GOOD—EXCEPT FOR THE SPLIT INFINITIVES

"Out of Debt, Out of Danger," by Jerry Voorhis. Devin-Adair Company, New York, 1943. $3

If there is any subject in which that mythical being "the man in the street" needs instruction it is in money and banking and, if we can judge by the confusion and conflict of opinion of alleged experts, enlightenment is quite as necessary among those in academic circles—yes, and even among bankers and financiers!

Congressman Jerry Voorhis has given us something in "Out of Debt, Out of Danger." We may go along with him in his argument or we may wrangle and disagree but at least we shall think, for the book is stimulating and provocative. From it your reviewer has learned much, even at the cost of chucking some long-entrenched opinions.

We might sum up the central argument in this fashion. The issuance of money is, by our Constitution, the exclusive prerogative of the Federal Government but, in complete disregard of this limitation, we delegate this privilege, of enormous worth and of far-reaching effect, to privately owned banks, notably to the Federal Reserve System. To them we grant the privilege of issuing paper money, secured by interest-bearing Government bonds, bought not with money of any kind but only by book-keeping entries of credits. Then, collecting interest on the bonds, the banks can loan the bank-notes and thus reap interest again, all without the outlay of any real money. All this is very nice for the banks but not so hot for the government, which appears to derive nothing from the roundabout process except the privilege of paying out billions in interest every year.

It all seems to be a process of exchanging credits, and it works apparently only in the interest of the banks, all of which are privately owned. It looks a bit "Alice-in-Wonderlandish"; the government borrows from the banks, giving its IOU in the form of a bond, and the bank pays for this IOU by giving another IOU to the Government in credit on its books. The Government checks against this credit and is paid in more IOU's—the bank-notes issued by the Federal Reserve, secured by the bonds, the first IOU in the mixed-up transaction—and everybody is rich and happy without the passing of even a lead nickel. It has the old idea of supporting ourselves by taking in each others' washing beaten to a frazzle, for we all make ourselves rich by loaning what we have not got to the other fellow who pays his loan by lending us something he hasn't got. We all get a good living by trading on each other's credit, until something cracks, as it did in 1930 and as it may do again. But, until the cogs begin to slip, the banks sit pretty, with interest tumbling into their laps like sugar-plums, first from bonds bought without parting with a penny and then from loans of money issued on credit, and there is not enough real money involved in the whole complicated transaction to buy a stick of chewing-gum!

Mr. Voorhis makes out an excellent case for the facts, and attacks the system with vigor and, we must say, convincingly. We tremble at the very thought of "printing-press money" but are facts altered greatly by the circumlocution of a roundabout sale of bonds on credit, and then the printing of banknotes secured by nothing but these promises? And apparently the net result is that the banks profit and the Government—and that means all of us—loses, for we shall soon be paying out some five billions a year in interest, as the price of the system. Mr. Voorhis would have the Government buy the Federal Reserve Banks, thereby recapturing the prerogative of issuing money, but there is a great deal more to his argument than just this—too much to discuss in this limited space. His argument sounds convincing, but we still have our fingers crossed, and there may be a catch in it which we are not bright enough to see.

Although the basic argument rings sound, there are many and serious flaws in the book. Apparently Mr. Voorhis is at heart something of a New Dealer. He urges broad extension of the so-called social security plan; he advocates "the use of publicly-owned 'yardsticks' to break the grip of monopoly," ignoring completely the slippery—or shall we say the dishonest?—yardstick set up by the T.V.A. And one can not quite see how downright money inflation will be avoided under his plan, but perhaps the answer to that knotty question is simply that we already have it today in essential substance.

To the readers of THE FREEMAN the book will be full of sins of omission. The author says much about monopoly but nothing about the great, underlying and all-important monopoly inherent in our present system of land tenure. He condemns "laissez-faire," ignoring the fact that we can never have a free economy under such a system of handling our common heritage of land, especially since the disappearance of the last frontier. In his discussion of inflation, Mr. Voorhis says nothing about the means by which production can be increased, with a balancing of supply and demand, by simply untaxing productive labor—and, also, he seems to take an actual delight in splitting his infinitives! That, of course, is not a matter of economic consequence, but to this old-fashioned reviewer it is an irritant none the less. But the book deserves wide reading and discussion for the author has something worth pondering, whether we accept or reject his program.

—GILBERT M. TUCKER