

The Fight on Price Inflation

PRICE IS THE EQUATION between supply and demand. Since demand is an unknowable quantity, subject to the whims of desire which the most far-flung Gestapo can neither fashion nor determine, control of price is possible only through control of supply. Any price-fixing program is therefore subject to the power to regulate production. And the power to regulate production is in direct ratio to the control of the necessary sources of raw material.

The object of monopoly is to boost prices by limiting production. To be effective and lasting the monopoly method must be implemented with ownership or control of natural resources; for if access to these resources is not restrained, every boost in price attracts labor and capital, calling forth new production, which levels prices. That is, competition prevents price-fixing.

Ownership or control of land is the basis of monopoly prices as opposed to competitive prices. The excess of monopoly prices over the level at which exchanges would be effected where competition unrestricted is monopoly rent. Since this levy, like the ownership of the land, is arbitrary—that is, fixed by power rather than by free exchange—it can be regulated or controlled by arbitrary methods. It all depends on who has more power and is willing to exert it.

Our government, apparently as a result of the present war, has discovered this truth. In attempting to avoid a repetition of the steep price inflation of World War No. I, it seems to have hit upon the fact that effective price control is possible by using its arbitrary power to prevent an arbitrary rise in monopoly rent. The following quotations from *Time* (August 12) indicates how it was done.

"Last fall the posted steel price threatened to rise; the Temporary National Economic Council called steel-men to Washington, argued for low prices, hinted at an anti-steel publicity campaign; the steel prices stayed put." (Note the "posted steel price." That in itself signifies a price based on monopoly rent. The government threat merely kept it put at the level arbitrarily "posted" by the steel-men because of their control of the chief source materials—iron ore and coal in proper combinations.)

"When housewives started to hoard sugar the President untied quotas; in came Cuban sugar, down went prices." (Here the effect of import restrictions on monopoly rent is indicated. Owners of domestic sugar lands are enabled to exact monopoly rent through higher sugar prices because of governmental restriction of outside competition.)

"Copper began to move upwards; the President said the price was being watched, and the move

slackened." (If the government owned the copper mines, as it should, no increase of monopoly rent would accrue to the operators; there would be no inducement to raise prices. Besides, any increase in price due to increased demand would call into use marginal copper-producing mines, thus forcing the price down to the competitive level.)

"Domestic mercury sold as high as \$200 a flask. So the Administration stopped issuing export licenses for domestic mercury (a strategic material) and the price fell to \$190." (In the July *Freeman* the story was told of how the increasing demand for mercury had brought into production an abandoned mercury mine—at a monopoly rent to its owners.)

"Last week the Defense Advisory Commission . . . met 17 pulp and paper men . . . got an agreement for no further rises." (That is, no fur-

ther increases in monopoly rent on pulp-producing lands.)

Thus we see how the arbitrary raising of prices through monopoly rent can be somewhat liquidated by the arbitrary use of the greater power of the government. But the source power—the ownership of natural resources—remains in the hands of the monopolists. So long as this power remains, the private collection of monopoly rent through higher than competitive prices cannot be obviated, not even by constant snooping. For there are such things as secret bonuses, reciprocal favors, concessions and other devices to which those in need of raw materials will resort and which, in the long run, amount to increased prices.

The only effective regulator of prices is the free market. We cannot have a free market so long as the privilege of collecting monopoly rent continues to be the law of the land.