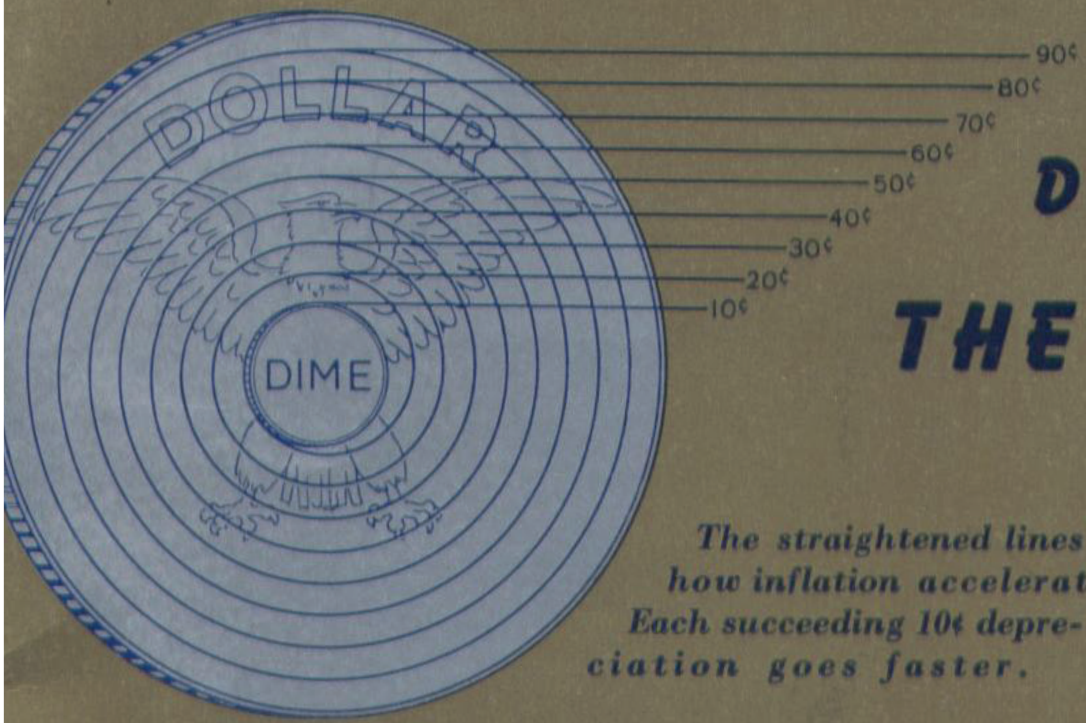
INFLATION



DOOMS THE DOLLAR

The straightened lines show how inflation accelerates. Each succeeding 10¢ depreciation goes faster.

DOLLAR DOOMSDAY

by E. C. RIEGEL

WHAT YOU CAN DO ABOUT YOUR

INSURANCE	*BUSINESS*
INCOME	*HOME*
DEBTS	*STOCKS & BONDS*
SAVINGS ACCOUNTS	*TAXES, etc.*

AND HOW TO USE

THE INDEX DOLLAR

INFLATION COUNSELORS • *Publishers* • NEW YORK

DOLLAR DOOMSDAY

by

E. C. RIEGEL

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FOREWORD

The cry "balance the budget" originally raised by Roosevelt against Hoover, was later flung at Roosevelt throughout eight years of his administration. The cry at times seemed like a veritable frog pond chorus, while, as the result of domestic extravagance, the deficits kept mounting.

Now that the extravagance has entered the international sphere and America is launched upon a tremendous world wide relief scheme involving super deficits, the frogs have ceased to croak and from the grass roots the katydids chant their requiem over a day that is dead. By the moonlight of common sense, the citizen must finds his way 'til the new day dawns, for in this long night the federal budget will never be balanced again.

Bigger and balder deficits will, in the opinion of the author, now follow each other perennially and it is useless to hope that the government will return to that frugality that makes for a stable economy. Realism demands that in the onrushing inflation the citizen accept the inevitable and devote his thought only to his private fiscal affairs. It is too late to exert political influence. Each of us must master money management and see to his own budget. There is a way of adjusting oneself to inflation so as to avert loss and realize gain. This book rationalizes the subject to that end.

What has escaped all the commentators is the fact that inflation is taxation—taxation on money instead of property. Taxation on property or income is so obvious that everyone is conscious of it, but inflation taxation is so insidious that many people will put themselves in position where the greatest tax burden falls upon them. Under inflation, to be liquid is to invite taxation, for idle money shrinks in purchasing power as time passes. Inflation means that the government is watering the money supply—thinning the milk. It is a process whereby the government declares itself in as part participant in the purchasing power of every dollar. There will be more and more dollars per capita, but the increase will be entirely at the expense of money hoarders and holders of paper property.

Private money management under a condition of inflation must be guided by the principle of reducing one's money supply to the mere necessities of turnover or operating cash, with dollars ever moving, never sluggish, never idle.

But there is a school of thought that holds otherwise and the reader should weigh the logic of both of the opposing viewpoints. The other school treats the present rising price movement as the boom phase of a cycle, to be followed by a depression perilous to debtors. It therefore advises avoidance of debt and conserving cash to prepare for the day when prices will fall and property will go begging for dollars.

This book is written from the viewpoint of a true and continuing inflation from which there will be no reaction and this position is supported by the text. The reader must choose one or the other of these viewpoints and then adopt a course of action dictated by the theory he has accepted.

As the population divides into these two schools, they will become reciprocal because one will be eager to exchange money for property and go into debt and the other will be eager to receive money for property and hold a creditor position. One or the other of these two groups is going to be fooled. Further reading may seem advisable, but it is important that a choice between the two theories be made soon and soundly.

I have tried to make it clear to the reader that a monetary condition now exists in this nation and the world that is entirely without precedent and therefore everyone should be wary of following past experiences as a guide.

Even professional economists do not realize that the dollar is the keystone of the arch of all national monies and that the current political policies, domestic and foreign, are chiseling at the keystone. And they may not accept it after reading it here. This is not orthodox literature and it is uncensored.

Candor and not a desire to be an alarmist compels me to present the true picture as I see it but to me it does not seem catastrophic. On the contrary, I see in its ultimate the liberation of capitalism from the perversions of the political money system for which it wrongly bears criticism.

September, 1941 E. C. R.

The DO'S and the DON'TS

Without any desire to be dogmatic, there is presented here a list of do's and don'ts, so that the reader may gain a quick glance of what this book advises the reader in this crisis. Naturally the reader will not accept these cues without digesting the logic that follows and he must let common sense govern his actions even if he accepts this advice in principle. The principle is this: Freeze outgo as nearly as possible by forward contracts and keep income adjustable by avoiding term contracts. Invest money in useful things but spread cash over as wide a purchase as possible, incurring as much debt as possible.

Do

- Buy discriminatingly, but buy now.
- Buy on margin. Use your cash for the minimum payment and go into debt for the rest.
- Make all your debts as long term as possible.
- *Sell your stocks and bonds now.
- Sell everything represented by paper.
- Hold and accumulate any kind of useful property.
- Contract for needed supplies as far ahead as possible at present prices.
- Expect and demand an increased dollar income.
- #Convert your insurance into a present value.
- Make deals on a property sharing rather than on a dollar sharing basis.
- Protect your family with physical rather than paper assets.
- Buy a home on long term mortgage or make a long term lease.
- Sell for cash as nearly as possible and keep your cash moving.

Don't

- Don't hoard dollars.
- Don't lend dollars.
- Give as little and as short term credit as possible.
- Give no long term leases.
- Give no mortgages.
- *Buy no stocks, bonds or other paper evidence of wealth.
- #Don't buy annuities.
- #Don't buy insurance.
- Don't be a creditor.
- Don't surrender property, no matter how heavily mortgaged.
- Never buy for cash what you can buy on credit.
- Accept no long term salary or other contracts of payments.
- Don't be afraid to borrow money or go into dollar debt.

*Exceptions. See page 66.
#Unless in terms of Index Dollars. See page 71.

THE GREAT DELUSION

The American people are under a great delusion and soon must face disillusionment.

How often we have been told that the billions of dollars represented by government securities outstanding must be paid by our children and their children.

We are used to hearing that there is great danger in credit expansion possibilities of our banks due to their large deposits and excess reserves.

The gold hoard has been presented to us at times as a great danger to our credit and money system; at other times as a possible inflation factor; sometimes as a great asset and security; at other times as a log jam in the stream of world trade.

We are habituated in thinking that America, because of her great riches, cannot go through inflation like Germany and other poorer countries.

All these ideas are false.

Our concern over future generations is quite unnecessary. We shall pay the fiddler for our mad dance because the securities issued by the government are not a debt; they are money and under the approaching stress will turn into bank deposits and become just as liquid as currency.

The fear of bank credit expansion is a figment. The banks will soon begin to call loans and sell securities. All the "safeguards" against bank credit expansion are folly, because we are approaching credit contraction, against which there are and can be no safeguards.

The gold hoard is simply a store of useless metal that (aside from its commodity value which is very much less than its artificial price) is devoid of all powers for good, and its powers of evil lie only in deceptive window dressing for monetary fenageling.

The wealth of a nation has nothing to do with its possibilities of political monetary inflation, because inflation does not destroy values or property; it destroys money and the money system.

Sterile economics and cunning politics have conspired to mislead our people. The veil of deception hanging over their lives and fortunes must be lifted and it is better that it be done now while we can still seek a storm cellar before the coming financial storm is upon us.

NEW MEANINGS

THE terms that follow are old but the meanings given to them are new. Economics as taught is the art of making the problems of living more complex, and the greatest field of befuddlement is money and finance. That the reader and the writer may speak the same language, at least during this study, terms are defined.

WHAT IS MONEY?

What is this thing we call money? It is an instrument of exchange that permits commodities to exert purchasing power upon each other indirectly instead of directly as in barter. Money permits the buyer or donor to endow its recipient with the power to requisition a value from another person at another time or place.

Direct barter is the resort only of those persons and governments who and which lack the creditability upon which to base a money system. No system of direct barter can equal the trading facility of a money system but no money system rises above indirect or representative barter because it is only the exchangeability of things that gives a base to a money system.

Money has no value; it merely permits value in the abstract, disassociated from any specific commodity, to be exchanged for an equivalent value in any commodity at any time or place, at the behest of the holder. In a money exchange the buyer specifies a commodity while the seller reserves the right to specify any commodity in the same value at any future time at his convenience. In a direct barter system there is no buyer or seller; both parties are swappers and the necessity of their deciding at the same time upon their wants in the identical sum of value with coincident delivery is awkward and therefore inadequate for a high standard of living.

The money idea, or better said, the money practice, developed by evolutionary processes in trade long before it became an instrument of the state and it is important not to forget this. It was a creation of tradesmen before the politician adopted it as an easier means of exploiting the subject. As modern man knows money, it is an issue of a political state and is projected by the legislative power, the police power and the taxing power of the state.

Analyzed to its essence, the prevailing form of money (political money), is but a receipt for taxes and therefore its basis is tax tribute. The state imposes taxes which the citizen cannot escape and issues for its expenses these tax receipts called money. They serve the purposes of exchange media because of the universal need and demand for them which is forced by the taxing power. This is the true basis of all existing monetary units throughout the world.

What Is Credit Money?

Credit money is a promise by a bank (a bank deposit) to deliver political money on demand. Banks hold exclusively the power to create credit money and are enabled to do so by the simple process of issuing a loan (credit a sum as deposit) to any borrower. This loan is merely a mutual promise whereunder the borrower promises a sum of money plus interest at a future date and the bank promises to make the principal available to the borrower on demand.

What Is Commercial Credit?

Commercial credit is the promise (by the debtor) to deliver a draft against a bank deposit or cash and may be evidenced by a bond, a note, a bill of exchange or a ledger account. Commercial credit facilitates exchange and permits speculation but does not increase the supply of either money or credit money. Thus our credit structure has three levels. The base is political money which may be expanded by the supreme government. The second level is bank credit money which is a promise to deliver political money and may be expanded by banks beyond their power to redeem. The top level is commercial credit which is a promise to deliver bank balances. It may also expand beyond its power to redeem but it should be observed that the third bracket (commercial credit) cannot expand the second (bank credit money) and the second cannot expand the first (political money).

Printing Press Money

The terms "printing press money" and "fiat money" were created by the banking interests to disparage political money issues beyond the accepted normal and to require the state to borrow fountain-pen or bank credit money at the prevailing interest rate. There has never been any political or sovereign money that was not printing press or fiat money. It is not generally realized that even government securities issued to "borrow money" are printing press money because the securities are but pieces of printed paper promising other pieces of printed paper.

There is no difference in essence between the currency and the government "debt" because the latter is (as we shall see) convertible into the former on demand. Nor is it necessary to print more currency to meet such possible demand. In a highly mercantilized nation such as the United States, currency serves only a minor part in exchange. Therefore inflation in America will not manifest itself here in a flood of currency; it will be evidenced by mounting bank balances.

Fiat money is supposed to be a debased form of money but, as stated, all political or sovereign money is fiat money even when it has gold convertibility because the price set upon the gold (or silver), which is always above its actual value, is maintained by the state through its fiat. The metal does not support the fiat; the fiat supports the metal. At present the U.S. Government is maintaining the world price of gold and silver solely through its fiat and this fiat as we shall see acts as the criterion of the entire money system of the world.

Public Debt

The term "public debt" applies to the federal government, the states and cities and thousands of lesser governments. A distinction must however be made between the federal government and all others because it alone has the money-issuing power. Because it has this power it has no debt, since its securities are self liquidating. Upon demand (not theoretically, but practically) the holder may have either currency or a treasury check. Such treasury check will pass right into the banking system and become part of the total deposits. It is by this method that the entire federal "debt" will be disposed of when bond holders are induced by inflation to abandon their unprofitable position as lenders.

The effect of inflation is to wipe out debt and the government's "debt" will be wiped out with the greatest of ease. The federal government "debt", to be properly comprehended, must be lumped with the currency because it is of identical essence though it will not resolve into currency, not because the government cannot supply the currency, but because currency is not desirable for the major part of business and bank balances are preferred. When inflation demonstrates that lenders live in a fool's paradise, government bonds will be offered for sale and the government will be obliged to step into the market and buy them. This it will do by merely issuing a treasury check to the seller and this check will be accepted for deposit by any bank because such deposit permits a demand for currency at will. Since the currency will not be desired, the conversion or liquidation of government "debt" will be manifested only in expanding bank balances.

Gold & Silver

The word "gold" is steeped in superstition and superstition is death to reason. Unless the reader can disabuse his mind of the idea that there is something sacrosanct or magical or unique about gold, he will be a prey to fears and confusions in all his efforts to understand money.

Gold has absolutely no more relation to money than iron or cheese or molasses.

Its producers and possesors merely enjoy the privilege of a market for their commodity pegged by the strongest L.iyer in the world,—the U.S. Government. This government can raise the price (but not the value) of gold or silver to any level and lower it to any level, down to its actual value, but not lower. The actual value of gold is unknown and unknowable in a pegged market. That gold has, however, been declining in actual value for several hundred years can be positively asserted by the simple logic that any commodity whose production has been artificially stimulated (by price pegging) must under the law of supply and demand decline in value pari passu. If "the plug were pulled", gold might be found to be worth less than 10% of what the government is paying for it.

That the raising of the price of gold increases and the lowering of its price decreases the price of any or all other commodities is an old superstition that should now be exploded since Roosevelt tried it and (to his own disappointment) proved it a fallacy. The gold pricing and buying policy of the U.S. Government means nothing but a subsidy to gold producers and gold holders. It is part of the national and international relief that the government is engaged in. This applies also to silver. The only effect that the government's pricing and buying of gold and silver has upon our money is that the expenditures therefore increase (in their sum) the total money supply at home and abroad and thus, like any other relief or subsidy payments, lower the purchasing power of the dollar. This wasteful expenditure of dollars is but one of the contributory factors in inflation, not because it applies to gold or silver, but with the same effect as applied to the purchase of any other commodity at an arbitrarily high price and which does not reach the commodity market. Learn to think of gold and silver as mere commodities and thus free your mind of superstitions and fallacies.

Foreign Exchange

Foreign exchange has also been made a subject of mystery. It means payments between traders or borrowers of different nationalities. Governments have nothing to do with it except as interferers. There are more national monies in the world than languages, and international trading requires much translating or money changing. Within a nation all traders speak the same monetary language and therefore within a nation there is no true money market. Beyond each nation political monies exchange into each other and come under the law of supply and demand. A trader wishing to remit to a foreign country, seeks to buy the money (meaning a bank deposit) of the objective nation as cheaply as he can. The price he must pay in terms of his own national unit is determined by how scarce is the desired unit and how plentiful is his own. This buying and selling and remitting of foreign moneys goes on constantly and one should not be confounded by the term "settling international balances". There is no such thing as an international balance, as nations do not trade with each other as a unit.

Dollar The Ultimate Unit

In intra-national exchange all commodities exchange with each other in terms of the national monetary unit. In international exchange the various national monetary units become commodities that exchange with each other in terms of the supreme unit. This unit is the unit of that nation that has the strongest tax collecting government and whose citizens are most able to meet these taxes. Today that nation is the United States and therefore the American dollar is the criterion of all international exchange or, stated in another way, the international or world money is the U.S. dollar. The camouflage for this fact is gold, other national units being rated in terms of it, thus making gold seem essential in foreign exchange. Since however the price of gold is maintained by the U.S. Treasury, gold is but another name for dollars.

If the U.S. Government should stop buying gold, all international exchange would be frankly expressed in dollars, which in reality it is, and all gold would sell like any other commodity under the law of supply and demand. All national monies in international exchange are but fractions or in the case of the English pound, a multiple of the dollar. They vary quantitatively but not qualitatively. Foreign nations may "reduce the gold content" of their units which means merely that they are confessing their inability to maintain the old ratio to the dollar or the dollar content of their monies.

One of the absurdities our government has undertaken is the effort to "devalue the dollar" in terms of the dollar, which obviously is impossible. The criterion cannot be evaluated or reappraised in terms of itself. Another bit of Washington nonsense is the talk about underselling American exporters in the foreign field or in the home trade by means of "depreciated currencies". Devaluation or deratioing of foreign monetary units in terms of the dollar does not change prices at all since prices automatically rise in terms of the depreciated unit to compensate for the depreciation. If a foreign unit is worth ½ dollar and is depreciated to ¼ dollar the importer merely gives twice as many units to meet the price of a commodity. Only goods previously shipped and not yet paid for, carry the cut price since the buyer can buy the unit in the money market at the new price and settle his bill at the old price. All prices in the United States are dollar prices and all prices in international trade are also dollar prices regardless of what other name may be used or whether stated in gold which means dollars at the present rate of $35 for 1 oz. When a nation depreciates its currency it merely acknowledges to the world that it has become so discreditable that it can no longer maintain its ratio to the dollar. It repudiates its former pledge and substitutes a new one. It is not a matter of choice but one of necessity.

Inflation

Monetary inflation means an increase in the money supply out of ratio to the increase in goods supply. The effect is to cheapen the money unit (dollar with us), i.e., raise the price of goods and services.

Goods inflation (usually called over-production) means the increase of goods out of ratio to the money supply. The effect is to cheapen goods, i.e., make the dollar buy more.

Deflation is the reverse of inflation.

