

The Tangled Web We Weave

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ALL THIS TALK about inflation is wearing me down. I have always thought that inflation was a simple thing — simple in essence I mean. My dictionary still says it is “. . . undue increase in the quantity of money,” and that is what the economic text books have always said. But the text books, the dictionary and my own understanding must be wrong, if sheer weight of opinion is any gauge. We sure *must* be wrong, particularly if that weight includes politicians, journalists of all shades of opinion, and even some economists.

I must concede that I may be wrong and revise my thinking. Perhaps after all people who seek wage increases because of rising prices are in fact causing prices to rise by getting their increases, in which case. . . . But perhaps we had better not pursue that line.

It has been stated that every country in the world is suffering from inflation, so perhaps it is some form of economic disease that has struck everywhere and over which we have no control — like a special kind of 'flu, and not that all governments want to balance their budgets with the printing press.

Mr. Barber, when Chancellor of the Exchequer, said that the increased price of oil helped our inflationary situation because if we had to pay more for it then we had less money to spend on other things — it mopped up demand as it were. I see now. What is needed then is say dearer shoes, cars or jam and that would also help to mop up purchasing power. In fact if only we could contrive somehow to make everything dearer we could wipe out inflation altogether, and we would no longer have rising prices. Well, its a thought. And we must not dismiss it simply because its nonsense.

I used to think that if the Government, instead of printing money to balance its Budget, increased taxation instead, (if it simply had to have the money), this would be at least honest, and would have the advantage of what we were left with retaining its value until we were ready to spend it in the future. But I am told that taxation actually *causes* inflation, and, I can see now, that it does of course. Taxation makes things dearer, therefore it is inflationary. On the other hand, taxation also mops up spending power, so that. . . oh, never mind!

I think the “world inflation” idea is the best one after all. Countries import and export inflation like goods and like goods in international trade, everyone tries to get rid of as much as possible.

We certainly know to our cost that world prices have caused our inflation. Politicians have explained

this. You see imported goods get dearer when our money becomes worth less to the foreigner and of course our money is worth less if it will buy less from abroad so that . . . no, that's not quite what I mean. Perhaps our money is worth less because there is too much of it chasing existing goods and the foreigners have cottoned on to it, and perhaps also that is why they don't like holding on to it. But no, that cannot be right, after all everyone knows that the reverse is the case and that it is foreigners who cause our pound to fall in value by speculating that it will. Our pound would be strong were it not for those blighters.

Discussing inflation recently, a *Guardian* leading article said that “the third major deflationary force will be sheer inflation.” So if inflation causes deflation then the answer to inflation is inflation. Then the article goes on to talk about the “deflationary power of price rises” so that the higher prices we get the lower they will be. Paradoxical as all this may appear to you and me it is no doubt perfectly clear to the *Guardian*.

In spite of all this I still have a hankering after my own (and the dictionary's) theory, but I must restrain myself. Whatever the right theory, it certainly has nothing to do with money and we must learn to live with it. The best answer that has so far come from those who know, is to have a built-in inflation scheme whereby we do nothing to change things but arrange our lives in anticipation of continual inflation and then we can print as much money as we like. Cynics who argue that this would be like acknowledging that, as we always spill water when we carry a bucket of it, we might as well bore a few holes in the bucket anyway, are just economic illiterates.

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THE AMOUNT of natural gas passing through interstate pipelines in the United States has fallen each year since 1969. Reason? The price of natural gas for interstate distribution is controlled by the Federal Power Commission, and the Commission has kept the price too low for producers to expand their production.

Most people, including the FPC itself, now agree that if the natural gas “shortage” is to be overcome, the well-head price must be allowed to rise. Yet such are the complications one gets into when once the free market is interfered with — the conflict between producers and consumers, between large producers and small producers, between existing and potential sources of supply — that no one can agree how to bring the price rise about.

“No one expects a quick solution to how to raise gas prices” says the *Christian Science Monitor*, reporting the problem. What fools we mortals be . . . as someone once said.