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Counterfeiting of Values

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FREE enterprise is under attack in many quarters where formerly its supremacy was unquestioned, and it is being replaced, to some extent, by planned economics even in the democracies of North America. Many regard it as outmoded and inefficient and hold that it is responsible for industrial depression, unemployment, want and the anomaly of poverty in the midst of plenty. But before we discard free enterprise and submit to some form of the Hegelian god-state, we should at least determine in what free enterprise really consists, whether the faults we ascribe to it be in the system or in ourselves, what are the impediments that prevent it from working smoothly and efficiently, and if these impediments are a natural part of free enterprise or if they be a malignant foreign growth that we have imposed upon it. Free enterprise has never been really free but has been shackled by many devices that human

cupidity and economic illiteracy have imposed upon it. If it were really free it would so surpass all other economic systems in providing all the necessaries and comforts of life, in affording leisure and opportunity for cultural and spiritual development as to secure its adoption everywhere.

Free enterprise is based upon the division of employments and the exchange of goods and services, using money as a medium of exchange and as a common denominator of values. It is, therefore, in its nature a system of co-operation, service and equity. Free enterprise means freedom to serve, and it, definitely, does not mean freedom to exploit. If it is to function efficiently, each must give an equivalent for what he receives and nothing must be included in price that does not represent production or constructive service. There are no inherent contradictions in free enterprise. When really free it is beneficial to all and not merely to a select few. There

is nothing calculated to produce imbalance or instability in the division of employments, or in exchange of goods and services, in the use of money, in capital and machines, the evolution of industrial technique, or in profits when paid for production and service. It is the nature of free enterprise to cause the strong to assist the weak for, if it be free, both institutions and individuals will be deprived of all power but the power to serve, and the strong will assist the weak by making goods more abundant and cheap.

THE basic cause of depressions, inadequate markets, unemployment and want with all their concomitants, consists in the counterfeiting of values and their inclusion in price together with the genuine values of production and service. These counterfeit values represent the additions made to the prices of goods and services by monopolies, combines, cartels, protective tariffs, and by labor organizations and producer co-operatives insofar as the latter increase wages without increasing production.

The appropriation of land-values by individuals forms an important item in the counterfeiting of values; for while these land-values are in themselves genuine as they represent the value and service given to land by society, the growth of population, and the development of industry; yet when the individual appropriates them he does so without giving either produce or service in exchange for them. He appropriates values that are the property of society by right of production, and which are the natural source of revenue for maintaining public services. He adds to price without contributing to production. Furthermore, taxes must now be levied upon industry to replace the amounts taken by the individual. Failure to take the rent of land-values by taxation harms free enterprise in many ways. The prospect of acquiring wealth by land speculation causes land to be held out of use, while wealth itself can be produced only by putting land into use. In our great cities, industry and business are heavily taxed to maintain the public services while land speculators acquire for-

tunes by methods that, virtually, amount to the blackmail of industry. Full taxation of land values is essential to free enterprise; balanced industrial relations cannot be maintained without it.

Counterfeit values may also be included in price by not allowing prices to fall when production costs have been reduced by technological improvement. Science, research, invention and discovery are constantly reducing production costs; that is their real purpose. But if prices be not permitted to fall, commensurately, it will not be possible to sell all the goods. Great captains of industry have said that mass produced goods can be distributed only through the medium of lower prices. To maintain former prices when production costs have been reduced is to nullify the progress of industrial science. The evolution of industrial technique is certain to continue. It is but a matter of time until nuclear energy will be applied in industry and it will greatly reduce production costs. If prices be not permitted to fall, nuclear energy could cause almost as much disruption in our economy as could its use in war. If it be used to raise living standards by making goods abundant and cheap it will confer great benefits; if not it will result in disruption and unrest.

Now while it is admitted by some that the exploitation of some by others through the medium of monopolies, combines, and organizations calculated to raise prices by the use or the threat of force, constitute an economic injustice, it is generally assumed that the operation and functions of free enterprise are not disrupted or disorganized thereby. It is assumed that the exploiter will expend in some way the sums obtained from the exploited and that, therefore, the effective demand in the market will remain as before. A disparity between price and purchasing power will not be created. It will not cause depression, unemployment, want or a surplus of goods while there is much unsatisfied need.