At present we are having money inflation (because the government is creating and spending money so rapidly and running deficits) and goods deflation (because the government is forcing the reduction in production of marketable goods). Therefore the unbalance between goods and money is being forced from both sides, producing a double barrel inflation, i.e., an extraordinarily rapid rise in prices.

There is also in this inflation a dynamic force never present in any previous inflation and its explosive possibilities are outlined in the text. (See page 45.)

International Inflation

Since all national monies are but fractions or multiples of the U.S. dollar, it follows that each may go through inflation without disturbing the master unit, but the master unit cannot inflate or deflate without disturbing all the other national units. Hence inflation of the dollar means international inflation and this is a new experience for the world. Many monetary units have gone through inflation and died from mal-nutrition but the dollar is the first to commit suicide.

(Technically speaking, inflation refers to prices and means deflation of the monetary unit and the deflation of the dollar therefore means the inflation of other national monetary units in international trade since they are but commodities in relation to the dollar.)

If a nation other than the United States experiences inflation, it means merely that it deflates its monetary unit in terms of the dollar without disturbing other national monies. For the United States to go through inflation means that it disturbs the criterion of the entire world and all monies must rise in ratio to it (subject to local contra influences). Dollar inflation means that dollars become common and each nation will have more dollar backing for its own unit and will be appreciated thereby. Of course favored nations will benefit most and the disfavored the least.

This does not imply that other nations will be able to get more for their money because prices will rise to offset it. It means merely that they will be able to get more dollars or cents for their unit, but the dollar will be worth proportionately less in actual purchasing of goods. In other words the world monetary criterion will change and continue to change, making international exchange chaotic.

Money management, more properly called money maneuver, is now so universal that it will be difficult to accurately observe this international inflationary effect. The very fact that all nations except the United States (which naively tries to) are interfering with international ratios and exchange, shows that the political money system is false and is revealing its falsity.

Up 'til now the money managers have had the dollar compass but when the dollar begins to slide, they will have lost the north star and will become confounded in a world monetary miasma. The dollar will push all of the money units of the world into the abyss and then follow them.

Private money changers will also meet a new experience in the history of inflations. There will be no unit to which to take flight, for all will be in condition of flux; there will be no anchor.

Franklin D. Roosevelt

We are dealing with the subject of inflation which is purely political. Hence we must deal with politics and the major politician, but not in a partisan sense. Regardless of whether we have or have not supported President Roosevelt, we must recognize his power for good and evil. It is therefore necessary to make an objective appraisal of him as a means of forecasting his actions and the consequent reactions.

A liberal and a conservative; a Democrat and a Republican; a Facist and a Communist; an isolationist and an interventionist; a pacifist and a militant; a nationalist and an internationalist;—each as expediency dictates, and in composite, a conglomerate. Therefore he is not a leader but an ingenuous mis-leader.

He has a flare for the dramatic and an aversion for serious study. Therefore to him all the world is a stage and he aspires to be its leading actor. He prefers the Galahad-dragon theme of stage play.

He follows no philosophy or ideology, either social or political, nor any economic principles. Therefore he indiscriminately shatters precedents and idols in an unmoral manner, thus contributing to progress as well as reaction.

He is an ego-propagandist and his democracy, humanity and patriotism are subservient to this control. Therefore his political policies are the externals of his personal policy.

Being ego-centric and non-creative he depends for political concepts upon sycophants who attach themselves to him. Therefore his regime is full of contradictions.

The national theatre has become too small for his acting proclivities and in climbing to a world stage the national interest will be subordinated to the ego-interest and in his own words, he will "forget the silly dollar sign".

WHY NO WOLF?

EVER since the new deal there have been warnings of the inflation wolf and after eight years many persons now believe there is no wolf. The wolf is real; the cries of its approach were premature. The inflation wolf is an animal that lives in the forest of debt and emerges only when debt becomes non-productive and food must be sought elsewhere. Such is now his situation.

WHY NO WOLF

To avoid the confusion of thought that most writings make more confounded, it is essential that the reader comprehend that business operates in a debt economy. Debt is in fact our medium of exchange which we call money. There are three brackets of money:

(a) that created by government (currency);

(b) that created by banks (private and public loans);

(c) that created by commerce (credit transactions) and superimposed on the first two.

(c) professes to be convertible into (b) and (b) professes to be convertible into (a). The profession of (c) is false because there are never bank balances adequate to meet commercial debt. The profession of (b) is false because there are never adequate government funds to meet bank deposit liabilities.

This condition of debt in excess of liquidity arises from the fact that debt always creates a debit greater than its credit. When the creditor creates a credit he creates an equivalent debit for the principal and adds another debit for the interest. Therefore debt always expands more than the money supply, thus necessitating the periodic deflation of debt. This periodic period is called the depression phase of the debt cycle. For instance, a banker makes a 90 day loan of 98½ for which he sets up a debit of 100. Thus only $98½ have been created to liquidate a $100 debit. These deficits accumulate and remain suspended for a while, but the day of settlement comes sooner or later and the only remedy is default and deflation.

The expansion of private debts manifested by banks through deposit increases and by commerce through accounts and notes payable is known as credit inflation and has a natural corrective because it is fully or partially collateralled by property whether specifically pledged or recoverable through creditor's judgments. This corrective, though painful to debtors and often disappointing to creditors, nevertheless prevents the debt system from destroying itself and enables it to revive after each such sick spell.

The political system provides this remedy for the private debt system but does not and cannot apply such corrective to itself. Public debt or political credit inflation is therefore distinctly different from private credit inflation in that it has no collateral back of it and has no natural corrective. Indeed it should not be called debt because in interest bearing form it promises only to cancel the interest by substituting, on demand, currency or bank credit, the latter promising only currency and the currency promising nothing. It is merely an offset against taxes or a tax receipt, if you please. To comprehend this is to understand why it cheapens in an inflationary movement. An inflationary movement is one wherein the government is issuing more tax receipts (bank balances or currency) than it is creating demand for, through taxes, or what is known as deficit financing.

To visualize the effect, one might imagine business as a scale on one side of which are deposited commodities and on the other money. If either money or commodities are not too quickly increased a slight tilt to the heavy side will bring its own adjustment by increasing demand for and consequent increased supply of the opposite. Governments, national, municipal and all others, are business factors that sell their services, not under the law of supply and demand, but upon a tribute basis arbitrarily imposed through taxes. If they conduct their fiscal affairs on a balanced budget, their burden is placed equally on the two sides of the scale of business and therefore do not disturb the price level. If, however, they spend more than they take back in taxes (deficit financing) they press down the money side of the scales, causing money to fall and commodities to rise. If they build up surpluses, i.e. take back in taxes more than they currently spend, they cause the opposite effect and money rises in relativity and commodities fall. In other words deficit financing is release to current business from taxation and because the government spends so much more than it recaptures with taxes, it lessens the demand for and increases the supply of money, thus cheapening it. This is, however, another form of taxation which falls upon money previously accumulated by lessening its purchasing power. (See Chapter beginning page 27).

Contrast this with the private debt system. As has been pointed out, its demand potential is always greater than its supply because it holds promises to return more than it has issued. The period when this demand is suspended is the inflation or boom period. But the back-log is always there and may be precipitated at any time. If nothing else precipitates it, it ultimately comes when the inflation has caused a rising price trend that threatens the creditor with a decrement to the purchasing power of his principal which is greater than the increment of interest. He then begins to call in loans and thus produces the depression or deflation period.

The question will occur—why have the past deficits of our national government and thousands of subsidiary governments produced so little inflationary effect. The answer is that these deficits have been largely frozen in debts and when they are thawed they will cause a flood of buying that the market can absorb only by radical price rises. We will later examine the debt iceberg and the elements of heat that will produce the thaw.

Bearing in mind the distinctions between boom or private credit expansion and inflation or public credit expansion, it should be remembered that sometimes the two synchronize. When a nation is at war or preparing for war, the two usually coincide and if the government's issue is not excessive, it may, after the crisis, withdraw from the issuing function and thus preserve the debt system under private control. By increased taxes and reduced expenditures after the crisis, the state may retire its bonds, leaving the field to banks and other financial institutions. That has occurred thus far in American history. There are reasons, however, why neither the synchronization nor the after-crisis contraction of public debt will ensue in this crisis and these reasons will be shown. The acceptance or rejection of their logic is the all important task that the reader must set for himself so that he may guide himself intelligently in the hectic days to come. Before we consider the prospect let us review what has happened during the past eight years of the Roosevelt regime.

Retrospect

Errors arise from the failure to distinguish between potential factors and actual factors of inflation and of course from foggy ideas of what inflation means. Money stands in juxtaposition to all commodities on the opposite side of the trading line. To increase abnormally in the market place the supply of either money or commodities out of ratio one to the other, inflates the one and deflates the other. A sudden appearance of commodities in the market deflates commodities (reduces their price) and inflates money (its purchasing power). A sudden appearance of money has the reverse effect. Increase or decrease of both in ratio maintains a stable price level.

There are always reserves of commodities (inventories) and reserves of money (bank deposits). From these reserves sudden supplies of either money or commodities may spring into the market place, hence they are potential inflationary and deflationary factors but not actual until they appear in the market place. The price level is made in the market place just as stock prices are made by bid and offering on the stock exchange and not by the strong box supply. Only the action and counter action of the elements that actually enter the market place determine inflation, though this is not to say that inventories of either money or commodities do not have a restraining influence upon speculation, causing rises and declines, for they do. To show, however, that an expanding money supply does not of itself constitute inflation, let us take the total of currency (in the hands of the public and all the banks other than the 12 Federal Reserve banks) and bank deposits at the end of December for the years 1933 to 1940 inclusive.

Currency and Bank Deposits

	(U.S. Statistical Abstract)		(Federal Reserve Board)
Dec. 31	Total	Per Cap.	
1933	$5,720,000,000	45.49	38,505,000,000
1934	5,373,000,000	42.44	44,470,000,000
1935	5,567,000,000	43.66	48,964,000,000
1936	6,241,000,000	48.60	53,701,000,000
1937	6,447,000,000	49.88	52,440,000,000
1938	6,460,000,000	49.62	54,054,000,000
1939	7,046,000,000	53.72	58,344,000,000
1940	8,732,000,000	66.66	60,582,000,000

It will be observed that in the eight years currency in circulation increased 53% and bank deposits increased 60%. We turn now to examine a cost of living index which reflects the price level.

Cost of Living

(Nat. Ind. Conf. Bd.)

1923 = 100

1933	74.90	1937	88.05
1934	79.40	1938	86.04
1935	82.60	1939	85.02
1936	84.08	1940	85.03

Here is shown in the eight years a rise in the price level of only 13%. If currency in circulation increased 53% and bank deposits increased 60%, why did this increase in money supply effect a rise of only 13% in prices? We have thus far inquired only into the potential and not the actual. We will now examine bank debits, which means the total amount of check clearances and which are the measure of actual bank money activity. Since currency has no clearance we cannot actually measure the activity of this factor.

Bank Deposits		Bank Debits (Source, Federal Reserve Board) Add 000,000	Ratio of Turnover
1933	$38,505	$303,216 (excluding Mar.)	—
1934	44,770	356,613	8
1935	48,966	402,718	8.23
1936	53,701	461,889	8.41
1937	52,440	469,462	9
1938	54,054	405,930	7.50
1939	58,344	423,933	7.29
1940	60,582	445,864	7.36

(Turnover 1933 omitted, Bank Holiday)

It will be observed that in 1936 and 1937 more money went to market than in 1940, although there was approximately 13% more in the banks in the latter year.* We have observed that prices rose 13% in the eight years and that deposits rose 60%, but now that we have examined activity (debits) we find that they rose from $356,-613,000,000. in 1934 to $445,864,000,000. in 1940, an increase of only 25%. This increase of 25% of money in the market is the real index we need for comparative purposes. Now we turn to an examination of the goods supply in the market. We will take the retail sales figures for all classes of stores as released by the Department of Commerce, as follows:

(add 000,000)

1933	$25,037	1937	$39,930
1934	29,188	1938	35,425
1935	33,161	1939	37,950
1936	37,940		

We will assume 1940 as the same as 1939, since the figure in this particular index is not available and there was very little difference between those two years. If, as the price level or living index shows, there was a price increase of 13%, we must deduct this percentage from the last figure ($37,950) and we arrive at the figure of $33,019 as the maximum on the basis of the 1933 price level. By deducting from this figure the 1933 figure of $25,037, we find that the increase in the actual volume of merchandise in the market was $7,982 at a constant price level, or 24%. This is approximately the same as the increase of money in the market, which was 25%.

Since the figures show that money in the market and goods in the market maintained a parallel increase, we are called upon to explain, not why prices did not rise more than 13%, but why they rose at all.

Of course none of the indexes quoted are the gospel truth, but they are the best we have. Aside from any possible errors therein, it should be remembered that there are some imponderables, such as the following:

(a) We have assumed that currency synchronizes in activity with bank deposits, but we have no way of proving this. It may have a greater or lesser turnover.

* As we go to press September 10, 1941 the latest weekly report of the Federal Reserve Board shows 42% increase in bank debits over the same week last year.

(b) Bank deposit activity for purely financial transactions such as stock market buying and selling of stocks and bonds with their accompanying call loans cannot be isolated, although this should be entirely extracted when figuring effect of bank deposit activity upon commodity exchange.

(c) Artificial price raising influences, such as government slaughtering of animals and plowing under of crops and other price raising conspiracies with farmers against consumers, just as any private price conspiracies, are not reflections of natural reactions, such as we are trying to determine here. Some measure of the extent of this government artificial price boosting may be had from Secretary Wickard's retort to farmer criticism as quoted by the New York Times, to wit:

Comment by Wickard

Special to New York Times

CAMDEN, Ind., July 12—Asked about the rising revolt against the AAA penalty of 49c a bushel on over-quota wheat, Claude Wickard, Secretary of Agriculture, vacationing on his farm near here, said:

"The executive branch of the government merely carries out the laws that Congress passes.

"Without the program, farmers wouldn't be getting over 40 cents a bushel for wheat," he added.

"There is no export trade now, Canada has enough wheat for two years export trade, and yet our farmers are getting $1 a bushel".

What has been accomplished thus far in the inflationary movement is the preparatory work, in that a large increase in bank deposits and government securities have been produced and a diminishment of the interest rate effected and a trend upwards in commodity prices has been brought about, to the point where now there is no more net increment in money. This brings us to the critical period when not only will government spending and hamstringing of production of consumer goods continue the upward price trend but when holders of bank balances will release their vast store of funds to flood the market with buying orders which the market, already hampered by the defense program, will not be able to absorb without sharp price increases. Then, and "it wont be long now," the howl of the inflation wolf will be heard by all.

The mine has been laid during the past eight years and the fuse is exposed to the heat of friction now being developed by the rub between the rise in prices of commodities and the decline in the price of money i.e., interest. When this fuse is lighted, there will be no more gradual rise in prices but drastic rises under a buyers' panic.

POLITICAL ECONOMY DISHONORED

ADAM Smith propounded political economy in his Wealth of Nations; Franklin D. Roosevelt confounded it with his wealth of notions.

We must now orient ourselves from past thought habits and approach all problems in the consciousness that the old order is being destroyed and that we are muddling through, leaderless, to the new order which is being shaped by natural forces that always work for the good of mankind. Let us strive to understand these forces and place our trust in them rather than in political pretenders, none of whom either here or abroad has manifested any comprehension of the profounder ills and aims of humanity and the solution of its problems.

POLITICAL ECONOMY

With the decline of the church influence in the state and the rise of industrialism and mercantilism, a philosophy had to be worked out to reconcile the political interest and the economic interest. Economy means economy; when it is hyphenated it is no longer economy. Therefore there "aint no such animal" as political-economy. That which is called political economy is merely a conspiracy between political exploiters on the one hand and industrial and mercantile and financial exploiters on the other. It was promoted under the preachment of individualism, individualism to be practiced by the unprivileged while the professed individualists through special privilege practiced collectivism. Thus "individualists" were the original communists. Political economy had to come to an end and its approaching demise demonstrates how evils disintegrate under the influence of natural forces without conscious attack from any quarter. Good must combat its enemies; evils are destroyed by their friends.

Revolutions do not always herald themselves. In 1932 the people in the United States were discouraged by the failure of the business cycle to renew itself and they hoped that the government could spark it and preserve it. They were not asking that it be wrecked or even reformed. Nor did the successful candidate propose any radical changes. He promised to balance the budget by rigid economies; the gold standard was to be preserved; the banking system was to be strengthened and private enterprise, agricultural and industrial, was to be maintained—all orthodox proposals. Yet unbalanced budgets are now a fixed policy; the gold standard has been abandoned; the banking system is now a political dependency; private enterprise has been hedged with interferences; agriculture is a public ward; finance is being strangled; the people's spirit of initiative has been dulled; paternalism pervades all perspectives and a twilight zone obscures the boundary between private and public property.

I do not believe that this all has happened by the design of any man or group of men. I believe the politicians as well as the people were unaware of any revolutionary advent. It was a coup de naivete. It was released upon a trusting people by the innocence, the credulity and the vanity of one who chanced to be President. His love of the dramatic trapped him into the grand and unnecessary gesture of closing the banks and reopening them with the government's guarantee. He did not realize, nor did the bankers, that the act meant the socialization of the banking industry. It was cardinal under the scheme of political economy that banking remain separate from the government—an enterprise under government regulation and protection. But the President knew nothing of cardinals. His aversion to profound thought and his penchant for playing with world forces caused him to adopt the fallacious "dollar devaluation" policy. His acceptance of the "pump priming" theory led him to his first steps into the red from which he has never been able to retreat and now no longer tries. We shall see how he, playing with forces that he did not understand and which he thought he commanded, has been enslaved by these forces that will henceforth direct him.

Under the scheme of political economy there are certain reciprocal obligations that politicians in control of the state and the industrialists and financiers must respect if the game is to go on. The politicians must delegate to the bankers the power to control the money supply and profit thereby. They must grant tariff, patent, subsidy and legislative favors to business men. Business men and bankers in turn must act as the tax collecting machine for the politician since the people would rebel if their taxes were not buried in the prices they pay for the things they buy. The privileged must be subsidized and the unprivileged must be taxed by an unseen hand. These reciprocal obligations constitute the pact that preserves political economy. He who violates this pact either innocently or intentionally, sabotages the system.

Sacrilege No. 1

The keystone of the system is private money control. Finance is an institution that depends upon interest increment and interest is based upon a controlled money supply. The reciprocity of the politico-financial scheme dictates that the politician assist the banks in time of stress by borrowing to increase public spending and reduce taxes and to liquidate loans when the crisis is over and better fields of interest are opened to the banks by lending to private borrowers. The government must co-operate but not compete. This rule the Roosevelt administration violated by setting up dozens of lending agencies that obviated the necessity of borrowers to apply to banks and made the rates so low that banks could not bid for business. In spite of this destructive process, the government underwrote the banks by insurance and proclamation of guarantee. Thus with one hand the government is starving the banks by taking their customers away and forcing them to loan to it at unprofitable rates, while with the other hand it is holding them up. It has a white elephant on its hands. It must continue to borrow so that the banks may receive their subsistence dole and it must keep down the interest rate so that this grant of public funds (now over a billion and a quarter dollars a year by the federal government alone) does not become too obvious in the budget. The bankers are now on relief just the same as the unemployed and the sum paid them may soon exceed the latter. In fact the money paid the banks for making loans to the government may be classed not only as made work but even as boondoggling.

