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EGALITARIANISM AND INFLATION

Part II

Inflation is a man-made scourge, made possible by the fact that most men do not understand it. It is a crime committed on so large a scale that its size is its protection: the integrating capacity of the victims' minds breaks down before the magnitude - and the seeming complexity - of the crime, which permits it to be committed openly, in public. For centuries, inflation has been wrecking one country after another, yet men learn nothing, offer no resistance, and perish - not like animals driven to slaughter, but worse: like animals stampeding in search of a butcher.

If I told you that the precondition of inflation is psycho-epistemological - that inflation is hidden under perceptual illusions created by broken conceptual links - you would not understand me. That is what I propose to explain and to prove.

Let us start at the beginning. Observe the fact that, as a human being, you are compelled by nature to eat at least once a day. In a modern American city, this is not a major problem. You can carry your sustenance in your pocket - in the form of a few coins. You can give it no thought, you can skip meals, and, when you're hungry, you can grab a sandwich or open a can of food - which, you believe, will always be there.

But project what the necessity to eat would mean in nature, i.e., if you were alone in a primeval wilderness. Hunger, nature's ultimatum, would make demands on you daily, but the satisfaction of the demands would not be available immediately: the satisfaction takes time - and tools. It takes time to hunt and to make your weapons. You have other needs as well. You need clothing - it takes time to kill a leopard and to get its skin. You need shelter - it takes time to build a hut, and food to sustain you while you're building it. The satisfaction of your daily physical needs would absorb all of your time. Observe that time is the price of your survival, and that it has to be paid in advance.

Would it make any difference if there were ten of you, instead of one? If there were a hundred of you? A thousand? A hundred thousand? Do not let the numbers confuse you: in regard to nature, the facts will remain inexorably the same. Socially, the large numbers may enable some men to enslave others and to live without effort, but unless a sufficient number of men are able to hunt, all of you will perish and so will your rulers.

The issue becomes much clearer when you discover agriculture. You can survive more safely and comfortably by planting seeds and collecting a harvest months later - on condition that you comply with two absolutes of nature: you must save enough of

your harvest to feed you until the next harvest, and, above all, you must save enough seeds to plant your next harvest. You may run short on your own food, you may have to skimp and go half-hungry, but, under penalty of death, you do not touch your stock seed; if you do, you're through.

Agriculture is the first step toward civilization, because it requires a significant advance in men's conceptual development: it requires that they grasp two cardinal concepts which the perceptual, concrete-bound mentality of the hunters could not grasp fully: time and savings. Once you grasp these, you have grasped the three essentials of human survival: time-savings-production. You have grasped the fact that production is not a matter confined to the immediate moment, but a continuous process, and that production is fueled by previous production. The concept of "stock seed" unites the three essentials and applies not merely to agriculture, but much, much more widely: to all forms of productive work. Anything above the level of a savage's precarious, hand-to-mouth existence requires savings. Savings buy time.

If you live on a self-sustaining farm, you save your grain: you need the saved harvest of your good years to carry you through the bad ones; you need your saved seed to expand your production - to plant a larger field. The safer your supply of food, the more time it buys for the upkeep or improvement of the other things you need: your clothing, your shelter, your water well, your livestock and, above all, your tools, such as your plow. You make a gigantic step forward when you discover that you can trade with other farmers, which leads you all to the discovery of the road to an advanced civilization: the division of labor. Let us say that there are a hundred of you; each learns to specialize in the production of some goods needed by all, and you trade your products by direct barter. All of you become more expert at your tasks - therefore, more productive - therefore, your time brings you better returns.

On a self-sustaining farm, your savings consisted mainly of stored grain and foodstuffs; but grain and foodstuffs are perishable and cannot be kept for long, so you ate what you could not save; your time-range was limited. Now, your horizon has been pushed immeasurably farther. You don't have to expand the storage of your food: you can trade your grain for some commodity which will keep longer, and which you can trade for food when you need it. But which commodity? It is thus that you arrive at the next gigantic discovery: you devise a tool of exchange - money.

Money is the tool of men who have reached a high level of productivity and a long-range control over their lives. Money is not merely a tool of exchange: much more importantly, it is a tool of saving, which permits delayed consumption and buys time for future production. To fulfill this requirement, money has to be some material commodity which is imperishable, rare, homogeneous, easily stored, not subject to wide fluctuations of value, and always in demand among those you trade with. This leads you to the decision to use gold as money. Gold money is a tangible value in itself and a token of wealth actually produced. When you accept a gold coin in payment for your goods, you actually deliver the goods to the buyer; the transaction is as safe as simple barter. When you store your savings in the form of gold coins, they represent the goods which you have actually produced and which have gone to buy time for other producers, who will keep the productive process going, so that you'll be able to trade your coins for goods any time you wish.

Now project what would happen to your community of a hundred hard-working, prosperous, forward-moving people, if one man were allowed to trade on your market, not by means of gold, but by means of paper - i.e., if he paid you, not with a material commodity, not with goods he had actually produced, but merely with a promissory note on his future production. This man takes your goods, but does not use them to support his own production; he does not produce at all - he merely consumes

the goods. Then, he pays you higher prices for more goods - again in promissory notes - assuring you that he is your best customer, who expands your market.