It is true that the beneficiary of the price-inflating practices does expend the amounts he takes from others. The objective of all such practices is to transfer real value and purchasing power from the producer to himself. Yet it is evident that the

counterfeiting of values and their inclusion in price is responsible for all the conditions of disorganization and imbalance that occur within a free enterprise economy. For by what means are the gains obtained by those who appropriate land-values, or who benefit from protective tariffs, monopolies, and through industrial pressure groups? Are not all such gains obtained by increasing the price of goods and services without increasing their quantity or improving their quality, or moving them from producer to consumer? Not one atom of capacity to satisfy need or desire has been added to the goods and services by these price inflating activities. There has, however, been a considerable increase in prices.

WHAT has happened to purchasing power while all this price increase has been taking place. Has it increased proportionately? Does obstruction to production as represented by the private ownership of land-values, or restriction on exchange by protective tariffs, or the price inflating activities of monopolies and pressure groups create purchasing power as does actual production and service? Is the dis-service of all such to be reckoned as of equal value, *pro rata* with the products of the producer? Is it not a fact that purchasing power can be created only by production or service in forms that have the capacity to satisfy need or desire, and that all the predatory activities of monopolies and pressure groups produce only counterfeit values that have no purchasing power?

But, it may be stated, money is issued in respect of the increase of price caused by the inclusion of counterfeit values. Assume that before the increase took place the price of a quantity of goods was \$1,000. Assume, also, that the price is now \$1,100 and that there are that number of dollars in the market to buy it. Each of these dollars has the same purchasing power. Will they not be sufficient to buy the goods; and does not this prove that increasing price is just as productive of value as is increasing production?

But the money issued in respect of counterfeit values is just as counterfeit as the values or as money issued by private

counterfeiters. Whatever purchasing power it possesses is offset by a corresponding decrease in the purchasing power of the whole volume of currency. The \$1,100 now in circulation has the same purchasing power as had the \$1,000 before the increase in price took place. The result, in the long run, will be that \$100 of goods will remain unsold.

It still may be held that while the use value of the goods may remain unchanged yet their exchange value will be increased and that it is with exchange values that economics is principally concerned. A given quantity of the higher priced goods will exchange for more goods and services than before. This may be so with goods that are in special demand but it will result in a diminished demand for other commodities. Even did all prices rise equally there would still be an insufficient amount of purchasing power to buy all the goods.

The classical economists were right when they stated that the purchasing power in the market to buy the goods and services in the market were the goods and services themselves. But they failed to see that if the prices of the goods and services were increased by the inclusion of factors that represented neither production nor service they would fail to do so. Ricardo was particularly sound in his reasoning on value; for while he recognized the difference between value in use and value in exchange, he was careful to point out that if a thing did not have some capacity to satisfy a need or a desire it could have no value in exchange. However it is because all our dollars have the same purchasing power and because we do most of our purchasing with dollars that the counterfeiting of values is such a plausible fraud. We do not look behind our dollars to see what is going on. They represent the values in our goods and services; and if some of these be counterfeit the money representing them will be counterfeit also. We do not make the counterfeit genuine, or create purchasing power by printing words and figures on pieces of paper or by stamping them on bits of metal. Money may be increased to infinity without increasing purchasing power at all.

To the extent that prices are increased

by the inclusion of counterfeit values, to a like extent will it be impossible to sell the goods and services. It is not that the amounts obtained by the counterfeiter of value are so very great; relatively, they are small. The great injury done to free enterprise by this practice is in the destruction of the natural balance between supply and effective demand, between price and purchasing power. Division of employments and exchange of goods and services requires balanced and harmonious relations between the various divisions in industry and business. A relatively small addition to prices by the counterfeiting of values will destroy this natural balance and cause a depression that will result in economic loss amounting to many times the amount that caused the depression.

ASSUME that in a given country with a free enterprise economy, the annual production amounts to ninety-six billions; assume also that by the counterfeiting of values the price of the annual production is increased to one hundred billions. There will be purchasing power and effective demand for ninety-six billions of the goods but none for the other four billions; there will be that amount of unsold goods on the market. As a result, production is likely to be dampened down to allow consumption to overtake production with the result that consumption falls off still more. For reduced production means reduced employment and want of consumption goods for the unemployed. Then everyone who can do so reduces spending, to ride out of the economic storm that is seen to be impending. Banks reduce credits, and call in loans, and merchants reduce their orders to factories. In this way the original disparity between price and purchasing power of but 4% may result in a depression that will idle industry and men while a hundred billions of needed goods might have been produced and distributed.

