Denver, Colorado,
March 17, 1917.

My dear Professor Fisher:

Your favor of March 2nd, enclosing a reprint from the Financier, was sent to me at the Federal Reserve Bank in New York and has just been received here, where I am recuperating from a recent illness. I have read the article with much interest, as well as a previous article which you were good enough to send me in relation to interest rates.

To my mind there is no doubt whatever of the direct relationship between prices of goods and the gold basis of bank expansion. It may appear to observers who are not familiar with the policies of the Reserve System in detail that this matter has not received the attention it deserved by the Managers of the Reserve Banks, or at any rate that they have not displayed sufficient foresight in efforts to control the inevitable expansion resulting from gold imports. Such a conclusion is hardly warranted by the facts. In December of 1914, less than two months after the Reserve Banks were organized, the possibilities of expansion which would result from the inevitable movement of gold to this country as a result of war purchases was very fully considered by the management of the Federal Reserve Bank of New York, and at that time a policy of accumulating gold by issues of notes was definitely adopted. Early in January the plan which we had worked out was submitted to the Governors of the other eleven Federal Reserve Banks and to the Federal Reserve Board, and from that time to the present every effort has been made to accumulate as large a proportion of the imported gold as could be assembled by this means, and, as you will realize, with considerable success. The Federal Reserve Bank of New York

COPY

To - Professor Fisher. March 17, 1917.

now holds $154,000,000 of gold behind its note issue, in addition to about $220,000,000 in its general reserve, and all twelve of the Reserve Banks hold a total of $328,000,000 in addition to $538,000,000 held in the general reserve. In order to make our efforts more effective, various amendments have been prepared and submitted to Congress by the Federal Reserve Board, which unfortunately failed of passage at the last session. Had these amendments passed, I have no doubt that an additional $250,000,000 of gold would have been added to the general reserves of the Federal Reserve Banks and some hundreds of millions in addition would have been added to the fund now accumulated by note issues. Unfortunately, the wisdom of this policy, I might almost say its imperative necessity, has not appealed to Congress and has aroused the antagonism of one or two influential publications, particularly the Commercial and Financial Chronicle of New York.

I had hoped that friends of the Reserve System and particularly students of the difficult economic problems growing out of the war would give us the benefit of their independent support and encouragement in these efforts which are being made, I may say at considerable expense, and encourage a more friendly and helpful attitude both in Washington and among some of our newspaper critics.

While I feel obliged to write to you privately and confidentially on this subject, I do so in the hope that you may be led to take some interest in studying this feature of the work of the Reserve System and that you may possibly find opportunity to give your influence to the encouragement, rather than discouragement, of our further plans and efforts.

Should you have time and feel disposed to write me, I will be

To - Professor Fisher. March 17, 1917.

most pleased to send any further data that you would use, or that would prove to be of any value or interest in connection with your work.

It seems to me that the dangers of the future (and of course I realize that there is no greater danger than that of prophesying) will manifest themselves in a collapse of prices, accompanied by very low rates for liquid capital and very high rates for fixed or permanent capital, even in fact for long government loans, accompanied by a gradual loss of our unwieldy gold reserves and at times with dangerous rapidity, unless it can be controlled and unless our gold is available for export. One feature of future developments abroad which is shrouded in mystery, and in connection with which I apprehend that difficulties will develop, lies in the possibility of a quoted premium on gold in the belligerent nations. Un- military dictatorship gold dealings have been suppressed abroad. How may our exchanges be affected, however, if the domestic value of gold abroad is suddenly readjusted to correspond to its international value as reflected in the international exchanges?

I have much less fear of the much advertised flood of cheap products sent us by Europe and its consequent effect upon the exchanges, than I have of the consequences of our direct financial transactions of the character which one rarely sees mentioned. Is it not more likely that England, France and Germany will at the conclusion of the war be distinctly sterile as lenders of money in foreign markets and will not the burden of paying off practically all maturing loans now owing in those countries by various smaller neutral nations fall entirely upon us? Furthermore, will not those countries and colonies which are without tariffs on imports be large pur-

To - Professor Fisher. March 17, 1917.

chasers of goods from belligerent nations and will they not find it necessary to borrow here in order to pay for them?

These problems might be viewed with reasonable unconcern, had we the compact, centralized and well controlled banking system of England or Germany. Plans to control, or even influence the activities of 25,000 or 30,000 banks, of which hardly more than one-fourth in number are allied to the Federal Reserve System, will indeed be a task of no mean proportions when these postwar developments are under way, and I am frank to say that those of us who are studying these problems welcome every suggestion which we can obtain from students of these matters and, personally, I would greatly value and appreciate opportunity to correspond with you, if you have the time and inclination.

Thank you for your note, and with kindest regards, I am,

Very truly yours,

Prof. Irving Fisher,
Department of Political Economy,
460 Prospect St.,
New Haven, Conn.

BS/CC

Denver, Colorado,
April 5, 1917.

My dear Professor Fisher:

I have received your kind letter of March 28th, as well as the reprint from "The New Republic" and the copy of "How to Live." It was most kind of you to send me this little book, which I was just about to order from the publishers on the recommendations of my friends, Mr. Jerome Greene and Mr. James F. Curtis, who have recently been visiting me and were most enthusiastic about the book. I had not read Professor Sprague's article in the New Republic, but will write you further after reading it.

Referring once more to some of the activities of the Reserve Banks, I think we may now say that their strictly banking functions are quite fully developed, with the exception of the puzzling problem of exchange charges. This will be worked out in time and we have started, as I feel sure you realize, upon a conservative and sound basis.

The important development work of the System from now on has to do with our currency. Realizing, as we do, that the chief obstacle to sound and progressive currency reform has been the profound ignorance of Congress on the subject, it has not been the policy of the managers of the Reserve Banks to push this matter too aggressively; additional legislation is needed. Of course the greenbacks should be retired, the National Bank notes should be reduced as rapidly as possible and ultimately retired and the silver certificates should be relegated, to quote Professor Taussig, to the position of "large change". All of this, in my opinion, should be

To - Prof. Fisher. April 5, 1917.

brought about by the gradual expansion of the Federal Reserve note issues of the Federal Reserve Banks, as rapidly as other currency is retired, without employing the use of Federal Reserve Bank notes at all, so as to avoid perpetuating a bond secured bank note.

The necessary preliminary to any such extensive program of reform is a large gold reserve held by the Federal Reserve Banks and our policy of accumulating gold, as I recently described to you, adopted over two years ago, has already resulted in a total accumulation as of March 31st of no less than $937,000,000 in both the note and deposit reserve accounts. If the proposed changes in the reserve requirements of the Federal Reserve Act are adopted, about $250,000,000 additional gold will be accumulated and the continuance of our policy of issuing Federal Reserve notes in exchange for gold can be counted on to produce $200,000,000 or $300,000,000 more, probably within a few months. This would give the Reserve banks about $1500,000,000 of gold and upon that huge gold base I believe we would be justified in assuming at once all the greenbacks, taking over the $153,000,000 of gold now held in the Trust fund and a low rate Government bond for the difference of $193,000,000 on such terms that they could be gradually marketed. Then only the National bank notes would remain to be dealt with, and, with $1,650,000,000 in gold in our vaults resulting from the changes in the Reserve requirements, the retirement of the greenbacks and further note issues, I see no reason why at least one-half of the National bank notes should not be retired just as soon as the war situation is behind us and it becomes possible to affect the necessary conversions and sales without interference with the Government's financial program.

To - Prof. Fisher. April 5, 1917.

You will observe upon reading the Federal Reserve Act, the curious inconsistency in the provisions for the issue of Federal Reserve notes and for dealings in gold. It gives the Reserve banks the right to buy, sell and borrow gold and to pledge or sell their assets for the purpose. It does not give them the right to buy gold by direct issues of notes. But how can a Reserve Bank buy gold except by the issue of its obligations in some form? The sale of its assets is not a purchase of gold -- it is simply withdrawing from the market, that is discontinuing lending money so as to take in gold as investments mature, or as their maturity may be anticipated, by selling them.

My believe has right along been that the first step in preparation for currency reform must necessarily be this accumulation of gold, and I am hopeful that the wisdom of our policy will be demonstrated when we find ourselves able, as later we no doubt will be, to persuade Congress to complete the Federal Reserve Act by providing for real currency reform.

I have read but one of Wicksell's articles on the subject of interest rates, and am inclined to agree with his theorty in part, but unfortunately we must realize that in this country even a very strong central bank is impotent, so long as American banking is decentralized to the extent that it is, and conducted by 30,000 independent and, let me say, exceedingly independent, institutions.

I fear that the employment of a brake or expansion, through arbitrary control of interest rates, would mean Government control and for that we are not yet ready.

To - Prof. Fisher. April 5, 1917.

Could you send me some of the literature, that is to say what you have written in relation to standardizing the dollar? I am interested particularly in considering what relation this might have upon the foreign exchanges. For some years to come this subject of the foreign exchanges is going to be of vital interest the world over. The pendulum which has made such a long swing in one direction is some day going to swing back, and for that we must be well prepared and we are undertaking the most important work of preparation by this very operation of accumulating gold. In fact, it was somewhat with that in mind that I went to Europe last winter to negotiate the pending arrangements with the Bank of England and the Bank of France, which are now in a fair way to be concluded. Expressed in a few words, I hope to see the Bank of England, the Bank of France and the Federal Reserve Bank of New York operating in gold, in complete harmony, under some arrangement which will be nearly, if not quite, as economical and effective as is the gold settlement fund which is now employed for settling balances between the twelve Reserve banks. It is a rather ambitious program, but progress towards success will be vastly promoted by our alliance with England and France in the war.

My thought in regard to assistance from those who are studying these currency questions was largely prompted by the attitude of the Chronicle. If you and Professor Sprague, Professor Kemerer and others whose opinions carry such weight in these matters, could just at this time get squarely behind us in support of some such program as I have indicated, it would be a most patriotic contribution to the work of preparedness, which is now occupying the attention of the nation. Frankly, I have a great dread of the

To - Prof. Fisher. April 5, 1917.

possibility of all sorts of freak legislation in such times as the present. Senator Thomas of Colorado recently introduced a bill to authorize the issue of $500,000,000 of greenbacks to partly defray the cost of military preparation. It seems inconceivable that any one familiar with the history of our Civil war finances could for a moment suggest such a course, when the machinery for the soundest possible management of our currency is right at hand and ninety per cent completed.

I have written you quite frankly and I fear burdened you with a very long letter, because I am conscious of my inability to do very much while I am out here a cripple and at a time when my associates in Washington and New York are so deeply engrossed in a great many important matters.

My health has shown such wonderful improvement since I came to Colorado last July that I am hopeful of returning to New York within the next two months. Possibly I may have the pleasure later of seeing you at the bank, in the operations of which I know you will be greatly interested. This sojourn in Colorado has been a benefit in more ways than one. It has added twenty-seven pounds to my weight, given me an opportunity to do some reading of which I have long been deprived and, furthermore, I think has given me a chance for some quiet reflection, which we all need now and then to get straight on some of the problems of the day.

