

MONEY SHENANIGANS
By OSCAR B. JOHANNSEN

The average Georgist, secure in his knowledge of fundamentals, and aware that a society's system of land tenure is one of the most vital keys for the establishment of a sound economy often does not appreciate the importance of the monetary system in existence.

He may, therefore, not recognize the significance of the two major monetary events of 1971. The first was the action by the President on August 15 in formally shutting "the gold window", that is, refusing to redeem the "paper-dollars" held by foreign central banks into money (gold), and instituting wage-price-rent controls. The second event was the December 17-18 accord of the group of 10 major western powers in which it was agreed that the dollar would be devalued by about 8%, that is, would be redefined to be 1/38th of an ounce of gold. At the same time the other major currencies would be revalued upward. This simultaneous action meant a weighted average devaluation of the dollar by about 12%.

Although much hyperbole has been expended on the specific measures adopted, their true significance lies in the fact that they are further evidence that no sound economic procedures are to be adopted to curb inflation in America and in the major western powers. This is because the measures deal with symptoms and not fundamentals.

The Georgist, recognizing that fundamentals are rarely considered, is probably not surprised and may therefore be inclined to shrug off what occurred as typical. In any event, he may feel since the land problem was not directly involved, that nothing important transpired.

History, however, teaches that monetary disturbances can lead to economic chaos, out of which may rise a dictator who proceeds to restore order at the

expense of freedom. If that occurs, what possibility will there be that sound land reform will be enacted? Witness the French Revolution. The fantastic inflation of France's "paper-money" of assignats and mandats created such chaotic conditions that it led to the dictatorship of Napoleon Bonaparte, hardly a friend of land reform. And, after all, threats to liberty are Georgists' concern, for the very essence of Georgism is that it is a philosophy of freedom.

An understanding of money's importance may be gained if it is recognized that money is the binder which holds together the diverse economic elements of a sophisticated society for all economic calculations are in terms of money. How can the true economic rent be determined if a constantly depreciating monetary unit is employed? Patently, if a binder, as cement, is too watery, it will not be long before it crumbles, bringing down with it the entire structure.

A watering of the so-called money in use in the United States and in western powers has been the means employed in an effort to ameliorate the economic distortions caused by the unsound system of land tenure practiced. This has been accomplished through the improper issuance of non-interest bearing debts on a gigantic scale by the central banks of all major powers, which debts circulate as though they were money. Put in simple terms, this amounts to saying that huge amounts of "paper-money" have been printed with nothing back of them. This is inflation.

Visualize a pond full of "paper-money." A stream, fed by a huge printing press pouring out billions of pieces of "paper-money" flows into the pond causing its level to rise. This rising level constitutes rising prices. The rise in prices is not inflation. Instead, inflation is the printing of all this "paper-money" which does not represent actual wealth.

Since the monetary measures of 1971 attacked symptoms (rising prices) instead of fundamentals

(the printing press), all that occurred was that a ceiling was put over the money pond to prevent its level from rising. The wage-price-rent controls as well as the manipulation of foreign exchange rates are in effect this ceiling. But it is ineffectual for at the same time the printing press is permitting to continue to pour forth its stream of "paper-money." Something will have to give. Either the printing press is stopped or the ceiling will explode.

But nothing as fundamental as stopping the printing press in the United States, or for that matter, in other powers will be attempted. The most that can be hoped for is a slowing down of the quantity of "paper-money" being printed. This is because as long as land is treated as though it were private property, it becomes impossible to eliminate inflation without inducing a devastating depression.

Since for the past generation, the peoples of the world have been spoon-fed by their various governments, they will not tolerate such a traumatic purgative. Thus, it is fairly obvious that the monetary adjustments of 1971 will be succeeded by many more in the years to come. Unless knowledge becomes more diffuse, it is almost a certainty that economic and monetary nonsense will continue to be the order of the day. The world's currencies will be adjusted upwards or downwards, with the dollar probably being almost constantly devalued until the phrase "not worth a dollar" will become a colloquialism for worthlessness. When that happens, the danger is great that, whether in name or not a dictator or semi-dictator will rise here.

The importance of the problem caused by the government's manipulation of money cannot be over-emphasized for the unsound solutions instituted may well prove to be the avenue by which freedom may be destroyed in America.

- - - - -
(Comments by readers on this or any other items in the HGI JOURNAL are invited.)