At 4:15 p.m. on Fridays, most of the inhabitants of New York City's office towers are straightening the piles on their desks, but in the large investment houses such as Salomon Brothers and Prudential Bache, the action is just starting. At this time, the Federal Reserve Board, the nation's central bank, releases its estimate of the nation's cash, a number that has become talismanic among this group. If the number is far enough from what they expected, then all hell breaks loose. Phones ring, voices haggle, buy and sell orders tally in the billions. The ritual continues through the following week as the dealers both play out their bets of Friday and try to anticipate the betting of a Friday hence.

The press covers these transaction rites with deadpan earnest. Noses pressed against the glass, financial reporters for the Wall Street Journal and The New York Times record every tick in the market—bonds up two points, stocks down three. They proffer reasons—the money figure itself, the latest GNP estimate, tensions in the Middle East—for by conventional thinking, these market ticks are harbingers of great and fundamental import. They quote Delphic utterances from bond house oracles like Henry Kaufman of Salomon Brothers, because these, of all men, understand.

Dutiful and uninspired as these press accounts can be, they lay bare a world in which the news is rarely what it seems. On August 31, for example, the Federal Reserve Board announced that the nation's money supply had plunged by $2 billion. That meant—or appeared to mean—$2 billion less for people to spend or invest. It meant less employment and economic well-being. This news "buoyed the money markets, which already were cheered by the slowdown in robust growth," The Washington Post reported. Early last March, when the Commerce Department announced a 3.6 percent jump in its index of "leading indicators," the largest one-month increase since July 1950 the president

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was understandably ecstatic: "A bright green light for recovery" quoth he. The markets, however, became "jittery," according to the Wall Street Journal.

These bond rituals are but the latest act of a drama that has been unfolding since the founding of our nation—the tension between creditors and producers. Though we've just about forgotten it today, this was a central and often rancorous theme during our first 150 years. Our very first home-grown political uprising, for example, consisted of debt-wracked Massachusetts farmers, led by Revolutionary Army Captain Daniel Shays, who tried to shut down the courts that were foreclosing on their farms. The ensuing nervousness among creditors helped bring about the framing of our Constitution. Andrew Jackson staked his presidency on his war against the money-center bankers embodied in the Bank of the United States—the "monster," he called it—which was the forerunner of today's Federal Reserve. The largest and most sustained political protest movement in our history, the Populist Revolt, was in large measure the response of desperate farmers to the tight money policies fostered by the Republicans after the Civil War.

The 1896 Democratic nominee for president, William Jennings Bryan, is often dismissed by sophisticates as a creationist bumpkin buffoon. Yet even though his "free silver" platform may have been a sell-out to Western silver interests, he at least understood that money is not, as we think today, a technical matter, but a deeply political one. His tub-thumping denunciation of tight money—"You shall not press down upon the brow of labor this crown of thorns; you shall not crucify mankind upon a cross of gold"—was one of the truly inspired moments in American political oratory. In that day people did not defer to the technicians at a central bank; they made the money issue their own. "On the street, in the schoolhouse meeting, in the debating club, wherever several are gathered together," the Southern Mercury reported of the Bryan campaign, "the money question has been seriously discussed."

The Americans of that day were largely farmers and small-scale producers, who are debtors almost by definition. One who understood this was Brooks Adams, grandson of John Quincy Adams and brother of the better known Henry. In the wake of the devastating financial panic of 1893, the Adams brothers spent many hours at their family home trying to unravel how such catastrophes came about. From these discussions, and his researches in Europe, Brooks produced one of the forgotten classics of American letters, The Law of Civilization and Decay, which traces the cycles of prosperity and decline through Imperial Rome and the Europe that arose haltingly from its remains. Along this much-traveled path, Brooks Adams detected a somewhat unobserved design. As a culture of pros- pers, and producers and merchants amass large sums that exceed the needs of their business, there arises a new type, the banker, whose attitude towards wealth is very different from that of those who created it.

"With the advent of the bankers," Mr. Adams explains in a key passage, "a profound change came over civilization, for contraction began. Self-interest had from the outset taught the producer that, to prosper, he should deal in wares that tended to rise relative to coin. The opposite instinct possesses the usurer; he found that he grew rich when money appreciated, or when the borrower had to part with more property to pay for his debt when it fell due, than the cash lent him would have brought on the day the obligation was contracted."