With kindest regards and again many thanks for the little book, which I shall read with much interest, I am,

Very sincerely yours,

Professor Irving Fisher,
460 Prospect St.,
New Haven, Conn.

BS/CC

65

May 11th, 1917.

Dear Sir:

Mr. Strong has asked me to acknowledge receipt of your letter of April 28th which has been forwarded to him here and say that he will reply on his return to Denver.

Very truly yours,

Secretary to Mr. Strong.

Professor Irving Fisher,
Yale University,
New Haven, Conn.

Denver, Colorado,
May 17, 1917.

My dear Professor Fisher:

I have only now had opportunity on my return from New York to read the enclosure contained in your letter of April 28th. Senator Thomas' proposal has been discussed somewhat in Denver and I gather from my banking friends here that they view his activities with some concern.

I am taking the liberty of bringing this matter to the attention of the President of the leading business organization in the state, - the Denver Civic and Commercial Association, and I have no doubt they will be willing to start an agitation that will aid in convincing Senator Thomas that he does not in this matter represent the views of his constituents and that the people of Denver and Colorado view his activities with concern.

My trip to New York was for the purpose of starting the Federal Reserve bank organization in the work of placing the new Liberty loan and preparing for the huge financial transactions in connection with clearing the payments. I think we have the work mapped out so as to avoid disturbance to the country's business and finance but expect to return again before the end of the month and stay there until the matter is concluded. Meantime I am working away here on such matters as can be attended to from this distance and hope and believe that two months hence the country will view with satisfaction the demonstration of strength and facility which will be shown by the Reserve banks.

Just as soon as the pamphlets you were good enough to send me reach

To - Prof. Fisher. May 17, 1917.

Denver I will read them with great interest and write you further.

With thanks for your letter, I am,

Very sincerely yours,

Prof. Irving Fisher,
460 Prospect St.,
New Haven, Conn.

BS/CC

65

FILING DEPT.
JUN 30 1917
FEDERAL RESERVE BANK

June 29, 1917.

Dear Madam:

Mr. Strong has asked me to acknowledge receipt of your favor of the 12th instant, with enclosures, which were forwarded from Denver, and state that as soon as the pressure of work permits he will take pleasure in reading the literature forwarded by Professor Fisher.

Very truly yours,

Secretary to Mr. Strong.

Miss Mary Prentice,
Secretary to Professor Irving Fisher,
460 Prospect Street,
New Haven, Conn.

VCM

65

September 19th, 1917.

Dear Sir:

At Mr. Strong's request, I am sending you under separate cover copy of the chart regarding call money rates about which he spoke to you this morning.

Very truly yours,

Secretary to Mr. Strong.

Professor Irving Fisher,
The Yale Club,
New York City.

VCH

65

September 22, 1917.

My dear Professor Fisher:

I thank you very much for the "radio chart" and diagram which you have kindly sent me, and which I shall examine with much interest.

Very truly yours,

Governor.

Professor Irving Fisher,
460 Prospect Street,
New Haven, Conn.

BS/RAH

65

December 6th, 1917.

My dear Mr. Fisher:

I regret the delay in replying to your kind letter of November 22nd. I am just in New York for a day or two so am taking the liberty of asking Mr. Jay to consider the matter and you will hear either from or from me a little later.

Very truly yours,

65

December 7th, 1917.

Dear Sir:

Your letter of November 19th has been received by Mr. Strong and he has asked me to express his deep regret at having missed you both at Hot Springs and in Washington.

He was recalled to Washington and New York during this week and next week is compelled to be in Washington again, after which he hopes to continue his vacation at Aiken, S. C.

Mr. Strong has found it necessary to neglect all mail for the past few weeks but hopes to be able to give more attention to it a little later.

Very truly yours,

Secretary to Mr. Strong.

Professor Irving Fisher,
460 Prospect Street,
New Haven, Conn.

VCM

September 13, 1918.

Dear Professor Fisher:

Thank you very much for the reprint of the article "Stabilizing the Dollar in Purchasing Power," which you have just sent me. It will be read with much interest.

Cordially,

Governor.

Professor Irving Fisher,
460 Prospect Street,
New Haven, Conn.

BS/MSB

Lake George, N. Y.,
February 19, 1919.

Dear Professor Fisher:

Rec'd

Mr. Peabody sent me your note of December 10th with enclosure, and I regret the delay in writing you about it, but I have had no stenographic help until very recently.

Mr. Musher, whom you will observe has recently been advertising extensively, is the head of an enterprise which imports olive oil from Spain. He got caught in his foreign exchange commitments and made a great deal of trouble for the Federal Reserve Board and the Federal Reserve Bank of New York, making all sorts of extravagant accusations which he could not justify. Unfortunately he has had a close relationship with Senator Owen and some people feel that he has been instrumental in causing Senator Owen to push proposed legislation for the establishment of a Federal Foreign Exchange Bank.

Some time when I have opportunity to see you, I can tell you a great deal more about this matter, which has been embarrassing and troublesome in the extreme. He was literally saved from bankruptcy by the decision to furnish him with gold with which to settle his obligations in Spain, but apparently is insatiable in his desire to continue a propaganda because he seems willing to spend large sums in advertising for that purpose. It

Sheet No. 2 FILING DEPT. Professor Fisher 2.19.19.

MAR 5 1919

is supposed that his propaganda is financed with his own money.

FEDERAL RESERVE BOARD

Cordially yours,

Professor Irving Fisher,
460 Prospect Street,
New Haven, Connecticut.

BS.MSB

April 4, 1919.

Dear Professor Fisher: on file

I am indeed sorry to learn from your telegram that you will be prevented from attending the conference this morning. We were counting on your presence as we anticipate having a very enjoyable meeting and luncheon. We shall miss you, but possibly we may have the pleasure of seeing you in the near future.

With warm regards, believe me,

Very sincerely yours,

Professor Irving Fisher,
Yale University,
New Haven, Conn.

GB

July 2, 1919.

file.

Dear Professor Fisher:

The package of manuscript came and I am looking forward to reading it on the steamer. My sailing, however, has been delayed until the 12th, which may afford opportunity to send the additional sheets.

Many thanks for your courtesy in giving me this opportunity.

Sincerely yours,

Professor Irving Fisher,
460 Prospect Street,
New Haven, Conn.

BS/MSB

July 7, 1919.

My dear Mr. Fisher:

Many thanks for your pamphlet "Stabilizing the Dollar" which I shall take pleasure in reading at the first opportunity.

I am sailing for Europe on the 12th and shall likely be away for ten or twelve weeks.

With regards, believe me,

Yours sincerely,

Irving Fisher, Esq.,
460 Prospect Street,
New Haven Conn.

GB

October 7, 1919.

My dear Professor Fisher:

I feel very guilty in not having written you before this in regard to the manuscript you were good enough to leave with me, which I brought back with me, but which is now packed up with a great mass of other papers where I am unable to get at it at the moment.

I read the manuscript with great interest, and took the liberty of asking Mr. Kent, of the Bankers Trust Company, who was with me, to read it at the same time, but I was so deeply engaged in various matters during my stay in Europe that I could really give very little thought to the subject. Nor, in fact, was I able to see Lord D'Abernon, as I had hoped to do.

Many developments now taking place in Europe have a very direct bearing upon your plan and some day soon I shall hope to have opportunity to discuss it with you, postponing again, for the moment writing you in detail.

With kindest regards, I am,

Sincerely yours,

Professor Irving Fisher,
460 Prospect Street,
New Haven, Connecticut.

BS.MSB

Dec. 30, 1919.

My dear Professor Fisher:

Under separate cover I am returning the manuscript of your book "Stabilizing the Dollar" which you were so kind to let me look over just prior to my sailing for Europe last July. As you expect to send me an advanced copy of the book when it is published, I felt that you may wish to keep the manuscript in your own files.

With kindest regards, and the Season's greetings, believe me,

Yours sincerely,

Professor Irving Fisher,
460 Prospect Street,
New Haven, Conn.

GB

Yale University

Department of Political Economy

PROF. IRVING FISHER
[illegible]0 PROSPECT STREET
NEW HAVEN, CONN.

March 2, 1917.

Mr. Benjamin Strong, Jr., Governor,
Federal Reserve Bank,
16 Wall Street,
New York City.

B.S.Jr.

MAR 16 1917

My dear Sir:

I send you the enclosed article which has recently appeared in the Financier with the hope that you will find time to glance at the diagrams. They plainly indicate that the present rising cost of living is mainly accounted for by superabundance of money and only slightly by scarcity of goods.

Inasmuch as few persons are at present aware of this important fact and inasmuch as misunderstanding is leading to food riots, socialistic agitation and reckless proposals, I would suggest that the monetary side of the problem be considered with the rest in any investigation which you may cause to have made.

Very sincerely yours,

Irving Fisher

AG/c
Enc.

Yale University

Department of Political Economy

PROF. IRVING FISHER
460 PROSPECT STREET
NEW HAVEN, CONN.

March 28, 1917

B.S.Jr.

APR 5 1917

Mr. Benjamin Strong,
4100 Montview Boulevard,
Denver, Colorado.

My dear Mr. Strong:-

I have yours of March 17th which I have read with very great interest.

I hope that your Colorado sojourn has restored you. Colorado always brings back my own experience, for I spent some months there with tuberculosis in 1898 and 1899.

I should be extremely glad to correspond with you and help in any way that I can. I am entirely in sympathy with the policy which you describe and if you can tell me how, at any time, I can by writing letters or otherwise, help, I should be very glad.

I did not realize the details of the activities, which you mention in the effort to impound gold. I did realize in a general way that something of the sort must be in process.

When the bills, which ought to be passed to help this, are again before Congress, I hope you will let me know and give me their exact numbers with copies, if possible.

The Commercial and Financial Chronicle seems to lack much vision and ability in its field. It seems to be a chronicle and little else.

I wonder if you have seen an article by Professor Sprague on how to finance the war advising a taxation policy, rather than a bond policy. I will try to get a copy sent to you. It was in "The New Republic".

I think the idea of Knut Wicksell of Sweden, that the control of the interest rate of banks should be a public function and not so much in the interest of the borrower as tradition has made it, is a very good idea. In particular, when, as at present, prices are rising, the rate of interest should be raised even above what unthinking supply and demand would make it, in order to put a brake on the business boom and save us from a crash. If the Federal Reserve system can achieve this, it will help immensely, I believe, to prevent over-expansion of loans and deposits and, therefore, of prices. Of course the Bank of England has regarded the control of the rate of interest as a public function, but only in order to protect its reserve for the nation. Wicksell's idea goes further.

My own idea of standardizing the dollar is, I believe, one which ought to be practically considered. But there is so little general knowledge concerning it at present that it seems almost hopeless to attempt to promote it until after the war. We never seem to be able to lock the door until the horse is stolen.

