

## A LOOK AT WAGE AND PRICE CONTROLS

Wage and price controls will bring America one step closer to economic fascism. Not only will controls over consumer and labor prices fail to alleviate the problems of inflation, they also cause the economy to react in long term, dangerous patterns.

### Problems With Controls

The worst aspect of wage-price controls is that their acceptance by the public gives moral sanction to totalitarian controls over individuals in their voluntary relations with others. Controls violate the most fundamental social principle: voluntary private association. Practically, wage and price controls cannot, in the long run, effectively halt inflation and result only in shortages, monetary disarray and malinvestment. They are an arbitrary interference with the market pricing system and misallocate scarce resources.

Wage and price controls are doomed to failure in curbing inflation and they are basically fraudulent because they are based upon false assumptions about inflation and its causes. Wage-price controls are based on the assumption that inflation is a condition of rising prices due to a spiral of wages demanded by unions and profits demanded by businessmen. In fact, rising prices (the decline of the value of the dollar) is a *symptom* of inflation and not inflation itself.

### Price Rises and Inflation

General price levels can never be increased by rises in specific prices. Simply, when there is a fixed quantity of money in a country, the *more* people spend on some things, the *less* they have to spend on everything else. For example, if people spend more on gasoline because its price is rising, the amount they have to spend for other things (and hence the economic demand for them) is decreased.

Similarly, unions cannot be blamed for general price increases since the more businessmen spend for labor, the less they have to spend for other things, unless the productivity of labor has increased. And contrary to popular opinion rising labor costs cannot be "passed on" to consumers (if the money supply is fixed) since the price businessmen can charge for their goods is dependent upon supply and demand for them, not the costs at a particular factory.

There are only two conditions under which all prices in an economy can simultaneously rise: (1) When the amount of money in an economy increases

(for example, as a result of government printing more), or (2) when the quantity of available goods and services drops (for example, as a result of war or new, debilitating government controls upon the economy). The proper definition of inflation is then, *an increase in the money supply in an economy greater than the increase in the amount of goods and services available for purchase.* (See the SIL issue paper, "Who Is Responsible For Inflation".)

I have asserted that the wage-price controls of the Federal Government have led America to the brink of economic fascism. This is a very serious charge. Consider now the evidence for it.

### Wage-Price Controls & Economic Fascism

There are three principles which define economic fascism: (1) a dichotomy between control and ownership, (2) the creation of the *falange*, and (3) the policy of economic nationalism. Consider each in turn.

First, in a fascist economy, property is "privately owned", unlike under socialism where ownership is public. However, in a fascist economy *control* over property is *not* private, but public, and the state has final disposition over those areas of the economy which it desires to regulate.

The second major aspect of fascist economics is the *falange* arrangement. Under a fascist economy, all wages, prices, corporate decisions and other management functions are decided by the *falange*—a committee made up of representatives of labor, management, and the public which formally meets to make economic policy. While in theory the participation and decision-making power of these three groups in the *falange* are equal, in fact they are always dominated by the "public" (i.e., State) representatives who have the police powers of government at their command.

Finally, under economic fascism there is a policy of economic nationalism: blind obedience and loyalty to the state and nation. Fascist economies dislike and distrust policies of free trade and bi-national agreements, and they promote protectionism and self-aggrandizement.

*Wage-price controls meet all of the above three characteristics of economic fascism.* Under wage-price controls, pricing decisions are taken away from business and labor and instead made by government. Under wage-price controls, government sets up figurehead councils made up of business, labor and government representatives to give the appearance of general support for controls and cooperation in

their implementation. In fact, government hand-picks members of these councils and dominates them completely. Finally, wage-price controls are always imposed in the name of "national patriotism" and dissenters are labeled "enemies of the public interest" or criminals—completing the third requirement for economic fascism.

The first peacetime wage-price controls in America's history were imposed by Richard Nixon and were accompanied by an industry-labor-government Price Review Commission, in the true spirit of the fascist *falange*. Nixon's controls failed to prevent prices from rising for long, but they did condition the America public to accept direct government management of the economy. Now the Carter administration is threatening to revive those controls, continuing Americas descent into economic fascism.

### Controls Or Freedom?

Political fascism is infamous for the most brutal, inhumane societies in history. The very word "fascism" conjures up images of stormtroopers, concentration camps and brutal repression. Economic fascism is the logical concomitant of political fascism.

The day-to-day reality of fascism is a managed economy, government dictating production for supposed "public purposes". shortages of consumer goods, massive corruption and the emergence of an economic caste system with government-favored industries at the top and enterprises disapproved by government at the bottom. Such an economy creates a "hierarchy of pull", where success or failure in business depends not upon your productivity and initiative, but rather upon whether or not you are favored by government and who you know. Such an economy means the immediate end of economic freedom and the eventual end of all freedom—it is a short step from the managed economy to managed lives. This is what wage-price controls threaten for America.

Whether or not America continues down the path to complete economic and political totalitarianism will be decided soon. Once instituted, government regulations are nearly impossible to repeal, and wage-price controls threaten *total* regulation of the economy. By the proverbial 1984 it will indeed be too late if we do not act now.

