Refrigerators? Stereo sets? Housing? And in what proportions?

We just don't know. And we will never know. Because these things were not allowed to come into existence.

This is the tremendous advantage that politicians and their spending schemes — their housing programs, for example — enjoy in the minds of so many voters. The houses exist. They can be seen, they can be admired, they can be lived in. But the goods and services (which would have included housing) that the taxpayers had to give up, so that this government housing could be brought into existence, cannot be seen or felt because they have not come into existence. They have become merely hypothetical, merely so many might-have-beens, and therefore forgotten.

If something like this is pointed out to the spending politicians, the more sophisticated among them (or their professional advisers) may come up with one or more answers.

They may say, for example, that the housing did not cost the taxpayers anything because the money for it was not raised by taxes but borrowed in the market by selling bonds. This answer overlooks that the supply of real capital available for investment is strictly limited, and that the money borrowed for the government housing project absorbed funds that might otherwise have gone, say,

into a new private oil refinery or chemical plant.

Again, they may argue, the money for the public housing project came neither from taxation nor from borrowing, but was simply printed by the government. Of course, this argument is almost never made openly in such plain blunt terms; but it is an assumption in the back of the spenders' minds. What is bought by inflation, it is thought, costs nobody anything. But when more money is printed, creating new demand, it lowers the value and purchasing power of every dollar already in existence, by raising prices.

Inflation, A Vicious Tax

Inflation is, in fact, a form of taxation. It is a vicious form, because it does not fall on people in proportion to their income or wealth or in any other way that any reasonable person would consider equitable. Its incidence depends on the particular line in which each person happens to earn his living and on the particular form in which he happens to hold his assets. The inflation tax falls with particular weight on the non-unionized (i.e., most of us) and on the aged.

But in recent years the spenders have come forward with a new answer, supplied to them by Lord Keynes, the late British economist, and his disciples. This is that new housing or any other government spending project