WILLIAM F. RICKENBACKER called the turn on silver in this country: it became too valuable industrially and commercially to permit its use for currency at the rate the U. S. Treasury was willing to pay for it. A simple proposition in supply and demand.

Now, in a book which bears the ominous title, *Death of the Dollar* (Arlington House, $4.95), Mr. Rickenbacker says that gold is bound to go the way of silver. Once upon a time gold had two primary uses. Since it did not rust and was suitably scarce, it made the most desirable store of value that human beings could find. It kept better than cattle, tobacco, or even wampum. Ergo, it became the preferred backing for currencies, the most satisfactory means of settling differences in international trade balances. It also had the appeal that goes with great beauty. The economist doesn't have to become an esthetician to know that women and the likes of Indian princes prize gold for decorative purposes; all he has to do is to take this as a phenomenon that has persisted ever since men first began to work metals.

But now, in the technological age, the properties of gold are becoming prized for all sorts of uses that have nothing to do with the monetary needs of governments and central banks, the shipping of gold bars to settle international balances, or the desires of maharajahs for ornament. The heart of Mr. Rickenbacker's book is surely those pages about the increasing demands for gold in industry. Since this is the news in his book, let us summarize a bit of it.

Gold in the Space Age

There is the new science of space-age electronic circuitry, for example. All of a sudden we discover that 23 per cent of domestic gold consumption is in electrical and electronic applications. Gold is used in diodes, in transistors, and as small-diameter "whisker" wire. In salt or solution form it is in demand for the electroplating of printed circuits, resistors, transducers, silicon wafers, and connectors. The radioactive gold isotope

198 is used in cancer therapy. Gold-platinum alloys are used as rayon spinnerets. Nuclear reactors are safer when their structural parts in contact with the fuel solution are plated or clad with gold.

This sort of catalogue could be extended beyond the capacity of this or any magazine to print it. Because the catalogue of industrial uses grows bigger every year, it is amazing that no book has yet been written to explore its ramifications. The statistics are interesting. Back in 1957 the industrial consumption of gold was 1.46 million ounces. In 1966 the figure had jumped to 6.1 million ounces. Going up at the rate of 15 per cent per year, the domestic consumption of gold for nonmonetary purposes has more than quadrupled within a decade. It is now four times the annual U.S. domestic gold production. In the world outside the U.S. the production of gold is leveling off and may actually decline. Says Mr. Rickenbacker, "The day of gold as the plaything of central bankers is ended."

A Knotty Problem

In view of the facts, Mr. Rickenbacker is amazed that Washington thinks it can hold the price of gold down to $35 an ounce. He is also amazed that great thinkers wrack their brains to come up with such self-incriminating phrases as "paper gold." In the light of his sharp and terse sections on the use of gold in industry, the somewhat overextended chapters which Mr. Rickenbacker devotes to such things as the International Monetary Fund and the failures of the Federal Reserve Bank to cope with inflation seem somewhat windy. This isn't the fault of Mr. Rickenbacker's style, which is always lively, impertinent, and succinct. The windiness derives from Mr. Rickenbacker's excessive use of quotations from "group think" documents and from the so-called experts. The historian may prize Mr. Rickenbacker's collection of other people's words, but the general reader will find himself trying to pry his eyes open as the New York Federal Reserve discloses that the mechanism of international payments "has been under constant study and review by a number of official bodies, including the IMF, the central bankers who meet regularly at the Bank for International Settlements in Basle, Working Party 3 of the Economic Policy Committee of the Organization for Economic Development (OECD) in Paris . . . and national treasuries and central banks." What came out of all this "constant study and review"? The Fed solemnly sums it up as follows: "The central bankers emphasized that even strong currency defenses cannot be a substitute for the eventual correction of major underlying payments imbalances – a point heavily stressed at the IMF meetings as well. In this respect, the continued balance-of-payments deficits of the United States have been a source of concern."

In other and shorter words, the bankers say that we won't get well until we find a cure. But we knew that already.

Too Many Controls

As a believer in the quantity theory of money, a belief which he shares with Milton Friedman, Mr. Rickenbacker doubts that the "cure" will be found by people who try to restrain and redirect the movement of gold, goods, and services across international boundaries by offering "controls." This points the way to Hjalmar Schachtism, autarky, and declining production on a world scale. It ends by substituting the gun standard for the gold standard. Controls breed more controls, and we need fewer of them, not more. The world will remain in trouble as long as the American economy, which is the strongest on the planet, remains inflationary. As currency and credit are pumped into the U.S. system at a rate that vastly exceeds annual increments in productivity, the continued "supposition" that the dollar is "equal to a fixed number of marks or francs or guilders" is simple idiocy. We won't solve our external difficulties, and those of other countries as well, until the American economy accepts Federal budgeting discipline at home. It is the domestic monetary policies of the various important nations that count, not the attempts of international monetary authorities to devise means of establishing new "drawing rights" and the multiplication of "paper gold."

Mr. Rickenbacker is attracted by Milton Friedman's ideas about free floating exchange rates, which would let the price of gold fluctuate in accordance with free market dictates. A new fixed price for gold, he thinks, would only create the necessity of re-pegging the dollar to gold every other generation. As a believer in free choice and the philosophy of libertarianism or voluntarism (if such awkward words must be used), I am attracted to the Friedman idea myself. But in a world that shies away from any disciplines at all, wouldn't it be a boon to get a stable relationship between the dollar and gold at a realistic new rate even if it only promises to last for twenty years?

This is the question that Mr. Rickenbacker really poses. I wish he had done more to answer it. ◈

THE SOVIET ECONOMY: MYTH AND REALITY by Marshall I. Goldman (Englewood Cliffs, N. J.: Prentice-Hall, 1968), 176 pp., $1.95.

Reviewed by Gary North

UP UNTIL NOW, probably the best brief introduction to the Soviet economy has been Robert W. Campbell's *Soviet Economic Power* (Praeger, 1966). Now, a second must be added to the list, Professor Goldman's study of myth and reality in the Soviet economy.

In each of the thirteen compact chapters, Goldman examines a myth. For example, he demonstrates that the economy of Czarist Russia was growing, and that by 1913 it was in no sense a backward country economically. In fact, it was not until 1953 that the real wage income of the urban Soviet worker equalled the 1913 level!

Not only was Lenin's October Revolution not a legitimate Marxist one, by Marx's own standards, Goldman shows that subsequent economic practices of the USSR have not conformed to Marxist teachings concerning a "people's democracy." Planners have continually resorted to capitalistic measures in order to make the system function at all. In spite of Marx's hostility to the conservatism of Europe's peasantry, Goldman thinks it unlikely that Marx ever intended that peasants should be expropriated on the scale practiced by the Soviets. Estimates have run as high as 10 million deaths as a result of Stalin's collective farm program.

In recent years, the author shows, there have been moves toward decentralization of the economy. Such capitalistic features as rent, interest, and a limited profit system have been imposed. Nevertheless, Goldman is under no illusions as to the nature of these innovations: "It is unlikely that private ownership of the means of production will ever be tolerated, except perhaps in a few small service industries or trades." Thus, chapter ten is devoted to a refutation of that increasingly prominent myth: "The Soviet Union is becoming capitalist, and, in a few years, there will be no differences between the Soviet and American systems." Unless, he fails to add, America decides to meet the Soviets more than halfway.

The book is no diatribe. Where he thinks the Soviets have accomplished something important (often by employing nonsocialistic means), he says so. This book is a healthy corrective for those myths that have as their foundation the worship of collectivist economic practices. ◈