

PLAIN TALK *by Jerome Joachim*

Did you ever see a magician make a rabbit disappear? Have you an annuity or pension — social security or otherwise — a bank account, any kind of bond or a life insurance policy? If so, you, too, will probably take part in a great disappearing act sponsored by no less than the President of the United States. But it will be your *money*, not a rabbit, which will vanish.



This sleight of hand is called "an unbalanced budget," another name for government spending more than it takes in. Formerly, a deficit in peace time was conclusive proof of financial mismanagement. But Mr. Truman knows that people don't like to pay taxes and that taxpayers vote. Also that powerful pressure groups demand huge doles from the treasury. So, he must try to make out that deficit financing is really respectable. But once it is admitted that a nation may spend even a dollar more than it takes in, the bars are down. There is no definite stopping point, and billion after billion is blithely added to the deficit.

When government borrows to meet current bills, its most convenient source of cash is commercial banks. The fact that they do not have the money on hand is no trouble at all. The banks merely ask Uncle Sam for some IOU's called bonds, and in return they give him a checking account equal to the figures printed on the bonds. Then Uncle Sam writes checks to pay his bills, and everybody is happy.

Here is where the disappearing act comes in. More dollars are put in circulation, but the supply of goods that can be bought remains the same. So, every dollar in the nation loses value. Dollars of your savings account, your salary,

pension, life insurance and bonds slowly shrivel. During World War II, such wildcat financing shrunk your dollars in half. Now the disappearing act is put on again; there is no second act in which dollars return to normal size. They remain shrunken.

The set-up is perfect for officials who run the show. Since dollar shrinkage is gradual, few of those affected know it, and they continue to vote for the men supervising the robbery. Also, the administration counts on the support of those who receive the plunder—whether it is new schools or hospitals, price supports, bonuses, housing subsidies, or doles to those who can't or won't work.

Politicians are always thinking up new ideas for buying votes with your money. One fantastic scheme now seriously considered in Congress is for government to guarantee against loss investors in new enterprises. Figures show that only one in five new enterprises becomes a steady profitmaker, so this outlet for your stolen money has endless possibilities. But that is not all. A new twist to Mr. Truman's Point Four is a proposal for guaranteeing against loss those willing to risk their capital for modernizing industries of backward nations, another possible sinkhole.

When the Great Disappearing Act was first devised, some officials feared that savers who saw their money steadily losing value might be annoyed. For savers comprise most of those who vote. But such alarm was needless. Protests have been too feeble to menace debt-financing programs seriously. So, watch the value of your saved dollars gradually disappear —and enjoy it!