The tension between those who create value and those who control the symbols of value already created—between debtors and creditors—was not an invention of rube politicians on the American frontier. It was a central theme in the economic history of the West. When the banker-creditor mentality gained the upper hand, moreover, the engine that had produced the wealth began to halt. By the mid-1840s, for example, "the money lenders had become autocratic in London." They "contracted" the currency; it became scarce. "There was extreme suffering throughout the country," Mr. Adams writes. "The revenue fell off, wheat brought but five shillings the bushel, while in England and Wales alone there were upwards of 900,000 paupers."

Does any of this sound familiar? Substitute "Washington" for "London" in the above paragraph, and you get a fairly close description of the thinking that has guided our own economic policy in the last few years. Money has been tight, interest rates high, and the vulnerable among us—farmers, small-business owners, all—have been falling by the way. The individual presiding over this policy is as close to the banker type as you will find, having spent his entire career shuttling back and forth between the U.S. Treasury, the Chase Manhattan Bank, and the Federal Reserve Board. He is, of course, Paul
Volcker, the chairman of our Federal Reserve.

The new contraction was not portrayed as the imposition of one group upon another, but as something for which our gullibility seems limitless—a new economic theory. This one, called “monetarism” (perhaps because “moneyism” would be a bit blunt) holds that the health of the Republic rests upon nothing so much as keeping money tight. It puts money, and those who hold it, at the center of the economic policy universe. The Kansas and Dakota farmers who attended the old Populist organizing meetings would have recognized this doctrine well—Republican sound moneyism of the type that had driven many of them to ruin.

Money-based economics had been rescued from the stigma of Republican contractionism and re-rendered as respectable academic theory by Milton Friedman, the professor who purported to prove that the historical graph of inflation followed fairly exactly the graph of the money supply. The attraction of such a theory to bankers is obvious, but under the circumstances it touched a nerve in others as well. It reduced all our complex economic problems to a simple metaphor that the most obtuse editorial writer could understand. It said that we could rid ourselves of inflation by turning one simple valve—the money-supply valve—in Washington. Most appealing to the creditor mentality, moreover, is that this new approach would take effective control of our economic fortunes out of the hands of the elected government—the “politicians”—and put them into the hands of a man who, without question, was one of their own—Paul Volcker, Chairman of the Federal Reserve Board.

Now Mr. Volcker didn’t really need a new theory to send interest rates zooming. But he is an astute politician—“the most effective at amassing power that I have ever observed,” a friend says—who realized he could not just announce he was going to raise interest rates to 20 percent. Far better to present the move as a change in technique. Instead of targeting interest rates, and thus taking responsibility for them as the Fed had always done, he would now set targets for the money supply and let interest rates rise or fall as they would. “Rise or fall” really meant, of course, “rise a great deal.” But this way, when people to caffeine, the spending injections seemed to provide less and less boost as time went on. Spending was getting stuck on high and, perhaps even more important, inflation seemed to be out of control. And although most Americans came out of the seventies with more spending power than they had when they went in, they felt threatened nevertheless. Creditors, both here and abroad, were of course the most upset of all.

Monetarism is a branch of the kind of economics—called macroeconomics—that has held sway in America for at least the last 50 years. Macroeconomists generally are not concerned with anything specific, such as how companies are managed or how to engender a spirit of entrepreneurship in the land. They are concerned, rather, with “aggregates” of taxes, spending, and money, which can be controlled from Washington. The idea is that if you concoct just the right “mix” of these from Washington, everything else will fall automatically into place.

Roughly since the Depression, the followers of British economist John Maynard Keynes have constituted the dominant “macro” school. These—if not Keynes himself—looked primarily at taxes and government spending, and thought that you could use these as a sort of carburetor. When the economy was slowing down, the central government would spend more, cutting taxes and borrowing if necessary, and the resulting infusion would get the engine started up again. When the economy was “overheated,” you could flip the carburetor—in theory at least—so that there were more taxes and less spending, and thus cool things down.

This rich mix/lean mix approach initially seemed to work, but by the late seventies it was floundering. Like any stimulus, from a new toy
complained, he could simply shrug his shoulders. “It has been very convenient when a congressman asks why interest rates are so high,” says Frank Morris, the independent-minded president of the Regional Federal Reserve Bank in Boston, “to say, ‘We don’t know. We are just controlling the money supply.’”