Then, one day, a struggling young farmer, who suffered from a bad flood, wants to buy some grain from you, but your price has risen and you haven't much grain to spare, so he goes bankrupt. Then, the dairy farmer, to whom he owed money, raises the price of milk to make up for the loss - and the truck farmer, who needs the milk, gives up buying the eggs he had always bought - and the poultry farmer kills some of his chickens, which he can't afford to feed - and the alfalfa grower, who can't afford the higher price of eggs, sells some of his stock seed and cuts down on his planting - and the dairy farmer can't afford the higher price of alfalfa, so he cancels his order to the blacksmith - and you want to buy the new plow you had been saving for, but the blacksmith has gone bankrupt. Then all of you present the promissory notes to your "best customer," and you discover that they were promissory notes not on his future production, but on yours - only you have nothing left to produce with. Your land is there, your structures are there, but there is no food to sustain you through the coming winter, and no stock seed to plant.

Would it make any difference if that community consisted of a thousand farmers? A hundred thousand? A million? Two hundred and eleven million? The entire globe? No matter how widely you spread the blight, no matter what variety of products and what incalculable complexity of deals become involved, this, dear readers, is the cause, the pattern, and the outcome of inflation.

There is only one institution that can arrogate to itself the power legally to trade by means of rubber checks: the government. And it is the only institution that can mortgage your future without your knowledge or consent: government securities (and paper money) are promissory notes on future tax receipts, i.e., on your future production.

Now project the mentality of a savage, who can grasp nothing but the concretes of the immediate moment, and who finds himself transported into the midst of a modern, industrial civilization. If he is an intelligent savage, he will acquire a smattering of knowledge, but there are two concepts he will not be able to grasp: "credit" and "market."

He observes that people get food, clothes, and all sorts of objects simply by presenting pieces of paper called checks - and he observes that skyscrapers and gigantic factories spring out of the ground at the command of very rich men, whose bookkeepers keep switching magic figures from the ledgers of one to those of another and another and another. This seems to be done faster than he can follow, so he concludes that speed is the secret of the magic power of paper - and that everyone will work and produce and prosper, so long as those checks are passed from hand to hand fast enough. If that savage breaks into print with his discovery, he will find that he has been anticipated by John Maynard Keynes.

Then the savage observes that the department stores are full of wonderful goods, but people do not seem to buy them. "Why is that?" he asks a floorwalker. "We don't have enough of a market," the floorwalker tells him. "What is that?" he asks. "Well," his new teacher answers, "goods are produced for people to consume, it's the consumers that make the world go 'round, but we don't have enough consumers." "Is that so?" says the savage, his eyes flashing with the fire of a new idea. Next day, he obtains a check from a big educational foundation, he hires a plane, he flies away - and comes back, a while later, bringing his entire naked, barefoot tribe along. "You don't know how good they are at consuming," he tells his friend, the floorwalker, "and there's plenty more where these came from. Pretty soon you'll get a raise in pay." But the store, pretty soon, goes bankrupt.

The poor savage is unable to understand it to this day - because he had made sure that many, many people agreed with his idea, among them many noble tribal chiefs, such as Governor Romney, who sang incantations to "consumerism," and warrior Nader, who fought for the consumers' rights, and big business chieftains who recited formulas about serving the consumers, and chiefs who sat in Congress, and chiefs in the White House, and chiefs in every government in Europe, and many more professors than he could count.

Perhaps it is harder for us to understand that the mentality of that savage has been ruling Western civilization for almost a century.

Trained in college to believe that to look beyond the immediate moment - to look for causes or to foresee consequences - is impossible, modern men have developed context-dropping as their normal method of cognition. Observing a bad, small-town shopkeeper, the kind who is doomed to fail, they believe - as he does - that lack of customers is his only problem; and that the question of the goods he sells, or where these goods come from, has nothing to do with it. The goods, they believe, are here and will always be here. Therefore, they conclude, the consumer - not the producer - is the motor of an economy. Let us extend credit, i.e., our savings, to the consumers - they advise - in order to expand the market for our goods.

But, in fact, consumers qua consumers are not part of anyone's market; qua consumers, they are irrelevant to economics. Nature does not grant anyone an innate title of "consumer"; it is a title that has to be earned - by production. Only producers constitute a market - only men who trade products or services for products or services. In the role of producers, they represent a market's "supply"; in the role of consumers, they represent a market's "demand." The law of supply and demand has an implicit subclause: that it involves the same people in both capacities. When this subclause is forgotten, ignored or evaded - you get the economic situation of today.

A successful producer can support many people, e.g., his children, by delegating to them his market power of consumer. Can that capacity be unlimited? How many men would you be able to feed on a self-sustaining farm? In more primitive times, farmers used to raise large families in order to obtain farm labor, i.e., productive help. How many non-productive people could you support by your own effort? If the number were unlimited, if demand became greater than supply - if demand were turned into a command, as it is today - you would have to use and exhaust your stock seed. This is the process now going on in this country.

There is only one institution that could bring it about: the government - with the help of a vicious doctrine that serves as a cover-up: altruism. The visible profiteers of altruism - the welfare recipients - are part victims, part window dressing for the statist policies of the government. But no government could have gotten away with it, if people had grasped the other concept which the savage was unable to grasp: the concept of "credit."

(To be continued.)

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