MONEY

A lecture given on 6 December 1956

We have a subject on which there is no basic agreement, and about which, none of us don't know much, evidently.

A subject however which is quite current. A subject which we find doled out from time to time. A subject which makes or breaks men with the greatest of ease. A subject which is really the root of a great many love affairs. A subject which is quite convertible. A subject for which there are probably more slang terms than any other subject in the language. That subject is money.

We have in our midst some small samples of this particular commodity. But if any of you have your acquaintance with it strained or if you have not recently been introduced to it, why, I'll tell you what it is, and thus give you a much greater familiarity with the subject. Just a minute.

Well, I don't have any myself but you know what the stuff looks like. You know what the stuff looks like. It's uh... well, I've got kind of a foggy recollection actually. I think it has the United States of America on it. And over in England it has the – I distinctly remember it had something on it. Yeah, yeah, it said that the controller of the treasury as an individual would pay to anyone who challenged him the same bill that they paid him. I remember that.

U.S. notes vary, they're different. The money is much better than English money because there are more vias. American money is much better than the English money because there are more vias.

Now, English money is issued by an organization which is part and parcel of the British government. In other words, there was some authority to issue the money. But in America that's not the case. Money in America, most of it that you have issued to you is issued by the Federal Reserve Bank of New York City, which is a very private organization. I know, I tried to walk in there once (I thought there might be something lying around loose). And only after I had shown them my Intelligence cards, only after I had shown them my citizenship papers, had answered up on a lie detector, did they then throw me out. Boy, are they exclusive!

Well, this is a private organization and it issues pieces of green paper which are beautifully engraved. Of course, the whole subject of engraving is in disgrace, you realize that. Because the best engravers of the country are in jail. This is so much the case that the Bureau of Printing and Engraving, when it wants somebody to make some money for it, you know, they go down to the local pen and parole somebody onto their payroll. Actually, that's how it got to be known as the Federal payroll.

Anyway, the difficulties attendant to the issuance of money are as many as the money is good. That becomes obvious doesn't it? That's the first thing we have to learn about money, is that the difficulties attendant to issuing it are the validation of it.

In other words, here's British money issued by the British government, and it says that if you give them a pound note, they'll give you a pound note. Boy, is that direct. That's really direct. That's right there, you know. And they're having trouble with their money. They've had trouble with their money ever since it became issuable directly by the government.

They didn't have trouble with their money as long as they had a few more vias on the line. But people can look at that now and say, "Hah, we know where that came from. It came off of a printing press. It came directly. The government said, 'We'll issue some money,' they issued some money and we're expected to take this stuff? Ha ha!" Obviously, has no value because it isn't crooked enough.

So, the point is that American money is better. It's better. It buys more things in the world than British money does, and that's only because American money has additional vias on the line. Now, the British system of releasing currency is very short and to the point. Parliament says, "We authorize currency." And the Bank of England authorizes the printer to run some off and they get somebody to make some plates out of their local Dartmoor, you know, and he comes over and they run off the plates, they run off the money and they bring in bales of the stuff, wheel it in on carts. And people throw it across the counter at the Bank of England. Anybody can see this happen and their money's gone down.

Well now, American money is much more valuable and it is not issued by the government. We never see bills relating to the publishing of bills, nobody quite traces where it came from or how, and I thought you might be interested in how it came to be money. Would you be interested?

Audience: Yes.

Well, it's quite an amazing story. It has to do with a fellow by the name of Alexander Hamilton, who was killed in a duel. And this is not why he was killed in a duel. He was killed in a duel because he was... Well, his name had been closely associated with George Washington's. As a matter of fact, he'd been an aide-de-camp. And when George used to sign official orders, "All soldiers must be ready to cross the Delaware by two o'clock," you look over in the corner and it said "Alex Hamilton." It said "Official, Alexander Hamilton." It's quite interesting. I mean, after a while, anything that Alexander Hamilton signed was official, see? Get it?

So when he proposed this cockeyed system of banking, everybody said, "Well, that's contrary to the Constitution."

And he said, "Well, ha, it's official." And so they adopted it. And the U.S. from that day to this has never had money as authorized by the Constitution. And it just isn't legal. That's why it's so valuable.

That's right, that's right. You think I'm joking. I'll show you how this happens.

The Constitution said that Congress shall have the power to coin money. And Congress never has. They don't coin money. I've been up there on the Hill looking for their coiner. Closest I can get to it is flipping quarters, heads or tails, with some of the senators. I get some of the Middle-Western senators – they're the only ones that will flip coins with you and let you use your quarter. The Eastern ones don't. They insist you use their quarter. Of course, the Western senator, he's pretty liberal. He's more open-minded and he always says, "Well, we'll use somebody else's quarter." That's the general difference in districts of the country.

