

Wolfgang Chr. Fischer

Private Households and Money Supply

Prof. Wolfgang Chr. Fischer

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With a Foreword by
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Bei der Herstellung unserer Bücher möchten wir die Umwelt schonen. Dieses Buch ist daher auf säurefreiem, 100% chlorfrei gebleichtem, alterungsbeständigem Papier nach DIN 6738 gedruckt.



The roasting spit in this European medieval kitchen was driven automatically by a propeller—the black cloverleaf-like structure in the upper left.¹



Research Monograph
School of Law, Faculty of Law, Business & Creative Arts,
James Cook University, Townsville, North Queensland, Australia

¹ <http://en.wikipedia.org/wiki/Kitchen>

This Research Monograph
is dedicated to my Academic Lecturer and Supervisor,
who inspired me in economic matters concerning private households.

Fritz W. Meyer

(8.11.1907 – 4.3.1980)

Dr.rer.pol.habil.

Professor of Economics

Direktor des Institut für Wirtschaftspolitik

Rechts- und Staatswissenschaftliche Fakultät

Rheinische Friedrich-Wilhelms-Universität

Bonn, Germany



Professor Dr. Meyer second person² on the left as one of the five member of the first Council of Economic Experts, appointed by the Federal President of the Federal Republic of Germany, in the Federal President's Office 1964³

² Bundesarchiv_B_145_Bild-F017490-0004_Bonn_Die "Fünf Weisen" beim Bundespräsidenten .jpg. In http://de.wikipedia.org/wiki/Fritz_W._Meyer

³ The *Council of Economic Experts* is an academic body advising German policy makers on questions of economic policy since 1963 for the period of five years. It was set up by law in 1963 with the objective to assess the macroeconomic development of Germany. It also aims to aid the public and economically relevant institutions in making informed judgments about economic developments. It enjoys complete independence with respect to its advisory activities. The Council's reports and assessments have since become an essential part of German economic policy making and have notably influenced political decisions.



Jessie Mary Grey Street (née Lillingston) (1889-1970)

Jessie Street at the United Women's Conference in San Francisco, 19 May 1945⁴

"I realised how wrong it was that money, the economic bloodstream of the whole community, should be controlled by individuals for their own benefit and profit."⁵

⁴ http://en.wikipedia.org/wiki/Jessie_Street

⁵ Coltheart, Lenore (Editor) (2004) *Jessie Street, A revised autobiography*, The Federation Press, Sydney, p. 81



Soup Kitchen Montreal 1931⁶

⁶ http://en.wikipedia.org/wiki/Soup_kitchen

Foreword



Sounding an alarm to private households against over-dependency on money supply from the national economy, this book, *Private Households and Money Supply*, contends that such over-dependency often deprives many private households of other sources of income such as their own initiative at providing to the market private goods and services that can earn them a better income for improving their living standards.

The author, Professor Dr. Wolfgang Chr. Fischer, provides an excellent treatment of household incomes in Western societies. He makes a compelling case of how household incomes can be improved and how they can contribute to uplifting the standard of living of many citizens. And the central thesis of the book highlighted above is in tandem with such other inspiring works as Aldous Huxley's *Brave New World*, David Caplovitz's *The Poor Pay More*, and Sir Martin Rees's *Our Final Century*.

Notably, Professor Fischer's *Private Households and Money Supply* is on the different side of the chasm from the all too often euphoric sentiments about Western civilization. In this vein, *Private Households and Money Supply* brings forward arguments that are in stark contrast to works such as Niall Ferguson's *Civilization – The West and the Rest*. Contrastingly, Professor Fischer's *Private Households and Money Supply* posits that there are many signs that point to the imminent downfall of Western societies today as well as to the final end of colonization by European powers.

In setting out the context of the study, Chapter 1 of *Private Households and Money Supply* examines micro- and macro-economic fundamentals of private household production. The said chapter addresses salient aspects of the history of economic thought and private household production. It also examines some definitions of the terms 'private household' and 'private household production'. Thereafter, the chapter proceeds to look at pertinent aspects of implementing private household production. Then, the nexus between private household production and economic division of labour is fleshed out.

Chapter 2 focuses on private household production and the 'free market' philosophy. It delves into the intricate relationship between consumer sovereignty and a free market economy. Also, an analysis of private household compositions is carried out, including an analysis of equipment owned by those households that have household appliances. The said chapter then proceeds to examine the concept of market power of some service and retail providers. Closely related to that is the role that consumer associations play as well as some prospects for government intervention in private household production.