When a depression such as that of nineteen twenty-nine occurs it is assumed to be caused by a shortage of purchasing power, and many theories are advanced for

increasing it. But the trouble is really due to an over supply of price. Now price may be reduced thus increasing consumption, and getting rid of the surplus goods. But purchasing power can be increased only by increasing production and, according to the commonly accepted theories, there is too much production already, and it is said, what is the use of increasing production if what has already been produced cannot be sold? Some form of monetary magic is in demand to increase purchasing power. Man has always sought some form of magic that would turn dross into gold, or make the spurious genuine. The notion that increasing prices is equivalent to increasing production and value belongs to this branch of philosophy and is being practiced by all those who have the power to do so. All such practices are purely inflationary.

Inflation is of two kinds, or rather, it can be produced in two ways. There is inflation caused by the destruction of values such as occurs in war and by the maintenance of armed forces with all their costly equipment. This type of inflation is usually assumed to be due to an excess of currency, but the basic cause is the destruction of goods and values in war and preparation for war. Then there is inflation caused by the counterfeiting of values. This is the type that bedevils free enterprise, causing depression, unemployment and want. And so great has our detestation of such conditions become that, rather than endure them, we welcome the expenditure of astronomical sums in preparation for war that may destroy civilization. We are prepared to give away billions to other nations rather than have unemployment at home. And we give little thought to the problem of equating supply and effective demand in the home market. Yet the effective demand of the home market is the only effective demand that it is possible for us to have. We may export vast quantities of cereals, fruits, minerals and manufactured goods, but if we are not giving them away we must take the goods and services of other countries in payment, and the only effective demand for those is that of the home market.

HUMAN nature and sel fishness is often blamed for economic disorganization; but even selfishness requires some instrument to make it effective; it is not possible by desire alone to transmit wealth from others to ourselves. It is only by special privileges of some kind that we are enabled to counterfeit values, add them to price and thus transfer real values from others. Without these, selfishness would be as powerless as a lever without a fulcrum. Competition is thought to be a defect in free enterprise. The small industry, the little shopkeeper, is pictured as being crushed by the giant industrial combine and the great department store, and all industry is thought to be a remorseless struggle reminiscent of the jungle at its worst. But this is true only of competition for the largest share of effective demand in a market where price has been increased beyond purchasing power by the inclusion of counterfeit values. Were it not for this, competition could only be competition in the giving of service in a market wherein effective demand was fully equal to price and supply. Such competition would be beneficial to all. It would assure goods of the highest quality at the lowest price.

The counterfeiting of values is the cause of the vicious circle or spiral of increasing costs, prices and wages. Because purchasing power is insufficient to buy all the goods and services in the market, everyone tries to increase purchasing power by increasing the price of what he has to sell. It is assumed that to increase the price of goods and services is equivalent to increasing the volume of goods and services, disregarding the fact that to so increase price is only to increase the disparity between price and purchasing power. This procedure gives rise to another vicious circle more injurious even than the first—the vicious circle of dissidence and misunderstanding between all the groups in industry and commerce. Each tries to gain an advantage at the expense of the others; labor and management, employer and employee, shipper, producer and consumer all seem to assume that they can somehow gain an advantage at the expense of the others and that their interests are

opposed while all the time their interests are mutual. Organized labor that formerly was at a disadvantage has now become very powerful and has adopted the selfish shortsighted policy of other monopolies and tyrannies. Because of surplus goods, depression, unemployment and want in the past, labor has concluded that it has been producing too much and not getting enough of what it did produce. Unfortunately, the policy adopted by labor is certain to worsen economic conditions and to price itself and its products out of the market and bring on depression and unemployment. But the spectacle presented in the years following 1929—of idle men, idle factories, shops and mills, railways operating at half their capacity or less, shops and warehouses filled with goods that could not be sold, animals slaughtered at birth because of too much meat, crops being burned because previous harvests were unconsumed, coffee shovelled into the sea, while, at the same time, millions of men, women and children were hungry, ragged and cold and without homes—made an impression on the minds of men that will not be easily erased. Such things are largely responsible for the limitation of productivity on the part of labor together with nonchalance and indifference. If organized labor were to use its great powers to terminate the counterfeiting of values and their inclusion in price instead of including counterfeit values of its own, increased production and equitable distribution would quickly raise real wages for all labor instead of merely raising money wages for the members of powerful labor unions which in turn lower real wages for unorganized labor.

