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INFLATION AND VALUE

Excerpts, presentations made in San Diego, Los Angeles, Pittsburgh and Washington DC, by L.D.Miles - 1974

MONEY IS PAID FOR FUNCTION

Almost twenty eight years ago in Schenectady, N. Y., a system of techniques and procedures were formulated and dedicated to the proposition that people spend money to accomplish functions. According to this proposition, no one wants shoes, but rather his feet protected and kept comfortable. No one wants a suit, but rather his body shielded, kept warm, and made attractive. In other words, when people spend money for anything, they do so to accomplish a function. They exchange money for use and esthetic functions. The extensive and unique system of techniques formulated in Schenectady were designed to achieve the same or more function for each dollar expended. The system has long been familiar to and employed by Value Engineers across the country.

VALUE ANALYSIS TECHNIQUES SECURE FUNCTION FOR LESS DOLLARS INFLATION SECURES FUNCTION FOR MORE DOLLARS

Today, the United States is imperiled by inflation, a phenomenon which is causing increased dollar expenditures for each function accomplished. At present, inflation is uncontrolled. As a consuming fire, it is destroying values daily and thereby increasing its intensity. Savings, life insurance, and pensions are being consumed more rapidly each week. History indicates that when a destructive force is great enough, either countermeasures develop or disaster results. Will the conflagration of inflation consume us? Or, will Value Analysis, an antagonist force which seeks to increase values, serve to help contain the blaze and extinguish it. I hope the latter is the case.

ALL INFLATION IS TAKING PROPERTY OF OTHERS WITHOUT EARNING IT

Employing the Value Analysis system, let us first ask, "What, really, is inflation." Inflation is individuals getting money without earning it. Regularly, in department stores and grocery stores we encounter clerks marking up prices on merchandise even as we reach for it. Taking money without earning it. It is as if each individual had his hands in another's pockets. Inflation means that somebody's hands are in our pockets. We have worked for our values and expect to use them. But, they are disappearing. Each person has seemingly developed two attitudes: One, "I'll let other hands in my pocket; I'll let them have some of my money without fighting." Two, "although I'm basically honest, basically against taking others' dollars (stealing), others are doing it. So, I'll adjust my conscience, take money from others and call it catching-up."

ALL INFLATION IS CAUSED BY ACTS CALLED "CATCHING UP" OR "KEEPING PACE"

All inflation is created under the name of catching up and every instance of catching up is fueling inflation. People seem to feel that catching up, even though it involves taking what is not theirs, is not feeding the fire. It's as if we walk out to the parking lot and, finding our battery gone, take one from someone else when the opportunity permits. Our conscience is not bothered. We have come to expect this. We just take from others. This is exactly what inflation is. The problem is that the rate accelerates just as the fire spreads and taking becomes the rule instead of the exception. As it becomes easy and normal to take from neighbors without working, productivity falls and shortages appear. We currently read in the papers that sharp reductions in productivity are coming, scarcities are appearing, and businesses are failing.

**PLENTIFUL MONEY MAY START IT -- BUT
ONLY "DEEP DEPRESSION", "HARD LAW", OR "MASS PEOPLE ACTION" STOPS IT**

The newspapers indicate that inflation is brought on by an excess supply of money, by deficit spending. Hence, can't inflation be stopped by drying up the money supply? the answer is a resounding "no". The Japanese experience offers convincing proof.

IN JAPAN - 1947 - DEPRESSION STOPPED IT

In 1947, inflation had raised prices by 300 to 600 percent. MacArthur summoned Joe Dodge, President of the Bank of Detroit, to end the spiral. Dodge drastically cut the money supply, cut the credit supply and initiated deflation. As bankruptcies skyrocketed, inflation abated. Many prices fell to 10 percent of the current rates and concomitantly hundreds of thousands of workers lost the jobs and tens of thousands of businesses went bankrupt. What ended inflation here? A disastrous depression! Drying up the money supply will create a depression and a severe depression will stop inflation. Drying up the money will not itself, halt inflation. Consider, if you will, the electric starter on our cars. We turn on the electricity to start the engine and then turn that electricity off. This does not stop the engine. The engine, now fueled by the gasoline tank, continues to run. Inflation, now that it is started, is fueled by other than that which started it. As indicated previously, inflation has now become a matter of our psychology. It has become a people problem. We frequently hear evidence to this effect. Morrison stated recently in the Wall Street Journal that "This inflation is not caused by the money supply. Money is tight. People won't have the guts to stop it until they have suffered a monetary Pearl Harbor." That banks have recently borrowed money from the Government at an interest rate of 15% indicates that money is indeed tight. Again in the Wall Street Journal, a leading economist was quoted as saying, "The people don't like it (inflation). But, the people are causing it and they'll get what's coming to them."

