

Midget Money Symbol of Confusion

THE NEW Susan B. Anthony dollar coin has turned out to be about as welcome as a \$2 bill. This is official proof that we common people aren't the only ones who don't understand money.

Merchants say they don't like the midget dollars because they might be mistaken for quarters. That should be a point in their favor, as 25 cents soon may be the equivalent of their real buying power.

Money is a paradoxical conflict of interests. One reason the buying power of a dollar has eroded to less than half its former value is that there are so many of them in circulation.

The large supply of dollars exists because government creates money. One Federal Reserve Bank official said the government creates too much money because the public doesn't understand the system.

"If people understood the system, those in Washington would understand it better, because those that are there now wouldn't be there any more," he told an Oklahoma audi-

ence a few months ago.

Having too much money is not a problem for most people. The public might wonder why, if the government creates too much money, it doesn't pay off the national debt and reduce taxes.

Because government likes to spend money, it won't do either. Government benefits from inflation because businesses and individuals make higher incomes. This forces them into higher income tax brackets and boosts revenue that may be appropriated and spent. Efforts to bring economies into government encounter many snags in Washington.

So government goes on "creating money out of thin air," as one economist explains it, by expanding the total of currency, coins and checking deposits, known in financial circles as M1.

The Federal Reserve Bank buys securities originally issued by the U.S. Treasury, paying for them with its own checks, which are not backed by reserves. The checks

then are deposited in banks by the sellers, increasing reserves that banks have available to back new loans. Federal Reserve also regulates interest rates.

The general public is not allowed to do this, as the arts of counterfeiting and check-kiting are against the law.

In an article suggesting that research for the Federal Reserve Bank is being forced into a politically-shaped mold, *Business Week* magazine makes a startling and alarming statement.

"Economists cannot really tell whether the money supply is growing at 5 percent or at 15 percent, a difference that has enormous implications for future real growth, inflation, interest rates and financial asset prices," the article states.

If that is an accurate description of the situation in Washington, it may be understandable that the public is uncertain about the real value and, perhaps, even the purposes of money.