

MONEY AND PRIVATE ENTERPRISE

A Book Review by OSCAR B. JOHANSEN

Flight from Inflation: the Monetary Alternative, by E. C. Riegel. The Heather Foundation, Los Angeles, 1978. Edited by Spencer Heath MacCallum and George Morton.

Flight from Inflation is a confusing book on money. However, it has the redeeming feature that it advocates the elimination of government from all monetary matters.

E. C. Riegel, who died in 1953, was an uninhibited individualist, a confirmed believer in private enterprise, which he recognized as the basis of all political and social freedoms. He was also well aware that government, as presently constituted, no matter how well meaning it may be, actually hinders rather than promotes the welfare of man.

The latter portion of the book is the best part. Here Riegel discusses quite lucidly such problems as the issuance of mountainous quantities of spurious money by governments as well as economic democracy and private enterprise. In the earlier pages, in his specifics on money and banking, and on a plan he had for substituting a private enterprise monetary system for the present governmentally controlled one, he confuses the reader.

The first criterion of scientific analysis is the rigorous definition of the terms involved. Riegel either does not define his terms, or if he does, comes up with conflicting definitions. And after noting the muddle caused by economists in arriving at an understanding of the most important monetary term - money - he only adds to it.

It appears that to him money is a debt which arises as the result of a businessman issuing an IOU. Since the businessman by borrowing has taken something of value out of the market, it is implied that eventually he must put an equal value into the market in order to liquidate his loan. He believes this is genuine money, whereas since a government will not ultimately liquidate its debts by putting something of value into the market, it money is spurious.

As he fears global chaos due to the inflation of money by all governments, he advocates the establishment of a new monetary system of private banks based on a monetary unit which he calls "valun." Regretfully he never defines precisely what a valun is. The best this reviewer was able to arrive at is that it is credit which a bank gives to a debtor. He does state the valun might be initiated on a par with the U.S. dollar. Thus, a valun apparently is currency which grows out of a debt to a bank. The difference between it and a dollar is that its quantity would be governed by the needs of trade rather than by governmental fiat. But banks now monetize private debt so other than changing the name of the unit from dollar to valun, he is not advocating anything new except that he does not wish government to be involved.

Certainly, if government is not the lender of last resort, banks would be more circumspect in the granting of credit. Paradoxically, however, the less creditworthy one is, apparently to Riegel, the more qualified, for he says that "to create money one must first be impecunious." If such is the case, one might be inclined to feel that since the poor constitute most of the peoples of the world, possibly there should be much more money than presently exists.

While he is quite correct in advocating a sound monetary system based on private enterprise, he is a bit naive in his belief that the institution of a sound monetary system is the first prerequisite for reducing the power of government. If anything, the first prerequisite is the substitution of the present system of land tenure with one predicated on the equal right of all men to the fruits of the earth.