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To-day we live in a credit economy. Fifty years ago we lived in a cash economy. There is an insurmountable gulf between the two economies. Fifty years ago purchases, on the whole, were not made until the cash was in hand, to-day the same purchase can be made with no cash down. This "dream come true" originated after the ~~xxxxxxxxx~~ second world war but the way was assured ten years earlier by the passage of two laws. In the early 30's Congress made the ownership of gold illegal - all privately owned gold must be sold to the US Treasurer.Now this was signi-ficent because prior to that time we demanded to be paid in gold because gold could not be debased. Congress then decreed that paper money was legal tender and its exchange would constitute payment for all debts. The idea behind this law was to persuade people to work for paper money in place of gold. Paper money was plentiful-gold scarce. Now the stage was set. We were willing to work long and hard to further the goals of the Congress. And the government could secure our cooperation simply by creating paper money and bank credits. We had no other choice but to acquiese to this system. It was now the conventional wisdom that the government could spend its way to prosperity. The more paper money created and spent the harder we worked to produce. And that was the name of the game. If everyone worked consistently production of goods and services would increase right along with our living standards. And the credit for this blessing would go to and unlimited supply of paper money. that we were willing to accept. We benifited from this philosophy because the new money was doled out to us with such confident regularity as to embolden the seller of things to equate the governments deficit spending with the individuals ability to pay. We can buy to-day and pay to-morrow and this will guarantee the maximum production of wealth. Truly, our dream come true.

The majority of people did not stop to think, but a few people knew, that a money printing machine running wild would eventually create an inflation that would do great harm to our system of production and distribution. The majority said "let the good times roll" and for the last thirty years they rolled. Buy a new car the nice man will allow you four years to pay. Want a new stove or a two weeks vacation? Buy and pay with that new plastic money. Don't worry about your note falling due. The bank has confidence Uncle Sam will keep you supplied with money and will roll it over.

Now everyone knows that an abundance of things can be created in the presence of sufficient raw materials and labor with a desire to work. God gave us the raw materials and labor but it took the Federal government to supply desire and that was accomplished through money creation. And to-day, in spite of inflation, we have more material wealth and creature comforts than at any time in our history; and most of us have mortgaged our future in payment.

But nothing in this world is free, everything costs someone something and this applies to our new found prosperity as well. Our cost is price instability. Since 1967 the average retail price of things has increased 120%. In 1967 if a stalk of bananas cost $1.00 in 1979 the same bananas cost $2.20. Now this is no big deal if your income has increased 10% annually but who can plan ahead with confidence in the face of such numbers? A family of four whose taxable income has increased 10% from $20,000 up to $22,000 pays and additional $870 in taxes. But this cost of living increase is actually 5.7% after taxes; compare 5.7% with the average 10% inflation rate of the last ten years. Published inflation figures never seem to jive with reality but they certainly point out trends and there is no mistaking the direction of this trend. If our family is heavy with debt and interest payments their $22,000 income will not prevent a degradation in their living standards. And since that last pay increase is actually less than the inflation rate when will that family be forced to renege on its debt payments? And what effect will this have on our economy and on our lives? Our "dream come true" has turned into a monster with an insatiable appetite.

It is a shame that a good idea can be so abused that its good looses touch with reality. The good idea was to exploit to the fullest the nation's productive potential so that all of us would enjoy a better living. The sHame lies in the way it was done; namely, the excessive creation of paper money and credits by the Congress and the Federal Reserve. For years the new money was a blessing for it caused the creation of brand new goods and servicies. Paper money and production balanced out and we enjoyed a better living at a very little increase in prices. Price stability was maintained untill the latter 1960's but then prices started to advance and inflation became a daily part of our lives. We are now living in a period wheRE the creation of new money does not substantially increase the nation's output of goods and services. This lack of balance between money and production automatically increases inflation and the only way to stop inflation is to restore the balance between money and production.

Can we increase production substantially? The answer there is no. New production requires an investment from profits but after paying off labor, taxes, dividends, and the assinine cost of government regulations industry does not have sufficient capital remaining. So they borrow from the Fed who simply creates the money that creates inflation. Desire to work is a component of production but too many people have lost that desire because of the security promised by the government and the labor unions. If we cannot reduce inflation by increasing production then we must do so by decreasing the demand for things. This can only be done by drawing down the nations' money supply but this proceedure will open a Pandora's box that will cause our "dream come true" to turn into a nightmare.

