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The Social Costs of Inflation

— ALLEN MENDENHALL

Jeffery Degner's book should appeal to traditionalists and free-market champions who value both sound economics and strong families.

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WE FIND OURSELVES AT A RATHER CURIOUS MOMENT IN conservative intellectual life, witnessing what can only be described as an increasingly pronounced divide between those who practice economics and those who champion cultural tradition. Having spent considerable time at economic conferences and contributing to economics journals, I confess to understanding why cultural conservatives have grown frustrated with economists' seeming endorsement of morally questionable behavior on the grounds that it's voluntary and consensual.

The difficulty is that economics, properly understood, neither prescribes nor endorses such behavior; it merely observes and analyzes human action with relative detachment. Cultural conservatives, not unreasonably, find themselves troubled by what appears to be the profession's moral indifference. Consider the remarkable tone-deafness displayed by my beloved Association of Private Enterprise Education—through which, happily, I have formed lasting friendships and professional fulfillment—in deciding to hold its next conference in Las Vegas during Easter. One can hardly imagine a more perfect example of cultural insensitivity: convening in America's capital of vice ("Sin City") during Christianity's holiest observance.

On the other side of this divide, I observe a troubling misunderstanding of basic economic principles at various Christian and conservative gatherings I attend. If properly grasped, these principles would advance the very causes these groups champion. The irony is that those most eager to strengthen civil society often embrace industrial policies that achieve precisely the opposite effect.

So, Jeffrey L. Degner's new book, *Inflation and the Family: Monetary Policy's Impact on Household Life*, is both timely and important. Degner, himself a conservative Christian, examines through the lens of Austrian economics how inflationary policies create what he calls "inflation culture," which contributes to weakening the traditional family unit. Here is a scholar who understands that sound economics and cultural conservatism need not be adversaries but can serve as natural allies in preserving and extending the fundamental institutions of civilized society.

Degner examines how central banking's inflationary policies systematically undermine the very foundations of stable family life. The statistical portrait he paints is nothing short of alarming. Consider that "nearly 16 of every 1000 persons formed a newly married household in 1945," a robust figure reflecting the natural human inclination toward pair-bonding and family formation in a relatively sound monetary environment. Yet by 2018, this number plummeted dramatically: "marriage rates within the US have receded since the mid-80s, where 10.5 marriages per 1000 occurred, down to 6.5 in 2018."

What makes Degner's analysis particularly compelling is his recognition that these trends aren't random social phenomena but predictable consequences of monetary manipulation. The Austrian school has long understood that artificial credit expansion distorts economic calculation and creates perverse incentives throughout society. Degner extends this insight to its logical conclusion: if fiat currency regimes corrupt market signals in every other sphere of human activity, why would family formation be immune?

The data on family dissolution are equally sobering. While "since the 1980s there has been a steady decline in divorces, in part due to fewer Americans being married to begin with," this apparent improvement masks a deeper crisis. When fewer people are entering marriage in the first place, a declining divorce rate becomes a hollow victory—like celebrating fewer shipwrecks while noting the precipitous decline in seafaring itself. More tellingly, "live childbirths per woman have been cut in half from 1960 and are down to 1.78 as of 2020," a figure that falls well below replacement level and signals demographic catastrophe.

The breakdown of the nuclear family has been particularly devastating for children, with profound implications for social stability and economic prosperity. Degner notes that "from 1960 to 2016 the percentage of children living with both their biological parents declined from 87.7% to 68.7%." Such a drop suggests that millions of young Americans lack the stability and security that intact families provide.

Perhaps most significantly, Degner demonstrates how these family pathologies disproportionately affect working-class Americans, precisely those whom inflationary monetary policy hits hardest through the Cantillon effect (a phenomenon whereby a single, small policy change or market nudge ripples outward, triggering a cascade of unintended consequences far beyond its original scope).

The wealthy, who receive newly created money first through their proximity to financial markets and higher education, can adapt to and even benefit from inflationary conditions. Meanwhile, working families face a cruel squeeze: their wages lose purchasing power, while asset prices —such as homes, education, and healthcare—soar beyond their reach.

Degner's central thesis deserves careful consideration: namely, that monetary policy plays a role not just in evolving economic conditions but also in changing family dynamics. He contends persuasively that "inflationary monetary interventions lead to the institutions of an inflation culture that are characterized by rising indebtedness, increases in wealth inequality, and augmented moral hazard." This inflation culture, in turn, creates "incentives and habits" that "contribute to the changes in family life" we observe across American society.

Under a fiat currency regime, according to Degner, "money creation is understood to be exogenous to the social economy," creating artificial privileges for banks and their favored borrowers while distorting price signals throughout the economy. This situation leads to what he calls "the financialization of the social economy that comes with expansionary monetary policy," where real productive activity becomes subordinated to financial engineering and speculation.