THE counterfeiting of values has resulted in incalculable economic loss and in untold human misery and suffering. It is not an exaggeration to say that it has produced more discord and strife than any other factor in modern times. It is disrupting and discrediting the most equitable and efficient economic system that has ever been evolved or is likely to be evolved. It is changing free enterprise from a system of mutual co-operation and service to one of mutual exploitation that is contrary to

its basic principles. It has given rise to the "Surplus Values" theory of Karl Marx and has given plausibility to his false philosophy that now fills the world with terror. It is responsible for the hocus-pocus theories like Social Credit, for the "Insufficient Spending" theory of the late Lord Keynes, and for all other currency-crank theories. As a method of living on the labor of others it is the modern equivalent of slavery and feudalism and, in addition, it nullifies, in part, our efficiency and "know how". Indirectly, it is making individual, economic independence difficult, causing men to look to governments for security and support instead of relying upon their own competence and initiative. It is thus opening wide the way to the bottomless pit of public assistance, and increasing the powers and function of the state. All this is leading to the destruction of democracy and individual liberty.

The taxation of land-values, removal of protective tariffs, the elimination of the price-fixing powers of institutions by means of which the counterfeiting of values is effected—these are the first necessary steps to make free enterprise free. It is not necessary to disrupt or destroy our great industrial organizations or to nationalize them; they possess great powers to serve mankind and this is their real purpose. With increased production, employment, distribution in a volume equal to production, and lower prices, a degree of economic independence would be assured to the individual that would make him rise above party, government or class. This would divest labor unions and producer co-operatives of the power that corrupts while leaving them all beneficial powers. If we free our natural resources, free science, invention and discovery to develop them and make abundant and cheap the material requirements of life, we will thereby reduce the importance of material things and give opportunity for cultural and spiritual development. If poverty and the fear of poverty were removed together with the selfishness they engender, we would witness a rebirth of the human spirit much greater than that of the Elizabethan Age when the fear of

Spain and the medieval church had passed away. The principles of rightness would be established in industry and commerce, and would sweep away the pseudo-religion of Communism.

Many problems will still confront the race even were the counterfeiting of values terminated. But who can doubt their solution would be made much less difficult. Remove the basic cause of strife in industry and commerce; take away the means whereby power may be used to serve the self instead of others; demonstrate that the true interests of all are mutual and that they can be best furthered by giving the best in goods and service to others, and most of our national and international problems will disappear. While there is so much industrial strife within our own country, so much desire for, and abuse of, power, our attempt to secure international peace is gravely handicapped. If goods were distributed in a volume equal to that of their production and, in consequence, production were increased, our fears of inadequate markets, surplus goods, unemployment and want would vanish and would be replaced by confidence and security. An example such as this would be followed sooner or later by every country in the world. It would become apparent that the interests of all people that on earth do dwell were mutual and this would bind them together by the lightest and strongest of all ties. We would then have one world without the necessity of world government—a most likely source of disagreement and strife.

The greatest obstacle in the way of setting free enterprise free is the land question. It cannot be free while individuals appropriate the land-values that are produced by society. But the private ownership of such values is of such long standing that it is thought to be unjust to take it away. Then, too, a vast amount of misinformation has been disseminated in respect of the taxation of land values. The value of land has been deliberately confused with land itself, and it is thought that to take the rent of land-values by taxation is equivalent to nationalizing the land itself. Nothing could be farther from the truth; the full taxation of land-

values will no more affect the tenure of land than does the partial taxation now imposed. The owners and occupiers of land will always remain in full possession as long as they pay their taxes and, in addition their improvements will be tax free. If we do not pay our taxes levied under the present methods, we will shortly be deprived of both land and improvements.

It is assumed that land-value taxes will fall heavily upon the farmer because he owns considerable areas of land. But the tax is upon the land value and not upon the land. The farmer may have much land but little land-value. The great land-values are in the great cities and in our industrial centres. Under land-value

taxation the farmer would pay less taxes than he does now; he would have a better market for his produce and would be able to get, at lower prices, what he must buy. The advantages to be gained by all industry and business, by all producers and consumers, by capital and labor from the abolition of the counterfeiting of values is so great that no ancient, economic malpractice should be allowed to prevent it. It would give free enterprise a great advantage in the world struggle with Communism. The proponents of free enterprise should demand that it be set free from the shackles of special privilege that now bind its limbs.

