

# Rx For Inflation: Pay More

Over the last 30 to 40 years, we have experienced here in the United States a radical redistribution of wealth and income. All manner of economists, from all perspectives, have done the research. It's all very well known. That has caused epoch-changing problems here in the United States that our political headlines are full of literally every day. But the last four years have been a cap on that process, that really requires taking a deep breath.

Number one, our society was unprepared for and did not well manage a pandemic, that it could have been and should have been much better prepared for, as many other countries were who don't have our wealth or our medical system. About the same time, we had an economic crash. Over half the labor force in this country lost their job, for a few weeks or the entire time of 2020 and 2021. We've had viral catastrophes before. We've had economic crashes. We never had them at the same time. That was a body blow to a working class that, as I said, has been suffering for 30 to 40 years.

As if that weren't enough, when we thought we might be out of the worst of the crash and the pandemic, in the last year, we have whacked our working class with an inflation. And make no mistake: What an inflation is, very simply, is a general rise in prices. That's all it means. Not all prices go up. But, in general, prices rise. And obviously, as any child will understand, if the prices go up, that hurts most people in the middle and people at the bottom, because they're the ones with the least amount of money to pay the rising prices. It's a discrimination against the middle and the bottom — that is, the vast majority.

But perhaps what's not understood is who raises the prices. That little economics detail is so often lost. Employers, the class of employers in our society, that's who sets the prices. Employees are excluded from that activity. Employers in the United States are 1% of the population, if that. Those of us who have to take the prices they choose to raise, we are the 99%. And there's no democracy in allowing 1% of the people to set prices that 99% of the people are forced to pay, for food, clothing, shelter and all the rest.

So damaging is this inflation, and so unfairly damaging, that the government is called upon, as often happens, when the private capitalist system lurches into one extreme or another. The government is called in: **"Please save the system."** In our society, our central bank, which is what the Federal Reserve is — in other countries, it's called the Bank of France or the Bank of England — for historical reasons, we don't call it the Bank of the U.S.; we call it the Federal Reserve. They come in, and they are asked, **"Please fix it."** And then a kind of magic happens. The Federal Reserve can be honest, admit that its job — which, by the way, is written into its charter — is price stability. That's a fancy phrase for saying, **"Don't let prices go up too much."** So, clearly, when you have an inflation, the central bank, the Federal Reserve, has failed to maintain price stability.

So what is it proposing to do? It's proposing to come in and raise interest rates. What's the idea here? The idea is to make everybody who owes money worse off. Basically, you're going to have to pay more in servicing your debt, in paying off your interest. Your monthly credit card bill will go up, because if you carry a credit,

a debit there because you've been using your card, they can charge you higher interest now. If you were thinking of buying a car, it's going to cost you more. If you were thinking of borrowing money, a mortgage, we call that, to own a home, it's going to cost you more.

So, the idea is, by making everything more expensive that involves debts, and in our economy now, debt is everywhere, making it more expensive. The middle and the bottom, are the worst hit by this. They will have to cut back expenditures, because they're having to pay more, for example, on their credit card every month. And that will, hopefully, dissuade the employers from further increases of prices, because you have really whacked the mass of the consumers, who can't afford it. Notice in each case that whatever the problem of the economy is, the employers are in the position to raise the prices, to cut the supplies, to do all the things they do, while the rest of us are forced to be passive and to pay for the entirety of this.

This is not a sustainable arrangement,

***You cannot continuously assault the working class for 40 years of redistributed wealth, then a pandemic, then an economic crash, then an inflation, and now tell them — falsely, by the way — that the only way to deal with that is to whack them again with a rising interest rate.***

It's ironic that **Richard Nixon**, a conservative Republican president, back on August 15th of 1971, went on the television in our country and said, **"We have a terrible inflation"** — which we did, because it constantly comes back — **"and what I'm going to do,"** said Mr. Nixon, **"is declare a price-wage freeze. As of tomorrow morning, any business that raises its prices, we will arrest you. Any union that demands or gets higher wages, ditto."** Look, it was an extreme measure. Guess what. It worked.

We can have a debate about it, but the ironic reality that today we are all talking, from the Biden administration and the Republicans, as well, as if interest rate increases is the only thing to do, this is a manipulation of a people that has no justification and is more extreme now than I have seen in my lifetime as a professor of economics here in the United States.

Sure. The basic answer is the following: the rest of the world is in such terrible shape that before we celebrate the strong dollar, we have to face the reality that the reason loose money, mobile money around the world is leaving countries in Asia, Africa, Latin America and Europe to come to the United States is not because we are in good shape. We aren't. It's because they are in awful shape, and they don't know what to do, and the United States for the last 75 years has been the safest place. And they look around the world, and they say, **"OK, we better cash in our euros or our yen,"** or whatever else they have, **"hold onto dollars."**

And remember, to buy a Treasury security these days, which is what they do, is how they do that, is to agree to lose money, because the inflation being 9%, the Treasury doesn't pay you 9% if you buy a Treasury security these days, which means you're putting money in the United States, you're buying a Treasury that may pay you 2, 3, 4, 5%, if you're very lucky, but that will be



less of an increase over the next year than the cost of everything that a dollar buys, so you're actually losing money by doing that. And it tells you how bad the global economy is now for everybody that they would come to the United States.