Volcker has purportedly backed off this “new” technique, but it has served its purpose. We now accept high interest rates the way we accept $1.20-a-gallon gas, and the monetarist cover is no longer necessary. The essence of Volckerism—tight money and high interest rates as the control levers of economic policy—remains. Though these rates seem somewhat lower, the “real” interest rate—the difference between the stated rate and inflation—is actually higher now than it was in 1979; and even the stated, or “nominal” rates, appear headed back up. Making matters worse, the deregulation of banking is requiring banks to pay top dollar for their money, and thus virtually ensures that the interest rates they charge their borrowers will not come down too far. It is thus important that we understand what is wrong with the tight money cure.

TRAVAILS OF M1

From the start, Volcker’s policies have been a fallacy within a fallacy. First, there was the technical monetarist ruse, that you could both define the money that you seek to control, and then control it with great precision. Second, there is the broader fallacy, that tight money can rid us of inflation; not just suppress it, as codeine suppresses a cough, but cure it at the roots.

To the monetarist mind, spending money—what the Fed calls M1—is the culprit, because it drives prices up. Hence this is what monetarists try to control. At one time it was fairly easy to separate spending money from savings, but lately the two have blurred. Super NOW accounts, for example, today earn more interest than savings accounts did just a few years ago. As a result, the monetary doctors have a conundrum: are the new accounts really checking accounts on which you earn interest or are they savings accounts on which you can write checks?

On such angels-on-a-pin distinctions, great questions of policy ride. Depending on how you called the new Super NOW accounts, for example, M1 could appear to have grown from 1982 to 1983 by anywhere from 6.6 percent to 12.9 percent, numbers with very different policy implications from a monetarist view. The Fed called them M1, with resulting alarm over the apparent 13 percent money growth. But former Federal Reserve economist William Barnett, who is now at the University of Texas, has worked out a new divining rod, called “Divisia Aggregates,” which suggests that, in his words, Volcker’s policy “has been much tighter than the [Federal Reserve] board-thought.” Who’s right? Nobody knows. “We can no longer measure the supply of money in the U.S.” says Morris of the Boston Fed.

Yet the attempt continues, to the immense benefit of those involved. And considering that the Fed employs in the vicinity of 500 economists, the benefit is substantial. There are “Divisia Aggregates” to explicate, new M’s to footnote, and once you get started, there’s no end to this sort of thing. “Under the aegis of monetarist doctrine,” declares Professor Sidney Weintraub of the University of Pennsylvania, “the central bank has tended to create more aggregates to provide busy work for its staff?” Lest this staff stumble upon information that conflicts with official Fed policy, even the economists at the regional banks must submit their articles to the board in Washington for approval.

If defining the money supply is hard, then controlling it with the kind of precision that monetarist doctrine assumes is well nigh impossible. Some of the problems are obvious. Take Eurodollars, which are dollars that we spend abroad for such things as OPEC oil, Japanese cars, and factories our multinationals build in Taiwan, and that the recipients keep in their own countries. There are upwards of a trillion of these Eurodollars—more than the total amount of spending money in the U.S.—floating hither and yon; and the more the central bank tries to tighten our money supply and pushes up interest rates, the more these Eurodollars might come back to the U.S. to take advantage of the high rates. Given this potentially huge but unpredictable backflow, the Fed has to try all the harder to tighten the money supply. As a result, Volcker squeezes a few more ounces of blood from the farmers and business people in this country to compensate for the multinational high-flyers who have their own pool of Eurodollar funds.

On top of that, of course, are credit cards, those little portable money machines in our pockets. Such glitches are just the beginning of the central banks’ problems, however. The fault line in monetarist practice really goes much deeper. When the central bank wants to diminish the supply of money, it sells government bonds to a selected group of banks and bond houses,
leaving these with less to use or lend. (It can also adjust the amount that banks have to keep in reserve for each dollar they have available to loan out.) Ultimately, less money comes to roost in the accounts of depositors. But how much less? Our system of checkbook money is a little like a rabbit warren. It's always reproducing. You deposit $100 in the bank, and that $100 is there not only for you to write checks on, but also for the bank to lend to someone else (minus a percentage it is required to keep in reserve). If it lends out $80 to someone else, your $100 has in effect become $180.

That new $80 multiplies in similar fashion, and so on down the line. Then there is what the experts call “velocity,” which is the speed with which people spend their money. The faster they spend it, the more there is. Fifty dollars that turns over twice a month is as good as $100 that turns over once. The question then becomes, how fast will people spend?