Anyway, they never have coined any money. They have yet to do so. But they pass bills every once in a while saying, "It shall be coined." But they don't ever pass the bill and just exactly say that, you see? They say, "The secretary of the treasury," who isn't authorized in the Constitution, "shall as the executive branch of the government," duties of which are not defined in the Constitution, except that he shall be commander in chief of the army and the navy...

They've just gotten around to that recently, being constitutional. We have forthrightly a general. But he's not an admiral so he's only half legal. I haven't seen him in an admiral's uniform yet.

English manage these affairs much better. They don't bother so much about the rank but, boy, they sure issue uniforms. You get to ruling things around there and you're a lifeguard and a blackguard and all kinds of things, you know? A guy comes out one day as an admiral, another day as an air marshal, and so forth. Boy, I tell you, it's terrific! I'm going to ask them sometime when I see somebody around like that – "You got your commission handy?" And you know, I bet he hasn't got a commission. If he has, he signed it.

Well anyway, U.S. money was found to be unissuable after Alexander Hamilton had talked to everybody up on the Hill. (The Hill was up in Philadelphia at that time. They've moved it down since.) And Alex talked to the boys. And I think he kind of got them off in a corner somewhere, and he says, "Now boys, you know very well that someday Hubbard's going to tell you that something is as valid or as incomprehensible as it has vias. Now, if anybody understands money its going to be worthless, you know that."

So the boys said, "Well, I don't savvy that."

And he said, "Well," he says, "you can make more out of it personally." Well, they bought that! – immediately formed an organization called the Federal Reserve, which organization was composed of half a dozen bankers. In that day a banker could have good repute. It's terms that just don't go together today. But you'll have to stretch your imagination and realize that there was a time in the country when bankers did have good repute. People looked up to them. And these boys got together, and Congress authorized a bill saying that they could exist, and that any time it wanted to, the Federal government could buy all of its stock out at par value. You got that now? I mean, it's very interesting but that par value at this moment is 385 million dollars. That's the par value of the total stock of the Federal Reserve Bank which exists as a private organization in New York.

Well now, this Federal Reserve Bank issues money this way. You won't believe this, but this is the way they do it. They have a book, have a ledger. It's probably a common school-composition book, you know? And they get a stubby pencil, and they write down in it, "Owes us ten billion dollars." Got that? Who does? "The U.S. government owes us ten billion dollars." Well, that's the start of money. Now, it issues, then, ten billion dollars worth of stock, which the Treasury Department is permitted to issue. And then because they permitted the Treasury Department to issue these ten billion dollars worth of stock, then the Federal Reserve can issue ten billion dollars worth of currency that is backed up by the stock. You get that? That's backed up! See that? I mean it's backed up real good. It's for sure. There it is, see?

There's somebody around here looking puzzled. I mean, I'll go over this again.

They have this composition book – ledger – and they write in it with a stubby pencil, and they say, "U.S. owes us," see, "ten billion dollars." And then they say, "ten billion dollars worth of stock," you see. They issue it, but the Federal treasury issues it to them so that the Federal Reserve can then issue ten billion dollars worth of currency. You got that? Well now, that's valuable money!

Now, why is it valuable? Well, it's got more vias on the line, you see?

Now, when they retire money then they have to retire bonds. That makes it equal, doesn't it? You get it? That keeps it legal. Only we don't quite see how either the bonds or money were worth a damn, because in fact, by current economic theory, neither one represents real property, coin, specie, gold, silver or anything else. They don't even represent promise to pay. See?

Now, it says – if you look at a bill – the bill says, "The Federal Reserve promises to pay the bearer on demand ten dollars." Ten what kind of dollars? The same kind he's got his hands on. Well, this is a paper swap. Well, sometimes people like clean paper. Now, that's essentially it.

No, I was joking before about not having any money. I held up my wife tonight just so that I would have a couple of bills here, various kinds, so that I could talk about this more idiotically.

Now, if you look on one of these bills, you will occasionally be dumbfounded to find one of them headed, "silver certificate." That's not a Federal Reserve note. Well, what's a silver certificate? Well, a silver certificate is quite different than a Federal Reserve note. It is actually issued against the amount of silver down here in the treasury.

That's a different kind of money. That's the kind that was more or less authorized by Congress. But there's very little of this.

Now it says, "This certifies that there is on deposit in the Treasury of the United States of America, ten dollars in silver, payable to the bearer on demand." And you can walk right in and you can get yourself ten dollars worth of silver just like that, except they'll give you another bill. Now, that's valid money. I'm not joking now, that's what you know as money. That money is backed up as money and it does consist of money.