Chapter 3 turns the debate to examine the position of private households in a cash economy. Complementing that discussion, Chapter 4 examines how economic inflation affects private households. While the history of economic thought about inflation is considered in Chapter 4, together with an analysis of the inflationary process, Chapter 3 precedes that discussion with an analysis of private households in a cash economy, focusing on Goods and Services Taxes (GST), on the one hand, and the concepts of Tax Evasion and Tax Avoidance, on the other.

Chapter 5 concludes the study by examining the concept of self-sufficient private household production versus money dependency. The main principles of self-sufficient private household production are examined, and the chapter sheds some light on the economic future of many Western societies.

No doubt, this is a timely, well-argued and concisely written book that adds great value to the ever growing body of literature on private household incomes. Professor Fischer writes with such great clarity that even the non-economist reader will find this book a valuable read. Indeed, this is a book that will be useful to many a scholar and reader from different disciplinary backgrounds as well as to different geographical regions. Professor Fischer should be commended for bringing out this excellent study. It not only provides a fresh perspective to the debate on household incomes, but it also provides food for thought on the sustainability of certain fundamental assumptions underpinning the ideology of a free-market economy.

Professor Kenneth K. Mwenda, PhD, LL.D⁷
Washington DC, USA

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Preface



This Research Project about "*Private Households and Money Supply*" aims to contribute to the knowledge and understanding of the significance of private household production and often this crucial issue had been regarded in the relevant literature of Economics as a *quantité négligeable*.

Furthermore I offer my genuine thanks to *Professor Dr. Stephen Graw*, Head of School of Law, James Cook University, Townsville, Australia, who generously supported my research work. Furthermore I offer my thanks to *Mrs Shirley Jones*, School Manager, *Mrs Bronwyn Murray*, School Secretary and to the Administrative Officer *Mrs Marianne Dunkerley* who gave kindly of their time and expertise in administrative support.

Additionally I would like to express my sincere thanks to the retired Solicitor *Mr Richard Anthony Lindsay*, Townsville, the Stockbroker *Mr Daniel Goulding* BEc, Townsville, the retired Executive Director of the Australian Companies Institute *Mr Michael M Gallagher* CA (Scotland), Sydney, and to the Neurologist & Psychiatrist Dr.med. *Erich Krausbeck*, Bad Ems, Germany, for their valuable input.

I am very grateful to *Ms Karen Kuhlmann*, Editorial Office, Eul Verlag, Köln, Germany, for her various assistance in preparing the manuscript for its final publication.

Finally, I owe a great debt of gratitude to my wife *Mrs Janelle Margaret Fischer*, who revised the manuscript, composed the Index, and carefully prepared it for publication.

Wolfgang Christian Fischer

Magnetic Island, Australia, South Pacific, July 2013

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ABBREVIATIONS

ABS	Australian Bureau of Statistics
A\$	Australian Dollar
€	Euro
DM	Deutsche Mark
EVS	Einkommens- und Verbrauchsstichprobe 2008 (Income and Consumption Sample Survey)
EU	European Union
GDP	Gross Domestic Product
GST	Goods & Services Tax
IMF	International Monetary Fund
KPD	Communist Party of Germany
US	United States of America
US\$	American Dollar
VAT	Value Added Tax
WWI	World War I (1914-1918)
WWII	World War II (1939-1945)

Introduction



This research is focussed on the development of private household production and its various factors which could help to minimize the loss of a buffer function for times of economic downturn. Once the ability to establish a self-sufficient household with most of its vital areas of production is lost, the dependency on the market is inevitably created. Income in terms of money has to be the source of the members of the household's activities to maintain a reasonable living. Subsequently the dependency on the state of affairs of the national economy and given the integration into the global market the dependency on international markets becomes vital.

Centuries ago the political economics was devoted to the development of private household production. Especially in the 19th century *Karl Bücher* and *Gustav Schmoller* tried to work out a historical integration of the private household production into the economic division of labour as a development from the self-sufficient private household up to the modern economy with division of labour.⁸ In particular at the beginning of the industrialization, and under the impression of that time and taking into account future possible social and economic transformations, there was established an unchallenged and widely held thesis that in the course of the industrial and social progress the private household production will be inevitably diminished, with some exemptions related to economic crises. Areas of the private household production with a much greater economic efficiency will be possibly integrated into the external private business and public sector.⁹

This prognosis of development advocated by *Friedrich Engels* and *August Bebel*, among others, has the basic idea that the private household is an obsolete traditional institution and the enclosed private household production is abolished, leading to a classical consumption unit. Furthermore the advocates for such a radical change of the private household production have argued that the private household

⁸ Fischer, Wolfgang Chr. (1982) *Entwicklung der privaten Hauswirtschaft*, Baltmannsweiler, Germany, p. 1

