

of thing that produces bankruptcies. Now the public understand this thing only in a vague sort of way. They see that some people are getting rich, while others are getting poor, and they realize that something is wrong, that it is abnormal, and that it is not due to personal fault or virtue, and therefore they are angry and they apply epithets—"profiteers"—to the person who gets rich because he is the winner. If prices are falling they talk about the "bloated bondholder," and in the campaign of 1896 you will remember that that was the cry, the "gold bugs" and "money sharks," the "bloated bondholders" of Wall Street. Now, or at least until recently, when prices were on the up grade, you didn't hear anything about that sort of thing. Bond holding was a very modest thing. We were all bondholders during the war, and it has a good name again. Now it is the "profiteerer" who is the man into whose lap the gain came through the unstable dollar. He couldn't help it.

I know a man, one of the men who want to stabilize the dollar, Mr. Morse, head of the Morse Lumber Company, one of the soundest business men in the city of Rochester, who did not want to have this epithet applied to him, and he actually sought to reduce the price of lumber. This was two or three years ago. And so he tried to sell lumber at lower than the market rate, at what would be a reasonable figure and still give him a profit. What happened? The other lumber merchants tried to and did buy their lumber of him, and they sold it and made a profit themselves. So he, too, became a "profiteer." He simply could not help it. It don't mean that there was no such thing as unreasonable and unnecessary profiteering actually going on. That is going on all the time. But the profiteering which comes with rising prices was an abnormal phenomenon, not due to any special human cussedness during that period, but merely due to the dollar changes.

When this sort of thing happens and people see some people getting enormously rich, and others getting poor at the same time, day by day, it follows that they become angry. And so the second evil that comes from an unstable dollar is social discontent. When people find that they are suffering and hurt and don't know what it is that hurts them, they are irritated and they are bound to hit out and hit something. The wage earner and the salaried man lose their purchasing power, and are among the discontented class. Many of you have the impression that the average earner gained because of the demand for his services and high wages. That is not true. The average wage

earner until the last two years, or a year and a half, was losing. And that is always the case in all history when prices rise. Wages are trying to catch a lost train, and are always one train late. The working man resents that. When his money wages have been increased and he goes to the corner grocery and finds that the prices of articles there have risen even more than his wages, he believes somebody has been cheating him. "My employer has been raising my wages," he will say, "but he is in some kind of a game by which he raises the cost of living even more." And that kind of feeling has been intensified enormously by the unstabilized dollar. Socialism has grown enormously because of this unstable dollar.

When I spoke on this subject at New Haven, a distinguished Socialist—whom I will not name—when I was through presented his diagnosis of these troubles, and gave as his chief reason for the high cost of living, "Capitalism." Afterwards he took me off to one side and said, "Professor Fisher, I will tell you, I think you are entirely right in your diagnosis, but we Socialists can not help yielding to the temptation of making hay while the sun shines." He told me that the "high cost of living" was making Socialists in America, and in Germany especially. It had a lot to do with precipitating the war. In order to prevent social war and the consequent overthrow of his throne the Kaiser tried the trick of getting up a war abroad. Now, I do not mean that that is the simple explanation of the war. I am not trying to explain all the events of history by the unstable dollar. But the unstable dollar was a factor. It was also a factor in closing the war also. Major Hadley, a son of President Hadley of Yale, who was stationed in Germany immediately after the war, reported to me that the best theory of the abrupt ending of the war and that sudden collapse of morale among the Germans was just this discontent that I refer to. It was a great mystery to them why some people were getting rich, while the wages of the soldiers were so low that their wives and children were starving. And yet some people were getting rich, and the thought that making money was all the people at home cared about while they themselves were risking their lives, made the soldiers sick and tired and they threw up their jobs. Almost all the great events of history are bound up with the unstable dollar.