Interest paid by private business is tribute exacted by the banking credit money monopoly (through the politico-financial scheme) but interest paid by the government is a pure gratuity because the government, being the fountain of money, has no need to borrow. This fact must, however, be ignored by the present administration because it has maneuvered itself into a position where it must pay the dole or have the banks collapse on its hands.

The lending system, so essential to the scheme of political economy, is being unwittingly destroyed and thus the revolution of banking and the doom of finance are written on the wall (add street for pungency). Money increment is now gone forever because increment for the use of money cannot possibly equal the decrement that inflicts the principal by reason of its continuously lessening purchasing power.

SACRILEGE No. 2

The next blunder made by the Roosevelt administration was to "devalue the dollar". The President was made to believe that the country was suffering from low prices and that by raising the price of gold he could lower the purchasing power of the dollar and prices of everything would rise in harmony with the higher price of gold. In other words, he thought he could inflate with a pen stroke. The only result was that he had a new dole customer on his hands—the entire gold mining industry and gold hoarders of the world. The silver Senators saw to it that the silver interests also got a free ride. He must now buy all the gold and silver that is offered from any part of the world and bury it in Kentucky and West Point. He dare not stop buying, for if he does the entire gold industry and most of the silver industry will collapse and the British Empire, which is getting about ¾ of the gratuity (and which is a special favorite of the administration), would be terribly embarrassed. Here is another dilemma from which the only escape is inflation, for in due course, gold, now absurdly overpriced, will be rightly priced at $35 per oz. and will be saleable at that price. This will come about by reason of the decline in the purchasing power of the dollar—the dollar that will then be worth what the dime is now.

The gold standard in the scheme of political economy was designed to limit the government's money issuing power to a ratio of its gold reserve at a fixed rate per ounce and to establish a monetary fetish. Thus the bankers kept the currency supply limited and were able to attach the odium of "printing press money" to issues not backed by gold at the stipulated ratio. Today gold has no ratio relationship to dollar issues and the government is not in the least embarrassed by any sort of issue of currency though it chooses to put its issues in the form of interest bearing securities for the two reasons mentioned, to wit:

(a) Additional currency is not desired in commerce and,

(b) the borrowing process is politically expedient because it stills banker criticism and meets the banker's dole necessities, thus obviating banking collapse and a political problem.

SACRILEGE No. 3

The rules of the game of political economy were violated when the President adopted the pump priming theory. One of the greatest fallacies of our times is the belief that public credit supporting an artificial economy can prime the pump for a natural one. The need for food and clothing and housing and other things can be supplied only to a limited extent by buying bridges, parkways, tunnels, dams and other public works. When the government borrows it usurps the credit of its citizens and when it spends it usurps their buying prerogatives. It tries to avoid conflict with enterprises producing human necessities and goes in for producing non-necessities such as public works. Thus the usurped spending prerogative of the consumer is exercised to purchase not the things which in a depression he urgently needs, but what politico-commercial expediency dictates.

That is why public spending is always unnatural, produces only artificial effects and never "primes the pump" of natural production and consumption. Carried to its logical end, it produces roads and diminishes the number of cars available to use them, or water power with a lack of plants to consume the power, or some other unnecessary supply in almost exact ratio as it diminishes the purchasing power to utilize them. To avert this, the politician's only alternative is to enter the consumers' goods field and thus the government attacks the very interests it started out to assist. Whether or not the realization of this necessary evolution is what causes socialists and communists to support every program of public works spending, it is a fact such a process leads inevitably to socialization and destruction of the private enterprise system which political economy was set up to protect. Thus socialism is promoted not by the wits but by the nitwits. The expanding government payrolls and relief and benefit payments destroy private initiative. Energy is channeled into public enterprise and away from private enterprise. Government becomes a competitor of private industry, just as in entering the lending field, it competes with banks. Paternalism grows by what it feeds on and evolves into totalitarianism. The state having destroyed the balance between government and banking and industry, which political economy so cunningly provided, must in sheer desperation become more authoritarian and pursue this madness to its own destruction. Unable to meet its vexatious internal problems, it turns to war as a diversion.

This diversion has now engulfed 25 nations and the wars that are raging will have one universal result of impoverishing all nations. Every government will be morally and economically weakened and since governments are the issuing authorities of the world's monetary systems, this is to say that the political money system is under universal attack resulting in universal repudiation of all existing political monies. The dollar, the strongest of all, is under attack by centrifugal force from within and centripetal force from without as a following chapter (page 27) will show).

We might conclude this chapter with a much needed clarification of the word "democracy", now being so much used for propaganda purposes. Democracy is the interplay of fear by the politicians of the people and the deception of the people by the politicians. It exists and has always existed in all political governments including the most dictatorial. It should not be thought of as a form of government but as a force within all forms of government. The politician most adept at deception is least restrained by fear of the people, but the very fact that he resorts to deception, shows the presence of fear and the two opposing elements, deception and fear, constitute the democratic process. All politicians, whether they praise democracy or denounce it, fear it. All peoples, whether they profess it or renounce it, are fooled by it. Democracy must not be confused with self government. All government, political or other, outside the individual's own volition, is the denial of self government and democracy is the device whereby the politician obscures this fact.

The best evidence of the mounting power of the people to instil fear in politicians is the fact that political policies and poses today are universally based upon false representation and hypocrisy, a definite indication of the decadence of politics and the rise of a new order with economics dominant.

INFLATION IS TAXATION

TO tax is to extort. The chain of political tyrannies paralleling the history of man is but a chain of taxation links. From the savoir-faire of the Boston Tea Party to the timidity of income concealment, Americans have developed tax-dodging into a fine art, but a new system of taxation has now come upon them that takes them completely by surprise. Few realize that inflation is taxation and that the money issuing power is the taxing power.

INFLATION IS TAXATION

Out of the necessities of self preservation has sprung an unconscious conspiracy between the exploitative impulses of business and politics. Government sits at the toll-gate of exchange and collects from business many different classes of taxes but business never pays these taxes; it merely collects them from consumers in the price of goods or services or rents. Business is the tax collecting machine of government and government is the provider of special benefits to the privileged elements of business. This is the reciprocity implicit in political economy.

The vast majority of consumers pay no income or direct tax and are therefore unconscious of the fact that they are tax payers and of course, that they are the sole tax payers, never reaches their ken. This popular ignorance is the security of government.

The viciousness of the taxing power does not lie so much in the manifest measures of collection, but in the inflationary process whereby a money issuing government insinuates itself into and distorts exchange. Taxation and the taxing power are phenomena that have never been fully comprehended in political economy. It is well known that the state maintains itself by sly methods of taxation, usually called indirect taxes. History records no state that had the courage to take its complete tax toll by obvious methods. It is, however, not realized that the state may maintain itself in full splendor without any tax revenue. This "taxless" Utopia under the prevailing money system may be attained by the state through merely cutting itself in on all exchange by watering the exchange media through paper issues for any income it desires.

It is essential to comprehend that what is generally termed taxation is merely forced purchase of that vague mixture of service and disservice known as public service. In exchange between two private traders, the buyer has the option to take or leave. This option is denied him in the purchase of public "service" unless the service is specially metered like the postal service, though even here he does not have the benefit of competition. The government merely imposes its cost, it must be paid but there are many ways of collecting it, from the obvious and direct tax to the unseen. The most subtle is through the control of the money system. All tax collection may be abolished, the budget may be dispensed with and yet the state will exist by an unseen income, through its power to water the money supply. Even though there be no buying or selling of government services, (such as the postal) no tax collectors and no apparent government income, the system, by dispensing with tax collection expense may even operate less oppressively than under the normal tax collecting method with both its obvious and covert devices.

What is universally misunderstood is that the money issuing power of government is its taxing power. Until men comprehend this, they will never understand taxation. In an exchange operating by means of money (not barter) the total of commodities or value units is worth, and available to, the total number of monetary units in use. It follows that the power to create and inject monetary units is the power to participate in all values in the ratio that the created money units bears to the total supply of the money units. For example: If the total value units is 100 (million or billion) and the total money units is 100 (million or billion), each value unit is worth one money unit. If now the state injects into the money supply, through its money issuing power, 10 units and on the other hand introduces into the value unit supply 5 value units, the total value units becomes 105 and the total money units becomes 110, resulting in the price 1.047 per value unit, an inflation of 4.7%. Out of the total new supply of value units of 105, the government buys 10 value units with its new money, leaving to the citizens 95 value units. Thus the state has taxed the community 5 value units without any formal tax levy whatsoever and has left the citizens with not less money units but more—110 instead of 100.

Now let us suppose that the government's fiscal policy is to balance the budget by formal taxation. Under such a policy, the government would extract from exchange by taxation the 10 money units it injected; business would be tax conscious and the effect would be deflationary because the privately (or previously) created value units of 100 plus the government created value units would make a total of 105 whereas the total number of money units would still be 100, thus reducing the price of the value units to .953.

This suggests that a balanced budget policy is deflationary and so it is. The value unit supply cannot be increased (and government always creates some value units) while the money supply remains static, without deflating prices. It does not follow, however, that prices fall when the government balances its budget, for there is another faucet of money supply to be reckoned with, namely, the banks. A bank is a money reservoir (delegated by government) from which any one who enjoys bank credit may pull the spigot and increase the money supply. Normally the banking system is working and overcoming the deflationary influence of a balanced government budget. Were it not for this contra influence of bank credit money, prices would be continuously deflationary and the evil of government tax burden would be obvious and result no doubt in rebellion.

For the reasons previously stated, the flow of bank credit money has practically dried up. The government is now virtually the only source of new money and if it should stop running deficits there would be a serious deflation. The coordination of banks and government has been destroyed by the Roosevelt administration and the government must carry on alone to the end. It may vary its speed but it cannot alter its direction. We are now adjusted to an abnormal economy and cannot revert to a normal one.

The government is engaged in two concurrent processes, to wit: (a) It is consuming and giving away value units much more than ever before and creating value units much less than ever before. (b) It is creating money units much more than ever before and taking back (in formal taxation) much less than ever before. These two operations are forcing prices up to such an extent that it will compel commercial and savings bank accounts holders to release their immense supply of money and thus cause a runaway inflation. Whether the administration realizes it or not, it has executed a pincer movement against the economy. One jaw of the pincer is pressing interest rates down and the other is pressing commodity prices up.

Inflation is but a process of taxation and it is highly important to realize this and also that the tax falls on a different class of tax payers than does formal taxation. Formal taxation reduces the money supply, thus causing property values to fall and making property holders suffer the tax burden through shrinkage in values. Inflation taxation reduces the purchasing power of the dollar and thus money holders bear the tax burden instead of property holders.

A part formal tax and a part inflation tax must be evaluated in the net. For instance, if the government budget calls for $15 billions expenditure and $5 billions formal tax, the dual tax is in the net an inflation tax of $10 billions. In short, the deficit is the inflation tax.

The natural or normal thing for everyone to do is to minimize his tax burden. Therefore those who realize that inflation is a tax upon money will plan to get out of money into property. This will of course accelerate the inflationary trend but who is willing to thrust himself before the onrushing train to stop or impede it?

Those who have held their wealth liquid have played the game to defeat the tax collector but this new kind of taxation will attack their dollar or paper wealth and find it no matter where it may repose. It requires no listing of assets or income, no declarations; it makes no demands. It leaves its victims in fancied security while it silently and insidiously taps their treasure.

The purpose of this chapter is to demonstrate that through the money issuing power (and this power includes "borrowing") any government can maintain itself without a dollar of formal tax income and carry on a process of thinning the milk until it has no more substance and then can call the whole thing an episode and start over again with a new monetary unit. Whether the makers of our constitution intended to authorize or prohibit this form of taxation is debatable, but that it is here there can be no doubt.

We utterly delude ourselves if we think that deficits or government "debts" are deferred taxes to be paid by future generations. They are current taxes, paid not by the non-bondholders to the bondholders but by the bondholders themselves through the depreciation of the purchasing power of the dollars represented by the very bonds that they hold. Nor can they escape the tax by holding cash or bank balances or any form of promise to pay dollars.

Strictly speaking, there is never and there cannot be a government deficit. All government expenses are and must be paid by taxes. What is called taxes is merely that shown in formal tax revenues, but the amount which is called deficit, is but another bracket of taxes—inflation taxes, the most vicious form, because it disturbs and ultimately destroys the money system upon which the entire economy depends. To be truly tax conscious we must, therefore, comprehend inflation taxation as well as formal taxation.

THE GONEPO

THE New Deal, it now becomes apparent, is paternalism, internal and external, the latter being euphoniously called the good neighbor policy, which phrase we now contract to the handier name, Gonepo. Political economy, contempted internally, is now truly outraged externally. The Gonepo, an international egg beater, scrambles the internal and external political problems of all nations into one international omelet, fried in American butter.

FAREWELL TO ISOLATIONISM

Isolationism, which is now uttered with asperity, is our good old friend nationalism disrobed of the national colors which the fore-fathers draped upon it. The basic rock upon which the political structure was set was nationalism. It was the unit of political economy. It served to unify peoples and to set them apart from each other in national groups, thus setting up political islands for the business of politics. Its separatism produced patriotism and served the politician as a justification for the many "protective" devices which he set up to exploit the people. Isolationism means nationalism and nothing else and the abandonment of it means de-nationalization. It means passing from nationalism into fusionism and is as fatal to the state as the inter-church movement is to the religious denomination. Patriotism is the ritualism of the state, without which it cannot maintain the faith, and without which it cannot preserve itself. No one's heart can well, no one can be martialled, no one can be brought to the sacrificial altar, no stirring songs can be written over dear humanity or the glorious earth. There can be no such thing as world patriotism. Mother Earth does not inspire like "Father-land". Hence the futile effort of our interventionists to stir patriotism in a cause that is antithetic to patriotism.

Our Declaration of Independence, our self reliance, our defiance of British tyranny, our policy of no entangling alliances, made us a nation, as similar unifying ideas have made every other nation. The new theme of interdependence and fear is denationalizing us. Our trends are now centrifugal, thrusting the substance of the nation outward instead of consolidating strength. Our egg shell is cracking and the egg is flowing out to mingle with the yellows and the whites of other nations, none of which are strictly fresh. The United States, the most independent, the most self contained, the most wealthy nation of the world, paradoxically becomes the exponent of interdependence and fusion, not because it advances the interests of the nation, but merely because it advances the ambitions of a power maniac.

Our new confession of interdependence is written into the Lend-Lease bill, making its benefits applicable to "the government of any country whose defense the President deems vital to the defense of the United States". Thus the nation proclaims that it is no longer able to defend itself. The doom of nationalism was proclaimed by Cordell Hull, Secretary of State, when in June 1934 as delegate to the London Monetary-Economic Conference he said, "This conference should proclaim that economic nationalism is a discredited policy".

Fusionism means the end of nationalism, a good end indeed (provided it is not supplanted by super-nationalism), but we Americans must realize that it is being promoted, not as an ideal nor by universal concurrence, but solely by political ambition and at the sole expense of America. In this war we hear such phrases as "Battle of France", "Battle of Britain", "Battle of the Atlantic", etc., but they are all but skirmishes in the grand battle of the dollar. If the nation cannot be isolated, its monetary unit cannot. It must fuse with other monies. In this battle of the dollar two ambitious and near sighted politicians are the opposing generals. Roosevelt will defeat Hitler because the great riches of America permit him to reward friendly nations as well as punish recalcitrant ones while Hitler can only punish, and to a limited extent. Hitler utters futile talk about the United States of Europe, while Roosevelt has substantial materials for his plan of the United States of the World. Hitler's policy is to rob others for the benefit of his own people; Roosevelt's policy is to rob his own for the benefit of others. Hitler has exhausted his country in preparing a war machine and now he must rely upon it solely for survival of self and Fatherland. Roosevelt is at the head of a rich idealistic nation that revolts at the idea of conquest and human exploitation but reacts strongly to the idea of aid to others.

That nations will desert the German orbit for the American orbit does not imply that the American people will be victorious over the German people. Both they and other peoples will be victorious in the end but the American people will pay the price because they are the only ones able to pay. The dollar deluge that will flow out upon the world will wash back against our shores and produce an inflation that we could never experience through internal extravagance. In a national inflation there is a compensatory factor in that taxes also rise from those who receive the treasury expenditures. Now for the first time in the world's history a nation is scattering its money to those over which it has no taxing power and without aims of exploitative conquest or return of any kind. Such is the process of Gonepo and Gonepo will bring international inflation of the American dollar. The U.S. Treasury will pay out to all the world but only Americans will pay into the treasury.

Presented first as a good will builder in the Western Hemisphere, Gonepo has developed into an ill-will propagator throughout the world. It refuses to help the people of the conquered countries in the hope that this policy will induce them to rise against their conquerers; it promises more than it can fulfill to those who would fight; it will disappoint and embitter even those it aids. Thus it is sowing the wind and the whirlwind can be stayed only by scattering more dollars to the disaffected. Both its positive action and negative action resolve themselves into dollar grants or dollar loans or dollar expenditures for materials or dollar donations for food and clothing and rehabilitation. It has reduced international relations to a mercenary basis and made national attitudes in international affairs a marketable commodity. It has made Washington an international provocator and placater and converted dollar diplomacy from a commercial objective to international prostitution and national dissipation.

We hear much of communism, socialism, facism, nazyism and democracy, each professing to be a governing principle. But there are no governing political principles, there are only governing personalities, whether you call them dictator or premier or chancellor or president, and whatever you call their systems, their trend is all in the same direction—away from insoluble internal problems. With these egoists, nationalism is too scrutable, they seek escape beyond its bounds where glamour is greater, visibility is lower and alibi defenses are more ample. The nationalistic idea upon which all governments were predicated, namely the service solely of their own constituency, is being discarded by politicians. Twenty four years ago Lenin projected the idea that to be successful, communism must pervade the world. Four years later he publicly confessed that Russia could get nowhere until she developed a national policy and economy and forgot the international idea. Next came the Hitler idea of supernational domination and new world order. Following this even Churchill forgot his nationalism and proposed a citizenship merger between France and England, England the mother of mercantilism and political economy. Of the Union Now Movement, Churchill said, "No one can stop it. Like the Mississippi, it just keeps rolling along. Let it roll in full flood, inexorable, irresistable, to broader lands and better days." Leslie Hore-Belisha put it boldly thus: "Mr. Churchill had the imaginative idea of offering France a common citizenship. There is far more reason for common citizenship with America. If we can replace the Declaration of Independence with a declaration of interdependence, it should lay the firmest foundation for permanent world peace." Now comes the Roosevelt idea of the four freedoms for the world and fourfold burdens for America which would pacify and prosper the world by a process of paternalism, already proven a failure on the national scale.

Bertram D. Wolfe, writing in Harpers, June, 1941, under the title "The Silent Soviet Revolution", says:

> "The first thing to go was the celebrated Red Army oath. The old oath, which I have heard impressively intoned phrase by phrase by tens of thousands of deep masculine voices on the Red Square began: 'I, a son of the toiling people' and ended with a pledge of 'direct every act and thought to the grand aim of the emancipation of the toilers throughout the world.' On January 3, 1939, a new oath was introduced. It substituted 'citizen' for 'son of the toiling people' and for 'emancipation of the toilers of the world', the pledge 'to defend the fatherland . . . without sparing blood or life itself in order to win complete victory over the enemy'."