Very sincerely yours,

Irving Fisher

P.S. As one interested in health you may be interested in the book, "How to Live", a copy of which I am sending you.

MS/m

Yale University

Department of Political Economy

PROF. IRVING FISHER
4.0 PROSPECT STREET
NEW HAVEN, CONN.

B. S. Jr.

March 29, 1917.

APR 5 1917

Mr. Benjamin Strong,
4100 Montview Boulevard,
Denver, Colorado.

My dear Mr. Strong:

In accordance with Professor Fisher's instructions I am sending you enclosed a copy of Professor Sprague's "The Conscription of Income" to which Professor Fisher referred in his letter to you of March 28th.

Very sincerely yours,

Mary A. Prentiss

Secretary to Irving Fisher.

PdEE
Enc.

65

Yale University

Department of Political Economy

PROF. IRVING FISHER
460 PROSPECT STREET
NEW HAVEN, CONN.

April 28, 1917.

B.S. Jr.

Mr. Benjamin Strong,
4100 Montview Boulevard,
Denver, Colo.

My dear Mr. Strong:

Thank you very much for your interesting letter of April 5th. I am not at this time, owing to the pressure of very important work, able to give you a complete reply, but I am sending you under another cover a number of pamphlets bearing on my plan for standardizing the dollar and should be much interested to have you express youself on the subject when you have had opportunity to peruse them.

I am very glad to know of the great improvement in your health and trust that it will not be many months before you will be able to be back in New York. It will give me pleasure to discuss these matters with you.

Very sincerely yours,

Irving Fisher

Colorado

JRdAG

P.S. I am enclosing herewith some pages from the Congressional Record of April 17th. Senator Thomas of ~~Cincinnati~~ has again introduced his inflationistic ideas in Congress. Could not some of his constitutents be influenced to influence him against this sort of thing? Can you do anything in this way or suggest anything that might be done? We may land on a greenback basis again if we are not careful.

Yale University

Department of Political Economy

PROF. IRVING FISHER
460 PROSPECT STREET
NEW HAVEN, CONN.

June 12, 1917.

Mr. Benjamin Strong,
4100 Montview Boulevard,
Denver, Colorado.

My dear Mr. Strong:

Professor Fisher has instructed me to write you in acknowledgement of your letter of May 17th, and to say we are sending you today duplicates of the pamphlets which we sent with our letter of April 28th since you had not received the original set when you wrote Professor Fisher on May 17th.

Very sincerely yours,

Mary A. Prentice

Secretary to Irving Fisher.

PdEE

Please return to
Prof. Irving Fisher

MORNING HERALD
EVENING TRAVELER
SUNDAY HERALD

STATEMENT Do Not Detach	
DATE	AMOUNT
	500 00
	500 00

BOSTON, APRIL 12, 1918. No. 32859

THE NATIONAL SHAWMUT BANK 5-20

PAY TO THE ORDER OF

SINCLAIR KENNEDY $500.00

FIVE HUNDRED AND 00/100 DOLLARS

BOSTON PUBLISHING COMPANY

J. H. Higgins
Treasurer
Director

A E Smith
Asst. Treasurer

COPY

COPY

Receipt is hereby acknowledged of five hundred (500) dollars, paid to Sinclair Kennedy by the Boston Herald and Journal for failure to carry out its contract to publish in its issues of February 26, 28, March 2 and 5, 1918, a quarter page advertisement consisting of quotations from President Wilson, Treasurer McAdoo, and the Chairman of the War Savings Committee, said advertisement having been stopped by the Herald after its second publication on February 28, 1918.

The Boston Herald and Journal joins herein in acknowledgment that the said sum is paid and received on account of the above described breach of contract, and in full of all claims on the part of said Kennedy.

Dated April 12 1918

Sinclair Kennedy
By Joseph P. Draper
Attorney

Boston Publishing Co.
J. H. Higgins Treas.

The President,

In his address to the farmers,
January 31, 1918, said:

"It means the utmost economy, even to the point where the pinch comes. It means the kind of concentration and self-sacrifice which is involved in the field of battle itself, where the object always looms greater than the individual."

The Secretary of the Treasury,

In a statement published in the Official
Bulletin, December 28, 1917, said:

"The people of the United States can render the most far-reaching patriotic service by refraining from the purchase of all unnecessary articles, and by confining themselves to the use of only such things and the expenditure of only such money as is necessary to maintain their health and efficiency."

The Chairman of the National War Savings Committee,

At the Boston City Club,
December 3, 1917, said:

"The Government should have a free track in the workshop. It should have labor which is not competed for by unnecessary things. No matter how well we can afford to buy unnecessary things, no matter how well we can afford to do it, the Government cannot afford to have us do it."

THIS ADVERTISEMENT IS INSERTED BY
SINCLAIR KENNEDY, 1080 BEACON ST., BROOKLINE, MASS.

From Sinclair Kennedy, Brookline, Mass.

Why Massachusetts Lags

THE FACT

According to the April 1 figures on Thrift and War Savings Stamps, Massachusetts was far below the average of the country. Nebraska, which had put into stamps $11.06 per capita stood first among the states, while Massachusetts, having put in 88 cents per capita, stood thirty-fourth.

Kansas, Indiana, Iowa, Ohio, Illinois — of the Middle West which only a few months ago Massachusetts people talked about "waking up"; Wisconsin, whose loyalty Massachusetts questioned; Missouri, which has to be "shown"; Oregon, California, Arizona, Texas, where the Wild West survives in the movies; Maine, New Hampshire, Vermont, Rhode Island, Connecticut — the other New England states: all out-ranked Massachusetts.

THE REASON

Massachusetts lags because of the amount of money Massachusetts people have put into things other than Liberty Bonds and Stamps. Last Christmas, for instance, they put their money into Christmas presents — so much of it that one store advertised its December sales as "breaking all records." They have put money into pleasure cars. Between January 1 and April 6, 1918, there were over 15,000 more non-commercial automobiles registered in Massachusetts than in the corresponding period of 1917. If these cars cost on an average as low as $1,000, this means $15,000,000 put into pleasure cars and not into Government securities. The enumeration need go no further. A glance in the shop windows or at the advertising pages of the newspapers shows what Massachusetts people buy.

Every time we buy anything, we take from the limited national supply all the materials and the labor that enter into the production and transportation of that thing. The Government has asked us to let it use our money in buying materials and hiring labor to win the war. And, so that there may be enough materials and labor in the market for this purpose, the Government has asked that we buy nothing for our own purposes beyond what is absolutely necessary to maintain our "health and efficiency." Whoever buys in excess of this minimum says in effect: "I choose to employ materials and labor for my own tastes and comforts rather than to grow food, build ships, make munitions, or otherwise help win the war. Myself first — the need of the country afterwards." The Government does not ask for part of the surplus over the demands of "health and efficiency," but for all of the surplus. Withholding any part means less food, less ships, less munitions, a longer war and more deaths.

So well does the Government understand this, that the Secretary of the Treasury said of the sale of the Stamps: "The actual sale of the security, however, is not as important as spreading abroad the gospel of the conservation of labor, food, and materials, and the avoidance of competition by the civilian population with the fighting forces."

The children of Marshalltown, Iowa, have got the idea. To the question "How can I help win the war?" they gave, according to the Red Cross Magazine, June, 1918, such replies as follow:

"Go without candy and gum."
"Go without a Christmas Tree."
"Save my clothes by not letting them get torn."
"Be satisfied with what I have."
"Get along without cats and dogs. They eat too much."
"Save papers and supplies at school."
"Teach others to be thrifty who do not know how."
"Always ask, when I buy anything, 'Do I really need that?'"
"Darn my stockings as soon as there is a tiny hole so it won't get larger."
"Look over our scrap bags for cloth that can be used for garments or quilts."
"Get along without teasing for things."
"Save gasolene."
"Do without valentines."

Massachusetts people, on the other hand, while devoting some material and labor to the cause of winning the war, as their Liberty Bonds and their few War Savings Stamps show, have devoted much material and labor to their own gratifications, as the Christmas sales and automobile registrations, among other things, show. They have not confined their spending to the demands of "health and efficiency."

THE RESPONSIBILITY

Who is responsible for this lagging?

Not the great bulk of Massachusetts people. They want to win the war speedily, at any sacrifice to themselves, for they know that delay costs lives. It is not because they are unwilling to do their part that they have failed adequately to support the fighting men and thus to insure their own future safety. They are neither so unpatriotic nor so stupid. They have been ready to do what was needed — if only they had known what that was.

Nor is the National Government responsible. It has said clearly what should be done. As early as May, 1917, Mr. Vanderlip of the Advisory Commission told us, "It is not patriotic to spend money for anything but necessities now. You should cease employing labor in unnecessary business. . . . We will throw no one out of employment, but into a situation where two men are needed instead of one. Men engaged in producing luxuries should cease at once as a patriotic act." Since then, the President, the Secretary of the Treasury, and others have emphasized the need of putting at the disposal of the Government all the materials and labor which can be released by the civilian population. The Thrift and War Savings Stamps were devised to help toward this end.

Who then is responsible? Short-sighted business men, newspapers and state leaders.

Massachusetts business men, in many cases, have not been willing that the necessary materials and labor should be contributed to the purpose of winning the war. They have wanted the people to go on buying much as before, thus using a great deal of materials and labor in non-war-winning ways. A year ago they clamored for "Business as Usual." If they had succeeded in fastening this policy on the country, very little materials and labor would have been available during the past year for war work. The wisdom of others prevented this. But opposition to "Thrift," as the Secretary of the Treasury defines it, "saving to the point of sacrifice — self-denial of everything unnecessary," still continues.

This opposition has been made effective through advertising, which stimulates people to buy what they otherwise would not buy. The means used are bill-boards, electric displays, the mails, newspapers, magazines, etc.

The postal rates, continuing peace time policies, still subsidize advertising. For example, printed advertising post cards go for 1 cent, while written post cards cost 2 cents; circulars go for 1 cent for 2 ounces, while personal letters cost 2 cents or 3 cents per ounce; and periodicals of all the various sorts from newspapers to magazines, with their bulks of advertising, go anywhere in the United States for 1 cent for 4 ounces, while ordinary merchandise costs more.

Advertising at present supports most newspapers and magazines. In this democracy where the people depend largely on the press for their facts and for guidance in their opinions, this advertising control is a grave danger. We are unwilling that any interests, by contributions to our colleges, should control the teaching of our young men and women. But it has come about that the advertising interests can, by the space they buy, determine what facts and what policies shall be presented to the public in the great popular college of the press, thus preventing the American public from profiting by the undoubted intelligence and integrity of the majority of journalists.

Most newspapers in Massachusetts have opposed the idea of devoting a maximum amount of the national resources to winning the war. On their advertising pages they have urged people to buy the very things the Government asks us not to buy; in their news columns they have suppressed the message of the National Government urging Thrift; and editorially they have not supported the Government policy. The following quotations are from Boston papers of April 6 to May 4, the period of the Third Liberty Loan drive.

