into debt. If I save money by useful work, producing goods which others have bought, and lend $1000—my savings—to Uncle Sam, there has been no increase in the nation's money supply. Uncle Sam has $1000 more; I have $1000 less. But if the Government borrows $1000 from a commercial bank, the money supply of the nation has increased by that amount. The bank takes Uncle Sam's promissory note (a Government bond), and credits him with a $1000 deposit against which he draws checks to pay his bills. As the debt goes up, as more bonds are sold to the banks, the money supply goes up. And it stays up, moving from hand to hand and from bank to bank, until the Government pays what it has borrowed. This creates a continuing demand for goods and the demand presses prices upward.

Some people call this "manufacturing money out of thin air." But there is nothing wrong in the practice itself. It is done every day by farmers, merchants and manufacturers. A merchant borrows $1000 at the bank to carry his inventory of Christmas toys until December. However, between private borrowing and Government borrowing, as practiced for 20 years, there are great and vital distinctions. In the first place, money borrowed to produce and market Christmas toys not only expands the money supply, but also the supply of goods for which the money will be spent. But Government buying goes into things that cannot be bought in the stores. No one can eat a Government building, an airplane or a gun. The second distinction is that, when the Christmas season is over, the merchant pays off his loan at the bank. He got the money to do so from the pockets of his customers. The $1000 of new checkbook money he created by borrowing at the bank is canceled. It no longer circulates. There is no inflation.

SOMEBODY ALWAYS PAYS—USUALLY YOU.

But when the Government never pays its debts, the new money it created by borrowing at the banks continues to circulate year after year. As a result, more money than goods; each dollar loses value. We see here the danger of continually unbalanced national budgets. If Uncle Sam does not pay his debts, you pay them. You pay in the shrinkage of your savings as money becomes too plentiful and cheap.

The greatest inflationary factor at present is, of course, the defense program. It acts in two ways. First every dollar the Government spends for planes, guns, uniforms, ships or any of the 10,000 other things it needs for war, goes straight into private pockets—mostly as wages. Thus the Government is creating purchasing power of consumers at a dizzying rate that soon will approach a billion dollars a week. At the same time, the Government not only fails to supply goods for people to buy with this money but sharply decreases the output of consumer's goods. It uses up steel and aluminum that otherwise might be made into cars or quick freezers or TV sets. Even more drastic in effect, it stops hundreds of thousands of men from making cars and sets them to making guns. It stops another 3,500,000 men from making *anything at all,* and puts them into uniform.

But there are many other practices the Government has engaged in to cause prices to rise and money to lose value.

INFLATION VIA SPUDS

The Government, let us say, buys $100,000,000 worth of potaoes to maintain the price—that is, to make them cost more to the customer. There's inflation for you. It then destroys the potatoes by painting them blue for the hogs to eat or letting them rot. You pay a higher price for potatoes. And you pay a second time in taxes to provide the Government with the $100,000,000 even if you don't eat potatoes. But the $100,000,000 which the Government paid for the potatoes it destroyed continues to circulate and creates a demand for other goods, causing them also to rise in price. This potato case could be multiplied a hundred times.

THE MUSIC GOES ROUND AND ROUND

Whatever arguments are given for favoring sellers with price floors and buyers with price ceilings, it is certain that the practice builds up pressure blocs which produce a chain reaction on prices as each voting group tries to get an advantage over the others. For example, take the parity price floor for farm products. It is based on the cost to the farmer of the things he buys that are made in the city. As city wages go up, city goods go up, and then the farm parity price goes up again. This makes groceries cost still more in the city. The city worker then demands and gets more money to equalize his higher cost of living. This makes the farmer pay still more for city goods, and he demands another increase in his parity price.

The peculiar hazards of farming may justify some kind of national insurance against crop failures or crop gluts, but with the farmer taking some share of the risk, like the $100 deductible" clause in automobile accident insurance. But this would be a far cry from the present inflationary political farm policy.

All wasteful and inefficient operation of Government departments—the "empire building" in Washington bureaus—adds to the fires of inflation. More dollars paid out for services, and competing for goods, cause prices to rise. The waste