



● Milton Friedman

Monetarism versus the pro-inflationists



● Vic Blundell

By Vic Blundell

ON DECEMBER 18 last year, *The Observer* reported a new study from Nuffield College which purports to put the final nail in the coffin of monetarism as well as in the reputation of Professor Milton Friedman. However, the basic theory behind monetarism does not depend upon Friedman or any of his followers, be they politicians or economists.

Before the word "monetarism" was ever invented, the principle behind it was known as the "quantity theory of money" (Irving Fisher) and was taught to every student of economics and accepted by all economists.

Before this simple economic principle was corrupted by so-called expert economists, who devised and built new motor roads of monetarism labelled M1, M2, M3, etc., it was simple to understand and the Concise Oxford Dictionary reflected accurately the meaning of the word "inflation" (before *that* word, too, was corrupted), namely: "(Finance) resort to inflation of (the currency or abs.); raise (price) artificially... So inflation (is) undue increase in the quantity of money in relation to goods

available for purchase."

One should never talk of controlling the money supply as though it were some blind economic force independent of government action. The only control required to keep down the money supply is government self-control, for it is the Government that initiates the expansion of money.

Putting it more bluntly, when a government has taxed and borrowed as much as it can or dares, but is still left with a budget deficit, it can either cut expenditure or resort to the printing press and it is the latter action - debasement of the currency - which is responsible for inflation as defined. Monetarism, if it means anything at all, means refraining from monetary expansion (inflation).

If, as *The Observer* stated, inflation is not the result of excessive increases in the money supply but is a complex "sociological phenomenon", why is it that this phenomenon was not present for sixteen years prior to the outbreak of the last war? Then, we had a stable currency. This was the period of The Fifty Shilling Tailors, The Five Shilling Shirt Company (Oxford Street) and

Woolworth's 3d to 6d Stores. Prices changed only relative to *each other* and then relatively mildly, and annual wage increases for people continuing the same job were unknown because wages kept pace with prices. And because prices didn't move, wages didn't move.

If Mrs. Thatcher's Government succeeds in returning us to this happy monetary state of zero inflation, she will not solve the unemployment problem, for full employment does not depend upon a stable currency. On the other hand, the anti-monetarists or pro-inflationists do not have the answer either, as has been demonstrated by the raging inflation and stop-go policies of the last few decades - which culminated in high inflation *and* high unemployment.

The simple truth is that inflation is a monetary phenomenon and inflation of the currency, while it stimulates employment for a while via *artificial* demand, is not a solution and never can be.

What is required is the *natural* increased demand which follows increased production - at present inhibited by the constraints of land speculation and under-use of land.

● ONE WOMAN'S FIGHT: From back page

As I would not change my resolve to obey the law, the County Board appealed to the California Supreme Court which, on June 6, 1967, handed down a decision prohibiting me from obeying the same Constitution they, too, had taken an oath to uphold.

The decision included the words: "Since this law has not been obeyed for 100 years, it is too late to begin obeying it now."

Melvin Belli, a famous San Francisco attorney remarked: "This has set jurisprudence back 100 years."

ALTHOUGH I was enjoined from undertaking full cash value assessments, I was still able to re-value upward hundreds of parcels of vacant, speculatively-held land in the County, and to lower the valuation of over 32,000 homes that had previously been overvalued.

The land-speculator crowd sought to recall me. A recall election was held July, 1968, which failed.

I continued to strive for proper assessments - though many of them were lowered by the County Board on appeal.

I further made an average of more than one speech a day, including Saturdays, Sundays and holidays, in an effort to educate enough people about what I was trying to do. I further sought to help them understand that greater taxes on land values, and lower taxes on other property such as improvements on the land and personal property, would bring benefit to everyone.

I had been optimistic at first that such efforts would really succeed, but as the months passed, it seemed more and more impossible to abate the incredible ignorance about property taxes, and why the present property tax system was so hurtful to most people.

It was further discouraging because even those who understood - including those who advocated the land tax policies of Henry George - were reluctant to participate in the battle for justice - for what appeared to me to be reasons of timidity.

I left the office in January, 1971 having served nearly four-and-a-half years. I was discouraged and exhausted and I really intended to quit this time. I had "had it". My health had been badly damaged and for

several years thereafter, I concentrated mostly on regaining my health.

It is only recently that I have dared again to become active in a cause which has seemed so hopeless, but which I have never been able to completely drop.

We are taught to recite the Pledge of Allegiance to the Flag daily in our schools, and many other times. This pledge ends with the phrase "...with liberty and justice for all."

It seems to me that this has had the effect of lulling many into the belief that we really have such liberty and such justice - to enhance our apathy about doing anything but make a change for the better. We have been lulled into a comfortable attitude that all is well.

I propose a new ending, adding: "Someday, so help me God!" I would hope that such a new ending might stir someone to get busy and make it a nation of *real* liberty and *real* justice.

It now seems that, for me, the better choice is not to seek public office but to spend time at my typewriter on this subject in the hope that some of these ideas will fall on fertile soil, take root and grow.