Among various advertisements are: "There must be increased activity in all business." "Spend all you can afford. . . . dress as well as you can — don't show yourself a miser . . War is not won by killing business of any kind." Or again, "If people are going to judge by clothes (and they're going to whether or not you happen to like it) — why not wear clothes that will make them judge you a World-Beater instead of a Gutter-Pup! . . . Wearing poor clothes is just as foolish as," etc. "Clothes are going to cost a whole lot more! You don't need a rabbit's foot . . . to get in out of the rain! All you need is good old COMMON SENSE. Common sense enough to buy the clothes you're going to need while present —— values are still obtainable. . . . Good clothes are not only going to be high — they're going to be WELL NIGH UNOBTAINABLE!"

A typical article states: "Economy in clothes is not pursued to a great extent for several reasons. One is that we all realize that to some extent trade must run in its usual channels. We must not cut down too stringently on any sort of spending, for fear we may create a sort of panic and bring hardship for some classes of workers . . . But last year's skirts! Dear me, they are quite impossible, most of them."

An editorial remarks, "Economies of dress are at maximum in savage communities, but the 'simple life' is obtained there at the cost of civilization itself."

Compare these with the appeal of the Government, distributed by the National War Savings Committee: "Are you wearing out your old things? By so doing you are saving labor and material that should be employed for war work . . . To dress or live extravagantly in war times is not only unpatriotic, it is bad form. . . . Remember that laying in a supply for the future may be good housekeeping in peace times — in war times it is unpatriotic, hoarding, and hinders the Government. Don't question whether you can afford it, but whether the country can afford to let you have it."

The day after the Third Liberty Loan drive terminated, a Massachusetts paper printed an article concerning automobiles, warning its readers not to believe all the stories about the automobile industry, "particularly dispatches from Washington." It stated that it was patriotic for motorists to use up gasolene in their cars and said, "If you are thinking of buying a car, go ahead and do it. There will be fuel enough and tires enough to guarantee you a great many miles of enjoyable riding."

Compare this with the Government appeal: "Do you save gasolene, rubber, and skilled labor by cutting out all unnecessary use of motor cars? Gasolene is one of the most important war supplies. Every gallon counts. Rubber is also in demand. Chauffeurs are needed on Government work."

The pages of some newspapers have not been open to the Government plea for Thrift, even as paid advertising. An advertisement containing only quotations from officials of the Government was dropped by the Boston Herald in the middle of a contract (see over) and was refused by the Boston Post (see below).

The short-sighted business men and the newspapers might have been enlightened by the state leaders. But instead of explaining the Government's position and using their power in the cause of releasing materials and labor, the state leaders of Massachusetts have encouraged opposition to it. A prominent member of the Massachusetts Public Safety Committee announced, concerning the transfer of energy from the labor-wasting industries to the war-winning industries, "Let the change be as gradual as we can make it . . . There is danger of over-thirft." This attitude has been general.

THE RESULT

Massachusetts people have not received the Government message on war economy because their local leaders and their newspapers, the natural channels through which the Government speaks to the people, have not transmitted it and have counselled the people in opposition to it. Nero fiddled while Rome burned. Massachusetts people today maintain an orchestra of fiddlers. Not realizing what they were doing, Massachusetts people have been using up for themselves materials and labor needed to back up their own boys in France.

MORAL

Curtail advertising.

This can be done by taxation, revised postal rates, and other constitutional methods.

SINCLAIR KENNEDY.

1080 Beacon Street,
Brookline, Massachusetts.

June 4, 1918.

This statement may be published by any one and extra copies may be obtained from the above address.

Copy of An Affidavit

I, JOSEPH P. DRAPER OF CANTON, MASSACHUSETTS, ON OATH DEPOSE AND SAY THAT I AM AN ATTORNEY AT LAW WITH AN OFFICE AT 15 STATE STREET, BOSTON, MASSACHUSETTS, AND THAT ON MARCH 5, 1918, MR. SINCLAIR KENNEDY OF BROOKLINE, MASSACHUSETTS, REQUESTED ME TO MAKE A CONTRACT WITH THE BOSTON POST, A NEWSPAPER PUBLISHED IN BOSTON, FOR THE PUBLICATION OF A CERTAIN ADVERTISEMENT CONNECTED WITH THE THRIFT CAMPAIGN, A COPY OF WHICH IS AS FOLLOWS:

THE PRESIDENT IN HIS ADDRESS TO THE FARMERS,
JANUARY 31, 1918, SAID:
"IT MEANS THE UTMOST ECONOMY, EVEN TO THE POINT WHERE THE PINCH COMES. IT MEANS THE KIND OF CONCENTRATION AND SELF-SACRIFICE WHICH IS INVOLVED IN THE FIELD OF BATTLE ITSELF, WHERE THE OBJECT ALWAYS LOOMS GREATER THAN THE INDIVIDUAL."

THE SECRETARY OF THE TREASURY IN A STATEMENT PUBLISHED IN THE OFFICIAL BULLETIN,
DECEMBER 28, 1917, SAID:
"THE PEOPLE OF THE UNITED STATES CAN RENDER THE MOST FAR-REACHING PATRIOTIC SERVICE BY REFRAINING FROM THE PURCHASE OF ALL UNNECESSARY ARTICLES, AND BY CONFINING THEMSELVES TO THE USE OF ONLY SUCH THINGS AND THE EXPENDITURE OF ONLY SUCH MONEY AS IS NECESSARY TO MAINTAIN THEIR HEALTH AND EFFICIENCY."

THE CHAIRMAN OF THE NATIONAL WAR SAVINGS COMMITTEE, AT THE BOSTON CITY CLUB,
DECEMBER 3, 1917, SAID:
"THE GOVERNMENT SHOULD HAVE A FREE TRACK IN THE WORKSHOP. IT SHOULD HAVE LABOR WHICH IS NOT COMPETED FOR BY UNNECESSARY THINGS. NO MATTER HOW WELL WE CAN AFFORD TO BUY UNNECESSARY THINGS, NO MATTER HOW WELL WE CAN AFFORD TO DO IT, THE GOVERNMENT CANNOT AFFORD TO HAVE US DO IT."

THAT IN PURSUANCE OF MR. KENNEDY'S REQUEST, I CALLED UP THE ADVERTISING DEPARTMENT OF THE BOSTON POST BY TELEPHONE AND DESCRIBED THE ADVERTISEMENT AND WAS IMMEDIATELY REFERRED TO MR. A. H. MARCHANT, THE MANAGER OF THE PAPER. MR. MARCHANT STATED THAT HE WAS ACQUAINTED WITH THE ADVERTISEMENT AS HE HAD SEEN IT IN THE BOSTON HERALD AND JOURNAL (WHERE IT HAD APPEARED FOR TWO EDITIONS) AND THAT HE HAD NOTIFIED HIS ADVERTISING DEPARTMENT THAT IF A REQUEST CAME FROM MR. KENNEDY FOR AN INSERTION OF THIS ADVERTISEMENT IN THE POST, MR. KENNEDY SHOULD BE REFERRED TO HIM. HE THEN TOLD ME THAT HE CONSIDERED THAT THIS ADVERTISEMENT WAS AGAINST PUBLIC POLICY AND THAT AS A MATTER OF PRINCIPLE HE WOULD NOT PUBLISH IT IN HIS PAPER. I CALLED HIS ATTENTION TO THE FACT THAT THE ADVERTISEMENT MERELY CONTAINED QUOTATIONS FROM THE PRESIDENT OF THE UNITED STATES, THE SECRETARY OF THE TREASURY AND THE CHAIRMAN OF THE NATIONAL WAR SAVINGS COMMITTEE AND THAT THE ADVICE WHICH THE ADVERTISEMENT CONTAINED WOULD SEEM ACCORDINGLY TO BE GIVEN UPON GOOD AUTHORITY. HE DECLARED THAT THE SECRETARY OF THE TREASURY HAD, HE BELIEVED, CHANGED HIS VIEWS UPON THE SUBJECT SINCE THE STATEMENT ABOVE QUOTED AND THAT, AS TO THE OTHER AUTHORITIES, SHORT EXCERPTS FROM SPEECHES WERE OFTEN MISLEADING AND HE CONSIDERED THAT THESE WERE. NOTWITHSTANDING WHAT I SAID, HE WAS OF THE OPINION THAT THE ADVERTISEMENT WAS A BAD ONE AND THAT HE WOULD NOT PUBLISH IT.

THAT THE FOREGOING IS THE SUBSTANCE OF THIS TELEPHONE CONVERSATION WHICH LASTED FIVE OR TEN MINUTES.

IN WITNESS WHEREOF I HEREUNTO SET MY HAND THIS TWENTY-NINTH DAY OF APRIL 1918.

(SIGNED) JOSEPH P. DRAPER.

SUBSCRIBED AND SWORN TO BEFORE ME,

(SIGNED) HENRY L. BURNHAM, NOTARY PUBLIC.

(SEAL) MY COMMISSION EXPIRES JANUARY 10, 1924

Yale University

Department of Political Economy

PROF. IRVING FISHER
460 [illegible]OSPECT STREET
NEW HAVEN, CONN.

65

September 20, 1917.

Mr. B. Strong, Jr., Governor,
Federal Reserve Bank of New York,
19 Nassau Street,
New York City.

My dear Mr. Strong:

In accordance with our conversation I am sending you the "Ratio Chart" and a copy of the diagram showing how closely changes in the price level follow on the heels of changes in money in circulation.

I am delighted at the prospect of getting full statistics in regard to deposits subject to check month by month. I shall be intensely interested in studying these.

I shall also be interested in seeing the charts which you spoke of.

It was a great pleasure to have met and talked with you and I hope to renew our acquaintance on my return from California in a couple of months.

With kindest regards, I am

Very sincerely yours,

Irving Fisher

AGm
Enc.

65

Yale University

Department of Political Economy

PROF. IRVING FISHER
460 PROSPECT STREET
NEW HAVEN, CONN.

November 19, 1917.

Mr. Benjamin Strong, Jr.,
16 Wall Street,
New York City.

My dear Mr. Strong:

On my return from my California trip I learned that you had gone south. I hope you are having a pleasant and restful vacation. As you kindly suggested that during such a period you might like to talk over, or correspond concerning, standardizing the dollar, of which I spoke to you before going west, I am writing you to say that I found a great interest in the subject in the west in response to the various lectures I gave on the subject. For instance, Mr. John Perrin, Federal Reserve agent for the Pacific coast, is particularly enthusiastic and anxious to have the matter pushed as a war measure. He had a special meeting of the Chamber of Commerce at San Francisco called in order that I might present the matter before them and expects to have a committee of that chamber appointed to memorialize the President. I have also had a talk with George Foster Peabody which was very helpful. I hope to get the pivotal men in the country sufficiently interested to give the subject a thorough study. If so I do not fear the result so far as their opinion, at least, is concerned.