So we have evil No. 1, social injustice; evil No. 2, social discontent, including at least the fanning of the flame of Bolshevism. The high cost of living had a lot to do with Bolshevism in Russia. And then there is evil No. 3, social inefficiency, which may interest

you in particular. Take the case of my own profession of teaching: teaching inefficiency is one of the fruits of this unstable dollar because teachers' salaries have been slow to adjust themselves to this high cost. Yale College and educational institutions that are endowed have had part of their endowments taken away from them. Yale was given a few years ago a fund of \$15,000,000. As a matter of fact that \$15,000,000 scarcely offset all the real value that was lost, by the depreciation of the dollar, to the investments of Yale which were in bonds and preferred stock. The teachers, losing their purchasing power, are going out of teaching. In one of the New England states forty per cent have thrown up their jobs. Many of the professors of chemistry in colleges are going into industry, the professors of economics are going into banking and the professors of English and literature are becoming editors of newspapers. Sometimes you will find a janitor of a school getting more than the teacher, because the teachers' salaries are so slow to adjust themselves. Now I am not saying this to ask sympathy for my colleagues, for we are servants of the public. My point is that the public of the next generation is going to get pretty poor teachers as the result of the unstable dollar, and we are going to have poor teachers just at the time we need intellectual leadership and good teaching. We are on the way toward a poorer and poorer set of teachers. The teacher's lot of today is the worst that it has been in forty years, and it may take half a century before this condition is relieved. That is one price we have to pay for our unstable dollar. Again take our civil service; the same inefficiency is apparent there. Look at the postal service. The Patent Office is almost ruined. Most of the men remaining are superannuated. The young men who can get jobs elsewhere have left, and the Patent Office is getting further and further behind in its work. They are trying to get girls to do the work which ought to be the work of specialists. Government employees at Washington are being sifted out and some of the bureaus are suffering from lack of properly trained men; all because of the unstable dollar and the refusal of Congress to make the adjustments necessary. You saw in the press how the members of Parliament are complaining because two hundred pounds does not pay their expenses. There is going to be a tremendous debt to pay of social inefficiency that comes from maladjustment.

In regard to this business cycle of which your president spoke: *The key to most of the evils of business cycles is the unstable dollar.* Clement Juglar defined

a crisis as the apex of the curve of prices. When you plot the index number, the point at which it suddenly reverses as it did last summer, that is the date of the crisis. Following there come bankruptcies and all the things that come from the sudden appreciation of a dollar after it had been depreciated progressively.

This economic cycle has at first the appearance of prosperity. But it is a false prosperity, due to the alternate depreciation and appreciation of the dollar, ending in a crash. We are lucky that it is today no worse than it is. It would have been a panic but for our Federal Reserve System. It has been a crisis without a panic, but it has been a crisis nevertheless, and it is due to the unstable dollar. The unstable dollar has always had a large part to play. If we had been able to keep an even keel in the general price level, we would not have had this crisis; at any rate, we would not have had any fluctuation that would have been worthy of the name of a crisis. But when in reaction from previous depreciation the dollar suddenly increases in value fifty per cent, this sudden change has the effect of making bankrupts and of making unemployment, and all the other maladjustments with which we are concerned at this moment in business.

So I say, that instead of our being able to look complacently at the dollar change as being a nominal book-keeping affair, the very fact that we are keeping our books falsely in terms of a varying dollar makes the dollar instability one of the most tremendously big evils with which business has to deal.

Finally, what shall we do about it? We know if the fault is an unstable dollar, the remedy must be a stable dollar. We must do for the dollar what we have done for every other unit. You realize how important every other unit is in efficiency. You could not build a locomotive if you did not have a good unit of length, and a good unit of weight, and get all the fine adjustments correct. And you can not conduct business with any scientific management or with real efficiency and make any real adjustment unless you have a standardized dollar.

There was a time when even the unit of length was as unstable as our dollar is today. The old yard was the girth of a chief of a tribe and was called the gird. Then it was the length of the arm of King Henry I, which was much more exact; then it was the length of a bar of iron kept in the Tower of London; now it is a certain part of a meter, which is a bar in the Bureau of Standards in Paris and a duplicate of which is in