Thus Russia, the first to experiment with universalism is being returned by Stalin to the moorings of nationalism, while Roosevelt and Churchill are departing therefrom, untaught by the Russian failure and retreat.

While these super-national projects of political pretenders are alibis for internal failures and stratagems of ambition, it is to be noted that now for the first time the world idea is promulgated from a nation whose people are really humanity-minded and which has the power to successfully promote it. Americans are the only people in the world who unselfishly interest themselves in the welfare of other people and have the wealth to indulge that interest. There is not another people in the world that is the slightest bit interested in our problems or the welfare of any other people. The United States is the only nation with the power to reward others for assent to proposals, or punish effectively for dissent. Super-nationalism when backed by the United States becomes a dynamic force; heretofore it was purely academic. Heretofore it had some conquering program; now it is purely paternalistic. Uncle Sam will feed the hungry, heal the sick and punish the disobedient and when he has done enough of this the world will run (or fall) together.

Whether or not it is the deliberate plan of the present administration, it nevertheless is probably foreseen that the European and Asiatic wars will leave the warring nations so exhausted that the United States will be the military, financial and industrial dictator of the world and in anticipation of this the New Deal, a failure on the national plane, is being recast into a world New Deal. Isolationism (nationalism) is dead; Americanism in the national sense is obsolete; Americanization of the world by blood transfusion is now beginning. We shall have thrust into our political life the problems of the whole world. None will be solved, but all people will be salved until the ferment produces the new order. One rule will prevail, America makes, the world takes—both its politics and its products.

Now that we have been maneuvered by a clever politician from the national moorings of the founding fathers and set sail to boss and bless the world it behooves us to face facts and appraise the prospect. We have seen that our political system, so carefully devised to thwart personal government, failed the first time it was attacked from the inside by an ambitious man. We recall the picture of clouds of attacking airplanes when the skies were clear; we remember the fifth column scare when there were no fifth columnists; we still hear the echoes of the need for defense with the nation being continuously denuded of defenses; we remember the alleged threats against us when not a single word of threat had been uttered by any one in any part of the world; we are told that England is saving us, while the reverse is the truth; we observe how by gradual stages "cash and carry" was converted into credit and delivery; we have seen the laws distorted by the device of an Attorney General's mandated opinion; and have we forgotten the "draft" which was nothing but sewer gas?

These experiences should teach us that no substance is needed to fabricate propaganda if the propagandist is clever and the interests back of it are powerful. Since we have permitted the President the power to perpetuate himself, to make war without declaring it, to buy and bend nations to his policies without Congressional consent, what prospect is there that we can recapture the government and restore our nationalism? Let us at least be realistic. The Hitler idea of domination is a puny thing compared to Roosevelt's plan of world salvation. The Hitler method of terror is not nearly so effective as the Roosevelt method of reward. Fort Knox with its ammunition of gold outranges, if it does not out-blitz, any military machine in the world. Gold billets are more effective in a long war than lead bullets. What force will the voices of Hitler, Churchill, Stalin, Mussolini and the Japanese have in the post war councils when Roosevelt speaks? What force will our voice have with Roosevelt? So we must turn our thoughts to the contemplation of what the world must expect from the world's consummate politician and egoist.

We know that the President is not a profound man; that his mind is too much occupied with political stratagems to think deeply on any problem. It doesn't descend to bed rock, but seeks the rainbow. There are few if any men in the world worthy of being called national statesmen and surely none that measures up to super-national stature. Yet politics is now entering the super-national plane and politicians who are national failures will now practice supernationally. Every politician in every country believes in planned or artificial economy and this means that none realizes or even suspects that there is a natural economy. Mr. Roosevelt will therefore have no trouble in selling the world on the idea that there must be a plan or plans, something artificial, something forced—a managed world. Who will be the manager of this managed world, do you think? Who will be the good angel?

What will be the plans of the world manager? Probably a world N.R.A. and A.A.A. and R.F.C., a cosmic W.P.A., an universal police, if not a Gestapo, a monetary stabilization authority, a price equalization board, etc. etc. The invariable effect of all these schemes will be to cause wealth to flow out of the United States into other nations. The world is approaching something quite novel. Heretofore every statesman who cast his eyes beyond the borders of his own nation contemplated schemes of sucking wealth into his nation. Political economy dictated that. The Roosevelt idea is to think up schemes of pushing wealth out and in this all the politicians of the world will kindly assist him. That is why it will be such a huge success abroad and why we Americans must understand that we are to be the victims of a world "revofusion." It is a "Share-America's-Wealth Plan". Our dollars will be scattered far and wide to return to our shores, an invading army of requisition, far more potent to sap our substance than could any military force. No one is pointing out this threatened invasion of repatriated dollars. No defenses are being set up against their export.

Having intervened in Europe and Asia with instruments of destruction of life and property, having supported England in her blockade of the continent with resultant starvation of innocent people and severe losses to the trade of South American countries, how inescapable will be America's obligation to supply the sinews of reconstruction and rehabilitation everywhere! There will be no illusion of indemnities after this war; all belligerents and neutrals will be bankrupt, so they will all look to Uncle Sam to make good. The flood of materials and funds from our shores to nations on both sides of the present struggle will be incomparably greater after the war than during the war. Of course none of it will be repaid, nor will any one expect it to be.

What chance has the dollar to survive this international bombardment? What other nation can come to its rescue, or would if it could? Great Britain is today a mendicant empire. Not only has she repudiated her last war debt of 5½ billions, but she could not even have made a start at rearmament but for the Roosevelt gold and silver subsidy of approximately 5 billions during the past five years and admittedly would be unable to obtain food and war supplies but for the Lend-Lease gift of many more billions. The English pound is going through the same process of destruction as the German mark. The same blocked money and bilateral barter deals are being employed. By such means the pound is pegged at the official rate of $4.03½. All freedom of trade is gone; the government steps into all international transactions. Her citizens are obliged to sell the government their American and other securities for the "official pound" and it in turn sells them for dollars. After the war she will "pull the plug" as she must do to repudiate her debts and the pound will be worth but a fraction of a dollar if the Roosevelt Stabilization Fund does not come to its rescue.

France is crushed and the franc has no international power.

The German mark is so discreditable that Germany must resort not only to deceptive devices but to plain robbery. She is also destroying the monies of the occupied nations by making them par or at fixed ratio with the worthless mark. Her scores of various kinds of blocked marks are on a plane with cigar coupons. Her alleged discovery of a new and superior trading or money system is a pure myth and all of her barter and bi-lateral trade arrangements are but the devices of a bankrupt juggler trying to keep three balls from gaining a fixed position.

The Italian lire has no international force.

The Russian ruble makes no pretense of being anything but an internal ticket.

The Japanese yen is a—well it's a yen for something.

So what have you? The dollar is the only sound unit left, but how long can it continue to be under the present fusion program? America is very rich but she cannot be the world's monetary Atlas without developing a financial hernia.

One need not make an analysis of the integrity of each national monetary unit but merely comprehend the broad outlines of the world economic situation. Every major nation is now expanding radically its money flow and contracting its consumer goods production. The chancellor of the Exchequer of Britain estimates that Britain is spending 42 million dollars a day on the war. Taking this as a basis, consider the following estimates:

England	$42,000,000
Germany	60,000,000
Russia	40,000,000
Italy	10,000,000
France	10,000,000
Japan	10,000,000
United States	40,000,000
Total	$212,000,000 per day

Thus a billion dollars worth of the products of labor is being destroyed every 5 days, while the international money mill is spewing its product upon the constricted consumer goods market. But the above estimates do not include property damage which will have to be restored after peace is declared. Then the money mill will grind out only dollars for only the United States will be able to pledge and pay.

GONEPO REVIEWED

It is revealing to review the strain that has been thus far placed upon the dollar by Gonepo, now in its eighth year. The greatest gratuity of Gonepo thus far has flown from its gold and silver buying policy. Since January 30th 1934 to the end of 1940 it has bought from foreign countries:

Gold	$13,605,000,000
Silver	1,113,000,000
Total	14,718,000,000

It has opened up gold and silver mines all over the world that could not profitably operate on the old price and has practically de-hoarded every gold and silver cache in existence. Foreigners (and American miners) are feverishly scraping the bowels of the earth to get in on the good thing while it lasts. It has doubled the world production of gold. From a practical standpoint the metal is worthless because it is unusable, but let us charge Gonepo only with the sum attributable to the price boost. It raised the price of gold from $20.66 an ounce to $35.00, a boost of 70%. Therefore 41% of the sum paid out for gold is pure, unadulterated, unqualified, unwarranted, indefensible gratuity. It amounts to $5,578,000,000. The silver gratuity is hard to figure because the Treasury varies the price. It is however safe to say that it has paid double its free market price. This amounts to an additional gratuity of $556,-000,000 or a total free gift of $6 billions to foreigners up to the end of 1940.

Not one of the beneficiary nations has offered to return a dollar of this gift on its World War debt and of course Gonepo has not suggested such a thing—it wouldn't be nice; it wouldn't be neighborly. The sum already paid out is approximately ½ the World War debt to the United States, thus the debt is being liquidated in reverse.

A sane nationalistic policy would have dictated that when England confessed her inability to follow further the fetish of gold, the United States refuse to buy any gold at any price. This would have saved $15 billions and the end is not yet.

The spirit of Gonepo may be clearly interpreted by setting its import policy opposite its export policy. Remembering that gold and silver are utterly useless commodities stored in vaults and that Gonepo pays not only its free market price (which in the case of gold might not be more than $3. if there were a free market) but pays a premium, it also pays foreigners a bonus for buying certain surplus agricultural products. Cotton, for instance, carries a bonus of 25%. Thus if an American must pay $50. for a bale of cotton, a foreigner can have it for $37.50. Thus a foreigner with an ounce of gold that he used to get $20.66 for, is given a bonus of $14.34 and a discount on the cotton he buys, or a total gratuity of $26.84, which enables him to buy at approximately ½ of what a mere American must pay.

If it is still inconvenient for the foreigner, perhaps Gonepo can do something more for the non-taxpayer by arranging a loan with the Export-Import Bank of Washington. The noble purpose of this Goneponese institution is stated in its charter thus:

"to make loans to any governments, their central banks, or any other acceptable banking institutions and, when guaranteed by any such government, a central bank, or any other acceptable banking institution, to a political subdivision, agency, or national of any government".

Export-Import Bank Loans,* December 31, 1935—March 31, 1941

(In thousands of dollars)

Country of borrower	March 31, 1941: Commitments to make additional loans	March 31, 1941: Loans outstanding	Loans outstanding at end of— 1940	1939	1938	1937	1936	1935
Latin America:								
Argentina	62,420	105	105					
Brazil	51,392	13,545	13,621	16,395	925	1,320	508	
Chile	14,637	3,926	2,890	485	630			
Colombia	2,100	7,678	5,825	38				
Costa Rica	5,539	61	4				28	
Cuba	15,300				1,493		1,064	4,062
Dominican Republic	3,275	25						
Ecuador	1,150	30	15					
Haiti	1,610	3,990	3,435	1,905	165			
Mexico		121	130	136	472	890	73	50
Nicaragua	2,875	1,625	1,080	50				
Panama	3,300	1,140	965					
Paraguay	2,405	1,485	1,206	135				
Peru	10,000							
Uruguay	7,500							
Venezuela	3,417	183	130		12	24		
Total (16 countries)	186,922	33,815	29,406	19,134	3,697	2,234	1,673	4,112
Other countries:								
Canada							15	
China	40,500	80,820	54,697	24,991	11,823	13,700	15,700	
Czechoslovakia					75	112	46	49
Denmark	10,000							
Finland	11,954	23,005	18,219					
Hungary	1,000							
Iceland	410	560	564					
Iran				143				
Italy				3,185	466	1,176		
Norway	9,773	206	215					
Poland		3,307	3,307	3,348	9	31	13	
Portugal	331	744	862	246				
Spain		11,200	12,481	4,281	47	53	56	99
Total (13 countries)	73,968	119,843	90,345	36,194	12,420	15,072	15,830	148
Unclassified loans to U. S. exporters	5,067	12,530	11,281	9,915	10,085	65	70	11
Grand Total	265,957	166,188	131,032	65,243	26,201	17,371	17,573	4,271

* Defined as loans made by Export-Import Bank from its own resources plus loans made by cooperating banks under "take-out" commitment by Export-Import Bank. Of $166,188,000 outstanding on March 31, 1941, direct loans constituted $111,121,000 and other loans $55,066,000.

Federal Reserve Bulletin

We show above a schedule of the loans thus far made by the Export-Import Bank and while as yet they total a mere $166 millions, the vital fact to note is that the machinery is set up for the super-national-share-America's-wealth-program now flowering. Gifts are too bald; loans save the face of the borrower and screen the fact of giving.

Gonepo has other ways of helping foreigners to short-change Americans. Recently it organized among the coffee growing countries of South America the Inter-American Coffee Quota Agreement which is a trade conspiracy to keep up prices against the American consumer and as Secretary Hull says, "aiming to remedy the depressed coffee price situation which has affected the purchasing power of Latin-American countries". If coffee distributors within the U.S. agreed to maintain prices they would counter the anti-trust laws but as yet there are no laws in the super-national realm and Gonepo can "increase the purchasing power" of foreigners by conspiring with them to reduce the purchasing power of Americans. This is an example of what Gonepo may do for any foreign trade interests when it gets to work to bring them freedom No. 3 (freedom from want).

"Stabilizing" foreign currencies is also a grave concern of Gonepo. This formidable word means bolstering the discreditability of foreign nations. To save them from suffering the effects of bad fiscal policies and consequent discredit, Gonepo either buys their currency at an arbitrary price or lends (sic) them a fresh supply of dollars to sweeten up the sour mash. Several years ago it announced the Tripartite Agreement to stabilize the pound and franc and dollar. Under the agreement, when one of the three units declined below a certain point, the treasuries of the other two units were to buy it and keep it up. Of course there was never any occasion to come to the support of the dollar and this was called "cooperation" and "reciprocity". The scheme was operated by the secret stabilization funds of the three nations until war broke out.

Recently a new tripartite (revealingly spelled and pronounced, try-par-tight) agreement was made between the U. S., Britain and who do you think? China. We read in the May 1941 Federal Reserve Bulletin, p387:

> "Further official aid to China was announced on April 25 in the form of a stabilization agreement between the United States and China providing for the purchase of Chinese yuan by the United States Stabilization Fund to an amount of $50,000,000 in United States funds. This sum, together with $20,000,000 to be contributed by the Chinese Government banks, will constitute the dollar resources of a Chinese stabilization fund, the object of which will be to stabilize the relationship between the dollar and the yuan. At the same time, an Anglo-Chinese agreement was announced whereby the British Treasury has undertaken to make 5 million pounds available to the Chinese Government for the purpose of stabilizing the yuan in terms of pounds sterling. The stabilization operations in both dollars and pounds will be managed by a five-man board which China is creating, on which the United States Treasury and the British Treasury will each have a representative".

In this scheme the British of course have an axe to grind. They are trying desperately to keep the pound on a peg and with Uncle Sam backing the yuan, he indirectly backs the pound. What has the U.S. to gain? Don't be silly; her part is to lose. Although the Chinese haven't the slightest idea what democracy means, for the purposes of the present strategy, China is a democracy and must be aided and she has been very substantially aided by the silver buying policy as she will be aided by the yuan pegging plan and gifts of war materials and foods.

If other measures fail to increase the purchasing power of foreigners and decrease the purchasing power of Americans, their depreciated units can be fused with the dollar as has already been proposed, to wit:

> Washington, Apr. 4 (UP) Senator Pepper (D. Fla.) today proposed that the United States accept Canadian money at face value as the first step toward setting up an international medium of exchange.
>
> His statement came in the midst of much activity in the Canadian dollar on the New York foreign exchange markets. It was posted yesterday at 87.25 cents—an increase of more than two cents since Monday. The activity was based on unconfirmed reports from Ottawa that a currency agreement with the United States was pending under which the Canadian dollar would be accepted here at par.
>
> Senator Pepper, often an advance spokesman for the administration, said:
> "Mutual distrust and suspicion between nations, which have plunged the world into chaos, have been heightened by the failure to solve the problems of international exchange. Surely we of the Western Hemisphere, the new and adventurous peoples, should set an example for the rest of the world."
>
> He said a beginning might be made by enlisting the cooperation of railroads and hotels to accept Canadian money at face value. He said he had not worked out details but suggested that the United States might devalue its dollar further until it was at par with the Canadian dollar.

> "After we have experimented with a common currency between the United States and Canada" he continued, "I hope that we could launch such an agreement with Mexico and eventually extend it to the whole Western Hemisphere."

As is well known, Senator Pepper is a stooge for the President and it is safe to assume that the money fusion idea emanated from the White House and was a trial balloon. No shock was registered in the press. President Roosevelt has discovered that he can get away with anything in money affairs and he has ulterior purposes in all his moves.

The scheme to make all monies either par or exchangeable into the dollar at a fixed ratio is very simple and will "solve the problems of international exchange", which by the way involves no more problems than the operation of the law of supply and demand in any other field. To make a foreign money par, or at ratio with the dollar, is merely delegating the dollar-issuing power to other nations. No matter how many units they see fit to issue or how discreditable they may be, Americans will be obliged to accept them for goods at the fixed ratio. Thus "stabilization "will be accomplished, foreigners will have their purchasing power increased and Americans will have theirs reduced. Since the ideal of Gonepo seems to be to share America's wealth with the world, this method is the simplest means to the ideal.

The Gonepo-foreign-policy-for-foreigners has brought American prestige to such a low ebb that no government outside the Axis need give serious consideration to any American rights. If a nation, as did Mexico, takes American property, it's quite all right; none needs to take seriously its promise to repay a debt to America, either governmental or private. If England orders our commerce off the seas or opens our mail, no protest is issued. She may even put officers on our docks to see that we obey her orders and may issue special stamps authorizing us to mail abroad. Nostalgia compels quotation of point 2 of Wilson's 14 points for which treasures of blood and wealth were spilled in the last World War:

> "absolute freedom of navigation upon the seas, outside territorial waters, alike in peace and in war, except as the seas may be closed in whole or in part by international action for the enforcement of international covenants."

After sacrificing this principle at the behest of England, how hollow, how insincere was the President's recent effort to sound a tocsin on a tin pan against Germany's follow-suit contempt of maritime rights.

Maritime rights have come to mean to America merely the privilege of exporting wealth without payment. Prior to 1934 for 59 years the balance of international payments flowed toward America. Since 1933, 3 months after Gonepo commenced, we have had no export balance and have paid out in dollars in our foreign trade, including gold and silver imports, the following excesses:

1934	$ 742,341,000
1935	1,839,360,000
1936	1,254,049,000
1937	1,399,839,000
1938	1,063,006,000
1939	2,785,733,000
1940	1,726,898,000
Total red	$10,811,226,000

Since red seems to be the color scheme of Gonepo, it may be realized how Gonepo fears the "economic penetration" of the ruthless Hitler who might take away our foreign trade, which under Gonepo, means merely the opportunity to export dollars.

The foregoing recitation of the agencies and incidents of Gonepo largess to non-citizens is by no means complete. The mother Gonepo has whelped some 30 odd corporate pups, each of which is really a sub-treasury of the main treasury and to follow their financial dealings would require not only a Philadelphia lawyer, but an expert accountant and a mechanical lie detector.

