tives, but it also has a highly disorganizing effect on the production pattern of our economy. Over the years, as these newly created dollars have found their way into the market, they have forced profit-seeking enterprises to allocate a growing part of production to the spenders of the newly created dollars, leaving less production available for the spenders of dollars which represent contributions to society. Once this artificial creation of dollars comes to an end, as it must eventually, those businesses whose sales have become dependent upon the spending of the newly created dollars will lose their customers.

This will call for a reorganization of the nation's production facilities. Such reorganizations of business have become known as depressions. The depression can be short, with a minimum of human misery, if prices, wage rates, and interest rates are left free to reflect a true picture of the ever-changing demands of consumers and supplies of labor, raw materials, and savings. Private business will then move promptly and efficiently to employ what is available to produce the highest valued mixture of goods and services. Any interference with the free market indicators will not only slow down recovery but also misdirect some efforts and reduce the ability of business to satisfy as much human need as a completely free economy would.

The day of reckoning can only be put off so long. Once the nation's workers and savers realize that such semi-hidden increases in the money supply are appropriating a part of their purchasing power, they may take their dollars out of government bonds, savings banks, life insurance policies, and the like in order to buy goods or invest in real estate or common stocks, and even borrow at the banks to do so. If this trend should develop, the government would soon be forced to adopt sound fiscal and monetary policies.

The same effect might be produced by a rush of foreign dollar holders to spend the dollars they now consider as good as one thirty-fifth of an ounce of gold. In any case, an ever-increasing supply of dollars and ever-increasing prices will eventually bring on a "runaway inflation," unless the government stops its present practices before the situation gets completely out of hand.

The important thing to remember is that increases in the nation's money supply can never benefit the nation's economy. Such increases in the money supply do not and cannot increase the supply of goods and services that a free economy would produce. Such

inflations of the money supply can only help some at the expense of others. Even such help for the politically favored is at best only temporary. As prices rise, it takes ever bigger doses of new money to have the same effect, and this in turn means still higher prices.

The fact is that no matter what the volume of business may be, any given supply of money is sufficient to perform all the services money can perform for an economy. All that is needed for continued prosperity is for the government to let prices, wage rates, and interest rates fluctuate so that they reveal rather than hide the true state of market conditions.

Under the paper money standard, politicians are easily tempted to keep voting for just a little more spending than last year, and just a little less taxing than last year. The gap can be covered by a semi-hidden increase in the money supply – just a little more than last year. Then, too, the illusions of prosperity are often helped along by an easy money policy – holding interest rates below those of a free market. This tends to increase the demand for loans above the amount of real savings available for lending. The banks then meet the demand for more credit by the bookkeeping device of increasing the bank accounts of borrowers.

Clever financial officials must then find ways to put off the day of reckoning. If gold continues to flow out, private travel, imports, and investments can be blamed and controls instituted. When the first controls do not succeed, more and more controls can be added. When these fail, public attention can always be diverted by a war. War is now generally considered a sufficient excuse for more inflation and a completely controlled economy of the type Hitler established in Germany.

No man or government should ever be trusted with the legal power to increase a nation's money supply at will.

The great advantage of the gold standard is that gold cannot be created by printing presses or by bookkeeping entries. When a country is on the gold standard, politicians who want to vote for spending measures must also vote for increased taxes or sanction the issuance of government securities paying free market interest rates that will attract the funds of private savers and investors. Under a true gold standard, men remain free, the quantity of money is determined by market forces, and both the manipulated inflations and the resulting depressions are eliminated, along with all the poverty and human misery that they cause. ◈