

INFLATION - THE HAZLITT VERSION

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Dr Henry Hazlitt, in article in an American publication Reason (August 1978) headed "Inflation in One Page", asserts that "the sole cause of inflation is the printing of more money" (than is required to balance the budget), and that "unemployment is mainly caused by excessive wage rates in some industries brought about by extortionate union demands, by minimum wage laws (which keep teenagers and the unskilled out of jobs) or by prolonged and over-generous unemployment insurance."

As I have endeavoured to show in my forthcoming book, Towards the Free Society, the cause of inflation is complex, despite Hazlitt's denial, but that the basic cause is the imbalance in the economy created by the failure of the government to collect the natural revenue of society, the Surplus Product, or economic rent, and its consequent recourse to taxation. A secondary cause, stemming from the first, is retention of the discredited Keynesian macro-economic theory of "economic management" with its control, and mis-use, of the money supply and the manipulation of "credit." The imbalance is further aggravated by the inevitable growth of the bureaucracy and of the "welfare" system.

Unemployment is the result of the policy of Protectionism and the effect of government intervention in the management of industry. It, in turn, is aggravated by taxation and the consequent cost-inflation. Excessive wage demands are the natural result of the general mismanagement and of the misguided protectionism adopted by the trade-union movement in self-defence.

What we are really suffering from is a modern version of the European mercantilism which Adam Smith assailed. Its new name is State Capitalism, versions of which will soon be indistinguishable in either the so-called West, the Soviet system or the "third world."

- from Good Government (Sydney)