It doesn't matter that the Fed's numbers have little connection with reality; the market's obsession with M1 BECOMES the reality.

Here the monetary doctors hit the wall of economic prediction. All they have to go on is what has happened in the past. For a number of years that was sufficient, because we had settled into some fairly stable patterns. Today, however, all bets are off. Eight-percent checking accounts, high-tech cash transfer, smaller families, and a hundred other things are affecting the speed with which money changes hands. Last year velocity plunged by 4.5 percent after rising by a fairly steady 3 percent annually since the war. This decline has lasted longer, moreover, than any since the Great Depression. Nobody knows all the reasons, nor can they, and the Fed is left feeding grass to an erratic cow, hoping and praying that the amount of milk it anticipates comes out the other end.

Being able neither to define what he is controlling, nor to control what he is defining, Mr. Volcker's inability to hit his self-proclaimed “targets” should not have been very surprising. Last year M1 grew 8.5 percent by Volcker’s calculations—more than three times the low end of his target range. The year before, he had come in under his target. But before you get excited about the apparent new outpouring of beneficence, remember that velocity dropped further last year than at any time since the war. Taking this slower turnover into account, the House Banking Committee staff calculates that while telling us he was giving us more money than planned, Volcker was actually giving us less money than he had the year before. Something very similar had occurred back at the end of 1981 and beginning of 1982, when the money supply appeared to grow 7 percent, but velocity fell at a 6 percent annual rate, giving us a continued dose of what is politely called “recession.” It begins to look like sleight-of-hand. But even assuming that Volcker has played it straight, it's fairly clear that any economic policy based on controlling the supply of money is going to be a pretty rough policy tool at best.
War, we've had three episodes of double-digit inflation—immediately after the war, when price controls were lifted but the factories hadn't caught up; and the two oil price increases of the seventies. Too much MI?

The monetarists seem to dwell in a world in which there is no world, only the money supply on the one hand and behavior on the other. Of course money counts for something; but the story is what happens in between. To talk intelligently about inflation, you have to ask why steel workers, for example, were making 28 percent more than other U.S. production workers in 1970, and 74 percent more a decade later, even though their industry was foundering and 19 percent of their coworkers had been laid off. You would have to ask why the automobile and steel industries are now raising their prices instead of trying to win back markets from their foreign competition. You'd have to ask why Chrysler didn't start to offer rebates until a couple of years ago when the entire auto industry was virtually on its knees. You'd have to talk about the cost-of-living adjustments that have made inflation such a painless ride up for so many.

**CLOSET MEDDLERS**

Are you starting to see the point? The way we do things is a large part of the reason that things keep costing more. We cannot change this by playing paper policy entrepreneur with the money valves in Washington—or with the taxing and spending valves either, for that matter.

We can, of course, stall the engine this way, which is what Mr. Volcker has done. It doesn't solve the problems, and the price is very great. We all know of the thousands of farmers and businesses that have gone under, and the millions who have been thrown out of work. But what of the record $70 billion balance-of-payments deficit that is staring us in the face because the "strong dollar" has made foreign products so cheap here and our products so expensive in other countries? What of the tens of millions of dollars that have been thrown away? But what of the record $70 billion balance-of-payments deficit that is staring us in the face because the "strong dollar" has made foreign products so cheap here and our products so expensive in other countries?

**HUNT STUNT**

Tight money is credit allocation. At the height of the credit crunch of 1981, for example, a *Wall Street Journal* headline proclaimed, “High Interest Rates Deter Small Borrowers, But Major Corporations Unfazed.” Come hell or high water, banks continue to lend to their largest customers, who keep the multimillion-dollar checking accounts and ring up impressive service charges. In 1981, while smaller businesses couldn’t get loans, corporate mergers and takeovers were eating up the sum total of new bank financing for that year. These larger companies don’t even pay the Federal Reserve’s high interest rates to begin with. Often they get below-prime rates. And since interest payments are tax deductible, the U.S. Treasury in effect picks up 40 cents of each dollar of the interest that they pay. Smaller businesses, especially newer ones, have little or no income and hence gain little or no benefit from the deductions. In sum, the majestic equality of tight money is no less than that of the law.

Not only has Volcker been allocating credit implicitly in this fashion. He's been doing so explicitly as well. Remember the billion-dollar loan which Mr. Volcker personally arranged to bail out the Hunt Brothers from their silver speculation losses in 1981? Volcker was at it again a year ago when he urged money-center bankers to continue lending to the credit-hungry developing countries, even promising that his bank examiners would wink at these loans, which they might otherwise classify as risky.