The human cost of this financialization extends far beyond Wall Street. As Degner observes, "everyday decisions about debt, labor, and leisure, savings and investment, personal ethics, and even spiritual matters are mundane features of life that are altered, depending on the family's experience of inflationary monetary policy." When the very medium of exchange becomes unreliable, it corrupts not merely economic calculation but the moral foundations upon which stable family life depends.

The gender dynamics Degner explores reveal how monetary policy has contributed to what many conservatives identify as a crisis of masculinity. He notes that "while female economic prospects have generally improved, there has been a simultaneous worsening of wages and opportunities in traditionally male roles in the manufacturing and heavy industrial sectors." This decline isn't the result of natural market forces but of deliberate policy choices that favor financial services and governmentconnected industries over productive manufacturing work. The result is predictably destabilizing, producing “increased male job instability” and contributing to women’s “rising distrust of males’ ability to earn more over time.”

> Restoring sound money is a prerequisite for rebuilding the social fabric.

When monetary policy systematically undermines the economic foundation of traditional male roles while subsidizing sectors that employ primarily college-educated professionals, it's hardly surprising that working-class men struggle to fulfill their traditional role as providers and protectors.

Degner's analysis of how easy credit distorts life decisions demonstrates how artificially low interest rates encourage young people to take on massive educational debts, delaying marriage and family formation. "This inflationary credit creation process," he says, "also serves to drive the prices for college education higher than they otherwise would have been," creating a vicious cycle wherein students must borrow ever-larger sums to afford credentials that become increasingly necessary for middle-class employment.

The resulting social stratification is profound and troubling. Those with access to cheap credit for education and housing become "more marriageable" and "more likely to get married and stay married," while those without such access find themselves increasingly excluded from stable family life. The consequence is what Degner rightly identifies as a two-tiered society in which "fewer and later marriages are taking place over time" among the financially disadvantaged.

What of fertility decline? Degner argues that the "habits of consumerism and materialism" fostered by an inflation culture cause people to adopt "more of the *homo economicus* attitude that pays much more attention to material matters in life." In such an environment, children become luxury goods rather than natural expressions of human flourishing, leading to "the secular decline of fertility rates—despite the incentives created by the welfare state."

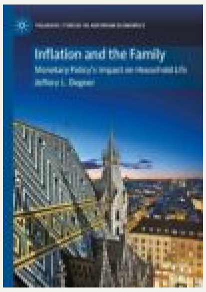
This analysis cuts to the heart of why well-intentioned government family policies often fail. No amount of child tax credits or subsidized childcare can overcome the fundamental economic incentives created by monetary inflation. When artificial credit expansion makes material consumption seem urgent while making long-term commitments appear risky, it's rational for individuals to prioritize immediate gratification over family formation.

Degner resists an economically deterministic framework and avoids attributing every transformation of the family to monetary policy. Attention is given instead to the complexity of social change, including "other confounding variables impact family life" such as "educational and labor force participation among women in the US, the normalization of contraception, its low cost, broad and expensive access to abortion and no-fault divorce, declines in religiosity, and the general cultural acceptance of cohabitation." Elsewhere the text acknowledges that "changes in sexual behavior, infant mortality, and birth control are factors." Thus, his argument declines to reduce fluctuations in fertility rates or family disruption exclusively to economics, while also suggesting that a renewal of religious commitment would reinforce the cultural foundations of the family in ways that would carry salutary economic effects. This framework points toward the kind of synthesis we need: one that integrates market-based economics with cultural conservatism.

Degner's work represents a significant contribution to both Austrian economics and family studies. By demonstrating how "the adoption of fiat currency and expansionary monetary policy lead to an inflation culture whose institutions and habits tend to deinstitutionalize traditional family life," he provides social conservatives with a rigorous economic framework for understanding family decline while offering Austrian economists a compelling application of their theoretical insights to urgent social problems.

The policy implications are clear, if politically difficult. Restoring sound money—whether through a return to the gold standard, competitive currencies, or other Austrian-inspired reforms—is a prerequisite for rebuilding the social fabric that makes civilization possible. Until we address the monetary foundations of our current crisis, attempts to restore traditional family life could be futile, swimming against the artificial currents created by central banking.

Degner has performed an invaluable service by illuminating these connections. His book deserves serious attention from anyone concerned about America's demographic future and the economic conditions necessary for human flourishing. While the spectrum of economic ideas accepted by self-proclaimed conservatives has widened, Degner has provided a unifying analysis that should appeal to social traditionalists and free-market champions who value both sound economics and strong families.



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Inflation and the Family

by Jeffery L. Degner

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