Now, here's the bulk of the money in the country. That was money that I just showed you there. This says, "Federal Reserve note. The United States of America will pay to the bearer on demand ten dollars." You say, "Ten dollars? Now, just a minute, who will pay to the bearer on demand? The United States of America? Or the Federal Reserve note?" Now we see. We match up the print and we find out that it's the Federal Reserve. Probably, though – probably – the United States of America will probably issue it out for the Federal Reserve, but that makes the Federal treasury an agent of a private bank.

Quite amazingly, it has on its face the picture and portrait of Alexander Hamilton. Now, that is valuable. That is valuable. It's a nice engraving, it's a nice picture and it's worth money. But I don't think anything else here is. Unless money is just money.

Now, here's what makes it legal. It says right up here, "This is legal tender." It says, "legal tender," for something or other – "for debts public and private." Well, that means if you don't accept it you get a bayonet in you. Well, I wish I had somebody around that would make my creditors accept my IOU's. But that's what it says, and that's what it is. Now, that is money.

The bulk of the cash in the country is composed of that. Here you see Federal Reserve note, a twenty-dollar bill. Federal Reserve notes are the usual thing. You see a few silver certificates and you see a few ones, fives and tens that are silver certificates. You see much more of them in Washington than you do any other part of the country for some reason or other. It isn't that the Washington government employee is more critical than others. He is not known to be.

Well, you see this stuff, it's money. See, here's... I've got a bunch of silver certificates here and that's really terrific.

Now we're getting up into sizable currency. Here we have a Federal Reserve note, one hundred dollars, that says that "The United States of America," evidently – only it isn't – "will pay to the bearer on demand one hundred dollars." In what? In this. It's the same show as the Bank of England, don't you see? Except it's a private bank that does it in this case. You throw them a hundred-dollar bill; they give you a hundred-dollar bill. You give them your hundred-dollar bill; they give you another hundred-dollar bill.

I'm going to stay down in one of these cages someday, just passing back and forth hundred-dollar bills. And maybe I'll find out after the thirtieth or fortieth pass that it suddenly turns into gold or something else. But it might not. I might be disappointed in that.

Well, I thought you might be interested in this singular fact, because all I'm really trying to teach you is not that Federal money is no good. It has become so valuable today, actually it is so terribly valuable today, that they have upped interest rates all over the place and it's very valuable stuff. It isn't no good. It's just money.

And what is the character of money? Money is a commodity. It is a substitute. It is a thing. It is something that people push around. It is something that is defined in economic textbooks. It is something which is exchanged. It is something which is printed, it is coined, it is minted. It is something for which people get killed. It is something that makes it worthwhile to become a robber. It is something with which you pay dues, tithes, taxes. It's, in short, the weenie in any given culture. It is the thing everybody is after. If you didn't have something that everybody was after then you wouldn't have any game.

And so we get down to one of the most fundamental agreements of our present society: that money is something everybody is after and very few people have. Now, it takes that stable datum. It is valuable. In order for a thing to be valuable, it is, of course, somewhat scarce. If you gave people enough money they would simply go on and buy produce and live happy lives and carry on and so forth, and you couldn't have that.

So you keep it scarce and they have a game. They get up in the morning worrying about how they're going to get another one of these pieces of paper. And they go to bed at night realizing that they've spent one of those pieces of paper that they shouldn't have spent. And they have nightmares that somebody has suddenly filled up their bed full of money and they wake up to find out that it's not money, it's bills. We get into all sorts of interesting complexities by which one man owes another man money. And he doesn't pay him the money, so the court gives him a summons and then they take him down to court and they have a big case. And if it's on a piece of paper and he had a piece of paper saying it, why, then of course the other fellow could pay him the money because he's got proof that the money didn't change hands when it should have changed hands. You get the idea? And you get a very nice game going that nobody can understand. And they can't understand it for the basic reason that there isn't anything there to understand.

Now, let's look at this much more closely. We put some vias on the line. Very nicely and neatly, we put some vias on the line. In other words we put some extra terminals. The Federal Reserve has the Federal government issue some bonds so that it can issue some money so that the Federal Reserve's bonds... Get the idea? Then we talk about the shortage of money and the scarcity of money and the superfluity of money, and we talk about inflation and deflation; we hire people to fill up pages in the newspapers concerning the business credits of this moment. And we have authorities and we teach economy in all of the universities.

And boy, we get more stuff piled up – bang-bang-bang-bang. Much more. Thick, thick books. We get all kinds of things stacked together on this one subject called money, in the hopes that somebody will not penetrate the secret and split up the inner sanctum by saying "Money is as valuable as it is complicated. But when it is too complicated, it isn't. So money is the optimum level of complication that can still be, to some slight degree, uncomplicated."