It gets worse. The Hunt Brothers’ borrowings consumed a full 10 percent of the lending for 1983. This is a rather high price to pay for a remedy that does not cure. To get at the roots of inflation we'd have to quit the macroeconomic head games and get our hands dirty in the world of experience. We would need, for example, income restraints, starting at the top. We'd need to end tax deductions for credit wastes such as corporate takeover battles and leveraged tax shelters. We'd need standby gas rationing to protect us from another oil shock. That and more. Conservatisms will recoil at this suggestion of “planning,” as though tax deductions for their favorite activities are not a form of planning, and as though tight money engineered by a central bank is not planning of the most draconian kind. The only difference—and this is a key to monetarism—is who gets to do the planning, and for whose benefit.
January and February of 1981. In March, Mr. Volcker and his Fed colleagues tightened up on the credit available for everyone else. Had the populace been aware of these doings, it no doubt would have breathed a sigh of relief that by such wise central banking we have kept the Republic safe from wild-eyed schemers who would use the institutions of government to intervene in the marketplace in undemocratic fashion to impose their own preferences upon everybody else. Brooks Adams would have understood.

TO MARKET

We can't understand the monetary dances of the last few years without going back to where we started: the network of banks and investment houses that buy and sell government—and to a lesser extent, corporate—bonds.

The bond market is not a place, like the stock exchange. Rather, it's a telephonic clique. At the hub are 40 or so firms, ranging from the biggest New York banks to those mysterious investment houses like Salomon Brothers which seem to produce Republican economic advisers the way Darien produces debs. Through a gentlemanly process that is more like a club initiation than the granting of a license, the Federal Reserve selects these firms as the exclusive conduits for the "Open Market Operations" by which it buys and sells government bonds and tries to control the amount of spending money in the economy. Buy or sell, there is generally a profit for the bond house; and since all bond trading averages $50 billion a day, the profits can be substantial.

Two points will help us understand the psyche of this strange market. First, bondholders regard inflation the way a movie-magazine heartthrob regards age: it's a wipe-out. Bonds yield a fixed return, which inflation only diminishes. Hence given a choice between growth, which can mean inflation, and stagnation, which (to a bondholder, at least) is less risky, the bondholder will generally choose the latter. Secondly, and equally important, bond traders make money not by clipping coupons, but by making trades. They are thus inclined to seize upon news that will make other bondholders feel dissettled, and just about anything will do. Merely by worrying aloud—in a speech in South Africa, no less—about the possibility of strong economic activity (good is bad, remember?) dour bond oracle Henry Kaufman of Salomon Brothers can almost single-handedly send the market downward, as he did back in August. But when it comes to jitter potential, nobody holds a candle to Federal Reserve Board Chairman Paul Volcker. The biggest game in the bond market has been what they call there "playing the M1's."

Paul Volcker's conversion to monetarism may have been of dubious benefit to the country, but in the bondhouses on Wall Street it was an utter boon. The weekly M1 figure became the key to the mysteries, and hence a source of continual worry, a 24-hour roulette wheel at which the action never stops. On August 19, for example, bond prices rose almost two points after the Fed disclosed what appeared to be a $500 million drop in M1. On July 27, the Fed had reported that M1 had grown by $1.2 billion, moving banks to raise the prime rate by half a percent.

It used to be that the stock and bond markets were like the opposite ends of a see-saw, but now the stock dealers are worrying as much about the money numbers as are their counterparts in bonds. The M1 fetish is so intense that it has given rise to what Albert Sommers, chief economist of the Conference Board, calls a "cottage industry" of consultants that provides the Wall Street equivalent of tip sheets on the Fed's forthcoming M1 figure. The tipsters aren't always awfully accurate. But, hey, if it gets people stirred up, it has to be worth something, right? One of these firms, Money Market Services, employs about 40 people and brings in about $3 million per year.

The deficiencies of the Fed's weekly reports are legendary. For example, they aren't even for the current week, but rather for the week that ended nine days before. But to argue over the validity of these weekly M1 figures is like questioning the aerodynamics of a tail fin or asking why anyone would need a $150 Head warmup suit just to go shopping. It misses the point entirely. Like tail fins, the weekly numbers are not for utility but for action. Edward E. Yardeni, chief economist at Prudential Bache Securities, put it politely when he told Business Week that the numbers "reflect the market's expectation on the directions of interest rates and Fed policy." Translation: They are a great occasion for dissettlement. As credit columnist Michael Quint put it in The New York Times, "The first concern of traders is outguessing the market minute by minute, not with analyzing the true worth of new economic data." Forget the old distinctions between perceptions and reality. The obsession with M1 becomes the reality.