IN GERMANY - 1918 - IT RAN ITS COURSE, AS IN USA TO DATE

Inflation is now a people problem. People who feed inflation by catching up cause more than their number to feel that they too should catch-up. Thus, we are faced with a growing, expanding, exploding reaction system such as that employed to ignite the atomic bomb. History offers grim evidence of such reaction systems. According to the Wall Street Journal, when using costs in 1914 as a base, by 1919 costs in Germany had increased by about 7 times at the end of this five year period. By 1920, one year later, these costs had increased almost 14 times or had slightly less than doubled in one year. By 1921, they were up 35 times or had more than doubled in one year. By 1922, costs had increased by fifteen hundred times. By 1923 they had increased to over a billion times the 1914 rates and there was total collapse as the nation underwent depression. Yes, a disastrous depression can stop inflation. Or, in my opinion, people action can stop it. The Value Analysis system can stop it by people action. I have seen people becoming enthusiastic about the Value Analysis techniques. I have seen them employ these techniques to attack problems considered unsolvable, solve them, and persuade others to join with them. I believe that the problem of inflation can be solved by similar people action.

DAILY "CONDITIONING" REDUCES RESISTANCE TO "DISGUISED STEALING"

We are essentially honest folks. We believe in getting something for something. Yet, we have been conditioned to "feel right" about the mass rip off of our fellow workers. We have been conditioned to allow other hands in our pockets and we do so without fighting. How has this happened? It has happened as a result of self-destruct type of communication which fills the papers. While some times this communication appears innocent, at other times it is intended to condition us. Here are some examples from recent headlines. You will see them every day. They are insidious and thought destroying. "Bread may rise to one dollar a loaf." "Food prices will go up another 16 percent." "First class postage up to 12 cents and more in sight soon." "Hospital rooms may cost \$1,000 per day." What these quotations tell us is, "We are going to take even more of your money for the functions we perform and we want to condition you now so you won't fight it when it occurs." These quotations urge us to let other hands into our pockets without objections, to let our neighbor take our battery because someone has taken his and he's just catching-up.

ACTION PLAN

The nation is struggling in the grip of inflation psychology. What can we do to help? I have several specific action suggestions:

1. Start an enormous function definition and evaluation activity by funding large studies in research organizations and government. Let's describe all functions, attach their dollar value, and insure that all purchases of goods and services are purchases of function. Let's work towards the day when quality functions and sound corresponding dollar costs will become the available basis for ending economic disaster. It well could and should become a crime to destroy the value of the American dollar, to charge more than the functional value of an item, to catch up. The Value analysis system is so strong that it could become a basis for international stabilization and bring undreamed of benefits to a world struggling for solutions to the problem of periodic economic crises.

* Functions can be definitively defined, and an appropriate cost - or "Value" assigned.

2. Plan and implement a program of reverse conditioning to combat the inflation psychology. This can be accomplished through the following:
 - Inform the American citizen that he is not alone. Currently, people feel like suckers, feel that they are the only ones not catching up. But, if we can make it clear to them that millions of others feel as they do, they will return to the "something for something" ethic and resist individual actions which take their property.
 - Elicit the support of the media. Generate and aired in media a thousand statements that are the exact opposite of the communications we hear and read today. Examples may include the following, "New techniques will bring homes at \$10.00 per square foot." "One hundred dollar refrigerators are fore for the near future." "New techniques of design and delivery will cut the cost of clothing in half." "Hospital costs will drop 10% a year for the next five years." Considering attitudes in the present inflationary cycle, these statements may sound ridiculous. They may be made credible, however, by including some present day, economically accepted facts. Indeed, if the program I have described is successfully accomplished, such statements will come true. Don't anyone believe it can't happen.
 - Openly fight against lowering productivity as a human and patriotic duty. Resist higher prices for the same function for what they are -- Dollar Destroy. Openly criticize every rip off. Promote the stance that "I will not pay more for this item today than I did yesterday. I'll go without it or I'll buy less". Promote the stance that "I will not charge more today than I did yesterday." On through such open fighting and active promotion can we hope to combat the pervasive inflation psychology.
3. Plan and implement a sound program to enlist active nationwide support of the program. As inflation is a people problem, it will not be solved by a few scattered people. It can be solved, however, by massive action nationwide. How can we insure it?
 - Inform and enlist the active support of others in the movement by providing useful communication to groups in management, manufacturing and purchasing engineering and consumer services as well as to economists and retired persons.
 - Inform our lawmakers and enlist their support in ending this violent destruction of value without resorting to a devastating depression.
 - Generate communications to help every member of SAVE enlist the support of citizens and the media by making presentations to service clubs, press chambers of Commerce, and civic, church, and political groups.
 - Insure that all chapters of SAVE employ their creativity and choose their own additional activities.
 - Inform and enlist the support of fellow Value Analysts and Engineers in other countries so that we may benefit from the mutual exchange of ideas.

* Chapter 3 "Evaluate the Function", TECHNIQUES OF VALUE ANALYSIS AND ENGINEERING, McGraw-Hill Book Co. L. Miles, 1972.