Inflation, the Obscurer

by ARLEIGH CHUTE

IN the March HGN, Robert Benton, director of the Detroit extension of the Henry George School, in a letter to the editor asked that we seek a workable definition of the term "inflation." His "sticking his neck out" with a tentative suggestion has prompted me to do the same.

Since "inflation" is going to be considered a "bad" word, it should refer to the basic evil in monetary policy—*an increase in the per capita supply of money* and consequent deterioration of its usefulness as a measure of value. For dollars serve the economy best when they allow a person who has contributed, say, one sixty-five millionth to the wealth of the country, to receive the same share when he chooses to buy. This seems reasonable to ask, for it was the condition before the invention and incorporation into the market place of a medium of exchange. Surely, if money is to provide a great advantage over the barter system it replaced, it should not destroy this basic justice.

Preservation of justice can be achieved when the per capita supply of money (currency and demand deposits in banks divided by population) is fixed. The fixing and maintaining of this ratio should be the responsibility of government as it now fixes the weight of the "pound" and the length of the "yard." Economic man doesn't desire "pounds," "yards," or "dollars." He does, however, desire the wealth associated with these measuring devices. He can only expect justice in his economic dealings when these standards are fixed.

Would the "yard" be of much value in an Alice-in-Wonderland world of whimsical dimensions, or the "pound" on a science-fiction planet of varying gravity? Hardly! Under those circumstances we would abandon such purposeless devices as we must finally abandon a baseless dollar.

It is difficult enough to determine price (value relationships) in the market place, what with constant changes in quality, quantity, and kind of available goods and services; need we confound the problem with a measure of value that itself fluctuates in value? Those who bother to learn from history have a ready answer—yes! As a nation we will continue to suffer the pains of recurring inflation and deflation until the political ring is shattered with enlightened protest. A protest to instigate the monetary reform that will finally enable our money system to act as a gridiron, measuring advances and losses of the economic factors at play, instead of as the football it now is, where parties may seize it and run in the direction that provides the loudest cheers from the grandstand.

Besides the obvious economic advantages and the greater taste of justice that a fixed "yardstick" of value might bring, a sound money would inherently point the finger at the more profound problem facing our nation or any nation—the increasing bite that rent takes of production. Today, increasing rent and value of land are obscured by the fact that everything—prices, wages, taxes, costs—are all rising!

On the other hand, given a sound dollar, the economic facts would be clear. Prices would slowly drop as increased technology and competition combined to cut costs; wages would tend to remain fixed as an aggregate, while still fluctuating within industry to encourage necessary shifts in production; savings, no longer stolen by inflation, would increase and foster greater capital formation. But one factor—for the first time conspicuously exposed to the sunlight of an honest money—would be seen insidiously creeping upward. As rent tightened its stranglehold on labor and capital, wages and interest would wither and fall, not just in abstract theory, but in actual dollars. How easy it would then be to promote our cherished reform, for most of mankind will never comprehend the theories of Henry George, but everyone can count!

American Jewry

In *Saga of American Jewry*, 1865-1914 (Arco Publishing Co., 1959), Harry Simonhoff gives brief accounts of prominent American Jews for the period concerned, as a sequel to his *Jewish Notables in America*, 1776-1865. Among those who pass in parade are Daniel Guggenheim, Emma Lazarus, Samuel Gompers, Joseph Pulitzer, Felix Adler, Oscar Hammerstein, and Joseph Fels—who is billed as "social reformer and single taxer."

Philip Rubin contributed the chapter on Fels, and relates interestingly how, after having secured fame as the producer of Fels-Naphtha soap, Joseph Fels went on to greater fame as a social reformer.

As first, he sought amelioration of the poor by buying vacant land and settling workingmen on it. Discouraged with his failure at these efforts, Fels then discovered Henry George and realized that in the single tax lay the answer to the problem of poverty with which he had vainly been grappling. Thenceforth, Fels devoted his life and his fortune to the single tax. He campaigned throughout the U. S. and Canada for legislative enactment of the single tax. In England he aided the Lloyd George campaign for land value taxation, and he also gave considerable help in half a dozen other countries. Toward the end of his life he became interested in Zionism, and his widow, Mary Fels, contributed large sums to the Jewish National Fund to purchase land in Israel for settlement.

Philip Rubin is also the author of an article on Sholom Aleichem (the Jewish author whose centenary is being celebrated this year), in the March 16th issue of Congress Bi-Weekly. One of the sayings of Sholom Aleichem quoted in this issue might have served as good advice to Joseph Fels to turn to education instead of politics: "The truth requires a hundred years to be understood, and another hundred years to be put into practice, says Richter. I say, the truth requires a hundred years to be understood and could be put into practice in a single decade, if only everybody understood it."

—R. C.