This became painfully clear early in 1981, when the bond traders misread Volcker's signals, and
thinking he had loosened up on the money supply, they traded interest rates down. Everything was fine until April, when the Fed released the minutes from the Open Market Committee at which the actual decisions had been made. Lo, far from loosening the money supply, Volcker had tightened it. The response, according to the old Washington Star, was a “minicrash.” Bond prices fell, and interest rates jumped a full percent. This is iatrogenic instability—the bond market responding to itself.

Most bond traders are understandably defensive about their M1 obsession. “If it’s the market reaction then it can’t be excessive,” bristled Steve Blitz of Salomon Brothers. Others are more skeptical. “A private game in the financial community” is what the Conference Board’s Sommers calls it. Economist Alan Blinder of Princeton gets heated on the subject. “It’s as though a bunch of high rollers went and played the tables in Las Vegas, and it was widely reported in the press!” “There is absolutely no connection between this world and the productive world,” adds an investment company official who preferred not to be identified.

Would that it were so. The real danger of this M1 crapshoot, however, is that the connections to the productive economy can be all too real and perverse. It jerks interest rates up and down, and stock and bond prices along with them. The resulting nervousness moves lenders to tack on what they call a “risk premium,” in effect an extra interest charge to take account of uncertainty about the future. What is even worse is that the mentality of these M1 crapshooters has become a touchstone in the highest reaches of economic policy. When Paul Volcker’s renomination as chairman of the Fed was still an open question last spring, the press saw the issue almost exclusively from the standpoint of these financial markets. “Volcker has the total confidence of the financial community,” columnist Hobart Rowen wrote in the Post, in a comment typical of the respectable press; and what was most extraordinary is that nobody else’s confidence seemed to matter.

“The bond market scenario has become everybody’s thinking,” observes House Banking Committee staffer Richard Medley, one of the more thoughtful observers on Capitol Hill. That includes the man who has most to say at this moment about our economic fortunes, Mr. Volcker himself. Last May, the Open Market Committee decided—in secret, as it always does—to tighten the money supply so as to slow down the economic recovery. The minutes of that meeting reveal that Mr. Volcker and his majority felt that tightening the money supply would have a “favorable effect... on market perceptions about monetary policy and the outlook for containing inflation.” This was at a time when unemployment was still hovering close to 10 percent and a quarter of our productive capacity was going unused, but it is bond traders and not producers who matter these days. A few months before, at a hearing of the Congressional Joint Economic Committee, Senator Ted Kennedy charged Mr. Volcker with pursuing a monetary policy that was “completely contrary” to the goal of economic recovery. Mr. Volcker responded that, personally, he felt there was “room for interest rates to come down.” However, he added, “we have a hypersensitive audience.” Volcker seems to be concerned with providing statistical placebos for the money markets, as he is with producing sufficient dollars for our economy. Could it be that he knows better, but feels a little trapped?

“The credit markets are in control. They have taken charge of policy,” Prudential Bache’s Yardeni told me, not bragging, simply stating a fact. This also, Brooks Adams would have understood. What might have surprised him, however, is how little the rest of us seem to mind. After all, there may be over 10 million unemployed, but there are now over 12 million money market accounts, and that doesn’t even include the new Money Market Deposit Accounts at the banks. We are no longer farmers who go hat in hand to the banker in the spring. We are now on the receiving end. Since 1960 our income has increased six times over, but our interest income has increased 15 times. We are getting twice the interest we received as recently as 1978. “When banking was deregulated,” the Banking Committee’s Medley says, “many people didn’t think through the profound implications!” This deregulation, combined with Volcker’s tight money policies, have helped to turn us into a nation of bankers. In Brooks Adams’s phrase, we prefer increasingly that coin rise relative to goods, and that includes even our corporations, the capital investment of which may be down since 1979, but which are getting 60 percent more interest income than they did that year. And if you want to know why a latter-day Jackson or Bryan has not appeared to stir us from this troubled land, part of the answer is here. We are busy, thank you, opening a new money market account at the bank.