stitutes for money, we find that the purchasing power of money goes down, and *vice versa*. Therefore, with the great outpouring of gold from the mines of California in 1849 and in Australia, prices throughout the world went up. The same thing happened after the discovery in the 90's of the cyanide process and the discovery of gold in Cripple Creek. Prices of goods went up. In the 16th century when the precious metals were imported into Europe from the New World, prices went up in Spain, and then in Holland and other countries to which Spain transferred these metals in trade.

During the war the great master key for the tremendous price revolution, of which we are still sensible, was inflation. There are three kinds of inflation, all three of which we experienced in this country; namely, paper money inflation, bank deposit inflation and the basic inflation of gold itself.

The last of these we experienced first when we imported over a billion dollars of gold, and that was the reason for the great advance in prices before we entered the war at all. Afterwards we expanded the paper currency to match, through the issue of Federal Reserve notes, and we expanded deposit currency by an enormous extension of deposits subject to check.

The efforts to finance the war had a lot to do with all this. One way of financing a war is by what is known as forced loans. During the Revolutionary and Civil War days this was done in the old-fashioned way—running a printing press. In the Civil War we issued the greenbacks, and when we had any bills to pay we simply printed green backs and gave them to the munition makers or soldiers. We said: "Don't ask us to redeem them, but go buy what you need, and tell the people that they must accept them." That was a forced loan. The loan itself was with the munition maker, who furnished the ammunition, and the munition makers simply passed it on, and so it went on from one person to another, and it was generally felt through a universal rise in prices.

During the Revolution we did the same thing—paid our continental soldiers with continental money. We still have a malodorous memory of the depreciation that was caused by that unsound method of financing a war when we use the expression, "It is not worth a continental." During the early days of the recent war, even before the Bolshevists got control Russia had issued more paper money, face value, than there was money in the rest of the world put together.

And in the rest of the world, leaving out Russia, there was a three-fold expansion of money, including mostly paper money, and a three-fold expansion of bank credit, and on the average, I think it is fair to say—although we haven't all the statistics—that prices throughout the world rose about three-fold.

So we find plenty of evidence that money is at the base of these price changes. So much for the second point.

Now we come to the third point: What of it? It would seem if we pay twice as much money today for an object, merely because we have twice as much money with which to pay, that we are just exactly where we were before; that there is no evil; that it is merely a matter of bookkeeping; and that if we have a fifty-cent dollar and our incomes increase in proportion to the decrease in value of the dollar, we are left exactly where we were before. If it were true that our incomes were expanded in exactly the same ratio as prices, we *would* be exactly where we were before, and the high cost of living, of which we complained so long, would be purely nominal. And yet we know that that is not so; it never can happen that all our incomes will so adjust themselves. It can not happen, because the *contracts* and quasi-contracts by which we tie one point of time to another can not be so adjusted; it can not happen, because the dollar is the standard for debts, for agreements and arrangements of all sorts, and because that dollar is supposed to be an invariable unit. When it varies and goes back on us, it produces an injustice as between one party and another. When prices are rising and money depreciating, the debtor gains at the expense of the creditor. And when the opposite is true, and prices are falling, the creditor gains at the expense of the debtor.

It might be argued—if it could be so argued—that it is all the same, that what one person loses another person gains; but that would contradict our whole idea of efficiency. On that basis you could argue that burglary does not make any difference in society; that what I lose the burglar gains!