For instance, to save the poor British Empire from selling its American securities at a sacrifice, the kind R.F.C. estimates these securities to be worth a figure favorable to the British, as a basis for a loan of 450 million dollars, meaning of course that Uncle Sam takes the loss on the liquidation.

The treasury stabilization fund, that dark and sinister mystery, (to cite but one example) gives Argentina a loan of $50,000,000. to stabilize Argentine exchange (which means to raise the price of her monetary unit) and so it goes on and on.

As I write, there are "on the fire" loans totalling $150,000,000. or more for Brazil, Columbia, Ecuador and Mexico. These South American loans are forced by the Roosevelt policy of supporting the British blockade, which has ruined the trade of the South American republics.

If a foreign enemy had put an agent in the White House to sabotage American economy and prestige, he could not have done a better job than the President is doing.

It would take a Barnum to properly describe the beast Gonepo. It is a monster cow that feeds in America and has its hind quarters on a turn-table, so that it may be milked all over the world, even while it has its tail twisted. The land of its birth and fodder is the worst example of stupidity the world has ever seen. It is blind but strong and its hair may grow long as did Samson's.

Describe Gonepo as you will and ascribe the attitude of our fellow Americans to stupidity or something less disparaging and attribute to President Roosevelt motives higher than personal ambition, yet realism requires that we face facts. The political game today is for the formation of a world dictatorship — a benevolent dictatorship whereunder the United States will become the good angel or the avenging angel for the world as the President may decide. The industrial interests will support this paternalistic program, since every dollar scattered to the four corners of the earth by Washington must come back to some manufacturer or farmer here and these special interests benefiting by this round-about subsidy will be the pressure groups back of the share-America's-wealth plan. Power politics will become pelf politics and Uncle Sam will become Uncle Santa Claus with Americans making the things to fill the world's stockings. The whole economy will be bled; all production will be shared with the world and each succeeding issue of dollars will purchase less until the end. Inflation money is dated money, but unlike coffee, the later, the weaker.

The Battle for the Dollar

To visualize a stoppage of government spending and the export of unpaid-for materials at the end of the war is to misjudge the impelling forces in the national and international political situation. The war is but a phase of the battle for the dollar, which will be intensified after military operations cease.

When the world outside of America is prostrate and no nation desires any war materials, the propaganda will be released to continue the armament building program to make America the undisputed military power of the world—a power to be used, not for aggression but for world protection. Then will emerge the grand fusion plan, primarily among the english-speaking peoples, but inviting the adherence of all nations. The bases now being acquired will be the international police stations. It is easy to guess who will be the chief of police.

America will underwrite the whole project of world order and other nations will get in on the cuff. They may lose their sleeve (which is all they have left) but Uncle Sam will lose his shirt. Either this super-state will set up a treasury financed by the United States or the United States will make "loans" or gifts directly for the rehabilitation of all distressed nations. The gold hoard will probably be scattered about the world and then bought back. Every conceivable scheme for getting wealth out of America and into other nations will be contrived and always presented to the people with that peculiar admixture of altruistic and selfish appeal that we see employed in the Aid England propaganda. Here is a sample from the pen of Douglas Miller, author of "You Can't Do Business With Hitler", Anglophile and Gonepunist; who assures us that we are not goats but busy bees:

> "The bees work busily all summer and store their hives full of honey. The farmer takes some of the surplus honey and uses or sells it, but this does not hurt the bees. They still have plenty to live on through the winter, and they are happy next year for they have empty hives to fill again. In the same way America is happy and prosperous when its industry is humming. Everybody has a job, even if some of our exports are consumed by debtors abroad. The main thing is to keep the machinery turning, keep the level of production and consumption high."

Under the goneponese philosophy, all we need worry about is to keep production high; other nations will see to it that consumption is kept high. There you have the solution of the apparently unsolvable economic problem of how to keep production and consumption in balance. No longer will America be troubled with over-production or unemployment. Eureka, Gonepo has shown the way. This program — America makes, the world takes — will be supported by industrialists and agriculturists, because it will keep production humming even if it keeps the dollar sliding down hill.

It is a delusion to think that the aid to everybody will end with the war. The end of the war on Hitler is but the beginning of the final phase of the war on the dollar. There are four fundamental reasons why Gonepo will increase rather than diminish largess after the Hitler war.

(a) Mr. Roosevelt is ambitious to be a world leader and savior. He will buy his way with O.P.M.
(b) It would be dangerous internally to stop the spending and deficits with consequent business collapse and unemployment.
(c) The idea will gain currency in Europe and England that only America profited by the war and at the expense of other peoples' blood. To mollify the critics and prevent universal hatred and suspicion of the United States, relief must be extended to the war stricken world.
(d) Emergency is now normal for America; "normalcy" is abnormal. Therefore, "emergencies" will continue to emerge.

For these reasons, the author is unable to see any point at which inflation can be reversed or even arrested in America before it runs its course and without this no other nation can stabilize and all national monetary units will continue to inflate to the point of complete extinction, the dollar remaining the last survivor and ultimate casualty. At some point the dollar must be succeeded by another unit but before that time all existing debts will have been practically wiped out. There may even be a "money holiday" during which in desperation business will sink to a barter basis, pending the establishment of a new money system.

DOLLAR DOOM

THE doom of the dollar and all other political money units through international inflation does not mean the doom of capitalism. Money and capitalism are separate entities, though money is necessary to capitalism in a specialized economy. Capitalism means only the production, ownership and exchange of property. Capitalism has always existed, even before money, and before governments, is indestructible and every person is and must be a capitalist, for the simple reason that life is impossible without personal and private acquisition and the incentives thereto. The destruction of the money system does not imply the destruction of any values, for all values will remain, though dispersed. In the process of inflation millionaires will become billionaires and the $100 a day man will still ride on the subway and eat at the automat, but not by means of coin slots because coins will have passed out. After the washout a new and better money system will rise to serve eternal capitalism.

THE DIE IS CAST

A monetary unit is committed to a course of inflation when the government's spending program expands the sum of monetary units faster than production of consumer commodities can respond to the increased demand and it is doomed when it is politically inexpedient to alter this course. If the writer's interpretation of factors is correct, the dollar will decline to a virtually complete fade-out and will be succeeded by another monetary unit. This means that all debts and contracts written in terms of the dollar will be washed out.

This, it is believed, will require a period of years; how many it is difficult to estimate because there are too many imponderables. It is not asserted that the inflationary course is irrevocable but it is believed that political courage will be lacking to reverse the trend and furthermore, the effect of liquidating all debts and extricating the government from several dilemmas will not be unwelcome to the administration. It is the rich ("malefactors of great wealth", "economic royalists", "Tories", "money changers" etc.) who will suffer the most and their protests will not avail. The parable of the talents will be reversed, for from him that hath talents (dollars) shall be taken and to him that hath not shall be given.

Political expediency is the determining factor and this will be found on the side of the easiest way. There will be pretentious world political plans which would be upset by throwing the switch into reverse. Inflation, when it is political as this is, can be arrested only by balancing the budget. After ten years of unbalanced budgets, it takes guts to return to deflation, especially since inflation is such an easy way to wash out past errors and grease the ways for new project launchings. If inflation is not permitted to proceed, debts will be preserved and the government will have to continue to go through the motions of servicing its "debt". This will soon equal 1½ billions of dollars a year for interest. Even if all other items are balanced by income, this one item will cause mild inflation unless taxes are increased to cover this also. Who wants to be taxed for the benefit of "bloated bondholders"? Taxes cause discontent. It is much simpler to bleed the rich out of their cash reserves and debt claims through inflation. Debtors will cheer the process and those who live on current income will manage to have their income limp along pretty close to outgo. Everybody will be working or be otherwise provided for and in spite of any discontent that may exist, who will dare to advocate deflation with its inevitable unemployment and possible rebellion?

As pointed out, the greater part of the world will soon be on relief to the United States and it should be remembered that any and every project to give away money, even to foreigners, (a word that will soon be un-American) invariably has strong business interests back of it because this money flows back to business in purchases. The effect is to give away commodities at the expense of the whole nation by raising prices, but to the benefit of special agricultural or industrial or mercantile interests. The only way foreign nations can possibly make any return for goods received is in kind and business interests will cry against this because it breaks prices. These business interests will combine with the political interest for continuance of inflation and the full dinner pail, even though they know that the bottom must ultimately fall out of the pail.

The Push

The initial push toward inflation is being brought about by a positive and a negative force. The positive force is the large treasury expenditures represented in the net by the deficit. The negative force is the restraint upon production of marketable goods. If marketable goods were being produced wherever labor is employed, the inflationary effect would be only temporary, pending the restoration of the balance between supply and demand. But the nation's productive capacity for marketable goods is now in part preempted for making not wealth but machinery for destroying wealth. Thus demand is being increased, while supply is being reduced with the inevitable result of rising prices. This will cause a gradual but consistent inflation up to a point and then comes the flood.

The Pushover

There will be a point when creeping inflation will burst suddenly into galloping inflation. That point is when creditors, and this includes all bank depositors as well as security holders, realize that there is no increment on money and they lose hope that there is likely to be any in the future. At this writing we have already arrived at the stage where money no longer makes money but rather money loses money. The interest increment does not equal the decrement to the principal. When holders of cash and the holders of securities convertible into cash realize that their alternative is to spend money or have it spend itself through the erosion of inflation, they will go into the market and spend. Then the dam will break and let into the market that category of money that is now held back by the interest income. The flood will be irresistable and prices will skyrocket. There will be a panic of buyers.

As has been pointed out, there is no difference in essence between the currency outstanding and bank balances on the one hand and the government "debt" outstanding because, for practical reasons, the government must make the latter convertible into the other on demand. The government securities promise cash only at maturity and not on demand, but in actual practice they will be the same as call loans because the government (here political expediency enters again) cannot afford to have its securities sell off. It will therefore step into the bond market and buy every offering at or near par. The operation will not only be quite painless to the government but will be welcomed. The payments will be made by treasury checks and these will be deposited by the seller in his bank (or by the bank if it is the seller) and will be carried by the Federal Reserve banks as a debit against the U. S. government convertible at will into currency for which there will be no abnormal demand. The net result will be that the government "debt" will be converted into a bank debit and all interest thereon will cease. The "debt" will thus be wiped out. No one will thereafter be willing to lend any money either to the government or any private borrower and this means the end of the institution of finance.

In the meantime prices will have risen to such heights that government appropriations will not cover their objective and must be increased. Hence government budgets and deficits will grow larger and larger and all government expenses will be met by the simple process of writing treasury checks which every one will accept because there will be nothing better. Until a new monetary unit is created, there can be nothing better than the government's promise to deliver dollar currency on demand. Now let us consider what actual basic money existed on December 31, 1940. Ever since the government has been running deficits, it has been creating money without the realization of that fact by either the wise or the foolish.

BRACKET A. This bracket is what is commonly called money and includes all government currency and Federal Reserve Bank Notes.

BRACKET B. This includes all securities issued and outstanding and guaranteed by the Federal Government. It is, as above explained, convertible on demand into bank balances, which in turn are convertible into currency on demand.

BRACKET C. This includes all bank created money through loans to all borrowers except the Federal Government. It is determined by deducting from the total of all bank deposits in all classes of banks, the amount covered by their holdings of federal securities, because this latter item is included in Bracket B.

Bank deposits always profess to be convertible into currency but really never are required to, because it is not feasible for business to operate with currency instead of bank balances. In the ensuing crisis banks will be more liquid than ever and will be able to meet every demand for currency. Therefore this third bracket (C) may also be counted as money.

Summary

BRACKET A	All currency in circulation	$ 8,732,000,000
BRACKET B	All Federal Government securities	50,914,000,000
BRACKET C	All bank balances ($60,582,000,000) after deducting those created by banks' holding of Federal securities ($23,960,000,000)	36,622,000,000
Total of all money available, Dec. 31, 1940		$96,268,000,000

The above total means $735. per capita or $2,940 per family. (Compare this with the per capita figures shown on page 18)

Because up 'til now, bank deposits and government "debt" have been leashed by the interest increment, now about to be cut asunder, only currency in circulation could be counted as liquid money, incessantly pressing against supply. The supply of money above stated is only the beginning of the flood. As it rolls along it will be fed by new issues by the government, because even without enlarging its spending program it must emit more dollars because its payroll must be constantly adjusted upwards and every billion dollar appropriation for any purpose whatever will fall short of its objective and must be supplemented with additional appropriations—more and more treasury checks. The government will be the only source of money supply as the bank credit system will be entirely destroyed.

The reader may make his own estimate of how fast and furious the spending will be, but here is a statement by John T. Flynn in his Aug. 14, 1941 N.E.A. syndicated column:

> "The year just closed has had a deficit of $5,000,000,000. And the year we are in will have a deficit of at least $12,000,000,000. Lord knows where it will go after that. Senator Pepper assures us—and he is close to the throne—that we will spend $100,000,000,000 a year."

The destruction created by the wars in Europe and Asia and the political schemes back of the "four freedoms", with a constant series of emerging emergencies, will give the administration no choice between guns and butter. Both will have to be produced in enormous quantities and the battle for the dollar will go on long after the warring nations are sick of the smell of powder. The United States will be not only the "arsenal of democracy" but also the cupboard and treasury of the world. Dollars will circulate freely all over the world and every American will be back of them because there will be for them no escape and their only defense will be to give less and less for each returning dollar. Thus foreigners and Americans will be forced into a conspiracy to depreciate the dollar.

Whether the foreign gratuities be in the form of money or materials, the result will be the same. Inflation is promoted by either increasing the supply of money over the supply of marketable goods or by reducing the supply of goods that enter the market. Thus the subterfuge employed by the President in the Lend-Lease Bill to evade the Johnson law by "lending" materials instead of money is precisely the same as if the billions had been voted in dollar credits to be converted into goods.

As the dollar declines in purchasing power the effect will be to strengthen foreign monies by reason of the subsidy they will enjoy at the expense of America. The monies of the leading nations are, however, already inflated and artificially supported and the internal forces of disintegration will soon strike and exceed the tempo of the dollar in its decline. All other national monies will have gone into discard in international trade before the dollar passes out and the whole world will undertake to ride the dollar as it rolls down hill to destruction and the beginning of the new order. Thus, where can it all end, except in complete wash-out and a fresh start with a new unit?

The False Start

The New Deal began toying with the international idea at the very start. The following is an excerpt from the joint statement of the President and Sir Ramsay MacDonald, Prime Minister of England after the latter's visit, April 26, 1933.

> "Enterprise must be stimulated by creating conditions favorable to business recovery and governments can contribute by the development of appropriate programs of capital expenditure. The ultimate re-establishment of equilibrium in the international exchanges should also be contemplated.
>
> "We must, when circumstances permit, re-establish an international monetary standard which will operate successfully without depressing prices and avoid the repetition of the mistakes which have produced such disastrous results in the past.
>
> "These questions are interrelated and cannot be settled by any individual country by itself. The achievement of sound and lasting world recovery depends on coordinating them by concurrent and simultaneous action in the international field."

The first paragraph expresses two fallacies, (a) the pump-priming theory that governments can by a spending program remedy economic ills of which they are really the creators, (b) that there can be equilibrium beween the promissory instruments or currencies of nations any more than betweeen private promissory issues.

The second paragraph expresses the fallacy that there ever has been or can be a "monetary standard" except in the sense of the highest rated unit, which, prior to this century, was the pound and now is the dollar. It has nothing to do with international covenants, but is established by wealth and integrity just as any private corporation establishes its creditability and premiership. Corporations' paper rate from zero to AAA but no one talks of "stabilizing" or standardizing or equalizing them and the inferior ones strive to merit better rating and not to pull the upper down, nor do the upper enter into convention with the lower to average their ratings. Did any one ever hear of the directors of a blue ribbon private corporation considering the problem of competition between its high rated paper and the "depreciated" paper of other private corporations? Why then does the best political corporation worry about "competition with depreciated currencies?" Answer: Because it has dumb directors.

Note also in the second paragraph the effort to use money for price control purposes. The aim to keep prices up or rising shows the mercantile influence in political economy. This shows both a perverted ideal and ignorance of the nature and function of money. Money management or money control is perversion as is every form of managed economy. It is not the natural function of money to influence prices in any manner whatsoever, nor does the price level have any significance unless it is favorable to some sellers and adverse to others. Here are two international economic and monetary quacks talking about remedies, with neither intelligent diagnosis nor consciousness of their own perverseness. It is a sample of the erudition that the world will have thrust upon it when, after the war, politics enters the supernational plane.

The third quoted paragraph makes the false statement that the monetary and economic troubles of the several nations are interrelated. There is no interrelation except insofar as one nation extends credit to another which is defaulted. "The achievement of sound and lasting world recovery" is sheer nonsense as there is no world economic unit. There is no economic unit beyond the nation and even the nation is but an orbit within which economic units move and have interrelation because of their common subjection to political control. The world economy talk serves as a convenient alibi for the political failures of each nation and a justification for those politicians who find the national stage too cramped for their grandiloquent style.

The particular purpose in quoting and commenting upon the above joint statement of Roosevelt and MacDonald is to recall the outcome of the preliminary conferences with MacDonald, Prime Minister of England, M. Herriot, Premier of France and Prime Minister Bennett of Canada, which were designed as the curtain raiser for the World Monetary and Economic Conference to be held in London the following June, 1934. Do you recall what the President did? He decided in his usual Thespian manner to steal the show by scuttling the Conference and taking dramatic independent action to raise prices. This was the gold price-upping scheme finally culminating in the present price of $35. per ounce. He thought he could raise prices all over the world by the stroke of his omnipotent pen. What was the result? Merely the payment of billions and more billions of dollars for the relief of other nations and this together with other political extravagances will finally raise prices as intended but higher than intended, through the roof and into the blue.

The point intended to impress, is that our President has a penchant for grand gestures and "gross-politic" and an aversion to profound thought. Hence we must suffer the pre-war and defense extravagances and when the post-war reconstruction and world fusion and stabilization programs are to be evolved, not only will the above mentioned fallacies be employed but they will be projected on a grand scale, with statesmanship yielding to showmanship. The net result will be dollars and more dollars rolling out of Washington like erupted lava to cover the world and to consume the entire political monetary system. Then the vicious ideal of leveling all monies will have been achieved; there will be stability and parity in ruin, "without depressing prices".

The President says we have nothing to fear but the fears he conjures and while he keeps our gaze fixed in the skies upon his phantasmagoria, the very earth is slipping from under us, for a stable money unit is the foundation of our entire lives. Whether ingenious or ingenuous, he has contrived an all out attack upon the dollar. Thus the dollar is doomed.

DEBT DEMISE

THE highest concept that man has thus far developed as the basis of a money system is debt. Every system of money has been based upon the promises of some men to pay other men and the necessity for such recourse has injected a bitter contest into business between creditor and debtor that has engaged the interest of reformers throughout the entire history of money. Inflation reduces the debt burden and full inflation wipes it out. The debt structure is crumbling but it will rise again unless man discovers another basis for a money system.

DOOM OF FINANCE

Finance is an institution that rests upon the foundation of money increment. "Money makes money", is the law of its being. When money no longer makes money, finance is liquidated. Its functional necessity is a limited and controllable money system, that can impose upon those lacking exchange media the tribute of interest. It has existed through an alliance between the political interest and the financial interest, whereunder the state establishes the monetary unit and issues a currency, and the banking system is licensed to issue and receive promises of delivery of currency. These promises, represented on one side by bank balances and on the other by promissory instruments, constitute the major money supply of exchange.