And last point: Be very careful. This can change on a dime. And if problems arise here in the United States, which the way we have treated our working class guarantees, all we don't know is the forms that that crisis will take. Will it be an extreme Republican administration? Will it be a further surge in the unionization drives and the strike drives that we're seeing mushrooming across the United States? The minute that mobile money from around the world that has come in and strengthened the dollar gets a sense that the United States is spinning out of control, then that money will leave every bit as fast as it came here, and we'll be looking at a dollar dissolving on us. And we'll be talking about that.

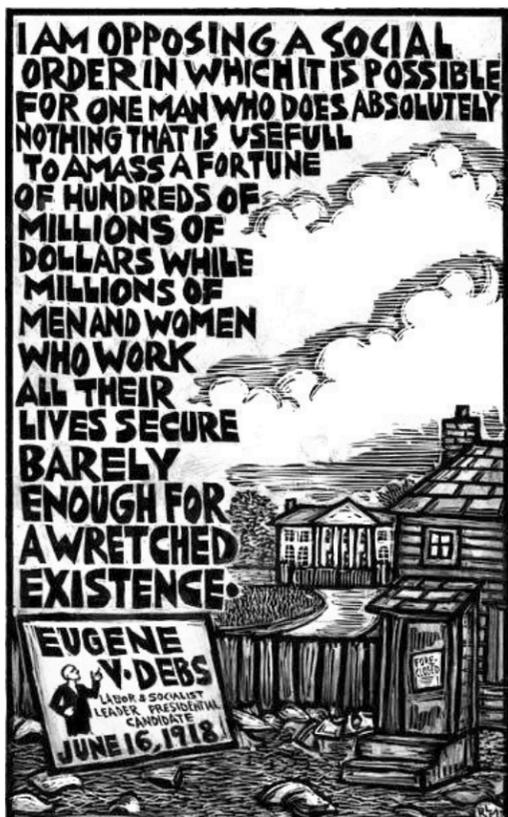
The continued squeeze, for the past 40 years on the working class and the middle class in many countries around the world, is leading more and more toward fascist movements and right-wing movements than it is to strong left-wing or socialist movements. Particularly in Europe, you're seeing the fruits of the last 75 years.

We've lived in a country that has been beset by the Cold War — that is, lost in this notion of a great struggle between capitalism and socialism, in which you can't allow anything on the left to get very far without repression by the government or without unfair treatment in the media. So, I'm not so surprised that as the situation unravels, the first instinct of people is to be responsive to the right, which has been able to function in the Western world much more freely than the left has. But I don't find that at all surprising.

I think when the people of this country realize how few solutions the right wing has — look at what Mr. Trump didn't achieve in all the things he promised — then you will see an appreciation that maybe we ought to try the left. The crucial question is whether the left will be courageous enough to say what's going on and to offer a real alternative.



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## On the Eve of My Ninth Decade I Wonder What it Means to Have Lived This Long

I was born in the middle of **World War II**, lived through the **Korean War**, served in the **Vietnam War** and protested against it, have witnessed the rise of the **Civil Rights movement**, **Women's Reproductive Rights**, and **Gay Rights** and am now watching a fascist uprising attempt to destroy what I believed to be permanent.

I'm watching a middle class cultural left, with little or no connection to labor, be mostly ineffective against this horror. I am observing puritanism on the right and the left. Most poignantly I am observing the lack of tolerance of imperfection and whatever compassion might come from its tolerance.

I am tired of hate, of fear, of the whole edifice of electronic posturing. I am hungry for gentler life. I am also aware that the older I get the more I fade from the public sphere. Age discrimination is a thing.

Most of the world's suffering seems to come from false constructions of reality. We are dreamers and projectors and we seldom know ourselves. What value am I as a container of history; **not academic history, but a history that was lived, experienced with the senses, underneath all the generalizations?**

I think of preliterate cultures and how the old were valued because they could tell stories, and as long as their memories held, be custodians of the culture. Academic history is not the same thing, and, as Foucault reminds us, is according to who owns knowledge at the time it is written.

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I began writing late in life. Unlike other art forms, I've been using language all my life, so that when I turned to it as an art, I was already on solid ground. It involved a shift in perception and a discipline.

I believe that it does not matter when we begin, only that we do so. The history of literature is full of examples of people who began writing late and produced substantial bodies of work.

Language is physical. I learned it with my body as a baby and carried it the whole of my life. To work with it as writers involves the discovery of a level of consciousness that has always been there but we perhaps have not until then seen clearly. I have lived a rich and sometimes dangerous life. I believe my attention to the world has shown up in the language I've stored and developed. **I believe this is true of you also.**



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