Let us take a few examples, and we will see what a tremendous evil this change in the purchasing power of the dollar is. Take the case of the servant girl or clerk who put $100 in the savings bank in 1896 and let it accumulate at three per cent interest. Today she can get out $200, which is the $100 accumulated at compound interest. First, she congratulates herself on her foresight and thrift, and she says. "See what I have gained. I have gained $100 by waiting all these years, and now I have twice as much as I put in!" But when she turns around to spend, she finds that prices are three times what they were in 1896, so where is the reward of thrift? She has been cheated out of all her interest and some of her principal besides—not by the savings bank, but by the dollar, in terms of which the savings bank was forced to keep her account. Take the case of a widow who was left $100,000 of gild-edge gold bonds in 1896. She has been cutting coupons all this time and living on the results. Has she had an income? No; she has simply been using up her capital. Because of the false value of the dollar she has been betrayed into doing this very thing. The $100,000 today is one-third in true value what the original $100,000 was. In order to keep her capital really unimpaired, she would have had to re-invest out of her "income" something as a sinking fund in order to maintain the same capital value. How much would she have to re-invest? The answer is: *all* of her income—and that would not have been sufficient! She, too, then—although she never figured it that way—has been cheated out of all her income and been betrayed into trenching on her capital, because of the false value of the dollar. Russell Sage and Hetty Green, who made their fortunes by lending at small rates of interest, did so when prices were falling, before 1896. Those who have tried to do so since 1896, though they have gotten up early in the morning and gone to bed late at night, and spent all these years of their lives in mere money lending, have their labor for their pains, and haven't gained a single cent of real value. They are like the girl with her $200, fondly imagining that they were making money, or like Alice in the Looking Glass who had to run as fast as she could to stand still, and even then was slipping backward.

We hear people talking about thrift and advising the working man to save money at interest, and I have often wondered if people realized what a mockery it really is. If the people knew what was going on, during rising prices thrift would be so discouraged that we could not get anybody to save money. We have deluded ourselves by keeping locked up in separate water-tight compartments in our minds the losses and the gains. We say: "We should have made money, only this terrible high cost of living has robbed us of it." But that is the same thing! It is all involved in the dollar itself.

"But," you say, "if it is true that during the period from 1896 to the present time has been this loss, who has gained?" The bondholder is the typical creditor today, and the stockholder is the typical debtor.

Suppose we had in Springfield before the war a concern with $100,000 of bonds and $100,000 of stock, each yielding, we will say, five per cent, so that each year the bond holders were getting $5,000 and the stockholders were getting $5,000 from that concern, which was going along in a normal manner before the war. What is the consequence of the great depreciation of the dollar which the war has brought to that concern? If it is a typical concern, then it should after the war be making, not $10,000 to be distributed between the bondholders and stockholders, but $20,000, because prices had doubled. For the same business at double the prices they should be having $20,000 to distribute between the bondholders and stockholders. But no longer would this sum be distributed in equal parts, because the bondholder is held down to $5,000 by his contract, and the mere fact that the dollars, in terms of which he gets his contract fulfilled, have changed would not be taken into account; so he will draw only his $5,000, leaving, out of the $20,000, $15,000 for the stockholder. Nominally, the bondholder gets the same sum as he did before the war; namely, $5,000. Nominally, the stockholder gets three times what he did before the war; $15,000 instead of $5,000. In terms of real units, however, units of commodities, the bondholder is getting only half the value that he did before the war, and the stockholder instead of three times what he did, is getting one and a half times what he did before the war. In other words, the bondholder is getting fifty per cent less than he used to get; so you now see who has the money. The stockholder has got it away from the bondholder, not by thieving, not on his own account, not by any dishonesty of which he is personally guilty, but through the thievery of the dollar itself, which has picked the pockets of one set of people to the advantage of another set.

I calculate that between 1896 and the present time at least $100,000,000 worth of wealth have been transferred from one set of pockets to another, and millions of dollars of such false transfer is going on all the time.

If prices are falling, of course, it is the opposite way. We remember when prices were falling how the debtor class was excited; how the farmers of the West whose farms were mortgaged were angry and complained of the money lender of Wall Street as sucking the life blood out of agriculture and out of commerce; and it was true, only it wasn't the fault of the creditors personally. These people found their mortgages millstones around their neck growing heavier, while the price of wheat went down and their profits disappeared, and they went bankrupt. That is the sort