For the institution of finance to function profitably it is essential that the lending be within periods wherein it is reasonably safe to anticipate price stability or price decline. An increase in the price level reduces the value of the principal of the loan and if this impairment exceeds the interest increment the result is net loss instead of profit. Expanding loans tend to raise prices and when such affects become excessive a halt must be called by finance in self defense and this automatically reduces prices in the effort to liquidate loans. This expansion and contraction of loans is what is known as the cycle.

The ideal operation in the reflex of the cycle is when the creditors' call for cash is exerted only by financial institutions. When the contagion, however, extends to the creditors of banks (the depositors) the operation becomes epidemic and is called a panic. The cooperation of the state in the system is to avoid expansion of supply in upward swings of the cycle so that control does not become more difficult for financial institutions, and in the down swing to lend relief until the crisis is past.

The Roosevelt administration was the first to fail to understand or respect or normally react to this political duty which is implicit in the conspiracy between the state and finance for the preservation of the institution of finance and reciprocally the preservation of state's power over the national economy. When the state fails to play the game of finance it impairs its own power because it is the only way a political money system can be maintained, and without a money system the state loses its main power over the affairs of its constituents.

Roosevelt probably innocently but nevertheless actually offered competition instead of cooperation to finance. At what was probably the nadir of the crisis, when there was neither inclination to lend nor to borrow and just as the tide was about to turn in its normal cyclical way, the government began borrowing, not only for its own expenditures, but also stepped in between the banks and their potential borrowers and set up lending and capital investing agencies. Thus the money-distributing function of the banks was reduced and to a like extent they were converted into subsidiary suppliers to the government, which assumed control of the price of money. This price has gone consistently down at the dictation of the government while it has exerted its powers to raise the price of everything else. Thus the banks and insurance companies have been squeezed between reduced income and increased overhead. The banking business has therefore had no relief even during the good years of the New Deal; it has declined consistently. Having had no relief indirectly through the normal channels of reviving business, it has been obliged to go on direct relief and accept the interest dole offered by the government.

There has been up 'till now a process of conversion of private debt into "public debt", during which period the income of financial institutions has continuously shrunk and the floating of bond and stock issues has grown more difficult. The death sentence has now been pronounced by the government against the whole institution of finance. The injury heretofore was confined to net income; it now extends to impairment of the principal of loans and invested capital and cash reserves. The banks, insurance companies and other financial institutions have grumblingly purchased low income government securities as their only choice in a government controlled money market. Soon they will refuse to loan money to government or private industry at any price because they will see the decrement of principal outweigh the increment of interest. Inflation compels this. A lender today lives in a fool's paradise, for the sum total of his interest and liquidated loan will equal less in purchasing power than what he lent.

We have had an outline of how the federal government's "debt" will be liquidated into bank balances and currency, and later will evaporate into nothing. Private debt will not dissolve so easily. There is no power ready to "make a market" for private debt claims and they will be obliged to liquidate on a constantly declining and perhaps hectic market.

Since the Roosevelt regime the expansion of the federal "debt" has tended to reduce private long term debt because funds loaned by the government have been utilized in part to liquidate private debt. Up to now we have had a process of socialization of private debt and now we enter the phase of its neutralization.

In 1930 the federal "debt" was $15 billions and private debt was $143 billions. The latest available figures (end of 1940) show the federal "debt" expanded to $51 billions and private debt shrunken to approximately $111 billions. This diminishment of private debt through absorption by the government has tended to reduce the inflationary effect of the deficits. The process has been virtually a translation of private debt, or the socialization of debt, since the expansion of the government "debt" has involved an increase of $36 billions which was nearly offset by a reduction of $31 billions in private debt.

In 1930 federal "debt" was $15 billions; state and local, $14 billions; private, $143 billions; total $172 billions. Of this total, federal was only 9%. In 1940, the federal was $51 billions; state and local, $16 billions; private, $112 billions; total, $179 billions. Thus the federal had expanded from 9% of the total to nearly 30%. This will no longer continue, because debtors will be unable to refund by borrowing from the government and paying their private creditors, because the government will not in turn be able to borrow. To be sure, the government can "loan" from its inexhaustible treasury checks but such "loans" would in effect be gifts, since inflation would wipe them out. Public opinion would not countenance such practice of favoritism to privileged interests, except perhaps for crop loans, since the farmers are practically wards of the government.

Note also from the above figures that in spite of the cry against increase of the "public debt", the sum of both the federal and private debt did not begin to increase until 1940 which was the turning point from debt deflation to debt inflation.

BREAKDOWN OF PRIVATE DEBT

Long Term		
Corporate	$41,000,000,000	
Farm mortgage	7,000,000,000	
Urban real-estate mortgage	26,000,000,000	74,000,000,000
Short Term		
Corporate	22,000,000,000	
Commercial and for securities	7,000,000,000	
Consumer	8,000,000,000	37,000,000,000
		$111,000,000,000

It will be observed that only $63 billions of the total of $111 billions is corporate and that $48 billions is scattered among individuals. This assures wide-spread popularity for the debt dissolution process as the debtor interest overwhelmingly outnumbers the creditor interest. It does not, however, offer a pleasant prospect for those debtors whose debts will mature in the near future because they will be unable to secure renewal unless a device such as the Index Dollar, hereinafter proposed, (page 71) is available. Debt claims will be depreciated in value, in ratio to the length of their unexpired term, and securities based thereon will reflect this ratio. Refunding will not be feasible except on an Index Dollar basis.

The relationship of debtor and creditor will be reversed from its normal in that the creditor will sacrifice to the debtor for the time element. The debt incurred in high value dollars will be paid in lower value dollars as time passes and if the maturity is long enough the debt will liquidate itself. Of course dollar for dollar will be returned to the creditor by the debtor, but in terms of commodities he will be short-changed. A sum loaned, which at the time of the loan would buy a thousand pairs of shoes, may return 500 or 50 or 5 pairs of the same grade of shoes. Every one will try to sell the dollar short, i.e., try to buy on long term credit, but few will be disposed to extend credit. That is why the recently projected "regulations" by the Federal Reserve Board against installment credit are so senseless and show how the administration lacks mastery of the problems facing it. There will be no new supply of debt, while existing debt will melt as it matures and some will melt long before it matures, because inflation will have run its course prior to due date.

That portion of so-called public debt which is represented by states, municipalities and lesser political units must be classed with private debt because none of these political units has the money issuing power. In this respect they are the same as private corporations. Therefore their debts are debts in the true sense of the word. They must operate within the existing volume of money and cannot expand it like the federal government. The sum of these debts is approximately $16 billions as of the end of 1940. Political strategy will suggest to these thousands of governments that are in debt, a deferment of payment by all possible means, for thus they will be automatically relieved. Since the federal government will not support the market for municipals, these securities will probably decline heavily.

The railroads now burdened with debt will be doubly relieved by increased income (assuming the Interstate Commerce Commission will grant adequate rate rises) and automatic diminishment of their bonded indebtedness. This will give them a new start and effect their rehabilitation. What they save on debt easement, they may apply to retirement of their stock liabilities and thus the water originally injected into their capitalization will be pumped out.

Mortgagors, industrial and domestic, will come into possession of properties with great ease and thus the middle class of society will be expanded at the expense of the upper class. The lower stratum will also diminish and merge with the middle. People who have bought their automobiles, refrigerators and furniture on long term credit will find their debts gradually lightened, assuming that their incomes will be adjusted upwards, which they must be after perhaps some but not too extended lag. Inflation teaches us that what is sauce for the goose is not sauce for the gander. The creditor is an obligander and will be starved, while the debtor will fatten.

The effort of the creditors and cash hoarders to get into position of property possessors or even debtors will of course accelerate the diminished demand for dollar holdings and expanding demand for property, with resulting depreciation of the former and appreciation of the latter. There is no such process as money taking flight into property because the money immediately emerges in the hands of the seller, who then pursues another seller. This is the mad whirl of inflation, that each exchange shaves something off the value of the dollar, which never comes to rest but grows lighter and lighter until it evanesces. No one desires money, yet every one pursues it because it offers the only practical method in a high standard society to secure the desired commodity, barter being unfeasible.

New credit will become shorter and shorter and ultimately vanish in terms of the dollar as no one will be willing to be a creditor unless the contract be written in terms of the Index Dollar as later outlined.

To visualize the solids and the solvents in the anticipated liquidation, let us now set the total money supply opposite the total debt to be liquidated. The latter includes all private debt and all state and local, but of course not federal, which, as previously explained, is included in the money supply.

Total money supply at end of 1940 ....$ 96 billions

Total debt to be liquidated over the coming years .... 111 billions

The debt will not expand because no one will henceforth wish to be a creditor. On the other hand the money supply will rapidly expand as the government continues with larger and larger deficits forced by new projects and the necessity of increasing past appropriations due to the increase in prices already realized. All budgetary estimates have been made on the basis of the then existing price level without allowance for the fact of diminishing purchasing power of the dollar after the spending and inflation have gotten under headway. There will be ample cash to liquidate all debts but just how long it will require cannot be accurately forecast. Probably however, inflation will have run its full course before 25% of the total debt has matured. The rest may be disregarded. It is not denied that the process can be arrested but it is believed that complete liquidation will be on the side of political expediency and that therefore there will be no political intervention to stop it.

In the Roosevelt regime investment banking has subsisted on refunding operations, since there has been very little new financing, as the shrinking debt totals show. Now even this will be taken away. Refunding was induced by the government-depressed interest rate which debtors were glad to take advantage of, and which investors were obliged to accept. With, however, a loss from investment plainly indicated there will be no customer-creditors and hence there will be no business for financiers. Even the Index Dollar hereinafter proposed to preserve commercial credit will probably be of no use to finance as there will be a plethora of money everywhere.

PRICE CONTROL

ONE hundred and thirty one million Americans making about fifteen million dollars worth of purchases each day, involving millions of different commodities from and through more than three million business concerns, are to have their multitudinous transactions price checked and controlled by a bureau in Washington. This is Bureaucracy's greatest vanity. Economic laws and the natural impulses of human beings are to be profaned. The law of cause and effect is to be suspended. Action is to have no reaction. Cake is to be distributed but must not be eaten. Dollars will be made round but must not roll. Wages will rise in rate and volume but the prices of the products of labor will stand still. There will be a moratorium on the law of supply and demand. The administration will not balance its budget but will fussbudget its red ink balance. Thus saith the omniscient, omnipotent and omnipresent price administrator.

REALLY?

The papers tell us that there is to be price control but maybe the President is merely spoofing. Consider these facts:

The New Deal at the outset committed itself to higher prices in these words of the President:

"Prices must be raised; if we cannot raise them one way, we will raise them another, but raise them we will."

The means of raising them, first resorted to, was the monetary voodooism of "devaluing the dollar". The President asked and received from Congress the power to devalue one half, which meant the power to raise prices 100%. Up to the end of 1940, prices had risen 13% and if 100% is the President's idea of what is good for America, the movement can gain quite a bit of momentum before the brakes are to be thrown on.

Defense contracts, we understand, all contain a clause providing for price increase in the event of increased labor costs.

Parity prices for farmers recently received quite a boost.

All the devices for raising prices, such as the farm crop limitation, bonus and parity prices, the gold and silver purchase program, the labor laws, the various loan programs, W.P.A. and Relief are in full force and effect and doing their bit to help the inflationary movement. The non-defense expenditures have not been reduced, but increased.

After the defense program got underway, with its tremendous inflationary appropriations, the President appointed a lone woman to protect us millions of consumers against price rises.

Following this salute to the ladies came another empty gesture in the appointment of Leon Henderson as Price Administrator in the Office of Price Administer and Civilian Supply--OPACS. OPACS what? Certainly not a wallop, for it was given no power what-so-ever.

Now, after eight years of consistent price boosting efforts and only after urging, the President asks legislative action to keep prices down without including farm crop prices which make up 30% of the average family cost of living and excluding wages which represent much more than 60% of the components of all costs.

Do these facts bring conviction that the President is sincere, or is the professed opposition to price rises just another political pose? However, admitting arguendo, that the President thinks he can and means to restrain price rises, then we have another demonstration of his economic innocence comparable with his belief that he could stimulate price rises by raising the price of gold.

If our school primers were not wrong, buyers compete with buyers and sellers compete with sellers and when buyers have funds expanded beyond sellers increase in supply of goods, prices rise, and its a sellers' market; when supply of purchasable things expand faster than the money supply, prices decline, and it's a buyer's market. This is the law of supply and demand. No government ordained it; none can repeal it. It is implicit in the act of trading, without which business cannot function and no social order can be maintained. Money was created to permit this law the fullest and freest operation. Inflation is an attack upon the stability of money and with money destabilized it is futile to try to maintain stability of commodities. Action cannot be separated from reaction.

The administration is forcing the supply of money up and the supply of marketable goods down (either of which would alone produce price rises) and yet is really trying or only pretending to prevent a sellers' market. If it is not to be a sellers' market, is it to be a buyers' market or is it to be a hermaphrodite? Is bargaining to cease? Are judgement and self interest to take a holiday? Is the seller, in the name of national defense, to take no action in his own defense? What are the "Four Freedoms" worth, if the basic freedom, the freedom to trade is to be impaired?

Let us not forget that every worker is a seller—seller of the basic commodity, labor. If these millions of sellers are not to be (and they cannot be) restrained in their bargaining why should and how can others be restrained?

If, as is already the case, prices rise at a rate several times that of interest income on frozen money, is the holder of such invested funds to immolate himself by not releasing his funds into the market? Are foreigners, who are receiving the billions of dollars that the administration is scattering around the world, to believe that it is naughty to send them back into our market places and if they do return them, shall we Americans sacrifice ourselves on the altar of Democracy or something by permitting a gift dollar to bring as much or more than an earned dollar? The answer to all these questions is the same as to the question—"are we down-hearted?".

If these supernatural self-restraints are not to be expected to keep a flood of funds from entering the market, what imposed restraints can do so?

If the power of the law is to be invoked, where will be the demarkation between federal powers and state powers and if state powers are to be respected in accordance with the constitution, how can their laws be made uniform or how can they even be invoked if state legislatures are indisposed? Can our judical machinery digest all the litigation that appeals on price regulations will bring, or is there to be no appeal?

It is easy to pass a law but are there price policemen enough to look over the shoulders of millions who trade every day?

If prices are to be fixed, at what point are they to be fixed? Are there not many grades of natural products and infinite grades of manufactured products and cannot quality be reduced to escape the clamp? Are there to be quality policemen as well as price policemen? Is every commodity to be labeled with the government's certification of quality? Are there not many different price levels for the same commodities in different cities and in different parts of the same cities and rural areas? Is there really such a thing as a single price level on any given day in the millions of market places of the nation? Are disturbing elements such as storms, droughts, transportation and other exigencies to be allowed for or ignored? Must there not be a plus on dealers' costs for service and does not this factor vary widely? If reduction in the volume of goods available to a merchant cannot be compensated for by an increase in price, how can he keep from losing money, even if his overhead expense could be frozen?

If prices could be held rigid, how could the good commodity be rewarded with an increased price and the inferior forced down to its merited level? How is the good merchant to be rewarded and the poor one punished? How are new products to find their place in the market? Is progress to be stayed for the duration?

It is when politicos lay their profane hands upon the natural economic order, that they expose their vanity and shallow-mindedness. Exchange is at once the most spontaneous and yet most delicately adjusted relationship of humans. It is continuously absorbing not only the natural shocks of supply and demand but also the artificial interferences of the state. Now it is proposed to destroy its shock absorbing powers, without which it would crack and crumble. Market democracy is the only true democracy. With the dollar ballot we vote several times each day and by this facile process we reward the faithful and punish the unworthy. Is economic democracy to be destroyed to make the world safe for political democracy? Is the real to be sacrificed for the fanciful?

If for the sake of the argument we admit the impossible proposition of price control, what is to become of the ostracised dollars that, flowing into the market, cannot be absorbed by higher prices? We are told that the surplus must go into savings. But millions of persons who have been barely subsisting would only continue their miserable standards if now they should deny themselves necessities. These millions simply must spend and the leverage of their spending makes it impossible for others who have surpluses to save their funds, since the rise in prices turns "savings" into losses. The day of saving is past. *Money cannot be saved; it must be spent by its owner or it will spend itself.*

The ultimate resort, we are told, will be enforced saving by some law of attachment of bank accounts or deduction from payroll like dictator countries employ when they can no longer get credit from their people. But this device cannot be employed by legislation; it must be done by the edict of a dictator, freezing funds from the moment of the pronouncement. The moment Congress begins to talk about such a measure, money will begin to move out of the banks and by the time the law is passed, it will be useless to lock the stable door. Nothing could give inflation a greater push than such a move. Inconvenient as currency is, it would nevertheless be demanded and would put an unbearable strain upon the banks. Second only to this silly proposal is the one to discourage or prohibit consumer installment credit — another way to tap savings accounts to flood the market.

The stand-still schemes of the would-be price controllers involve two fancied methods of control. The first is the horizontal, involving the illusion of a price horizon. What is known as the price level is merely a comparative table of prices of a limited number and grades of items gathered from very limited seller sources. The whole cannot be assembled and even the non-included grades of included commodities do not have their variants reflected. In fact, price rises have a way of disguising themselves by reason of the natural resort of consumers to lower grades when the pinch comes. Cost of living indexes therefore never really tell the true story and rises are always understated. After a time the low grades avenue of escape is closed to the consumer and the whole field moves up suddenly and surprisingly, but no one can fix a ceiling on the basis of a price level for a given day, for such level is not determinable and hence its violation is not provable.

The second technique of price control is to pick out certain basic commodities (but not labor, which is the most basic) and control them vertically. This theory assumes that there are or can be cofferdams in the price structure, whereas every comodity is interrelated with every other and therefore the freedom of some requires the freedom of all unless confiscation or ruination is to be imposed on certain victims. Thus both theories of price control are fallacious and are even absurd with labor, the comodity that is basic to all others, excluded.

The whole purpose of using the deficit and inflation method of taxation instead of the formal and obvious method is to avoid rousing the sleeping dog; so why prick him with price control annoyances? I believe the administration is wise enough to confine itself to make-believe gestures, name-calling and witch-hunts to deflect criticism from itself, the real and only cause of inflation.

Any time the administration wishes to remove the effects of inflation it simply can remove the cause by balancing the budget through lower expenditures or more formal taxes—or both. Inflation is merely camouflaged taxation, the cowardly form employed by politicians when they have grandiose projects, the actual costs of which they dare not reveal to the taxpayer.

Why should a whole nation of people be tortured by abstentions and inhibitions in their daily multitudinous tradings, just because government is dishonest and cowardly? Would it dare tell the people that the $50 billions recently appropriated for its war program would require more than $1,500. from each family in the nation?

It prefers to resort to inflation which is taxation laid upon the frugal elements of the citizenry. Those who have accumulated money or securities or insurance investments will have their milk thinned, while those whose income and outgo are both current will suffer not at all and some will even gain. "The power to tax is the power to destroy", and inflation is the worst form of taxation, not only because it soaks the pecunious to the advantage of the impecunious, but because it ultimately destroys the money system upon which both depend for their economic intercourse, which in civilized society is the means of life itself. Inflation with ultimate destruction of the money system cannot be averted by any resolution self-imposed or law-imposed, because the law of supply and demand is as immutable as the law of gravity. In fact, it is the law of gravity in economics.