Now, you may be taking a preclear apart someday, thinking fully that you are taking a preclear apart, and discover after Lord-knows-how-many hours of auditing, that all you were trying to do was take care of his ideas about money. There was something there but there was nothing there.

You take a capitalista. This is a term... I don't like to use the term straight out, because it's gotten to be a nasty word. There are two nasty words in the society: the one is that one and the other is communist. Communist got to be a nasty word because it fought the capitalist. Capitalist got to be a nasty word because it was one.

Now, the capitalist got to be nasty because he put too many complications on the thing and he stressed it. He went overboard beyond optimum. Don't you see? He made money do more than money could do. He made money itself manufacture money. Now, that's different.

Now, it's bad enough to have the stuff issued someplace that you don't quite know about, and spread around, but how about the fellow that takes two dollar bills and then presses them hard enough with an iron to get three? Now, you see, that's pretty downgrade. That's pretty downgrade.

Fellow can't face outright creation. He hasn't the nerve merely to go and get a counterfeiter out of prison himself and just print some. Nor can he produce a machine or a building or a parkway or something which people then give him money for. That is not what a capitalist does – something you should very clearly understand.

I'm not rabble – rousing now on the side of the liberals, the socialists, the communists, and so forth. But the old saw, that if you were against capitalism you were at once a liberal, I'm afraid has worn all its teeth out a long time since. Just because you are a bit against the capitalist is no reason that you're even vaguely liberal. See, it's not necessarily true at all. Capitalism is something that you either laugh about or cry about, as it may strike you.

Now, here is this fellow who doesn't produce. He, in some fashion, accumulates some money. Now he makes the money make money, got that?

Now, the capitalist has sort of disappeared out of the society. He's been killed off. It's too unpopular an activity.

It's interesting that in that part of the country – the New England states – where capitalism was once pretty doggone rife, we had (before the advent of the white man into this country) a tribe of Indians which, of all the tribes in America, understood the charging of interest. There was actually a tribe of Indians up in Maine that knew how to charge interest and did charge interest on anything loaned. When they put out some wampum they wanted some wampum-plus back, you see? And that was up in the New England states. And the boys that came in after that, they got the idea that if you could just get some wampum together then you could make wampum make wampum and you were all set. But who is all set?

Well, obviously, the only fellow in such an arrangement who is all set is the fellow who is making wampum make wampum. That's the only fellow who is all set. Why? Because it's a drag on the actual existing currency, and a heavy drag on it, because it has a nonproducer who is totally a consumer, who then is quite a drag on the remainder of his community. It's just the same as having somebody there who is totally indigent, you see? But this total indigent now has authority in his community.

How would you like to have somebody down here who couldn't make a dime, he couldn't do a day's work, he couldn't do anything. And yet he insisted on being fed nothing but the finest of roast beef and pheasant's tongues, and he had to be driven everywhere in a golden chariot and that sort of thing. And you'd after a while say, "This guy is for the birds," and probably should be for the graveyard. And you'd say, "There's something wrong with that fellow." Well, the society as a whole has finally said, "Yes, there is something wrong with that fellow." The capitalist never produces anything. Now, don't ever then get capitalism really mixed up with the entrepreneur, the producer, the manager. Just separate those out.

What is meant by a capitalist is one who makes money make money. You see, that's all he does. That's his total philosophy.

Thorstein Veblen was mad-dogging around about this at the turn of the century in a book called Theory of the Leisure Class, which is one of the doggonedest books you ever cared to read in your life. You've got to have a leisure class to consume the goods of the worker, otherwise the society caves in. That is the theory. Oh yeah? Since when did workers not like to ride around in gold-plated Cadillacs, huh? All right.

Now, let's look over this thing, the nonproducer. And we realize that somebody who stands there and simply shuttles money back and forth and takes so much of it is a bog in the economic world. He's a bog. He must replace the money he takes out with something – service, good looks, winning ways, a pleasant smile, something! But if he puts nothing on that line the economy is apt to cave in, simply because there's somebody there who is consuming who isn't producing. And therefore, capitalism is not a sound theory of economics, and it goes up and down and people revolt against capitalism.

Listen, the peasants of France of the fourteenth century had never heard the word communism. Well, that didn't restrain them from revolting against the first capitalist in France who started to issue paper money. They revolted like mad! This doesn't restrain anything.

It doesn't matter what words you put on it; as long as you're dealing with this commodity called money, you get this phenomenon called capitalism. See, it's an interesting phenomenon. But just regard it as a phenomenon, not necessarily bad or good about anything but the economy. A capitalist is simply bad for his own economy, you get the idea? He's bad for his own economy, not necessarily a bad person.

All right. We take this whole lineup and we look at the other end of the scale that gets created thereby. A fellow is made to produce, produce, produce, produce, produce, and he can't have any of this stuff called money. Got the idea? And we therefore get a peasant or a worker class that is way subnormal.

