

HENRY HAZLITT • 65 DRUM HILL ROAD • WILTON, CONNECTICUT 06897

September 18, 1978

Dr. Paul Poirot, Managing Editor
The Freeman
Foundation for Economic Education
Irvington-on-Hudson, N. Y. 10537

Dear Paul:

I am enclosing herewith: (1) a reprint of my "Inflation In One Page" as sent out by the United States Citizens' Congress, (2) the vicious piece about me and my book in the Wilton Bulletin of Sept. 6, (3) the defense of me by a couple of my Wilton friends, (4) my own answer published in the same issue.

You will notice that I used the occasion to simply rewrite my "Inflation In One Page" with credit to FEE.

Yours,

Enc.

A handwritten signature in cursive script, appearing to read "Henry", with a long horizontal line extending to the left and a large loop at the bottom.

Rise and Fall of the American Dollar

by MARILYN VENCEL

"Economics is what economists do," a Princeton professor was fond of saying.

Henry Hazlitt, economist, author, editor, lecturer, syndicated columnist, and long-time Wilton resident disagrees. Economics is more or less a matter of what the politicians do. Mr. Hazlitt has contended all along in his books on the economy. And again, in his most recent book, *The Inflation Crisis and How to Resolve It*, Washington policymakers are taken to task for today's inflationary woes.

"The plain truth is that the political leaders have brought on inflation by their own monetary and fiscal policies," the veteran *Newsweek* columnist writes. The plainer truth is that Mr. Hazlitt's analysis of the inflation crisis is simplistic, rings of the same old conservative economic line, and doesn't "resolve" a thing.

Stop the Presses

Inflation, we are told from the start, is always and everywhere, caused by an increase in the supply of money and credit. Stop the presses, the money printing kind that is, and inflation will resolve itself. On par with mother's warning that money doesn't grow on trees, the cure for inflation is simply "to stop inflating," Mr. Hazlitt says.

Toss in some jazz on reckless and extravagant governmental spending, pointing the finger at social welfare expenditures,

and you have a 192-page book that sells for \$8.95.

Incidentally, the price tag on social welfare programs in proportion to defense spending is miniscule.

Riches to Rags

Reduce expenditures, don't increase taxes — that's always a best seller. And we mustn't tax corporate earnings, oh, heavens no, we'd be undermining production incentives. Everyone knows that after the Rockefellers finish dinner, we're welcome to the table crumbs. The trickle down theory of economic well-being is alive and well in Mr. Hazlitt's new book.

No doubt, the conservative economist has a collection of WIN buttons and talks of the good ole days with Herbert Hoover. A graduate of City College, Mr. Hazlitt was a *New York Times* economics and financial editor from 1934 to 1946. He has 16 books to his credit and wrote the *Business Tides* column in *Newsweek* for 20 years. The spry 84-year-old has had a long and impressive career.

Gold Standard

He dates inflation from 1933 when the United States went off the gold standard. Naturally, he advocates going back on the international exchange in his book. "The world will never work itself and keep itself out of the present inflationary era until it returns to a full gold standard," he writes.

Hedges

There are no ideal inflationary hedges but some hedges are better than others,



HENRY HAZLITT

Mr. Hazlitt says. It might be much deeper malaise of the worth it to invest in gold or real American economy. In the end, estate. You might get a future inflation needs a more thorough return on gold or real estate, but analysis than Mr. Hazlitt is all hedges are risky. evidently willing to give in his Inflation is a symptom of a latest book.

Wilton Bulletin

**Turners Attack
'Dismaying Vitriol'
In Vencel's Review**

To the Editors: 9/13/78

Marilyn Vencel's piece in the Sept. 6 Bulletin is an exercise in dismaying vitriol. She gave Henry Hazlitt's credentials their just due, but who is Ms. Vencel? What are her credentials? To lash out a viewpoint differing with one's own is to react on a quite primitive level. Could she not disagree with Mr. Hazlitt with some grace and factual content.

Ms. Vencel ought to dust off the shelf she seems to have put Mr. Hazlitt on. One still encounters his by-line in current journals—such as Barron's. Obviously, Ms. Vencel's reading list does not include this sort of material. The editors of the Bulletin ought to try to widen her horizons.

A good start would be Economics in One Lesson, a basic text. And, of course, she would already be acquainted with the author.

RICHARD and VIOLA TURNER

Hidden Lake Ridge, Sept. 9

Hazlitt Summarizes Views of Inflation For 'Misled' Readers

Wilton Bulletin
4 To the Editors: 4/13/78

In Marilyn Vencel's caricature of my new book, *The Inflation Crisis*, (*Bulletin*, Sept. 6) I had difficulty in recognizing as my own some of the views she ascribed to me. As your readers may have been hopelessly misled, I append herewith a brief statement of my views on inflation as I summarized them in the May issue of *The Freeman*, published by the Foundation for Economic Education at Irvington-on-Hudson, New York:

1. Inflation is an increase in the quantity of money and credit. Its chief consequence is soaring prices. Therefore inflation—if we misuse the term to mean the rising prices themselves—is caused solely by printing more money. For this the government's monetary policies are entirely responsible.

2. The most frequent reason for printing more money is the existence of an unbalanced budget. Unbalanced budgets are caused by extravagant expenditures which the government is unwilling or unable to pay for by raising corresponding tax revenues. The excessive expenditures are mainly the result of government efforts to redistribute wealth and income—in short, to force the productive to support the unproductive. This erodes the working incentives of both the productive and the unproductive.

3. The causes of inflation are not, as so often said, "multiple and complex," but simply the result of printing too much money. There is no such thing as "cost-push" inflation. If, without an increase in the stock of money, wage or other costs are forced up, and producers try to pass these costs along by raising their selling prices, most of them will merely sell fewer goods. The result will be reduced output and loss of jobs. Higher costs can only be passed along in higher selling prices

when consumers have more money to pay the higher prices.

4. Price controls cannot stop or slow down inflation. They always do harm. Price controls simply squeeze or wipe out profit margins, disrupt production, and lead to bottlenecks and shortages. All government price and wage control, or even "monitoring," is merely an attempt by the politicians to shift the blame for inflation on to producers and sellers instead of their own monetary policies.

5. Prolonged inflation never "stimulates" the economy. On the contrary, it unbalances, disrupts, and misdirects production and employment. Unemployment is mainly caused by excessive wage rates in some industries, brought about either 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.

6. To avoid irreparable damage, the budget must be balanced at the earliest possible moment, and not in some sweet by-and-by. Balance must be brought about by slashing reckless spending, and not by increasing a tax burden that is already undermining incentives and production.

HENRY HAZLITT

Drum Hill Road, Sept. 7