I am hoping soon to run down to Washington and if you are still at Hot Springs I might run down and see you if perfectly convenient to you. But if you do not wish your vacation interrupted by "shop" please do not hesitate to say so.

Would you be interested to see a chapter or two of my proposed book on standardizing the dollar/which on I am working?

With kindest regards, I am

Very sincerely yours,

Irving Fisher

AGm

In the course of the campaign to raise the third Liberty Loan of $3,000,000,000 the War Finance Corporation was created with a capital of $500,000,000 and power to issue bonds amounting to $2,000,000,000 for the purpose of providing credits for industries in the United States necessary or contributory to the prosecution of the war.

The Corporation is also empowered to limit new issues of securities for miscellaneous purposes during the period of the war in order to prevent the diversion of capital needed for war work.

Altho it may not be realized, the fact is that these two great war measures, the raising of the Liberty Loan and the creation of the War Finance Corporation are connected links in a chain. The Liberty Loan puts Uncle Sam in funds for buying goods of our industries; the Finance Corporation helps our manufacturers make the goods.

When $3,000,000,000 or more has been subscribed the third Liberty Loan campaign is hailed as a success. But it is only the first step. We can't buy equipment, food, and munitions until we make them.

We are called upon not only to subscribe to Liberty Loans but to help make or release the goods. If we subscribe not with savings but with borrowings the Loan will not be a great success tho fully subscribed. For the burden of the Loan will then be thrown back upon the banks, and banking funds will be withdrawn from war industries.

Furthermore, if we lend by borrowing it will be because we are not curtailing our personal expenditures but are insisting on "luxuries as usual", which means that the industries producing luxuries must produce as usual and be financed as usual.

To be effective the funds subscribed for Liberty Bonds must be saved, saved chiefly by economies in consumption. In general, the family that buys $1,000 worth of Liberty Bonds during the year should reduce its consumption by $1,000, so that it will not only turn over to the Government the money but will do its part toward making available to the Government the supplies for which the money is to be spent.

The most careful estimate of liquid savings known to the committee, that of Professor David Friday, places the figure for the United States in 1917 at eleven billions. This is in addition to about seven and a half billions which are not liquid and so not available for financing the war. Part of this eighteen or nineteen billions saved in 1917 was enforced by the great rise in prices which produced great profits of corporations and correspondingly discouraged consumption by the public. The corporations saved their profits by putting them to surplus account. It is impossible to forecast exactly the liquid savings of 1918 as so many new conditions have entered.

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ESTIMATED EXCESS OF PRODUCTION OVER CONSUMPTION IN THE UNITED STATES AND AMOUNT AVAILABLE FOR INVESTMENT AND FINANCING THE WAR.

(Billions)

Source	Excess of Production over Consumption			Available for Investment and Financing the War		
	1913	1916	1917	1913	1916	1917
	$	$	$	$	$	$
Corporations	1.5	5.4	6.5	.5	2.0	3.0
Other businesses	1.2	3.0	3.5	.2	1.5	2.0
Farms	1.2	2.8	5.0	.1	1.0	3.0
All other	2.5	3.6	3.5	2.0	3.0	3.0
TOTAL	6.4	14.7	18.5	2.8	7.5	11.0

If there be security flotations <u>for private investment and for financing the war</u> in excess of savings such excess will have to be provided by new savings through a decrease in consumption, or by a greater speeding up of production.

If we subscribe for Liberty Bonds and do not save by decreased consumption, the amount necessary to pay the subscription price, the banks will be obliged to carry the burden. The local banks will attempt to get relief by borrowing on bond collateral from the Federal Reserve Banks. Banking expansion in conjunction with a rise in the prices of goods will result.

The Federal Reserve Board has given us a warning which we should heed:

> "It cannot have escaped the attention of the banks that, since the beginning of the war, deposits have increased at a rapid rate and that loans, discounts, and investments have grown at an even more rapid rate.
>
> "Conservation of credit as regards non-essential enterprises is necessary in order to provide, without undue expansion, the credit required by the Government and by business essential to the success of the war and the well-being of the country."

The shipping engaged in the import of art goods or rubber or silk from the Far East might be carrying supplies to France. If we do not economize in art goods or pleasure automobiles or fine clothes, we are, in effect, insisting that the ships do "business as usual". If we subscribe to Liberty Bonds we are providing funds to convert the shipping to war business. Neither ships nor manufacturing plants can do "business as usual" and add war business as a side line. To attempt to do both will end in failure.

The crux, both of the industrial and the financial questions confronting us is speeding production of essentials and limiting consumption of non-essentials. If too great an issue of bonds be made there will be credit expansion, increase of prices, and other economic disturbance. If we do not economize now we will be forced to economize thru higher prices.

The Government can expend the proceeds of bond issues effectively only if the goods it wants are produced in the required amounts. They can only be so produced if the public buys Liberty Bonds and pays for them out of the savings arising from reduced consumption.

AMERICAN ECONOMIC ASSOCIATION.

Special Reports of the "Committee on the Purchasing Power of Money in Relation to the War."

Members of the Committee:-

Irving Fisher (Chairman), Yale University

B. M. Anderson, Jr., Harvard University

E. W. Kemmerer, Princeton University

Royal Meeker, U. S. Commissioner of Labor Statistics

W. C. Mitchell, Columbia University

W. M. Persons, Colorado College.

RELEASED FOR MORNING NEWSPAPERS

April 26, 1918.

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Third Report - "Loans, Taxes and the Purchasing Power of Money."

Synopsis of Report

The present generation must pay the whole cost of the war; the burden cannot be shifted to the next generation.

Financing the war by long-term bonds does not put crushing tax burdens on future generations, because the taxes they pay out of one pocket come back to the other pocket in the form of interest and principal.

In former times the rich lent money for war and the next generation was taxed to repay the heirs of the rich, but in this war the bonds are so widely distributed among all classes, the rich of future generations may be the chief taxpayers.

Saving is the soundest method of financing the war, but rapid readjustment makes necessary some credit expansion to stimulate war industries and conserve peace industries.

Washington, April 25 -

The Committee of the American Economic Association, appointed to investigate the purchasing power of money in relation to war, has submitted the following report:

TEXT OF REPORT.

There is a widespread idea that, so far as the war is paid for out of loans, its cost is shifted to the next generation, and that only so far as it is paid for out of taxes does the cost fall on this generation.

This is an error. The whole cost of waging the war falls necessarily on this generation alone, and cannot be shifted to the next by loans or any other device.

This would be perfectly clear if there were no money or credit to confuse us. If we should wait for the next generation to provide the soldiers' food, shoes and guns, clearly our soldiers would go hungry, barefoot and gunless, and we should lose the war. This essential fact is not in the least altered because food, shoes and guns are obtained through that convenient shuffler of goods, a circulating medium.

No one doubts this when the money is paid as taxes. But even when the money is paid as loans, the same principle holds true; for the next generation can never reimburse the present generation. It can only reimburse itself! When our descendents pay back the billions "borrowed" today to carry on the war, they are simply as tax-payers, paying them back to themselves, as bond-holders. The money simply goes out of one pocket into another, via the Government Treasury. The payment and receipt cancel themselves out.

Some people are afraid that great loans will saddle the future with a crushing burden of taxes. We might just as well talk of great loans as a means of enriching the next generation by what their bonds will bring in to them! It is exactly as broad as it is long. That is a chief reason why, after the war, a nation recuperates so fast as to astonish those who think of its war debt as a burden. When the war is over, the cost of waging it is over too!

Future generations will be saddled not with the burden of paying for the war, but with the burden of disease, of shattered men, destroyed lands, forests, mines, and factories for which the havoc of war is responsible.

These conclusions hold when we view the country as a whole, or a generation as a whole, or when we look at the case of "the average man." It is when we view the distribution of the burden among individuals and among classes that the differences between loans and taxes begin to appear. If you subscribe to war bonds beyond your share of the burden today, your son or grandson may receive more as bondholder than he pays as taxpayer. Thus if the rich finance the war by bonds, and if taxes after the war fall largely on the poor, the descendents of the rich may live on the interest and principal of bonds, paid by the poor. This is a way by which, in the past, wars have often been financed.

The opposite situation is possible, however, and is today actually more likely than ever before in history. The poor of this generation are buying many bonds; and, in the next, the rich will probably be heavily taxed and so contribute to the millions of inheritors of small bonds.

A further important difference between loans and taxes grows out of their effect on the current money income of the people, and their effect on the volume of bank credit. A tax receipt has no commercial value, while a bond is a negotiable security. The former is not property and the latter is. The bond sets aside a future return to the individual but it does not assess the future tax to pay it with against him. Instead it spreads this tax over the whole community. Consequently a man is not so likely to borrow in order to pay his taxes as he is in order to subscribe to bonds. The tax-payer is more likely to give up a part of his current money income to the Government. The purchaser of a bond may borrow at the bank, with the bond as collateral, either at the time he lends to the Government or later, and remain with as undiminished money-income, competing with the Government in the commodity market, and forcing a rise in commodity-prices. A large bond issue is almost certain sooner or later, to lead to the expansion of bank loans and deposits which tends, under conditions like those present today, to raise commodity prices.

But high taxes may also force men who can do so to borrow at the banks, using other property as collateral. There is evidence that some large corporations are planning to borrow to pay their excess profit taxes. Rich men, of taxes very heavily, may also borrow to avert a drastic reduction in their customary mode of living.

From the standpoint of the purchasing power of money over goods the important thing is not whether the tax policy or the loan policy is most used. The important thing is that the cost of the war should be paid as far as possible out of conscious savings and not out of borrowings. While a heavy tax policy helps toward this end, it could never of itself achieve it.

The public should understand that lending by borrowing, though much better than nothing, is still a very unsatisfactory way to help the Government. By raising prices such a procedure tends to shift the cost of the war to the poor who pay it in a higher cost of living.

But there is a further difference between taxes and loans which must not be overlooked. A policy of exclusive taxation would cut drastically into the earnings of many businesses, and force them into bankruptcy. The creditors of these businesses would also be in danger of insolvency. And, apart from actual bankruptcy, doubt and timidity on the part of business men, with reduced efficiency of industry, would result. We must take account of the motives under which modern industry is carried on as well as of the iron necessities, growing out of the interwoven fabric of debts and credits, under which business is conducted. The loan policy on the other hand, increasing the volume of liquid securities, available as bank collateral, increasing the activity of banking operations and the volume of liquid bank credit, tends to "grease the wheels" of commerce and industry, and makes the readjustment to war conditions proceed more smoothly. The very rise in commodity prices which goes with it compensates in part for the reduced volume of sales which many businesses must meet, and gives business men a breathing spell during the necessary but painful process of curtailing activity in the non-essential industries.