A price control bill is not a law; it is a would-be repealer of a law—the economic law of supply and demand. This law the White House is invoking and teasing Congress to veto it — if it can.

The press reports a speech by Price Administrator Leon Henderson in which he says:

> "Customers ready, eager and able to buy will be crowding the market places and stores, but manufacturers will be unable to get enough raw material to satisfy demands . . . We will deceive ourselves if we believe that the cost of living will level off shortly and everything will be all right . . . Before long now there will be more purchasing power running around hunting something to buy than there are goods available. If that occurs to substantial degree, no power on earth can prevent inflation."

If there be "no power on earth", why seek the power in Congress? Is Congress heaven? What a helluvanidea!

That the President's message to Congress (July 30, 1941) urging price control legislation is the foundation for a campaign of villification, may be seen from the following excerpts therefrom (italics supplied).

> "Increase in the workers' cost of living, on the one hand, and *excessive profiits for the manufacturer* on the other, lead to spiraling demands for higher wages."

Note that the seller of labor is justified but the seller of labor and materials is blameworthy.

> "*Great profits are reaped by some*, while others, with fixed and low incomes, find their living standards drastically shrunken."

Note the bleeding heart for the multitude and the finger pointed at "some".

> "Nothing will sap the morale of this nation more quickly or ruinously than penalizing its sweat and skill and thrift by the *individually undeserved and uncontrollable poverty of inflation.*"

Note the alibi, "uncontrollable poverty of inflation" by blaming the "individually undeserved".

> "Our objective, therefore, must be to see that inflation, *arising from the abuse of power to increase prices* because supply is limited and the demand inflexible, does not occur during the present emergency."

"The abuse of power to increase prices", of course does not refer to the White House—which is the sole source of inflation. The cry, "stop thief, stop thief", directs the crowd in another direction. Also, the indictment of sellers blinks the fact that it is the buyers that make prices; sellers only make quotations.

Price control legislation is merely stage control legislation for another exhibition of Sir Galahad and the Dragon, at the highest prices yet charged for this classical performance.

Rationing

The hopelessness of price control is beginning to develop advocates of rationing.

> Washington, Aug. 27 UP. Senator Downey (D. Cal.) suggested that rationing of all consumer commodities probably was the only alternative to inflation. "The purchasing power will not meet with adequate supply of consumers' goods", he said, "and the results will probably be the beginning of an upward price spiral. Taxes cannot meet the situation and I can see no other answer but rationing cards for all consumer purchases."

We must disagree with the Senator's statement, "Taxes cannot meet the situation". Taxes can and will meet the situation but it will be largely inflation taxation because the administration does not dare present the bill by formal taxation. It prefers to slip its hand deftly into the public's purse and keep it fooled as to where and how the money escaped. The lost purchasing power will not show up in government receipts and just where it went will be a subject of bewilderment to the people, thus affording the opportunity to accuse profiteers and other malefactors.

It is difficult to deal seriously with the casual and irresponsible statements of amateur fixers. Senator Downey, and the others who talk rationing, probably don't know what it means.

Inflation is camouflaged taxation, the resort of weak and cowardly governments that choose to break the bad news gently and confusingly. It is an attack on the money system and its only remedy is to abstain from it. However, no astute politician would propose a shocking innovation to ease shocks. Inflation destroys the money system by gradual process. Rationing destroys it by one stroke—if it takes, and destroys the administration if it doesn't take. Only actual war, conditions a people to such drastic measures. To project the rationing card or stamp as the medium of exchange is to neutralize money, when disassociated from the rationing device. The rationing token becomes the master money, with currency merely collateral, and then only to the prescribed limit. Beyond this limit it is neutralized — worthless. With the currency thus atrophied, legitimate incentives are destroyed and bootlegging is propagated, resulting in demoralization and chaos, the very conditions the administration must avoid to accomplish its purposes. Senator Downey would substitute rationing hornets for price-control fleas.

This whole business of price and trade control is quite smelly. It reeks with insincerety and until the actual bill is forthcoming the ulterior motives will not be clear. It should be looked upon with the gravest suspicion. It is called an effort by the government to stop inflation while the government and the government alone is forcing inflation upon the people. It were more honest to call it an effort to obscure the effects of inflation but it is doubtful whether even that is the motive. Sometimes laws are put on the statute books to threaten or be enforced against certain selected victims, not because of their violation of such laws (and no one can avoid violating a price control law), but because they serve as excuses for punishing without disclosing the real motive. It may also be that the administration is planning more dictatorial power over business and to suspend the due processes of relief through the courts. Certainly any power to limit a peoples' freedom of trade touches the most vital nerve of the social system. The right to vote is incomparably less important than the right to trade. Read all Washington news on this subject carefully between the lines.

THE PROBLEMS

BECAUSE money can no longer have an increment but must suffer a decrement and the creditor must now pay tribute to the debtor, we must accustom ourselves to look at things as through the lens of a camera where objects are inverted. Time and tide wait for no man, much to the discomfort of debtors under normal conditions. Under inflation, time runs against the creditor and the cash hoarder, while the debtor enjoys its passing.

ACCOUNTING

Though we do not think of it in such terms, all money is dated money. It either grows stronger like cheese or weaker like coffee. The political money system, with its provision for limited money supply through bank credit, operates normally on a money appreciation basis with occasional reactions to a depreciation basis. When the state commits itself to inflation, it alters this normal operation and forces constant depreciation of money. This upsets normal accounting and accountants should comprehend this time element in money under both normal and abnormal conditions.

Normally money appreciates and property depreciates. Property depreciates from wear and tear and obsolescense. Accounting under normal conditions must therefore deduct from cost or replacement value an estimated percentage, chargeable to depreciation. Under inflationary conditions, wear, tear and obsolescence affect depreciation just the same, but the depreciation cannot be expressed in terms of the current dollar without computing the inflationary factor.

To arrive at the proper figure, the usual percentage of depreciation must be deducted and then the proper percentage added for inflation. To illustrate: We will assume the property valued at cost at 100 is given a life of 20 years. The annual depreciation therefore would be 5%. It has been in use 4 years and thus is valued at 80 under normal conditions. Now comes inflation accounting. The 5% off (of cost) brings it to 75. We will assume that during the year the price level rose 32%. We add this percentage to 75, making the valuation of the property 99 in terms of dollars current.

With cash on hand, stocks, bonds, notes and accounts receivable and all other paper claims for money, we must take only depreciation, for with such items there is no set off to erosion, or obsolescence if you prefer this term. Their sum, as of the date of the previous annual accounting, must be depreciated (in the hypothetical case) 32% and the result must be expressed in "real dollars" or "1940 dollars" (or 1941, 1942, etc). This illustrates how important it is to be low on cash and money claims and high on property.

Stock inventory should be appreciated by the amount of the rise in the price index since purchase. Thus a turnover of six times a year would age the stock at 60 days and the price rise as shown by the price index during the previous 60 days should be added and expressed in dollars current.

The reason for expressing liquid or paper assets in dollars current and physical assets in "real dollars", or some other base term, is because this gives the real market value in event of immediate sale in current dollars of the paper assets for property or the property assets for paper dollars.

Taxes & Dividends

It is a pain to pay taxes and a pleasure to pay dividends. This is because the one is imposed and the other is assumed. To lessen the pain and heighten the pleasure, corporation directors must use appropriate tactics under inflation.

Most corporations will show increased profits in current dollars, but compared to total sales or expressed in 1940 dollars they will not seem so good. Yet in spite of the illusion, corporations showing larger "profits" in current dollars, will be criticised as "profiteers". As a matter of public policy, they should therefore express their profits in unmistakable terms such as "real dollars" similar to the way "real wages" are stated to extract inflationary or deflationary distortion.

All tax laws are expressed in terms of dollars and therefore must be calculated and remitted in current dollars, and the time element can be employed advantageously. Since dollars will continuously decline, it is obviously advisable for corporations and individuals to pay their taxes as late as possible, taking advantage of all installment opportunities.

Under inflation the time lag works to the advantage of the tax payer (in formal taxes) because the tax is payable in current dollars upon last years business done in higher value dollars. That is why the government under inflation is continuously disappointed with the tax yield and must more and more employ deficits, thus accelerating the inflation.

In an effort to favor stock holders and bond holders, it is unwise to set up reserves for dividends and interest even though the former is payable yearly, half yearly or quarterly and the indenture of bonds stipulate payment dates. Remittance to stockholders and bond holders should be made monthly, as thus their income will be enhanced while nothing but shrinkage can ensue if the corporation holds the funds in reserves. This policy is a way of gaining good will with very little extra expense.

The Banking Problem

Because inflation is bad for creditors, it may be assumed that it is perilous to banks. But banks are more on the debtor side than on the creditor side. Furthermore, the fact that they are now heavy creditors of the federal government makes their shift further to the debtor side quite easy. On the other hand, their recent tendency to become investment trusts will prove an embarrassment. They will suffer especially in the depreciation of their municipals and secondly in their industrial security holdings. Their public utility holdings may prove precarious, but it is believed that political expediency will provide, though tardily, for adequate rate rises to protect these issues against rapid decline. All securities other than federal must be regarded as slow funds and the slower they are, i.e., the longer their unmatured period, the less their value in quick funds, cash, which every one will seek for purposes of spending and acquiring property. The problem of the banker is therefore to liquidate all securities as fast as possible and retire from the lending function as rapidly as loans can be liquidated. The function of the banker in these times is to act as the community debtor, i.e., the holder of deposits. A bank is the one institution the community is obliged to be creditor to because business cannot function without bank clearances and these require balances. Therefore the banker can compel business to accept him as debtor and can survive by depending upon service charges. Of course many banks will retire from business but it is believed that they may and will do so without failing because their federal government securities will give them ample cash to meet all demands and in any event the government is now so committed to the support and guarantee of the banks, aside from the insurance provision covering deposits, that no banking collapse need be feared.

The Financier's Problem

The institution of finance which depends upon funding and refunding debt and the sale and resale of securities for interest and commission income has no visible future. It cannot function in a condition where money dissipates itself. It is based upon money increment to creditors. Since, under inflation, there can be no money increment in the net when the power of the principal is diminishing, there will be no one to invest, i.e., be a creditor. No creditor, no customer. Finance will exist for a time on a going out of business sale but not on any new business. The commercial banker has not only a justification for living because he will continue to render the indispensible service of check clearance (which will greatly expand) but also has the backing of the government. The investment banker and commission broker, however, have no underwriter and only a vanishing clientele. They cannot survive the crisis and their problem is one of getting out of the present business into a necessary one.

The investor, who is the vanishing customer of finance, has of course a serious problem to get as many dollars as possible as soon as possible for his securities. He may decide that bonds will decline more than stocks and preferreds more than common, but he cannot counter the logic that all three brackets must decline, though of course some securities more than others in each bracket. A promise to pay dollars, no matter in what form it is written, must decline in terms of cash, not because of any fear of default in the promise but because when the promise is fulfilled the funds will not be worth as much as present cash. This applies just as much to the promise or hope of dividends as to return of principal. While corporations will enjoy prosperity and dividends will increase, such increase will not equal the decrease in the value of the dollar. Thus there may even be a rise in the price of a stock in dollars but not in value because if the stock is saleable at a higher price than at present, the realized funds may not purchase as much of commodities.

There is a popular illusion that because under inflation everything rises in terms of money, securities must also rise. Securities however are not commodities; they are deferred money and therefore secondary to cash and hence must decline in terms of cash as well as in terms of commodities. Slow money cannot be rated higher than quick money even though there be a dividend or interest increment. While these are accruing, they may be more than consumed by the rising price level. Therefore the whole field of securities must decline in actual values even though their dollar figure shows no diminishment. Municipal bonds will decline toward an indefinite bottom while federals will probably be purchased by the U.S. Treasury at or near par.

There will be, especially during the early stages of the inflation, exceptional cases where common stocks actually earn more in dividends than the principal shrinks through inflation, but in general the short seller will be on the safe side in the stock market. There is however another approach to the subject of equities. It is that of a person who is prepared to disregard stock market prices and dividends during the inflation and to hold for the post-inflation or stabilization period. Thus an investor holding say 1,000 shares in a million share corporation (all issued) is now and will continue to be 1/1000 owner of the corporation which may come through the inflation with greater assets than it now holds or may have greater net worth by reason of having its bonded debt wiped out by inflation and it may have recaptured preferred and even common stock sacrificed during inflation. Stock retirement of course increases the proportional equity of each outstanding share.

The Insurance Problem

Insurance involves a creditor-debtor problem wherein both buyer and seller are both creditor and debtor and neither is free to extricate himself. The company is, however, also a creditor of non-policy holders, i.e., it has investments and loans for income purposes solely. Due to the depression, insurance companies were forced into real estate holdings which are now elements of security while their outstanding mortgages are diminishing assets. From the latter they must suffer. From their bond holdings they must also suffer and have the problem of unloading as fast as the market can and will digest them. Their cash must also be invested as quickly as possible and will probably go into real estate. Their leasing policy must be either to avoid long term leases or require them on an Index Dollar basis. New insurance will be hard to sell and would be hazardous to write except in Index Dollars.

The policy holder faces the prospect that his existing policy may be worthless before it is payable or at least of diminished value. His company may offer a rider, making all premiums, loans and indemnities payable in Index Dollars. In such event he may continue as before to pay his premiums and be assured of commensurate indemnity. If not, his only alternative may be to convert his policy into the cash surrender or loan or assignment value.

Unless the insurance business adopts the Index Dollar, the money increment element must be abandoned in actuarial calculations and premiums must be based solely upon mortality tables without expected income from funds. Indeed they have already shown this trend strongly. Thus premiums may have to be so high as to be prohibitive and even so, how can the premium rate be established on a dollar basis with the dollar constantly changing in its meaning?

There will probably be special legislation covering the insurance business but this is not likely soon, as the government will be slow to acknowledge that an inflation crisis exists.

Merchandising

Retailers will have (barring a price control Gestapo) comparatively few problems of pricing and easier selling than before. Their boat will drift along with the stream and they may pluck flower profits from the banks of the stream as they pass because goods will appreciate while in their hands. There will be no shop-worn merchandise and the necessity for special sales will diminish. There will, however, be competition problems for small merchants who buy "hand to mouth", as the chains and well capitalized stores will be able to anticipate their needs and thus beat the rise and undersell. The latter will also be in position to anticipate coming shortages and stock up.

New Retail Technique

The mark-up technique of department and specialty stores is to set the original price at the maximum and then reduce by mark-down to consumer demand. Thus mark-downs run from 5% to as high as 25%. It is advisable under inflation to abandon this technique and set the original price at the minimum and mark-up the live items in consonance with price rises, leaving the slow items with their original prices. With the general movement upward, the bargain or sale items manifest themselves by their static position.

This will tend to speed turnover because the freshest stock will be the lowest priced and will be available to the public at such prices only by quick action. The present practice tends to delay public action and thus slow up turnover and increase costs. The proposed practice is economically sound because the overhead is less on quick sales than on slow. From the standpoint of actual costs, goods should rise in price with each passing day instead of declining.

The inflationary price rise can be calculated in some departments on a monthly basis, others semi-monthly and others weekly. The percentage can be posted in each department for the public to see and the sales check can show this as an addition (just like sales tax), thus obviating remarking each sales tag. The sale or slow items can carry some marker showing that the inflation price rise does not apply and such items could be written on the sales slip after the adjusting percentage had been added on other items, if any.

The advertising method would state the current price "subject to advance next week (or next fortnight or next month) in accordance with the price index".

This method of graduated price rises would avoid the shocks of sharp rises, be more agreeable to the public and certainly easier for the merchandise manager and controller as well as the sales staff.

Manufacturers will find no hardship on the selling side except in price advertised lines. Unless the Index Dollar is adopted, fixed prices will have to be abandoned and, because of this, it will not be feasible to maintain the various legal and trade devices for maintaining consumer prices. Competition will be freer but in spite of this sales will be larger.

The merchandisers that will be most embarrassed are those selling for coins through vending machines. The penny will be first to become useless, followed by the nickel and then the dime. All manner of slot machines will become either useless or require frequent readjustments.

Publishing

Periodical publishing, which depends largely upon advertising income, will be hard hit. The buyer will pursue the seller and hence there will be lessened occasion for sellers to advertise. This implies that advertising agencies and the entire advertising industry will suffer diminished income.

The alternative of the publishers for retrieving the income lost through diminished advertising by pricing their periodicals higher will not be difficult to employ as the public will be accustomed to rising prices and will have additional income.

Payrolls

The payroll problem will of course be the universal problem and the one which will cause the most irritation. Wages means the purchase and sale under contract of human labor. The contract is usually of indefinite duration and it is a habit to regard the price as fixed, subject only to the employer's voluntary increase or reduction. The period of payment is usually weekly, sometimes bi-weekly and sometimes monthly.

In the height of inflation in Germany, price rises were so rapid that employees were paid twice daily and permitted time out for immediate spending. Wages must of course be made responsive to price rises and this means the frequent readjustment of the wage rate upward and payment period downward or the adoption of the Index Dollar to obviate the necessity for such readjustments.

Fixed Income Problems

There are many individuals and institutions that have fixed and unalterable incomes stated either in dollars or percentage of dollars. For these it is difficult to point avenues of escape. It is to their interest to protect their outgo by making it also as fixed as possible through leasing their homes on long term or buying on long term mortgage if possible. Many educational, scientific and eleemosynary institutions depending upon income from securities or property which the bequest does not permit them to dispose of, would better begin at once to find new sources of income or bequests to take the place of the diminishing purchasing power of present income. The inflation may have a profound effect upon our institutions of higher learning, many of which will be obliged to suspend, and there will of course be innumerable widows and orphans who will suffer greatly.

Government Problems

There will be no serious governmental problems. Legislators, national and state, will of course busy themselves with a lot of futile legislation to satisfy public clamor to do something or prohibit something. Fiscally however, the ship of state will ride the waves nicely.

The federal government has, for the past ten years, followed the undisclosed and misunderstood practice of taxing through inflation. It will henceforth practice this method more frankly. The country has become used to deficits and there is no longer a cry for a balanced budget. The war scare strategy, with its consequent benefits to special interests, did the trick and it is now too late to quit the narcotic.

State governments will have no taxing or administrative problem. City governments need not alter their real property tax rate since valuations will rise. Thus their dollar income will rise consistently with their outgo expansion. In addition they will gain by delaying their debt service.

So all governments will jog along and the climax will come when the federal government finds itself unable to make tax readjustments within a reasonable lag of prices. To illustrate: The government sets an annual budget. Let us say 100 constitutes the contemplated outgo and 60 the contemplated income and 40 the deficit. During the course of the year prices rise 20%. Thus the expenditures become 120 while income from taxes remains at 60 and the deficit becomes 60 instead of 40 as planned. The next budget will adjust taxes to the new price level and thus there is always a lag between the government's increased expenditure and increased income. Ultimately the differential of the lag becomes so large that income from regular taxes becomes a negligible factor, the normal or regular taxation system collapses and resort is had solely to inflation taxation through more money issues. This is the runaway or final phase.

There will be no finance problem. Treasury checks will be issued for all expenses and redemption of outstanding securities. Ultimately there will be only currency and treasury checks in circulation and no outstanding securities.