So, when you get a fellow way up at the top who is taking money off the line without contributing anything to it, somewhere or another there's some fellow who is going to have to work twice as hard and get nothing for it.

And that's what starts revolutions in the world. That's really the basic woof and warp of revolutions. They're nine-tenths economic, only one-tenth political. And we see the whole of the world getting tangled up this way. Well, what are they tangling up over? They're tangling up over the fellow who can't work.

The Indian tribe that goes to pieces, goes to pieces because there are only fifteen men of the tribe who are hunting: there are ten other men of the tribe who are just eating. And the fifteen men after a while can't shoot enough game for twenty-five men and all the women and children that went along with it, so the tribe starts to starve to death. What made them starve to death? The guys who were eating without hunting. You see this? So we get an imbalance because of indigence.

Whenever you get this created situation whereby you get something that is only pulling off the line, it is only absorbing or only receiving and is never paying out, you get an imbalance in some other part of the system. You see this? It's rather clear.

All right. Let's look at this whole thing about money. You put enough vias on the line, it becomes valuable – but only if it is somewhat scarce.

Now, how scarce should money be? Well, what is an optimum scarcity of money? Well, it has to be scarce enough so that people will consider it more valuable than the goods they're holding or making. It has to be just a little bit harder to obtain evidently than the goods themselves. Otherwise they'd consume their own goods to some degree, wouldn't they? You must have just a little bit more value.

Therefore, we have a situation in terms of money whereby somebody has to produce and receive money for. Well, this is all based on the fact that people produce different things and everybody wants a little bit of everything. So we use money as the communication line with which to adjust this economy. Now, horribly enough, when money is used for anything else, the whole culture goes to pieces.

That is actually what money is. That's all it does. That's all it could pretend to do. There isn't any, really, further end to it. It is simply a substitute. If you threw money into a little village it would seek the level of the production at which it was scarce. The prices would eventually range themselves so that it was scarce, just slightly scarce, so that people wanted it more than anything else. Well, why would they want it? It's because it's convertible into other items which they themselves don't produce. And therefore you have a system by which you can get an exchange.

So, if you've got to have a production-exchange system – you see, that's not necessarily necessary – but if you've got to have a production-exchange system, then money is a very good answer to this and so has remained in vogue.

But when we complicate money any further than that, why, you start to see shifts and imbalances of power. We finally find that the indigent can have power. How can they do this? Well, they start mixing up with this money, and without producing they yet can alter the flow of currency. And people sit around for a long time. They'll permit this. And they'll see this lazy bum that can't even step out of a carriage by himself, you see, driving in a carriage. They haven't got carriages. They see this fellow who never produces anything, he never made a witty crack in his life. He's produced nothing, see? And they look at that and they say, "What do you know? What do you know?"

Well, there are two answers to it: Either we will not work and see if we don't get more – that's a strike – and the other one is "Let's just knock off everybody." And the society sort of varies between these two decisions. "Let's gun everybody down that isn't working," see? "Let's take the capitalists and shoot them all up" or "Let's go on strike and refuse to work until we get more money."

What are they trying to do? They're trying to adjust by force something that is at best a flimsy idea. They're going to adjust by force this very flimsy thing called money. And I say if production is necessary, then money is a good answer for the exchange of goods.

Actually, "a promise to pay" is a sloppy definition for money. A promise to pay is only really valid if you say in what. A promise to pay is only valid from a person who can produce, not pay, don't you see?

So, what do we have in the final analysis? We have society in a commotion and in turmoil over an abstract commodity which itself doesn't have any more validity than how many vias are on it. It has a use. That doesn't necessarily give it validity.

Give you some kind of an idea of what you can do with economies and currency if you... You want to hear something about it?

There was a fellow by the name – one time – a fellow by the name of Christophe. Terrific man! The French had been holding Haiti for a very, very long time. And they had been killing off Haitians and burying them in the ground, and knocking them over the head and doing interesting things that were only interesting to them. And after a while the chaps there in Haiti got the idea that the French meant them very little good, if any, and decided to eject them from this island.

Well, there were several leaders rose, but the greatest of them was Christophe. And this chap was a tremendous figure of a man. He was about – oh, I don't know how tall he was, but he must have been about six foot eight, six foot ten, something. To hear them speak of him, he's obviously that big. He might have been five foot two but he sure looked six foot eight or six foot ten to everybody. And this fellow decided that he could set up a better nation than the French. And after the revolt against the French and so forth, he proceeded to do so. And he did set up a rather successful one. He did this because the French didn't think he could.

The French thought, "Haiti will collapse economically the moment we are swept out of it." They were thinking only in terms of money, weren't they?