So what has the government done to contain inflation? The answer is nothing? In 1969 Dr. Burns, chairman of the Federal Reserve, curtailed the nations' money stock while Pres. Nixon imposed wage and price controls. This money contraction by the Fed. didn't hurt the economy too much primarily because there wasn't that much effective money in the economic pipeline. The cost of money rose about 2% along with an increase in unemployment. Inflation was brought down to about 3% in this benign recession. In 1971 the government had inflation under control and could have kept it under control simply by limiting money creation. But 1972 was an election year and that called for the kind of money creation that would ensure economic euphoria by election time. Dr. Burns expanded the money supply enthusiastically and Pres. Nixon was re-elected by the greatest plurality in the nations' history.

In Jan. 1973 the Fed started a determined effort to reduce the money supply and this trauma lasted through 1974. Demand shrank as people lost their jobs and the rate of inflation dropped from a high of 12% down to 5% under Pres. Carter. But retail prices did not drop during this recession - only the rate of increase dropped. Nevertheless, if the Fed had continued to discourge the growth of the money stock retail prices would have come down and inflation licked. And then through the combination of Congress living within the tax revenues and the Fed showing discretion in the creation of bank reserves, inflation would have stayed licked. But at this point the lid on Pandoro's box opened and out flew the spectre of an economic chaos that would put the great depression to shame and the Fed lost its head and panicked. Over the next five years, 1975 through 1979, money was created faster than ever before. It has been estimated that within this time frame our money supply has increased by 500 billion to 1 trillion dollars and since production has not increased comparably the rate of inflation has increased from 5% to the current 13%.

There are hundreds of billions of Euro-dollars overseas and the owners of that money are now dictating both foreign and domestic policy to the United States. The OPEC nations, in responce to our virulent inflation, are demanding a greater share of our national production. At home money is an easy commodity to obtain but it buys lessand less and our standard of living is slipping. Currently, Dec. 1979, the rate of inflation is running between 13 and 16%, prices are at an all time high, and the Fed, once again, is drawing down the money supply. But if the past is any criterion, why should we go through this economic trauma again? Whenthe money pinch hurts bad enough the people will yell bloody murder and the Fed will rush into the breech spreading hundreds of billions of fresh dollars to the four winds which will - who knows - increase our rate of inflation to 25% with no reduction in prices.

There is an urgent need to stop inflation and return to stable prices. But who will dare to accomplish this feat? Obviously the government can if the people demand it. The Federal Reserve board could if it were willing to take the heat. Responsible politicans could if they were willing to sacrifice their careers. But to get the job done the people must want it and demand it. The question is - do the people want inflation stopped?

There are now millions of people who have a vested interest in the continuation of inflation. If the flow of money slows or stops many will be bankrupt. The banks in the country are, on average, 85% loaned out. If large scale defaults occur in their accounts receivables many will go to the wall bankrupting millions of depositors. Do all these millions of people yearn for deflation? And there are those who sincerely insist that maximum production is the ultimate goal and that inflation is the tool that makes the goal possible. And of course up to a point this rationale is correct. But beyond that point production falls while demand rises. Because of that rationale our economy to-day is like a man between a rock and a hard spot. If we stop inflation we hurt; if we do not stop inflation we hurt even more. If we allow an inflationary blow-off to occur not only will we suffer a severe depression but also a possible revolution which could be benign or catastrophic. If we opt for deflation through money control we will still suffer a severe depression but probably escape a revolution as history suggests. Unfortunately we cannot exist half-way between these two extremes. Pres. Carter tried to steer the economy into this half-way world but gave up Oct. 6th when he finally embraced monetary restraint. But next year is an election year and by Spring both the Congress and the President will pressure the Fed into credit expansion which will create even higher rates of inflation two years out. This will call for another recession which, in turn, will call for more inflation. Society can not survive on this economic roller coaster. The decision to deflate the economy must be made now.

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