

Inflation Mania

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AS the government increasingly prints fantastic amounts of its so-called "money" — Federal Reserve notes and their equivalent — the spate of articles on inflation increases likewise.

The typical essay will argue that inflation results in a loss of freedom, for if the government does not stop its printing presses it will invariably attempt to disguise inflation's effects by instituting wage and price controls. The conservative view maintains that inflation should cease forthwith. To make this possible the government should reduce if not abolish the heavy expenditures on such items as welfare, housing, transportation and foreign aid.

But the public turns a deaf ear — so why stop? A few will reap fortunes from inflation and everybody hopes to be among the lucky ones. As the majority of people are just above the poverty borderline they feel inflation cannot hurt them since they simply do not have enough wealth to lose. As for the middle class and the rich, they hope to escape the worst effects by buying equities in the stock market or by purchasing capital and land.

The weak point in the denunciations of inflation is that while they correctly argue that the government merely attacks symptoms and not fundamentals, most of the articles do not deal with fundamentals. Inflation is the over-issuance of monetary media — and the government is responsible, for it controls the media. It does not inflate the currency or participate in the increasingly prolix welfare projects because it likes to. But without realizing it, the government indulges in practically all of its interferences in the affairs of men to counter the effects of the system of land tenure. Its solutions are the usual socialistic variations of welfarism of one kind or another — palli-

atives which in the long run not only do not work but exacerbate the conditions. However, the government has no better solutions nor do the writers of the critical articles.

The people sense this. They do not understand the primary economic reasons which make it almost inevitable for nations sooner or later to inflate their currencies and indulge in socialistic practices. They can appreciate the arguments against inflation but they remain unmoved for they fear deflation more. They are not convinced that sound money will result in better economic conditions or a higher standard of living, and they are correct.

This is not to say that a nation should not have sound money. But just because the body's circulatory system is sound it does not necessarily follow that one is healthy. Similarly, when a nation's money is sound it does not always mean that its economic body will be healthy. For that matter, until 1933 the United States, despite the excesses of the Federal Reserve System, had relatively sound money, but that did not prevent the existence of poverty or unemployment.

The absolute prerequisite for economic health is to have free men living on free land. Where such is the case, except under extraordinary conditions such as war, it is unlikely that nations will tinker with money if the governments are at all representative, for it simply will not be necessary. So the sad fact is that until the people become acquainted with the fundamentals of sound economic health the inflation-mania will be with us, and the inflation denunciators, no matter how right they are, will be treated by the people with polite but bored condescension. In economics there is no substitute for true fundamental reform.