Do you know what Christophe did? He said, "Hereinafter, as aforestated, by command of what bayonet units and machetes we have to hand, all gourd trees become the property of the state of Haiti." And he sent his soldiers out, and they chopped every gourd they could find out of every gourd tree on the island and made every gourd tree sacred to the treasury of Haiti and carted them in, and the following morning-after it was all done – declared the only currency current to be accepted for goods and produce was gourds.

And to this day, to this day, the notes, the money which you are issued in Haiti is called gourdes. And they have pictures of gourds on them. That was back in 1810, 1812, sometime back then. And a hundred and forty, fifty years later, why, we still have the money being called gourdes. You see?

It was basically an idea. There was a finite number of gourds in Haiti. So he established that as the economy, and it gradually sought its own level and there he was. And he had an economy.

And the French stood back absolutely flabbergasted. They said, "This man can't possibly succeed." Oh, yes he could! He had all the money there was in the country!

Well, here's another example. They were absolutely sure, down here at the other end of Sixteenth Street, that a fellow by the name of Schicklgruber could never succeed back in '33. And they laughed their stomachs sore, if you will excuse me ladies, after they heard that he was going to refinance Germany. With what? He didn't have any gold, he didn't have any silver, and he didn't have any credit, and he didn't have any produce. How in the name of common sense could he possibly do so? Obviously, Germany was broke, could not then rearm and could not thereupon ever become a menace to the rest of the civilized world.

Man, was this a pauperized notion of money talking! They knew nothing about money. They didn't even know enough to read the history of our own Western Hemisphere. They didn't even know the story of Christophe. They should have. Because what did Hitler do? He just issued some stuff and says, "This is money." And people disagreed with him and they didn't live long. And after a while, boy, that was the bestest money you ever heard of. And today the mark is worth about twenty-two cents and is the most stable coin in Europe. It is accepted right with the American dollar. It is much better than the pound, much, much better than any francs.

What is this mark? It's a mark. What's a mark? It's a mark! Of course, you can say, "Well, it's backed up by U.S. economy." Well, that I seriously doubt. Because if this economy over here is in any shape to back up anything, I haven't heard about it. It's in shape to back up.

No, here's this fabulous thing. This fellow, he had a lot of tricks, you know? But every one of his tricks went along this line of law: a via. He put another via on the line. The money was good because it had gone through somebody else's hands before it was printed, you see? The money was good because it had another kind of picture on it than somebody else's money. Of course he had a hard one to fight there, because they'd already learned in Germany that when you turn printing presses loose you eventually bought loaves of bread – you bought great big loaves of bread or little tiny loaves of bread – with wheelbarrow loads of money. See, and they'd had that. And that's inflation, that's bad! Huh! That is not inflation. Inflation is not defined as "That's bad!" See, it's a condition. It's a condition.

So we get to the other interesting thing. If we want to know all this about money, and we find out there isn't very much to learn about money, except money is money, what the devil is regulating the economy of any given country or preclear or president or businessman or anything else? What is regulating it? Is it money? No, it isn't money. It's produce, ability to produce, and existing production. That is all that can stabilize any economy.

Now, that is dependent upon manpower and natural resources. You must have men who are willing to work, and you must have natural resources to be worked. And if you don't have them you'd better invent something to produce that doesn't need them. But certainly we're dealing with something real. We're dealing with something that has solidity. We're dealing with mass. We're dealing with a commodity. Whether it's a pair of nylon stockings or the pasteboard boxes to put them in, it is a produced item. And the production must be wanted and consumable. You understand that?

A little clock, by the way, is consumable if it's just sitting on a shelf See, it's used, it's usable. Why is it sitting on the shelf? It doesn't even run. It's merely pretty. It's just because somebody wanted it, don't you see?

Desire for produce then creates the interchange. The produce itself establishes the possibility of an economy, the desire for it brings the economy into an existence whereby it is a third-dynamic function.

So we get all sorts of fellows with long hair rushing around saying, "Woikers of the woild arouse." "Woikers, them capitalists consider youse is lice." I've heard fellows, by the way, that spoke with a perfect Harvard accent, off the speaker's platform, use English as bad as that. "He was a popular mug, see?"

They go around and they rabble-rouse. Why? They conceive themselves to be dealing with the only people who produce. And if they can get control of these fellows who produce, then they can loaf in the stead of the capitalist. See what a neat scheme it is? The only difference between a commissar and a capitalist is spelling.

Now, we have these fellows, we have these chaps who get this clue about production, and they themselves try to do it all by production. But remember, the production is nothing, as I just said before, without the desire to have the pretty little clock on the mantel shelf. In other words, there must be desire to have production. That must exist. So it does no good to stand up people against the wall and say, "We're gonna shoot you boys all down if you don't produce." If you do this to a whole nation, you eventually wind up, see, with nobody able to want anything. The desires of a corpse are measurable by worms alone.