Under many economic conditions, and particularly in times of panic, stress, or rapid readjustment, expanding bank credit is often needed to tide over temporary difficulties, and to make transition easy. At the present time we are going through a process of rapid readjustment, in which many industries are being speeded up at the same time that others are being checked and shut down, and this cannot be carried through efficiently if sand is thrown into the oil. Some expansion of bank credit, therefore, and even some rise in commodity prices, must be tolerated. In the long run, prices will be lower, and aggregate production greater, if things take this course.

Just how far we can go in the tax policy is a question for the special students of taxation, rather than for a committee on the purchasing power of money.

A wise discrimination, however, on the part of those who control the extensions of bank credit is important. Loans to enable people to continue luxurious living do unmitigated harm; but loans to the industries expanding to meet war needs must be made liberally. Loans to non-essential
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industries to enable them to expand, or even to continue at their present volume of production, are clearly pernicious; but limited and carefully guarded loans to business men in non-essential industries to funds needed by them to maintain their solvency and give them time to liquidate slow assets are justifiable.

The purpose underlying the projected Finance Corporation, is apparently, to make just this kind of discrimination in the extension of bank credit in financing business, -- to lend liberally where expansion is required, to lend where bankruptcy is menaced, but to prevent the financing of business expansion in non-essential lines. This committee expresses no opinion as to the need for this particular legislation, but it is convinced that some organized public policy should guide the distribution of banking accomodations.

We feel that the danger is so great, however, that expansion may be carried too far, rather that taxation will be made too drastic, that we feel justified in placing heavy emphasis on the need of limiting expansion of bank credit by every practicable means.

Yale University

Department of Political Economy

PROF. IRVING FISHER
460 PROSPECT STREET
NEW HAVEN, CONN.

June 28, 1918.

Mr. Benjamin Strong,
Federal Reserve Bank,
50 Wall Street,
New York City.

My dear Mr. Strong:

I am writing to thank you for your letter of June 15th relative to the December meeting of the Economic Association.

It is not at all due to lack of courage that the subject of reduction of consumption of less essential goods during the war is not, as such, included on the program.

Under separate cover I am sending you copies of four reports of the Committee on the Purchasing Power of Money in War Time (of which I am Chairman), so that you may see that we are not neglecting this subject. Three of these reports have already been published by Mr. Vanderlip's War Savings Committee, and we are expecting the fourth to be printed ~~very~~ soon ~~now~~. We have encountered a good deal of difficulty in getting this material of ours before the people —although copies of the first were sent to practically every newspaper in the country—about [20,000 on account of the newspapers being controlled by advertisers of non-essentials.

In this connection you may be interested in the experience of Mr. Sinclair Kennedy of

Boston as outlined on the enclosed sheet. I should be glad if you would return this when you have finished with it as it is my only copy.

I shall hope to see you when it is convenient for you and talk over my plan for standardizing the dollar which has received the endorsements of many bankers since I saw you (Vanderlip, for instance).

With the hope that you are feeling well and with kindest regards, I am

Very sincerely yours,

Irving Fisher

PdEE
Enc.

Yale University
Department of Political Economy

PROF. IRVING FISHER
460 PROSPECT STREET
NEW HAVEN, CONN.

B.A.Jr.

SEP 13 1918

Dear Sir:

I enclose a reprint of "Stabilizing the Dollar in Purchasing Power" taken, in advance of publication, from a book of joint authorship entitled "American Problems of Reconstruction".

I also enclose a selected list of written statements of approval, to which might be added important oral ones, e.g., from President Wilson and Mr. Frank A. Vanderlip.

The reprint is a condensation of the Hitchcock Lectures at the University of California, given last fall, and to be expanded into a book presently.

The close of the War will doubtless bring, as one of the great public questions, that of reconstructing standards of value.

Already certain people, interested in silver and gold mining are starting their respective propaganda. A conference of such interests has been called to be held at Spokane on Sept. 5th and 6th next "to discuss the gold mining situation". The conference is said to be "in the nature of a patriotic response" to an alleged official call "to do everything possible to speed production" of gold.

To prevent the discussion of this question from degenerating into a contest between special interests or between debtor and creditor, ought not those who believe in justice endeavor to secure a just, i.e., a stable standard? If a better method for this purpose than that here proposed can be found, I hope you or others will point it out.

In any case, I should value, for future use, any comments which you may be moved to make.

Very sincerely yours,

Irving Fisher

Yale University

Department of Political Economy

PROF. IRVING FISHER
460 PROSPECT STREET
NEW HAVEN, CONN.

December 10, 1918.

Mr. George Foster Peabody,
25 Broad Street,
New York.

My dear Mr. Peabody:

I am enclosing a page from the Washington Star which I have just received from the Musher Company. Have you any idea what the financial interests behind this are?

Very sincerely yours,

Irving Fisher

P/t
Enc.

I note that Sen. Owen has gone abroad "to study for. exch."

Yale University

Department of Political Economy

Pompeian Oil Co

X

PROF. IRVING FISHER
460 PROSPECT STREET
NEW HAVEN, CONN.

February 24, 1919.

Mr. Benjamin Strong,
15 Nassau Street,
New York.

My dear Mr. Strong:

Rec'd

I thank you for your letter of February 19th, which is just received, in regard to Mr. Musher. I am glad to have the information which you have given me in regard to him, and shall welcome an opportunity to hear more of the matter, sometime when I see you.

Very sincerely yours,

Irving Fisher

P/t

Form 1201

CLASS OF SERVICE	SYMBOL
Telegram	
Day Letter	Blue
Night Message	Nite
Night Letter	N L

If none of these three symbols appears after the check (number of words) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

CLASS OF SERVICE	SYMBOL
Telegram	
Day Letter	Blue
Night Message	Nite
Night Letter	N L

If none of these three symbols appears after the check (number of words) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

RECEIVED AT

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Ans'd 4/4/19 BS

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FY NEWHAVEN CONN 829AM APRIL 4 1919

BENJ STRONG 594

FEDERAL RESERVE BANK NEWYORK

GREATLY REGRET URGENT NEED OF MY PRESENCE HERE TODAY PREVENTS ATTENDANCE AT YOUR MEETING

IRVING FISHER

843A

Yale University

Department of Political Economy

PROF. IRVING FISHER
460 PROSPECT STREET
NEW HAVEN, CONN.

28 June 1919

Mr. Benjamin Strong,
Hotel Plaza,
New York City.

My dear Mr. Strong,

In accordance with our conversation, I am sending you the enclosed copy of the manuscript of my book. This is nearly complete, but if it should happen that your sailing is postponed, I should be glad to send two missing sections of the appendix. I can mail these early next week if you will let me know.

The Reading Chamber of Commerce, where I have just spoken, has voted to appoint a committee to study the matter with a view to adopting resolutions. The American Federation of Labor has, by resolution adopted at their recent meeting in Atlantic City, directed the Executive Counsel to study the plan.

I envy you your opportunity to go abroad. Among others whom you will meet will, I suppose, be Lord D'Abernon, who has been thinking somewhat along these same lines in regard to our monetary problem. I appreciate your willingness to look over this material.

Very sincerely yours,

Irving Fisher

El*t

Yale University

Department of Political Economy

PROF. IRVING FISHER
460 PROSPECT STREET
NEW HAVEN, CONN.

July 10, 1919.

Mr. Benjamin Strong, Jr.,
Hotel Plaza,
Fifth Avenue & 59th Street,
New York City.

My dear Governor Strong:

I enclose some addenda which almost complete the manuscript sent you.

I also enclose copy of correspondence with Lord D'Abernon which explains itself.

With kindest regards, I am

Very sincerely yours,

Irving Fisher

IFdG
Enc.

Yale University

Department of Political Economy

PROF. IRVING FISHER
460 PROSPECT STREET
NEW HAVEN, CONN.

October 2, 1919.

Mr. Benjamin Strong,
Federal Reserve Bank,
New York City.

My dear Mr. Strong:

I am sorry so much time has elapsed before replying to your letter of July 17th, in regard to the manuscript on stabilizing the dollar. I suppose I let the matter go as you spoke of writing me again first. The questions which you state in that letter are briefly dealt with in the manuscript which you have. In the compass of a letter I can not add very materially.

Your first question refers to the effects of the plan on the gold mining industry. As John Hays Hammond, who is one of the backers of the plan, has said, the plan would, it seems to me, scarcely affect the miner one way or the other. He will, while gold is depreciating, get fewer dollars for an ounce of bullion, but these dollars will, of course, have an increased purchasing power. He will be able to get as much in goods for an ounce of metal as he would without the plan. Though his net proceeds in dollars are less, so also is his cost of living less than it would have been with an unstabilized dollar. Though his receipts are less, so also is the cost of running the mine (outgo for wages and equipment) less.

The present trouble of the gold miner is due to the depreciation of his product due not so much to the great amount of gold as to the great amount of credit substitutes for gold which the war has produced.

Your second question refers to what shall be done with our present silver currency. My idea is that that would remain in circulation just as at present. I should personally like to see them made specifically redeemable in the gold bullion certificates, and hence in gold itself, though at present this redeemability practically exists. The value of our token currency would thus be stabilized together with the rest of the currency.

Your third question, in regard to the effects on international commerce if the plan were adopted in this country alone, is treated with some fullness in Appendix I, section 8, of the manuscript which you have. In a word, it would be best to secure either international action, or at least concerted action by a number of the more important powers. Pars of exchange are already broken, however, and the present is therefore an opportunity for any nation to launch the plan, confident that, when the advantages of the system are seen, other nations will fall into line. If this country, especially, should take the lead, with its present financial supremacy, that result would be sure to come to pass. In the meanwhile, if we were temporarily alone, the advantages to our domestic commerce would far outweigh the slight disadvantage of a shifting par of exchange for foreign commerce, -- our domestic commerce being many times as important as our foreign commerce.

I hope that while you are abroad you will get in touch with Lord D'Abernon, whose recent remarks as to the relation between the high cost of living and Bolshevism have attracted considerable attention. His address is 134, Piccadilly, London, W.1., and his telephone number Mayfair 6968. I have written him of your trip and he responded that he would be interested to meet you.

Very sincerely yours,

Irving Fisher

AGc

Later: I have just addressed the Amer. Bankers' Assoc. on this subject. They voted unanimously to investigate it. Two bills have been introduced into Congress to investigate it— Four congressmen have offered to introduce a bill to stabilize the dollar. This would be premature, I think.

Yale University

Department of Political Economy

PROF. IRVING FISHER
460 PROSPECT STREET
NEW HAVEN, CONN.

December 22, 1919.

B.A.
DEC 24 1919

Mr. Benjamin Strong, Jr.
Governor, Federal Reserve Bank,
New York.

My dear Governor Strong:

I am expecting in a day or two a few advance copies of my forthcoming book "Stabilizing the Dollar" (which will be published in January), and shall take pleasure in sending you one.

You will note from the enclosed memorandum —See Envelope that the idea has made some progress, although as yet no organized propaganda has been begun. Four Congressmen have offered to introduce a bill on the subject and one of them has done so.

