

# Money, Money, Money

*The Fed*  
by Maxwell Newton  
Times Books, 336 pages, 1983

*The International Money Game*  
by Robert Z. Aliber  
Basic Books, 356 pages, 1983  
(fourth edition)

Both distributed in Canada by  
Fitzhenry and Whiteside, Toronto

Reviewed by A. D. Wright

Maxwell Newton's *The Fed* is a book about the U.S. Federal Reserve Board, the monolithic centerpiece of American finance. Created by the Federal Reserve Act of 1913, the Fed is supposed to regulate the value of the dollar and act as a "lender of last resort" to banks on the edge of collapse.

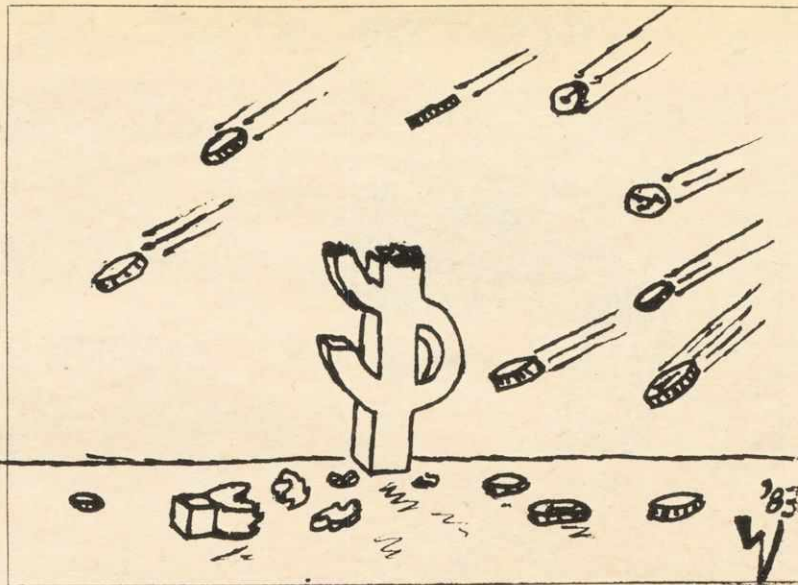
Newton alleges that the Fed is in fact an incompetent bureaucracy that is responsible for virtually every major financial disaster since 1913. He claims that due to its misguided policies, the Fed made the Depression far worse than it need have been, and that the rampant inflation of the last twenty years is their fault. He backs his claims with a wide assortment of graphs and facts

culled from his years as Financial Editor of the New York Post.

The problem is the book doesn't work. There are many reasons for this, but the most important one is that Mr. Newton is a monetarist. Monetarism is the theory that inflation is caused by too much money entering the economy. This idea is repeated over and over again on page after page. Monetarism is the magic wand that will eliminate inflation once and for all. The Fed's policies are bad policies because they are not monetarist policies. This may well be true; Mr. Newton does make a pretty convincing case for it, but the effect while reading the book is one of chronic repetition.

Put simply, the case against the Fed goes like this: the Fed believes (with no visible evidence) that the most important priority is to control interest rates. When interest rates are high, it means that money is tight, so the Fed releases money (which it has the power to create) to make money less tight and drop the interest rates. When interest rates are down, the Fed feels money is too plentiful, and takes it in, raising the interest rates.

Newton and the monetarists.



say that that is the tail wagging the dog and what should be controlled is the money supply. When there is less money, it is worth more, and interest rates stay low because lenders don't have to compensate for the decreasing worth of the money. This means that the Fed makes things worse by creating more money (and more inflation) just at the point where lenders are raising interest rates to make up for past inflation, which will in turn raise rates still higher.

While the author explains that they maintain this policy due to bureaucratic inertia to change, what is never clearly explained is why the Fed adopted this policy in the first place.

*The Fed* contains a lot of information for those interested in the domestic economic upheavals of recent years, but reading it is heavy going. Rating: four out of ten.

*The International Money Game* by Robert Z. Aliber is another of those books interested in explaining the mysteries of international finance to the layman. The sheer volume of information compressed into its 344 pages makes it heavy going also.

It gives an account of international finance from the days when a king would make money by shaking his realm's gold coins

in a leather bag and collecting the resulting gold dust to the refusal of Argentina to repay certain international loans after the Falkland Islands conflict.

The book explains complex international economic relationships with simple, easy to grasp examples. In addition, boxed anecdotes scattered throughout the text throw light on individual chapters' subject matter, and give the reader welcome breaks from the text.

Aliber often uses analogy to make his point, whether it be comparing the dollar and Coca-Cola as international brand names, or comparing the operations of overseas branches of domestic banks to Radio Caroline (a commercial station that gets around England's programming and licensing by being located on a tugboat in international waters).

This keeps the book's prose understandable and up-tempo. And with a book whose subject matter covers the ground from the role of Japan in the world economy to the relationship of Eastern-Bloc countries and Western markets to the demise of the Gold Standard, this is an admirable achievement indeed. Rating: a seven out of ten.

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Senior (19 years and over)	135.00	Senior (19 years & over)			10.00
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Infant (6 years & under)	Free	Infant (6 years & under)			Free
Child (ages 7 to 10)	\$ 70.00	Child (ages 7 to 10)			\$ 5.00
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4. ....	.....	\$.....

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DAL RADIO

### CKDU SUMMER PLAYLIST

Summer 1983

ARTIST	TITLE	LABEL
1. TALKING HEADS	Speaking in Tongues	Sire
2. TEARS FOR FEARS	The Hurting	Vertigo
3. RATIONAL YOUTH	Cold War Night Life	YUL
4. DAVID BOWIE	Let's Dance	EMI
5. THE POLICE	Synchronicity	A&M
6. PETER GABRIEL	Plays Live	Geffen
7. NEW ORDER	Power, Corruption and Lies	Factory Island
8. U2	War	Factory Island
9. YELLO	You Gotta Say Yes To Another Excess	Elektra
10. NEW ORDER	Blue Monday	Factory
11. HEAVEN 17	The Luxury Gap	Virgin
12. MODERN ENGLISH	After the Snow	Vertigo
13. MARILLION	Script For a Jester's Tear	Capitol
14. GREG HAWKES	Niagara Falls	Passport
15. BERLIN	Pleasure Victim	Geffen
16. R.E.M.	Murmur	IRS
17. MEN WITHOUT HATS	Rhythm of Youth	Statik
18. TONY BANKS	The Fugitive	Atlantic
19. Various Artists	Burning Ambitions (A History of Punk)	Cherry Red
20. ORCHESTRAL MANOEUVRES IN THE DARK	Dazzle Ships	Virgin
21. THE CURE	Let's Go To Bed	Sire
22. BAUHAUS	The Sky's Gone Out	Beggar's Banquet
23. BANANARAMA	Deep Sea Skiving	London
24. THE TWINS	Modern Lifestyle	Hansa
25. SPARKS	In Outer Space	Atlantic
26. THE CALL	Modern Romans	Mercury
27. VIOLENT FEMMES	Violent Femmes	Slash
28. THE MAISONNETTES	Heartache Avenue	Ready Steady Go
29. BOB MARLEY AND THE WAILERS	Confrontation	Island
30. MODERN ROMANCE	Trick of the Light	Warner Brothers

Compiled by Eric Taylor, Music Director, CKDU