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TRUTH IN MONEY

Who creates our U.S. money -- and what controls its value? That question is rarely asked; if it is asked, there are few coherent answers and certainly no consensus.

Most people are vitally concerned with the daily urgency of acquiring and spending money, but seem oblivious to the fact that some force is constantly juggling the value of the money passing through our hands. Why does this obvious reality not produce national as well as private debates?

The control of money itself is far more determinative of our standard of living, what kind of a house we live in, whether we can afford to give our children a college education, and whether we can look forward to financial security in our senior years, than what kind of a job we have, how many hours and years we work, and whether we are thrifty or spendthrifty.

In our freedom-of-speech society which has long since spread out on the table of public discussion in the mass media even the most intimate details of private lives, the subject of how money is created and its value fixed is apparently the last taboo. Most books and articles on money are written in such esoteric language that only scholars can understand them.

The first modern book to explain simply and systematically how money is created in the United States and how our present method of money-creation causes inflation, bankruptcy, farm foreclosures, and unemployment is "The Truth in Money Book." It is easy reading, free from banking and economics jargon, generously illustrated with charts and diagrams. Complex banking and economics terms are thoroughly defined.

The format is Socratic. Two couples meet with a neighbor to hear the results of the authors' ten years of research into the American monetary system. On four evenings, the authors explain how money is created and extinguished; why prices continue to rise even in a recession; and how to construct a self-correcting, inflation-proof/depression-proof money system.

Authors Theodore Thoren and Richard Warner explain what they call a monumental error

in our money system which is the root of huge Federal deficits, as well as unemployment and the impoverishment of middle-class families. This error is the fact that "almost all of our money is created as debt at interest. Money is borrowed into existence at interest, and so ultimately all this created money must be repaid to the agency that created it."

"However," they continue, "the agency creates only loan principal. The interest due on the principal is not created, although it is legally required to be paid. The bottom line is that it is mathematically impossible to repay money which is not created in the first place."

The authors are certainly correct that this fundamental fact about money is generally unknown to the public. Few people have read authoritative textbooks such as Professor Paul Samuelson's "Economics: An Introductory Analysis," wherein that renowned economist wrote: "Few understand that all our money arises out of debt and IOU operations."

Unlike many other books on money, "The Truth in Money Book" doesn't leave the reader with a sense of hopelessness about our enormous problem of monetary instability. Using the technical skills of engineering, the authors show how a correct analysis of what is wrong makes it possible to halt the inflation-depression cycles and restore the dollar's puchasing power without disrupting our economy.

The authors of this 263-page paperback recommend what they call a Public Credit Money System, which would create inflation-proof dollars so the supply of money would equal the demand in the same way that the supply of postage stamps equals the demand for them.

The economist John Maynard Keynes once wrote: "The process [of inflation] engages all the hidden forces of economic law on the side of destruction, and does it in a manner that not one man in a million is able to diagnose." Thoren and Warner, who are career engineers, have the expertise to diagnose the problem.

"The Truth in Money Book" can encourage the public debate which must precede true monetary reform by opening the door for thousands, even millions, of Americans to understand our defective money system and what is needed to correct it. It can stimulate the interest of our citizens on an issue of fundamental importance to the future of the private enterprise system. (Truth in Money, P.O. Box 30, Chagrin Falls, OH 44022, $8.50)