When they were first instituted, wage-price controls were welcomed by a large majority of Americans—either because of economic ignorance or because of basic agreement with the premise that

the state has the right and duty to control the economy. A few years later—after meat shortages, paper shortages, and unabated inflation — people were not quite so enthusiastic. Most involuntary controls have now been ended (although controls on petroleum and gas prices still exist at this writing, and have been directly responsible for the continuing shortage of domestic gas production). But today controls are still widely, if unenthusiastically, accepted as the only “effective” method of combatting inflation. And so the American people seem bent on selling their birthright of freedom for a handful of false government promises.

Wage and price controls cannot halt rising prices because they ignore the cause of such rising prices: irresponsible government spending and stifling government controls upon the economy. Only when government—not business and labor—is put under controls will inflation end.

In ignorance and deceit, the American people are step-by-step being lead down the road to the very political system which they most deplore: fascism.

In the final analysis, freedom is inseparable: controls upon the economy means controls upon peoples’ lives and sets the precedent for even more controls. If fascism in America is to be avoided, wage and price controls must be rejected totally. The choice is now ours: more government controls and economic fascism or freedom and economic liberty.

**This brochure is only one of 45 issue papers published by the Society for Individual Liberty. A complete set of all 45 issue papers is available for \$2 from: SIL, PO Box 1147, Warminster, PA18974.**

*“I do hope the Society’s work in favor of the cause of freedom will succeed in spite of all endeavors of the totalitarian parties.”*

*Dr. Ludwig von Mises*

*“From my observation, since its inception in 1969, the Society for Individual Liberty has been an important factor in introducing and disseminating libertarian ideas. It has helped to provide a cohesive link for libertarians.”*

*Robert LeFevre*

## A DECADE OF ACHIEVEMENT

Since 1969, S.I.L. activities have been a vital part of the Libertarian movement. A review of these varied activities shows why S.I.L. has been described as a “cohesive link for libertarians”.

**CONFERENCES:** More than one dozen regional conferences have been sponsored by S.I.L. since the first East Coast Conference in Philadelphia in 1969. All of the most highly regarded libertarian spokesmen have appeared at S.I.L. conferences: Murray Rothbard, Nathaniel Branden, John Hospers, Roy Childs, Karl Hess, Robert LeFevre, Tibor Machan, David Friedman. S.I.L. Conferences provided the first opportunities for many libertarians to meet and exchange ideas.

**PROJECTS:** The first project to achieve nationwide prominence for libertarianism was S.I.L.’s “Census Resistance ’70” project. Major publicity resulted from the libertarians’ spearheading of the fight for a voluntary census.

The S.I.L. originated “National Tax Protest Day” is now a fixture come April 15th with most libertarian clubs. Every year since 1973, the cry “Taxation is Theft” is brought home to more and more weary taxpayers.

S.I.L. also sponsored an “Anti-Draft Day” in 1973 when it appeared that the mechanism for having a draft would be left in place. In 1979, S.I.L. is in the forefront of libertarian groups working to stop any return to compulsory national servitude.

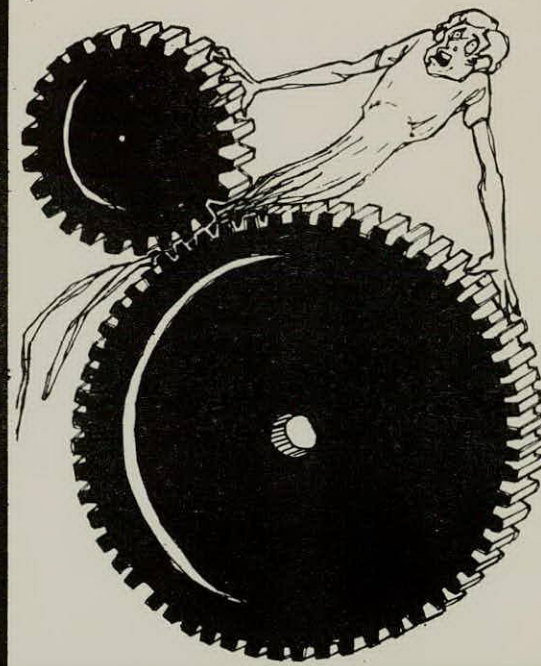
Building on a theme of “The American Revolution Betrayed”, S.I.L. was the only libertarian organization to get deeply involved in an effort to explain the libertarian origins of the Revolution. S.I.L. sailed into Boston Harbor in 1973 at the 200th Anniversary of the Boston Tea Party and dumped “government” overboard. S.I.L. produced a film, “We Won’t Get Fooled Again”, documenting the betrayal of the Revolution. This film has been shown hundreds of times by libertarian groups.

**LITERATURE SERVICES:** S.I.L. originated the idea of inexpensive libertarian “issue papers” and, by the end of our first year, had distributed more than 175,000 copies. Today, there are more than 40 different subjects in the issue paper series and distribution has passed the million mark.

**OTHER PROJECTS:** S.I.L. has made books and magazines available at discount prices, produced the well-received “Bill of Rights—Void Where Prohibited By Law” poster, sponsored parties at conventions, conducted opinion surveys, built a Speakers Bureau, helped campus clubs get started with free literature, and presented a yearly “Phoenix Award” to ten prominent libertarian spokesmen.

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DONALD C. ERNSBERGER



**SOCIETY FOR  
INDIVIDUAL  
LIBERTY**