

LENIN WAS RIGHT

BY HENRY HAZLITT

Lenin is said to have declared that the best way to destroy the Capitalist System was to debauch the currency. Lenin was certainly right. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose.

In the latter stages of the war all the belligerent governments practised, from necessity or incompetence, what a Bolshevist might have done from design. Even now, when the war is over, most of them continue out of weakness the same malpractices. But further, the Governments of Europe, being many of them at this moment reckless in their methods as well as weak, seek to direct on to a class known as "profiteers" the popular indignation against the more obvious consequences of their vicious methods. These "profiteers" are, broadly speaking, the entrepreneur class of capitalists, that is to say, the active and constructive element in the whole capitalist society, who in a period of rapidly rising prices cannot help but get rich quick whether they wish it or desire it or not. If prices are continually rising, every trader who has purchased for stock or owns property and plant inevitably makes profits. By directing

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hatred against this class, therefore, the European Governments are carrying a step further the fatal process which the subtle mind of Lenin had consciously conceived. The profiteers are a consequence and not a cause of rising prices.

This column up to this point should have been in quotation marks, with a few dots to indicate omissions. It is not my words, but the words of John Maynard Keynes. They appeared twenty-seven years ago in "The Economic Consequences of the Peace." If they do not apply with uncanny accuracy to conditions now, it is only because conditions now are much worse. They are worse because European governments today, far from resting content with denunciations of "profiteering", decree that regardless of how much they have debased the values of their currencies, prices in terms of those currencies must not rise. The result of this direct meddling with the market mechanism has been to distort and prevent production, and to bring on a world crisis.

This is intensified by price-control of the paper currencies themselves. It has been made a crime for importers or exporters to sell or buy those paper currencies for less than their "official" rates in terms of other currencies. This has led to a violent unbalance of foreign trade, and prevented all the normal processes of automatic self-correction from taking place. The European governments are united, however, in describing their trouble as a "dollar

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shortage", thus implying that it can only be cured by further huge loans from America. They tell us, in other words, ~~ix~~ that it is our duty to make up the deficit in production that their own policies have brought about.

Our own government accepts this "dollar shortage" explanation. Yet there are more dollars outstanding today than ever before in history. Between June of 1939 and June of this year, total demand deposits and currency outside banks increased from \$33,360,000,000 to \$108,500,000,000. This outpouring of more dollars is the basic cause of the rise in prices in that period. There is more than three times as much money as before bidding for ~~ex~~ the existing supply of American goods. We too, in short, have debauched our currency. This process is only carried further when, with the help of government loans abroad, we ship to foreign countries \$12,000,000,000 a year in goods and services in excess of those we receive in return. The \$12,000,000,000 we distribute in wages, salaries and profits in turning out these excess exports are used to compete for the goods that remain. This has been the main cause of the further increase in food and other prices that we have recently experienced.

But government officials, instead of recognizing this inflation as the result of their own policies, blame the business class. They start "monopoly" investigations and prosecutions which are thinly disguised attempts to put the blame for the price increase on business and to reimpose a sort of backdoor

price-control through intimidation. Labor leaders like the bellwether, Walter Reuther, openly demand the reimposition of price controls on food and all other basic commodities---together, of course, with a further increase of wages.

Lenin was certainly right.