Very sincerely yours,

Irving Fisher

Enc.

P. S. I shall greatly value your comments.

PROGRESS OF THE IDEA OF STABILIZING THE DOLLAR

Anticipations of the Plan

Plans for stabilizing the dollar have been proposed, substantially like that which I am advocating, by at least nine other persons, including Simon Newcomb.

I published my own presentation first in 1911 in the Purchasing Power of Money and have elaborated it in various forms since that time, including that in the Hitchcock Lectures at the University of California in 1917 and my book Stabilizing the Dollar to appear in 1920.

Public interest dates from 1912, when the plan was presented before the International Congress of Chambers of Commerce.

A resolution approving the stabilization idea was adopted unanimously by the economic faculties of the University of Washington, Washington State College, and the University of Montana, including altogether seventeen economists.

Referred to letter of Irving Fisher 12/22/19

A committee of the American Economic Association, composed of experts in money and prices, reported the plan to be desirable and economically feasible. This committee included B. M. Anderson, Jr., now of the National Bank of Commerce; Prof. E. W. Kemmerer, Princeton University; Royal Meeker, Commissioner of Labor Statistics; Wesley Clair Mitchell, then Professor of Economics at Columbia University; Warren M. Persons, now lecturer at Harvard University, and myself.

President Seerley of Iowa State Teachers' College referred the matter to a committee made up from his economic and political science faculties. The committee reported favorably.

The Schoolmasters' Association of New York passed a vote of endorsement.

A distinguished foreign economist, Edwin Cannan of the University of London, says:

"We have all long recognized that the use of metallic money as 'a medium of exchange' has been largely dispensed with by the help of banking machinery which substitutes a civilized system of bookkeeping for the primitive method of exchanging counters, and most economists, I think, have expected that the material of metallic money would not permanently remain the standard of value, but that it will eventually be superseded by something bearing a closer relationship to the satisfaction of ordinary wants. It has been difficult, however, to see how the transition could be effected without a disturbance which the commercial world would never face. Your scheme appears to me to provide just what was wanted - a method of making the transition insensibly without any shock to existing habits of thought and expression."

F. Y. Edgeworth of All Souls College, Oxford, England, says:

"I entirely concur with the verdict pronounced on your standardized dollar by Professor Pigou in his recently published work, WEALTH AND WELFARE. Subject to the reservation which he had indicated, I say with him, 'I am inclined to believe that a very considerable net benefit would probably result.'"

Achille Loria, of the University of Torino, Italy, says:

"Je viens de lire avec un grand charme votre intéressant projet d'un dollar invariable et je m'empresse de vous dire qu'il me semble parfaitement raisonné. Il présente quelque analogie avec une des nombreuses méthodes de regularisation de la valeur de la monnaie que j'ai signalée dans mon Essai sur la valeur de la monnaie."

At the present writing I find, on consulting my files, 42 economists and 28 other academic professors and university presidents who have, in some specific way, expressed approval of the proposal.. These include, besides those already named, Pres. Arthur T. Hadley of Yale; Allyn A. Young, ex-President, Amer. Stat. Ass'n; Pres. Frank L. McVey, Univ. of Kentucky; Joseph French Johnson, Dean of the School of Commerce, New York University; J. B. Clark, Columbia University; Gilbert N. Lewis, Univ. of California; Dean Frederick S. Jones of Yale College; Paul H. Douglas, Univ. of Washington; C. L. Stewart, Univ. of Arkansas.

The Business and Industrial World

The entrance of the project into the world of business marks the second stage. Only a small, though a good, beginning has thus far been made.

Among those who approve of the general idea of stabilization as desirable and feasible are twenty-four prominent bankers of whom ten are bank presidents and about fifty other individual business men, not including the members of the various business organizations which have passed resolutions of endorsement.

Among the prominent bankers are:

John Perrin, Federal Reserve agent for San Francisco,

The late Henry Lee Higginson of Boston,

George Foster Peabody, Director Federal Reserve Bank, New York,

Clarence H. Kelsey, President Title Guarantee and Trust Company, New York,

Evans Woollen, President Fletcher Savings and Trust Company, Indianapolis, Ind.

Robert Kent, President Passaic Bank of Passaic, N. J.

Among the prominent business men other than bankers are:

John Hays Hammond, mining engineer,

John V. Farwell, Chicago,

Roger W. Babson, business statistician,

James H. Brookmire, business statistician,

A. B. Farquhar, York, Pa.,

Norman Lombard, President, Western Farm Credit Company, San Francisco

Richard A. Feiss, Cleveland,

J. Kruttschnitt, Chairman, Executive Committee, Southern Pacific Company,

Albert H. Mowbray, Vice-President and Actuary, Liberty Mutual Insurance Company, Boston.

Selected quotations from some of these men follow:

Roger W. Babson, "Your only critics are those who misunderstand you."

Albert H. Mowbray, "It seems to me, that to a large degree, the success of many of our plans for attaining social justice depends upon a stabilized dollar."

Richard A. Feiss, "I am in hearty accord with your idea and feel that it is not until the dollar is stabilized that industry can get together for the proper solution of its problem."

J. Kruttschnitt, "Your proposed plan is ingenious, clear, and convincing."

The business organizations before which the subject has been brought have either formally approved the idea or referred it to committees which have not yet reported. None have thus far voiced disapproval.

In April 1919 the Bridgeport Chamber of Commerce, following a favorable committee report, passed a resolution as follows:

RESOLVED: That the Bridgeport Chamber of Commerce, recognizing the many evils that flow from the ever-changing value of the dollar, hereby calls upon Congress to enact such legislation, if it be feasible, as shall tend to make the dollar stable at all times, in its purchasing power; and to that end it respectfully recommends the adoption, in substantial form, of the plan put forward by Professor Irving Fisher for stabilizing the dollar by adding weight thereto or subtracting therefrom in accordance with the fluctuations of prices as represented by the index numbers.

RESOLVED: That this action of the Bridgeport Chamber of Commerce shall be transmitted to the Secretary of the Treasury, the Comptroller of the Currency, and all of the Senators and Representatives from Connecticut.

The Chamber of Commerce of Waterbury, Conn., passed a somewhat similar resolution as did the Society of Polish Engineers and Business Men in America, and the New England Association of Purchasing Agents.

The American Bankers' Association at its annual meeting, October 1919, voted unanimously to investigate the subject. A committee has been appointed, under the Currency Commission of the Association, to make a thorough study of the plan.

Seven other business organizations have appointed committees to consider the subject.

As to the world of labor, only a small beginning has yet been made.

At the session of the International Socialist Congress at Berne, Switzerland, February 1919, the following resolution was adopted as part of Article 10 of the International Labour Charter:

> "the contracting States shall call as soon as possible an international conference instructed to take effective measures to prevent the depreciation of the purchasing power of wages and to insure their payment in a non-depreciated money."

The American Federation of Labor (June 1919) resolved:

> "That the Executive Council be and is hereby instructed to make a study of the problem of establishing a dollar of stabilized purchasing power as it may be presented through legislative effort, or otherwise during the year, and to submit a report upon the subject at the 1920 convention."

Among those interested in our labor problems who appreciate the need and value of the plan for stabilizing the dollar are Louis F. Post, Assistant Secretary of Labor, Dr. Royal Meeker, Commissioner of Labor Statistics, George W. Nasmyth of the Trade Union College in Boston, David J. Lewis, mentioned below, a former labor leader, now on the Tariff Commission, and Hugh Swindley, an active Canada labor man.

Four women's organizations in Washington, D. C. adopted resolutions favoring the idea of stabilization.

Newspaper and Popular Publicity

Newspapers and magazines have given the project an increasing amount of attention. Over one thousand clippings touching on the proposal have been received. Many papers have commented editorially. The total number of editorial comments which have come to my attention is over two hundred, of which about a third did not take sides. In 1914 there were two favorable editorials to three opposed. Up to July 1919 there were about three favorable to four opposed. Beginning with August 1919, I find two favorable to one opposed.

The Newspaper Enterprise Association carried two articles descriptive of the plan which were published by the many members of the Association. Articles describing the plan have also been carried by big popular magazines,

the Independent,
the Review of Reviews,
the Red Cross Magazine,
the Saturday Evening Post, and
the Scientific American.

I have had frequent requests from persons in many sections of the country for material to aid them in speaking on the subject before Rotary, Commercial and other Clubs and associations.

In the World of Public Life

This phase of the movement has only barely begun. Royal Meeker, Commissioner of Labor Statistics, has favored the plan both before he was in office and while in office. Assistant Secretary of Labor Louis Post favors it. Representative Husted of New York has introduced two resolutions in Congress on the subject, the last one to appoint a National Monetary Commission which should investigate the currency problem "especially to the end that the purchasing power of the dollar may be stabilized."

Three other members of Congress have offered to introduce bills looking toward the practical application of the stabilized dollar plan. Others have indicated interest in the question. In the Senate also some leading members have shown an interest.

The late Senator Newlands wrote:

> "Your plan of stabilizing the dollar by so adjusting the amount of gold in it from time to time as to make it at all times purchase approximately the same quantity of a number of things which constitute the necessaries of life, is an excellent one, and will make the dollar as real a standard of value as the yardstick is of measure. Nothing better could be done to establish justice between debtor and creditor, producer and consumer, employer and wage earner, and to avert the economic crises arising in all these relations because of the uncertainty of the value of the dollar.
>
> I wish you great success in the propaganda which you are urging."

Ex-Senator Shafroth has endorsed the plan as follows:

> "The pamphlet you sent me is a most excellent one. It is clear and very convincing. I think the necessity is very great that we stabilize the dollar in purchasing power and I hope that you will send your pamphlet to all of the members of the Committee on Banking and Currency of the Senate.
>
> I regret that I am not in the Senate now, in order to be of service in formulating legislation that will stabilize the dollar."

Senator Myers wrote me as follows:

> "I am interested in stabilizing the dollar. I think it would be to the interest of everybody in this country to have it made stable. It is a subject of great importance."

Senator Owen says of the plan:

> "The plan is feasible and meritorious."

David J. Lewis, now United States Tariff Commissioner and former labor leader writes:

> "Having carefully gone over your proposal to stabilize the gold standard and giving it the best consideration I could, I have reached the conclusion that you have found the method in your 'Compensated Dollar', a method, moreover, so simple and easy of application as to command admiration. Next to the economic havoc of war itself there is probably no more devastating agent at work than the rudderless and ballastless unit of value which has resulted in the prices anarchy of the past generation. I think of a depositor at three per cent in his savings bank, who has allowed his savings to accumulate, along with the principal, for the last fifteen years. He has actually less money in the virtual sense than when he made his deposit. Our dollar has become Mexicanized, and it seems high time that thoughtful men should be looking out for a remedy. I think they will find it in your brilliant and well considered proposal."