So if you knock out the wantingness, if you knock out the consumingness and if you just stress producingness, the cogwheels keep turning and turning and pretty soon some worker asks, he says, "Hey Joe, hey Joe, what we making?"

And Joe says, "I don't know. What is it?"

"It's a little box, some kind here. Comes out at the other end. See, there's one."

"What is it?"

"I don't know. Hell, I only been here ten years."

You have this silly picture of everybody producing with nobody consuming and, of course, you don't have a third dynamic. You have a series of firsts.

So these great group social movements, based on "snare the worker," usually wind up as a first-dynamic action. See this? Totally first dynamic, you see? Everybody out for nobody. Not even out for themselves, by the way.

Do you realize, everybody out for himself is a better society than everybody out for nobody. At least you've got a possibility of fighting on the first one. When you yourself, you see, feel that everybody should be out for himself, you can go around and accuse people of this. But if everybody is out for nobody, then who'd care whether you accused them or not?

All right. So we look at this huge economic network and we recognize that a network does require a certain amount of consumption, but the consumption of course must be ranged somewhere along desire. And we mustn't take this automaticity of food. We must say, "Well, people must always eat." I don't know that people must always eat. I think it's a bad habit. I almost cured somebody of eating the other day in a processing session. Stopped just in the nick of time.

Here's this interesting fact: I don't know that any of these desires are anything more than somebody's idea that he wants. Well, you could ruin an economy two ways. You could ruin an economy by making the people cut their production down. See, "Don't produce that much Joe. You don't produce that much. We don't need all that. And you skip making that this year. And nobody wants any of that over here." And we just keep this up, see? Plow the pigs under, you know, sort of thing.

And then we would go around and say, "Now, all of you people should be self-sacrificing, and you shouldn't go around being greedy and wanting all these things, see."

It really takes both of these actions. Because if you don't have the second action then the first one will never get corrected if it goes out of line. In other words, if people did sag on production, you must still have another crew (even if they're just the women of the family, you know) to go around and say, "I don't care what it costs, I don't care how many miles you have to walk for it in snow; when I say mink, I mean mink!" There must be somebody there.

Now, this current economy has this interesting aspect: everybody's being hammered and pounded all the times with "must have" – "can't have." You look at the TV ads: "Get into this beautiful new Cadillac. Drive down this smooth road."

At first you say, "Don't I wish I could." And after a while, because it's just glass with some light playing on it, you say, "All these rich dogs ought to be shot!" It's your next reaction.

And after a while, you would unfortunately say, "What Cadillacs? I don't even read the ads anymore." Do you get the idea?

You could overstimulate the desire to have and then not gratify it to such a degree that everybody would become apathetic about possession, and an economy would go bzzzsst! That'd be the end of that economy.

Now, the funny part of it is, the only thing I don't think you could do would be to overproduce variety. Of course, if everybody in the world all of a sudden started growing watermelons and wouldn't grow anything else but watermelons, and every plant would only manufacture synthetic watermelons, I think the economy would be shot.

A variety of production – people producing what they can produce, producing consumable goods, goods that did fill various needs – it's almost impossible to overproduce.

Now, just why you think somebody has to be a rich skunk to drive a Cadillac is, of course, traceable only to ads. Ads show rich skunks driving Cadillacs – you know, the black-white plumed tail waving in the air behind the Cadillac.

No, it's a fact. It's a fact. There is no reason under the sun why this economy couldn't build a Cadillac for everybody that wanted a Cadillac. They're rather simple to build. They require no more metal really than a Ford. They just make it thinner. And you've got this vehicle.

Well, now, it is true that everybody in the society couldn't have a gold-plated Cadillac. There isn't that much gold. You'd run out of gold in very short order. You'd have to tap the government down here at Fort Knox and say, "Give us some of that stuff that belongs to us."

And they'd say, "No, no. We've got to have that to back up the money."

And you'd say, "What money?"

Of course, they'd say, "Oh, you're invalidating the currency of the United States. Well, that's a criminal offense." I think it is, too. Be the fifteenth statute I've broken today. Well, I – anyhow...

Within the range that you didn't want a gold-plated Cadillac, then, I'm sure that everybody could have a Cadillac. You get the idea? Everybody that wanted one could have a Cadillac. Well, somebody would have to be producing gold, you see, for everybody to have a gold-plated Cadillac, because there are finite limits of gold available. Get the idea?

In other words, these economic checks are monitored by desire to have and ability to produce. And of course, if you don't have the raw materials you can't produce it. But the only wide-open track along the line that looks relatively wide-open is production. You can't overdo it and still maintain a variety of production. Unless you enter in a new number of factors.