The social security and various insurance funds are of course the same as any other government "debt". They will be paid with treasury checks drawn on that tremendous reservoir of water that ultimately will evaporate and blow away, leaving the government entirely solvent and the budget balanced at last. In the meantime all those citizens and corporations and foreign governments and nationals that are in debt to the good old U.S.A. will let inflation wash up their debt and the farmers will redeem their hypothecated crops with depreciated dollars and that will be that.

The Roosevelt administration has adopted so many unnecessary monetary measures that no one would dare forecast their end. One of the future may be the further "devaluation of the dollar" by raising the price of gold a further $7 per ounce to $42. We recall how on January 30th, 1934 the President made a "profit" of $2,792,000,000 by marking up the inventory "value" of the then gold supply from $20.66 to $35.00. This was a 70% boost and his remaining power permits only a boost of 17% but because the store has grown so large, such a boost would add (as of end of 1940) another "profit" of $3,750,000,000. Besides the window dressing in bolstering the credit of the country, it would permit of a further camouflaged gift to sorely pressed England. On the basis of her 1940 gold shipment of $3,627,000,000 the new price would mean an additional annual gift of over $600,000,000 or raise the original gift of $1,487,000,000 to over $2,000,000,000. These figures mean only the

50% bonus in the price which the law permits the President to pay. The total sum would be just double the above. It no doubt has been noted that dictator countries become "democracies" when the President has "Axis" to grind and since Russia is the second largest gold producer and shipper, the boost would serve another good purpose in helping her to "pay" for war supplies.

In simple terms, the government's problem is the same as the farmers—to keep the cow from kicking over the milk pail while the milking goes on. The new supernational program includes the winning for the world "the four freedoms". The President says we cannot hope to enjoy freedom while other people are oppressed. Thus we must share what little freedom we have with others. The share-America's-freedom plan is the left wing of the American eagle while the share-America's wealth plan is the right. The four freedoms are: (1) freedom of speech, (2) freedom of religion, (3) freedom from fear (except White House propagated fear), (4) freedom from want. As we proceed, No. 1 will either be circumscribed or nullified by propaganda. No. 2 will probably be undisturbed as it is harmless. No. 3 will be lessened as complexities arise. It is therefore highly essential that No. 4 be given an appearance of being realized, lest the cow kick over the pail, and this essential will undoubtedly determine the administration's strategy. Therefore there will be spending and more spending to keep the flies from annoying the cow.

There is an additional reason why the President will keep dollars rolling out of the treasury. That is because he is surrounded by a group of wreckers and there is not lacking among a considerable group of the people a disposition to destroy or wash up the old order of things and to level wealth and income. Therefore, for these reasons the administration will "solve" all problems as they arise by spending more money. Would that the solution of the citizens' problems were so simple.

The gold hoard, because of the universal ignorance and superstition attaching to it, has great opportunities for deceptive devices. It may be pointed out by the defenders of the administration that there are "$3. worth" of gold back of every dollar of currency in circulation. How can any one possibly fear inflation? The government could lend ⅔ of its hoard to "stabilize" the currencies of other countries and still have 100% coverage for every dollar of currency in circulation. On the basis of the old "sound money" formula of 40% gold backing, the government now has enough gold to issue 55 billions of dollars in currency or it could cut its debt in half, etc., etc., etc.

The delusion in all these and similar propositions lies in the fact that the gold does not lie back of the government's credit, but just the reverse. The Federal Reserve banks would not even accept gold for their gold certificates if the government did not agree to maintain or increase its price. Otherwise they would go bankrupt overnight, since gold has no value anywhere near the price given it by the government's fiat.

While any scheme of lending to foreign governments will be but gifts in disguise, no foreign government would accept gold at $35. per ounce unless the United States continued to maintain the price which means to buy it back. Thus a loan of gold is but a loan of dollars, but the administration may use it as a camouflage. The old price (which was also far above its value) was $20.66 per ounce; now it is $35. with the power of the President to make it $41.33 with a stroke of his pen and again double that amount with additional legislation, ad infinitum.

Gold is merely a grossly over-priced commodity; it has no intrinsic stability, no yard-stick quality and would fall like a plummet if the United States refused to support it. But the world does not understand this and under the prevailing superstition much financial legerdemain is possible and may be resorted to, to confuse and confound the people.

THE INDEX DOLLAR

INFLATION and continuing inflation is inevitable. There is nothing business men can do to avert it, but they can act to avoid much of its inconvenience. Because of the practice of credit and the necessity for it, due to our highly developed economy, we in the United States, unless we provide special protective means, will suffer more than other countries from inflation because we are less accustomed to do business on a cash basis. Credit means the convenience of deferred payment and unless we contrive a means of making deferred payment have the same significance as it has under a stabilized monetary unit, our credit system will collapse and our distributive system will become gravely impaired. An escape from such chaos is now proposed.

THE INDEX DOLLAR

Money lending and the need for it will diminish under inflation but the need for commercial credit will remain and even augment. There is a vast amount of contractual engagements entered into in our complex business system which will call for future payments. We can hardly function unless these relationships are maintained. There is no necessity for their abandonment, regardless of how severe or accelerated inflation may become.

The device, preventative of business disruption, is called the Index Dollar. It means the adoption of some cost of living or price indicia which shows first monthly and later weekly and ultimately daily the percentage of the decline in dollar purchasing power. The DOLLAR INDEX BUREAU would be established, which would officially authenticate and publish, under its seal, this index. Based upon this authoritative and impartial pronouncement, business may adopt the Index Dollar rather than the dollar as its credit monetary language. Prices would be quoted in Index Dollars and contracts written in terms of it. Such would obligate the buyer or payer to deliver the stipulated sum of dollars plus the number indicated by the inflation index on the day of payment.

For instance the Index Dollar might on the day of sale or contract stand at 113, meaning that the price level had advanced 13% from the base date. A price quoted in Index Dollars and a contract written in terms of it would mean a constantly rising figure in consonance with the rising price level as shown by the official index. Hence, 30 days later it might mean 115, if that were the official figure released by the INDEX BUREAU on that date. A year later it might mean 149. The figure above 113 would be the inflationary factor that the payer would have to add to his payment.

This automatic device would preserve our business system and practice, whereas quotations and contracts in terms of dollars would make it impossible for business to function except under great difficulties. Cash retailing and wholesaling would of course continue on a dollar basis because these spot transactions would include in the price quoted the current price rise. All deferred payment business would, however, operate on the Index Dollar because the price rise could not be forecast for any period, nor could the debtor be prevented from stretching the period to his own advantage.

The wage problem is of course the most universal and serious. The employee is a seller who sells his services in toto and does not have a piecemeal market like a goods seller. Therefore demand and supply do not operate so sensitively upon his commodity. It is not detachable from his personality; it comes only in one corporeal package. That is why wage levels lag behind goods and professional services price levels in times of quick changes, either up or down.

Employers can obviate a great deal of hardship, discontent and lowered morale as well as strikes by adopting the Index Dollar for payrolls. If employees are advised that a percentage will be added to their pay in accordance with the percentage of rise in living costs as shown by the Index Dollar, they can face the future and pass through the trying times ahead with a sense of security. Union contracts need not be revised from time to time for wage rates, if amended to provide for Index Dollar pay envelopes. There will be problems enough for business men under inflation and they should eliminate their most disturbing one by adopting the Index Dollar payroll, thus freeing their minds for the issues arising on the trade and political fronts.

For package priced and advertised price lines of merchandise it will be less confusing and disturbing to the public and less difficult for the vendor to leave the price as originally fixed and stamp "Plus Index Adjustment". The public would be apprised through the daily press and radio what the latest index figure is and would therefore know how much to add to the basic price. If, for instance, the Index Dollar is 143, it would mean that all prices quoted "Plus Index Adjustment" would have to have 43% added. Thus a 25c (basic price) item would have a "P.I.A." of 11c added, making the current price 36c. This would greatly simplify the repricing of fixed-price lines of merchandise.

Manufacturers would bill their distributors in the regular way at the basic price less the trade discount. The net amount would then be subject to increase by the index percentage on the date the invoice is paid. Payment discounts could be eliminated because the prompt payer would automatically earn a lower price than the slower payer. Retailers, in pricing their goods, would probably follow the index figure prevailing at the time they bought the goods, to compute their costs. If so, the actual retail price to the public would show a lag as compared to the daily index, thus cushioning the dollar's fall and making consumer reaction less resentful to the retailer. At least prompt paying retailers would do this, thus giving them the same competitive advantage over slower payers that they now have with the payment discount.

There are of course, in times like these, dealers who exaggerate price rises and make false representations. Such would be stymied by the Index Dollar system and the public would be much less disturbed and fretful if it had an authoritative guide such as this, and retailers would be relieved of the necessity of continuously selling inflation instead of merchandise.

Installment selling, which is now a considerable portion of retailing, and upon which some lines entirely depend, could continue on the Index Dollar basis, whereas this method of selling would have to be abandoned on the dollar basis. Home building and leasing also could not continue to function without the Index Dollar.

The insurance business would stagnate, if not collapse, without the Index Dollar as the company could not afford to write new business, nor could a person afford to insure unless mutual obligations could be reduced to definite meanings by the Index Dollar. Nor could the company take mortgages or make other loans.

Money lending will decline, but least of all in the consumer field. The personal loan business and any cash credit obviously cannot continue on a dollar basis, if the inflation herein forecast develops. Long term debtors will find it easier and easier to liquidate their maturing debts and may not require additional loans for expansion or refunding, but if they do, they certainly will not obtain credit unless the contract is written in terms of the Index Dollar.

It is of course impracticable to set up an Index Dollar to reflect the price rise on each class of commodities, but general brackets may be stated, into one of which, each line would blend, thus:

INDEX DOLLAR

Weighted Average 124

A	Food	121
B	Rent	106
C	Clothing	119
D	Household	131
E	Automobile	128
F	Other	119

The weighting of the general index would be in accordance with the percentage that each bracket bears in the average consumer's budget. Each trade would use one of the six brackets. Thus the clothing trade would use Index Dollar C.

By means of the Index Dollar much vexation, if not positive business destruction from inflation, may be averted through a little foresight and preparation. There probably has never been an instance in history when business prepared itself for inflation, but why should we not cushion ourselves against the obvious and, within our powers, inevitable?

THE NEW ORDER

THE new order must be economic and not political. Politics can bring only a new disorder, since it invests the state with the power to intervene in the affairs of its constituents and the affairs of other nations. The instrument of its most potent intervention is the money system and the preservation of this power is due to man's superstitious acceptance of the political money power pretense. Once man comprehends that the money power resides solely in himself and that the state merely corrupts it, he will gain economic freedom and make the state a public utility without powers of intervention in his economic affairs and the affairs of other nations.

THE NEW ORDER

Nothing is so evidential of the death of the old order as the fact of the world being led by mediocre men who by ingenousness are destroying the old but lack the vision as well as the genious to construct the new. The new order statesmen are yet to come.

Before considering the new, let us ask, what is the old order? It is political economy, which may be defined as a scheme or conspiracy of interests by politicians, business men and financiers to exploit the people. The union of these three interests constitute nationalism. It is falling apart and the trends toward managed economy and dictatorship are but the desperate effort to hold it together.

The American political economy has been the most successful because as constituted it linked 13 nations together, since expanded to 48, all of which renounced sovereignty, i.e. the power to make either trade or military war. The federal unit has now, however, departed nationalism and is no longer conserving the interests of this family of nations but is throwing paternalistic arms about other nations. Thus it reverses conservation and adopts dissipation as a political policy. This largess tends to soften the nationalism of other peoples and thus sabotages the entire system of political economy. Gonepo is the world Fifth Column against nationalism, which is the instrument of political economy.

As the political interests in the world tend to run together, the trinity of politics, finance and business tends to separate and business tends to merge with business across national boundaries. But can finance follow these horizontal lines? De-nationalization is fatal to finance. Business is natural and therefore can fare better freed from the state. Finance on the other hand is artificial, a political creation, depending upon the national grant of power and protection. Without the state sponsoring a money system and limiting the money issue, business will turn to its own devices to construct a single world wide money system serving in itself no exploitative motive. This is the long view. What have we in immediate prospect in the process of muddling through?

The dollar will decline rapidly in purchasing power and since it is the monetary criterion of the world, all other monies being but other names for dollars and cents, these other monies will be constantly disturbed in international trade, some even giving place to the dollar in internal trade. Because of the world disturbance due to the inflation of the dollar, there will be an universal demand for stabilization. Therefore dollar inflation will not be permitted to go to the extreme and absurd length at which it is worth only a small fraction of a cent. On the other hand the disposition to wash up the debt slate will probably bring a public opinion favorable to continuing the inflation until the dollar has shrunk to the power of a cent. Taking this hypothesis, the following would be the logical process for terminating the inflation.

Congress could make a legislative proclamation that on a given date a new dollar would be authorized on the basis of 1 for each 100 of the old. The currency may be run from the present engravings, using an ink of a color other than green. For a limited period, banks would be authorized to exchange the new currency for the old at the ratio stated and to restate bank balances in the same manner. At the expiration of the stated period, the old dollar would be worthless.

The law would also provide that all debts outstanding prior to the stabilization could be legally liquidated at the rate of 1c for each old dollar, as such debts mature.

The stabilization would of course presuppose an abandonment of deficit financing by the government. Since a balanced budget would of necessity end the life of Gonepo, the rehabilitated world must by then be sufficiently grown up to stand the shocking news that Uncle Santa Claus is dead and that each people must provide for itself. At this point something basic must be done. Here the new order will begin to take form. The world cannot stabilize until the United States stabilizes. Therefore the post war set-up must be an ad-interim makeshift until sanity returns to the United States and new leadership shall have risen.

In the mean time all the fighting nations, prostrated by the war, will have gone through their revolutions and new government heads will sit around the council table to plot a new international scheme. If thought evolution shall have progressed sufficiently, the economic interest may not sit or be represented at the political round table, but set itself up in a separate house, challenging the power of the politicians to intervene in any phase of business and reducing the state to the status of a public utility. This means de-socialization and economic freedom, the only freedom worth striving for.

No new order will be worthy of the name that does not curb the power of the state to make war, internal as well as external, economic as well as military.

The germ-error in all plans for world order thus far projected is the idea that political government is good. This in spite of the fact that all wars and oppressions have sprung from governments. From this error-premise the planners inevitably reach the conclusion that what man needs is more government. The truth is that government is evil. No man wants it for himself but each man has in himself the spirit of dictatorship and succumbs to the blanket dictatorship of the political system to control the other fellow. The fear that the other fellow may do wrong, gives the politician his opportunity to subject all society, and once so harnessed it can be driven to any length by adroit methods.

Jefferson said, "that government is best that governs least". Whether he realized it or not, he thus said that its extinction is the acme of good. The American experiment with federation was a long step forward, not for its positive, but rather for its negative effects. It denied to each of the federating states the power to make war, erect tariff barriers and set up a money system. It was a reduction in government and this should not be lost sight of in the now proposed plans for world federation.

If man is to continue his progress against government, we must see to it that any world scheme is not merely a solidifier of present political power within each federating unit but that the federal state specifically denies to each constituent state at least all the powers denied the several American states. Then there must be safeguards against usurpations by the super-state, such as the American federal government has been guilty of. Government must always be dealt with as an evil, a necessary evil perhaps, but one to be progressively lessened. Liberty expands as government contracts; natural laws govern where political laws do not obtrude.

The public service function of the political system will endure; its governing function must decline. But what constitutes public service must not be defined by the state itself, for to do that is to exert governing power.

It is not likely that the new order is just around the corner—but we are on our way.

A WORD ABOUT THE AUTHOR

In the course of the study of economics over a quarter of a century, the author departed completely from orthodox concepts. In 1934 he compiled and presented to Congress a symposium of world authorities on money. This was later published under the title, The Meaning of Money. The following letter to the banking committee of the Senate summarizes the work and its conclusions:

June 9th, 1934

Senate Committee on Banking
and Currency,
Washington, D. C.
Gentlemen:

The symposium on The Meaning of Money by the Fisher Authorities, which was compiled and reviewed by us, having been presented to the Congress through Senator Copeland and on his motion referred to you, we now present for your consideration the following statements:

1. Professor Irving Fisher, in a public address last December stated, "there are very few persons in the world who understand the real meaning of money". We asked him to name those he had in mind, and in response he named thirteen Americans and five Europeans.

2. We invited all to join in a symposium by answering twenty-two basic questions on money, such symposium to be presented to Congress. Seven and Professer Fisher consented and responded. We completed the work in the form presented, comprising 175 typewritten pages with about 45,000 words.

3. Professors Warren and Rogers, who were among the nominees and who with Professor Fisher are credited by Professer Moley as being the brain trust on monetary policies of the administration, did not see fit to answer the questions and after a dispute arose as to the actual stipulations of the so-called Warren theory, Professor Warren failed to meet our request for an authoritative statement. Professor Fisher is the only one of the authorities who directly answered "yes" to Questions 4-A which involves the Warren theory in the following words: "Can the United States, by inflating or deflating the price of gold or silver, inflate or deflate the price of any or all other commodities?" The Warren theory seems to be discredited and hence our present monetary policy seems to be quite lacking in support outside the monetary brain trust.

4. The quantity theory of money, so long accepted by economists, was never susceptible of proof and is meaningless now that money-issuance is largely a private act through the process of bank loans and checks. Sovereign currency has its natural limits in trade, beyond which it will not expand. The money volume is expanded and contracted solely by bank checks.

5. No sound reason has been presented for the theory that precious metal convertibility gives meaning or stability to money. The so-called "gold value of the dollar" appears to be merely the dollar price of gold. Congress is now addressing itself to the pricing of silver as a monetary measure which seems just as meaningless.

6. The total of 176 answers to the 22 questions showed such contradictions, inconsistencies and disagreements that we feel it a patriotic duty to state that there appears to be no understanding of the subject of money either among the contributing authorities or others whose writing we have studied. No clear principles are established; projected theories are not demonstrable; the basic concept for the construction of a monetary science seems lacking.

The responsibility for these statements should not fall solely upon us. They should be checked from the record before you, and if verified, the teaching of these fallacious theories of money, both modern and classical, should be discontinued in our schools and colleges and all legislation based upon them should cease.

The meaning of money is yet to be revealed, its mastery is yet to be proven, the power of laws to direct or control it is yet to be demonstrated, the medium to implement it is yet to be developed. The people should no longer be misled by abracadabra and pseudo-profundity. There must be a break with the past. New thought must challenge the prevailing hypothesis.

Respectfully submitted,

E. C. Riegel

President, Consumers Guild of America, Inc.

Following this expose of the sterilty of authoritarian economics, the author devoted himself to the abstract study of money and organized his students as the Valum Study Club. Five monographs have resulted, to wit: The Law of Money, The Collapse of Debt Economy and the End of Interest, The Liquidation of the First Republic and the End of Political Intervention in Exchange, The Advent of Money and the Liberation of Capitalism, The Valun and The Valun Exchange.

The author's books are the Yellow Book, The Credit Question, Barnum & Bunk, Main Street Follies, The Three Laws of Vending, Planned Prosperity. Pamphlets: The Indictment of Better Business Bureaus and Stock Exchange Gambling, Roosevelt Revalued, Are You Better Off, Brain Trussed, The Franklinstein, The Fifth Column In America, Quarantine The Aggressor In The White House