-demanders in their sectional organizations—why don't employees of State services—realize that the pressure of their vested interests merely pushes up the the cost of living against their own interests? Why don't people see that the prior raising of productivity—not the lagging raising of it *after* the granting of higher pay—is the cure for inflation? Why don't they all see that a diminution of the over-full employment of *all* resources, and in particular of what the State undertakes to spend *in toto*, would allow unit-costs and prices and the cost of living to come down?'

To these questions there are many valid answers. First, the popular interest in, and aptitude for, economic questions is limited; whereas the citizen's immediate interests seem to lie in his or her job and its pay, his or her labour or professional organization, his or her industry or occupational grouping. The national, communal interest takes a lowly place in popular concern, although in economic affairs what harms it harms most of the component parts of it. Secondly, according to the varying degrees of political blackmail by organized pressure-groups, the stronger of such groups do in fact manage to escape unscathed by inflation. As we saw,<sup>1</sup> *most weekly wage-earners in Britain contrived to push their real economic gains ahead of the rise in the cost of living, owing to a governmental combination of persistent inflation, over-full employment, and penally progressive taxation.* Once this occurs, inflation is already being discounted ahead of itself. Thirdly, public education in current affairs always lags long behind them. Despite our wonderful modern media of public communication, entertainment and diversion take precedence over information and orientation.

Fourthly, 'the masses' always believe what they most want to

<sup>1</sup> See Chapter 3, p. 50.

believe; and more pay in money always seems preferable, despite any subsequent rise in prices, to stable money pay accompanied by falling prices. If this human belief in gambler's luck were not so ingrained, lotteries, betting, and football pools would long since have failed to command such universal support by 'the masses'. These latter always believe, individually, they *may* be the one in a million to win. So they believe, too, that the amount of extra money pay they may win will more than recompense them for the subsequent inflation thus caused.

Fifthly, all parties of the political Left positively propagand for inflation, and urge their supporters' claims to higher money pay at the alleged cost of 'the rich'. Once full employment of all resources has been secured by the initial inflationary 'cranking-up',<sup>1</sup> persistent inflation does not, however, merely 'soak the rich'. It soaks the entire community, and especially those who are not organized to secure their demands for more money income. It drives up all costs and prices. Henceforth any State action to shield the defenceless sufferers from inflation drives up taxes on all the others, too. So a 'free for all' develops, unleashed not by the political Right but by the Left itself. In such a 'free for all' the supporters of the Left likely to do best out of it are the most tightly organized workers: the trades unions.

Sixth and lastly, the only cure for inflation is the prior, persistent raising of overall productive efficiency—overall productivity—at as fast a rate as, or at a rate faster than, the rise in the flow of money and credit in the society. But this is a complex concept to convey to 'the masses'. Moreover it applies in the first place to the society's output and income *as a whole*, after which the natural 'higgling of the market' settles what income each citizen can get. Very humanly and naturally, the citizen fails to spot his or her particular interest in the vast general interest; so he or she prefers to push, through some smaller organization, for what seems to be his or her immediate material interest. Thus, appeals and exhortations—so beloved of British Chancellors of the Exchequer during the fifteen post-war years—for 'restraint' in pressing for higher particular money incomes, or for reduced

<sup>1</sup>This was termed *Ankurbelung* in the democratic Germany of the 1930-33 depression before Hitler, and 'deficit finance' by Keynes and his American followers at the same date in the Anglo-Saxon world. See Chapter 2, p. 26.

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prices, or for higher productivity first of all, always fall on pre-conditioned deaf ears.

These, then, are the irrational majority's answers to rational—and therefore the minority's—queries. But that does not mean the majority is right. It only means that it is human and natural. The problem for a society which hopes to remain democratic is to convince irrationality of its greater material interest in the triumph of reason: no mean undertaking.