William Kent, also of the Tariff Board, writes:

> "The only question in my mind as concerns your scheme is as to when it should be adopted."

William S. Culbertson, also of the Tariff Board, writes:

> "... your proposed remedy for fluctuating price levels should have the serious and immediate consideration of Congress."

Official interest extends to other countries than the United States. The rise in prices since 1896 has been world-wide. Interest in remedies has not been confined to this country.

Sir David M. Barbour, one of the chief originators of the gold exchange standard for India, wrote:

> "... think it likely that some such system may ultimately be adopted."

Lord D'Abernon wrote me:

> "With regard to the precise means suggested for stabilizing the dollar, I think your proposal is the most ingenious I have seen, but I would not bind myself to this solution to the exclusion of all others."

Marshall Stevens, M.P. is now interested in introducing a bill in the British Parliament looking to monetary stabilization.

The Minister of Switzerland, Hon. Hans Sulzer, wrote me as follows:

> "Your solution strikes me as an excellent one. I have not failed to transmit your views to my Government, and I shall be delighted to have an opportunity of discussing the matter further with you."

New Zealand officials have shown particular interest in reviving the idea of an international conference and in this plan in particular. I have received two cablegrams from the New Zealand Board of Trade on this subject.

The outcome of this correspondence and the study in New Zealand of the material sent by me is indicated in the following quotations from the 1919 Report of the New Zealand Board of Trade (chiefly concerned with the regulation of prices and other aspects of the high cost of living)

> "That control of the general price-level by standarization of the purchasing-power of the monetary unit of value, the sovereign, is the way out of the economic labyrinth has been suggested by many economists; and this solution is being advocated by Professor Irving Fisher with a brilliancy of statement and wealth of statistical reasoning that has attracted world-wide recognition. .....
>
> So hopeful does Professor Irving Fisher's suggested remedy appear to the Board that we earnestly recommend it to the serious attention of the Government.
>
> W. G. McDonald)
> J. R. Hart,) Members of the Board."
> P. Hally)

A bill introduced in Parliament, empowering the Board of Trade to deal with the prices situation, resulted in considerable debate. I quote extracts from the remarks* of Hon. Sir J. G. Findlay (Hawke's Bay) on the Board of Trade Bill in the House, September 12th:

"Sir, that is why I have taken the liberty of asking the House to listen to the details of the scheme which, in my judgment, for what it is worth, will do more, if we adopt it, to remove the evil of the increased cost of living permanently than any other cause you can discover. I am glad to say that when I brought this matter before the Prime Minister, and later before Sir Joseph Ward, they both very fully sympathized with it; and, although it involves an amount of consideration I could not expect them to give to it in the short time they had to consider it, both were prepared in the future to give it patient and indulgent consideration. Sir, with these preliminary observations, I proceed as rapidly as I can to place you in possession of what has been declared the greatest discovery or suggestion in this branch of economic thought since the early days - since the time of Adam Smith, or even earlier. .... I do not want to say one word to reflect on the Victory Loan we are to have issued, but it is relevant to my suggestion to the House that we should cure the evil inherent in that loan, as it is inherent in every time contract, and we should as far as possible prevent the interest on the bonds in the Victory Loan dwindling down, as they will dwindle down, in purchasing-power to $2\frac{1}{2}$ per cent. or even less if the present reduction in our money standard's purchasing power continues. .... Sir, is it unnatural that with this marked dwindling of money in purchasing-power there should be resentment, and even violence, on the part of those who suffer? Not only are there the evils of inequitable distribution of wealth; not only the evils produced by inflation of our currency; not only the oppressive high cost of living, professional profiteering, and speculation - these are all great evils; but the evil which I would impress upon the House and upon the leaders of the House is this: that the people do not understand the cause of these evils, and they have a blindfold sense of wrong - that sense of wrong which cannot distinguish its true justification, and which is the most dangerous sense of wrong that you can have. If the people can see the real cause, and it is pointed out to them that that cause is being grappled with, you will escape the wild fury of the mob. It was found at the time of the French Revolution, and has been found all the world over, that the main evil to contend with is that the mob are often left in ignorance of the real cause of their misery. .... Now, Sir, what I want to say is this: that if you do not cure this evil it is going to be accentuated. While the war was on the great mass of the people were prepared to accept the war as sufficient explanation of these soaring

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* New Zealand Parliamentary Debates, Sixth Session, 1919, Legislative Council and House of Representatives, pp. 498-505.

prices. The war is over, and unless these soaring prices are checked you will rencrease the resentment. One thing is clear - and I say this after fair deliberation: if the present high prices have come to stay, if your £ is to be worth no more than 13s. 2d., then the sooner the proper adjustments are made in increased wages and salaries - including the super-annuation of your Civil servants who have retired and your old-age pensioners - if the depreciation in the value of money is to remain or is going to go on, then you must adjust matters by increasing the rate you pay, so as to restore its purchasing-power. ....

It may seem a startling proposition, but it is nevertheless a true one. Our monetary unit - and I would ask the House to pause upon this statement - is the only unstable unit left in Christendom or civilization. ......

I do not think there is one man in this House but will admit that, if the present trend goes on, increasing injustice will be done to the unhappy victims of this condition of things. I had not long ago, a retired Civil Servant in my office who had served his country well. He was an old man who retired some years ago, and he pointed out that his superannuation, which was something under £300, I think, had shrunken in value to about £200, and he had to get along as best he could on that sum with an ailing wife, and he asked me whether I could influence the Right Hon. the Prime Minister and other members of the House to recognize this shrinking of the purchasing-power of his annuity. ...... I know the difficulty of a remedy in our money system. With some people everything new is dangerous, and there is no conservatism more resistant than that which is aroused by any attempt to deal with our money system. ....

So I would urge on the Prime Minister and the Government to give us a chance of having this matter investigated, as is being done in America today ..... I would beseech the Prime Minister to regard this as one of the most important propositions with regard to reducing the cost of living in this country we have ever had before us."

The Hon. W. D. S. MacDonald, who was until recently Minister in Charge of the Board of Trade, is quoted in a newspaper interview on the Board of Trade Bill (which was drafted on his instructions) as follows:

"The real root of the cost of living problem is to be found in what the Prime Minister termed in his speech 'inflation of the currency.' ....

"If the rise in prices is due to exploitation and profiteering, then these figures clearly show that New Zealand suffered a good deal less from exploitation and profiteering than any other country in the world, with the solitary exception of South Africa, and that in neutral Sweden exploitation and profiteering must be at least six times as bad as it is in New Zealand. ....

The question raised by the member from Hawke's Bay is, in my opinion, the greatest problem that the war has bequeathed to us; and a solution is imperatively demanded, if our country is to escape economic and financial disaster.

During my presidency of the Board of Trade, this matter received my most earnest consideration; and, on the advice of the Board of Trade, early this year I got into communication with Professor Irving Fisher as to the details of his scheme.

On June 23rd, 1919, I received from the acting chairman of the Board of Trade the following memorandum:-

> 'The industrial unrest throughout the world, from which New Zealand is not free, is directly attributable to ascending prices which are now on a higher level than at any previous period of history. Most competent judges consider that prices will go higher yet, and will then subside somewhat, but not to the pre-war level.'
>
> ....

"I am profoundly impressed by Professor Fisher's scheme, and if applicable to New Zealand, its importance cannot be exaggerated. Therefore, I suggest, and earnestly recommend, that you appoint a Royal Commission to study this vital question from the point of view of New Zealand's interest, and to report to you from time to time the result of its inquiries. I also venture to suggest the following personnel of the commission:- The Hon. Mr. Justice Sim (chairman), Sir John Findlay, K.C., Dr. J. Hight (Canterbury College), Professor H. W. Segar (Auckland University), Messrs. A. Jolly (inspector, National Bank of New Zealand), W. D. Hunt (Wright, Stephenson and Co.), Gerald Fitzgerald (accountant, Wellington), and myself.

The order of reference should be as follows:- To inquire into and report upon - (1) The effect of the war conditions upon price levels. (2) The various problems that will arise in connection with currency and exchange during the period of reconstruction after the formal declaration of peace. (3) What steps are required to bring about the restoration of normal conditions and reduction in the cost of living. (4) The causes of the variations in the purchasing power of money and the practicability of preventing violent fluctuations in price levels so as to render the purchasing power of money stable. ......

I urged upon the members of the National Government the necessity of appointing a Commission to inquire into the practicability and the feasibility of this scheme and into matters in connection with currency generally, as suggested in the Order of Reference. I again urge this matter upon the serious attention of the Government.

....

The remedy for the tide of rising prices as urged by Professor Fisher and Sir J. G. Findlay seems to be the only scientific remedy that has been propounded."

Future Plans

The publication of my book "Stabilizing the Dollar," in the immediate future, will enable all who are interested to secure a full discussion of the proposal, with a description of the technical details involved in the plan and with answers to objections. If there is sufficient interest of others I hope to see this followed by the formation of a "Stable Money League" for the purpose of educating the public and bringing support to any legislative action for the adoption of the plan. Especially will it be necessary to gain the attention and support of business men. These can be reached through the Chambers of Commerce, which comprise the important men in each community. I hope myself to address the more important groups and secure a referendum to the local Chambers of Commerce the country over. With their support, there can be no delay in securing the passage of a bill establishing a monetary commission which can make a searching investigation of this and other plans to meet the troublous currency situation.

C O P Y

YALE UNIVERSITY
DEPARTMENT OF POLITICAL ECONOMY
NEW HAVEN, CONNECTICUT

April 24, 1926.

Governor Benjamin Strong,
Federal Reserve Bank,
New York City.

My dear Governor Strong:

Thank you for yours of April 19th. I think I understand your position and sympathize with it to a large extent. I realize that you do not approve of the bill in its present form. I hope it may be changed so that you may be in general sympathy with it.

I realize the dangers to which you refer, that the passage of the bill may lead to extravagant hopes and disappointments and consequent criticism of the Federal Reserve system.

I also understand the misunderstandings likely to occur as illustrated by today's editorial in the New York Times.

As you may have noticed in the testimony which I sent you I have myself said some of these things very much as you have said them.

I shall further take to heart your letter and consider carefully all your cautions. I should be the last one to want to upset or impair the work which you and your associates are doing.

I cannot help but think, however, that some sort of legislative declaration can be framed which will help you both with the public and with your less enlightened associates in the Federal Reserve system and will safeguard against any pressure from the Treasury or public clamor which made the trouble in 1919 and 1920.

There is such a thing as being unduly cautious and self defeating. At any rate this has been my observation among business men in many cases. I should expect it of many of your associates and I think I could name some who would try to influence you and your policies unduly in that direction.

I think they would differ more radically with the views to which I incline than would you.

With kindest regards, I am

Very sincerely yours,

(Signed) Irving Fisher.

Could you reciprocate by sending me a copy of your testimony? I had mine copied especially for you.

(Note: I wrote Fisher we have no copies available now and too long to have copied for him as he rather suggested. GLH