⁹ *ibid.*

production created a substantial disadvantage for the development of emancipation of women, and they strongly demanded that women be integrated into the external sector.¹⁰

This research demonstrates that ultimately the development of the private household production, including the areas for instance of nutrition, storage, shopping, cleaning, clothes, natural domestic production and personal care of household members, is not primarily depending on the level of the economic division of labour, but substantially depending on the realised social and economic order and their further development. In his doctoral dissertation *Wolfgang Fischer* had proven in detail that the development of private household production is primarily depending on the existing and pursued social and economic order, rather than on the level of the present and future development of the economic division of labour as well as on an integrated long term process which follows in historical phases.¹¹

In *Western Societies*, with their capitalist economic order, the private households have undergone substantial changes: The possibilities for private household production declined in various areas, for instance the raising up of children, caring for elderly people, food production and meal preparation, production of household durables, clothes etcetera. Further and further dependency of households on income and money supply to acquire articles or items for consumption arises. The development of smaller and smaller household composition leads to both adults/parents in the so-called atomistic household (two parents plus two children at the most), including the development of one person households (nearly 50% of all households), having to work and to shifting of a lot of household functions which are outside their own ability to fulfil – when a cleaning lady is employed the Gross Domestic Product grows, if she is then not employed anymore the GDP goes down, in other words household chores and household work is not valued in economic accounting.

There exists the household dependency on the national economy and what is provided, but today the dependency is imposed even on the international market, in particular for Australia on the production of Chinese consumption goods and on many other Asian economies, e.g. from Vietnam the fish supply.

¹⁰ Fischer, Wolfgang Chr. (1982) *Entwicklung der privaten Hauswirtschaft*, Baltmannsweiler, Germany, p. 1

¹¹ Fischer, Wolfgang (1972) *Sozial-Ökonomische Aspekte der Entwicklung der Privaten Hauswirtschaft*, Inaugural-Dissertation, Rechts- und Staatswissenschaftliche Fakultät der Rheinischen Friedrich-Wilhelms-Universität zu Bonn, Universitäts Druckerei Bonn

It is to prove that the author's predictions from 1971 in his doctoral dissertation at the University of Bonn, Germany, have mostly come true and that the situation of an empty household with very little household production has been successfully achieved by the marketing and marketing research of larger and smaller companies which followed the way of a capitalistic system and where for the business the profits are possible?.

The amazing lack of knowledge for household production and the disappearance of the teaching and research of home economics or domestic science, plus other factors such as women's liberation, capitalist lifestyle, non value of household work, have all contributed to changes in the retail structure in an economy including concentration of the retail industry. There is neglecting of minority demand - if someone wants to repair his shoes, clothing, or even wants to produce some clothes from scratch - this becomes very difficult because those retail outlets are very rare and hard to access whereas in former times this was a major interest of department stores.

It is worth to mention that even in former times in the so called 'rich' circles in England the conversation did not include so much the subject 'money'. In a recent publication *Deborah Devonshire*, who was born as *Deborah Mitford* in 1920 and was the youngest child of *Lord Redesdale*¹², revealed:

“...We all knew that if Muv had been in charge of our family finances everything might have been different. As it was, she had to juggle with what she was given and somehow remain solvent; intuition took her in the right direction and she never overspent. She was the one who put down roots and became part of the place where she lived, and it was she who bore the brunt of my father's extravagances and unlucky investments. It must have been hard for her each time we moved but I never heard her say so. I wonder now how much farve told her when another crisis was building up. As children, none of us was privy to such discussions – if indeed they took place. Money was not spoken about as it is now, when it

¹² David Bertram Ogilvy Freeman-Mitford, 2nd Baron Redesdale, (13 March 1878 – 17 March 1958), was an English landowner and was the father of the Mitford sisters, in whose various novels and memoirs he is depicted. David Bertram Ogilvy Freeman-Mitford, 2nd Baron Redesdale, from Wikipedia, at http://en.wikipedia.org/wiki/David_Freeman-Mitford,_2nd_Baron_Redesdaale, viewed 19 Jul 2012.

is often the sole subject of conversation, with a bit of illness thrown in..."¹³

Finally, one has to bear in mind that technically the majority of the presented figures are not up to date, however the figures still have their validity in the sense of illustrating trends which are at the present time nonetheless remarkably applicable.¹⁴

¹³ Devonshire, Deborah (2010) *Wait For Me! Memoirs of the Youngest Mitford Sister*, John Murray, London, Great Britain.

¹⁴ The author had minor research funds available and therefore had to limit the variety of figures to those easily and freely accessible ones.