Now, you can enter in this new factor which would have to do with money, scarcity of. You could tell everybody carefully, "Now listen, in order to get any produce you have to give money for it." Everybody learns this. That's a new lesson. They learn it. They learn it well. They go around, they say, "All right. I want a new Cadillac. That means I have to have ten thousand dollars and I pay it on the line here, and they give me a new Cadillac." Everybody learns that lesson well.

And then all of a sudden some cheap dog forgets to write down something in this composition book. See, they look at the composition book and say, "Well, that page is full. We're not going to issue any more money." And you look in your pocket and you don't have ten thousand dollars, you just have ten cents. So you don't get a Cadillac, you get a hamburger. Get the idea?

Well, supposing you were producing like mad, or supposing there wasn't enough money to pay you for your production. Supposing there wasn't enough money for anyone to buy your production. Ahrhyeah! So we find out there isn't much you can do about people from a production angle. And it wouldn't do anybody any good to monitor production anyway. The place to hit it is for money, money. You make the money scarce.

Now, there's two ways to make money scarce. Both of them add up to no value for money. Just print it by the billions of bills. Let it blow all over the streets. Show pictures of your president lighting cigars with thousand-dollar bills. Or don't print any. Everybody'll forget what it looks like.

The whole society might or might not stay on the subject of money if it weren't for the fact of taxes. There is a monobrained, puppy to the root – well, monomaniac sort of an organization in the country. It's composed of tax collectors. And it only collects taxes in money. Does you no good to take down eggs. Does you no good to park that Cadillac out in front and say, "There it is." They'll only settle for money. You could print some money and give it to them, they wouldn't be satisfied. They got to have a special kind of money. They got to have their own money. But they didn't make any. How can you pay them?

Well, I'm afraid that's a problem that's being solved right here at this moment. It's being solved in this fall of 1956. How you pay taxes in money which isn't being manufactured.

The financial low of all time since the depression has been reached within the last four days on the subject of the amount of money available to buy Cadillacs. That ratio is now below 1931. There is less money in the economy for the amount of goods in the economy than there were since 1931. The money is getting scarce. The money is getting very scarce. It would be very unkind of me – who keeps my eye open (I should say who keeps me eye open) on things like this – not to tell my friends about it, which is the only reason I'm talking to you tonight. Because this is an unsavory subject – money – because they got it so rigged that when you got no dough you don't eat. "No dough, no chow." That's the motto of this society.

But money is not production. Money is money. And if money is not produced, it doesn't exist. To that degree it is simply another production.

I'm not trying to scare anybody to death. I'm not trying to scare you anymore than... Mortgage brokers and other people are hysterical right now. As a matter of fact I'm trying to do quite another thing as far as you're concerned. I'm trying to show you why you shouldn't be particularly upset and alarmed, and perhaps you can understand what's going on in this society around you just a little bit better.

Yesterday, or a many yesterdays ago, you ordered a radio set. You didn't pay the fellow for thirty days. You forgot it. At the end of thirty days you gave him your check. You said, "Here's your check."

The fellow said, "All right, that's good."

Today you buy a radio set. Your checkbook does not come out of your pocket quite fast enough, the fellow's hysterical. You buy a commodity today and you have somebody on the other end of the line within twenty-four hours if he has not instantly received pay. Why? He's going broke! He has certain set, fixed expenses. People all around who want things. People all around want his produce. They want what he's distributing. But they haven't got any money to buy it. But he has to pay salaries. But he has to pay the manufacturer. But he has to pay rent. And above all he has to pay taxes. And he might be able to get away with his rent with a couple of new TV sets, and he might be able to square the beef in some other direction. But he can't square it with the tax collector in any other way than money.

So, he's apt to be on the phone within a week. And he's apt to have you in court within two weeks if you don't pay it.

In other words, hysteria. What's that hysteria based on? Not enough little printed pieces of paper such as I showed you at the beginning of this lecture.

Why should you get hysterical about little pieces of paper?

Well, everybody knows. It's just another one that "everybody knows." It is such a solid agreement that everybody has agreed on it.

What does this mean, perhaps, to the auditor? It really doesn't mean anything but good news.

When economies go bad, people become worried about themselves. People can find money to pay for treatment when they can't find money to feed their kids. Now, this is a horrible fact.

People have to become more able in order to survive. And the business of an auditor is really never better. So an auditor (of all people) should never become the least bit upset about a depression. It's in depressions that great movements move forward. It is in depressions that old regimes are overthrown. It is in depressions that people are willing to learn. And out of such a depression, a whole new culture might arise. This doesn't mean that we couldn't cry a little when we see how grim it is probably going to get within the next couple of years in this country.

Thank you.

Thank you.

Thank you.

[End of Lecture]