

the Bureau of Standards in Washington. I visited the vault in which this is kept, and the observer who makes the measures which you use in efficiency engineering, does not go near the glass case in which this bar is kept, but examines it with a telescope across the room, lest the radiated heat of his body should expand the bar, and therefore change the unit, so careful are they to get a unit of exactness. It is scientific to have a unit of length that does not vary appreciably. What would you think of having as a yard stick the girth of the president of the United States? And suppose you had contracts made in the Taft administration! The fluctuation in the length of the yard stick which would be represented by that change of girth from one administration to another, would be just what we have experienced in the dollar, but the change in the dollar is a thousand times as serious as in the case of the yard stick used for measuring cloth.

The dollar enters into all contracts, and not only into trade where there is more or less of a spot cash transaction, but into long time contracts in which dollars of today are exchanged for dollars tomorrow. So I say, that the stabilizing of the dollar is a thousand times as important as stabilizing the physical yard stick which measures length. We have a false dollar. It is not a unit of value at all. It is a relic of the Stone Age. We once used a unit of weight, a stone, without specifying how big it was, simply a "stone." And we reckoned the height of a horse by so many "hands," without specifying whose hand it should be. We have had all kinds of units, but we have now standardized even the bushel basket, the kilo-watt and all the rest; but the dollar is still the dollar of the ancients. It is not a unit of value at all. You can't stabilize any unit until you can measure it. You could not stabilize electrical units until you had a means of measuring; nor the unit of weight until you had the balance for weighing. We have now an index by which we can measure the dollar, and now therefore we ought to adopt a scientific dollar by applying this measure, instead of the unscientific dollar which we have today.

What is a dollar? A dollar is just a unit of weight masquerading as a unit of value. A unit of weight can not define a unit of value, any more than a unit of value can define a unit of weight. A unit of value must itself equal the general purchasing power for which the dollar is designed to serve as a measure. Some people imagine that a dollar is stable because they say a dollar is the gold standard and the price of gold does not vary. And it is true that the price of

gold does not vary. The price is \$20.67 an ounce and does not vary a cent.

And so people looking at that are constrained to the opinion that gold is a stable standard of value. I remember before the war talking with my dentist in New Haven in regard to the cost of living, and just to pass the time of day, I suppose, I asked if he was suffering from the high cost of living. He said: "Most assuredly." "Has it affected the price of all your tools and materials," I asked? "Yes," he said. I said, "Gold for instance," thinking that it was penetrating a rather harmless joke. He said, "I don't know, but I will look it up," and he called the clerk in the next room; and when she returned with surprise on her face, she said, "Doctor, the price of gold is almost the same as forty years ago when you entered business." He remarked that gold must be a very stable commodity. It didn't surprise me, though! I said, "It is just as surprising that a quart of milk is always worth two pints of milk." He said, "I don't get you." "What is a dollar," I asked? He said, "I don't know." I said, "That's the trouble." Most people do not realize what a dollar is. A dollar is about one-twentieth of an ounce of gold. Under our system of free coinage, we take an ounce of gold to the mint, they cut it in two, each half is made into a ten dollar gold piece and handed back to you, and, naturally, you can always get back the gold that you give, and the mere fact that it is stamped does not add anything to its value. It is merely a certification of its weight. The dollar being one-twentieth of an ounce, naturally an ounce will always be twenty dollars. If we really need to measure the dollar, we should measure it in terms of commodities in general, and we find that it is constantly changing, as the index number proves.

Then we are asked, "Are you going to fix all prices?" "No; we are not going to do anything that we don't do today." We fix the price of gold today. My proposal—and this is one of several to solve this problem; perhaps some other is better—my proposal for stabilizing the dollar is to continue to fix the price of gold, but to fix it scientifically. The price of gold being \$20.67 an ounce is only another expression for the weight of the dollar as $\frac{1}{20.67}$ of an ounce. If the weight of a dollar is one-fortieth of an ounce, an ounce of gold would be worth \$40. One is reciprocal of the other. My proposal is that we fix the price not arbitrarily as we did in 1837, and keep it there ever afterwards, but to fix it and refix it as ought to be done.

Now, the very fact that gold does not change in price takes its revenge on the prices of other things. Since we can't mark gold down when it goes down, we have to mark everything else up. My proposal is that when gold goes down we should mark it down. We are not endeavoring to do anything now except to use a new figure. We fix the price of gold and we let supply and demand determine everything else. So this proposal by which we keep the general level of prices does not fix any level of prices, any more than the fixity of the ocean level means that the waves can't go up and down.

We now have a gold dollar fixed in weight, and therefore variable in value. What we want is a gold dollar fixed in value and therefore variable in weight. That is all there is to it.

Now, people say you can't change price levels just by changing the weight of a gold dollar. What kind of a dollar has Mexico? Mexico has a dollar weighing half as much as our dollar, and its price level is twice as high. You can exchange one American dollar for two Mexican, and *vice versa*. Why is it? Has that nothing to do with the weight of a dollar? Let me ask you: What would happen if Mexico, following the example of Canada, as it some day may do, should change its dollar, put two of them together and make it the same weight as ours; make it like the American dollar? Do you believe you would have to pay the same number of dollars for a pair of shoes in Mexico as now? Naturally, you would have to pay half as many dollars as you do now. The price level would be cut in two. Suppose we should get the foolish idea of adopting the Mexican dollar! What would happen? Prices would be immediately doubled in terms of this smaller dollar. Well, if that is true, if the adoption by Mexico of an American dollar would lower the price level and the adoption by the United States of a Mexican dollar would raise the price level, then isn't it clear that we have the price level in the hollow of our hand? We can boost it as we did during the war; we can lower it, or we can keep it stable; and of these three things it is the last that we ought to do, and to do it is very simple. We simply change the price of gold or the weight of the dollar just enough to maintain the same purchasing power. If we take the price level of today and try to keep that as an index number, and we find that next month the price level is 101—in other words that the dollar has depreciated about one per cent—then we try to remedy that by raising the weight of the dollar one per cent by lowering the price of gold inversely one per cent.

And if you ask me how I know that the remedy will be exact, I say I don't know; but it will tend in the right direction, because as you will admit from the Mexican example, the increase in the weight of a dollar will restrain the price level from rising. Now, if a charge of one per cent is not *exactly* enough to bring back the price level to par, we shall know it next month when we take the index number again, and if it is still 101, then that will be the authorization for another one per cent added to the weight of a dollar. And if on the following month it is still one per cent above par, we add another one per cent. And so on as long as it stubbornly stays up month after month; every time we take the index number we will load the dollar until it weighs an ounce or a ton, and the price level will sink back to par. If it goes below par, we shall see it at the next month, and so at periods of one or two months apart we shall find from that what we ought to do, and constantly change the weight of the dollar, just as we try to correct the error in the steering of an automobile. It is only after we see it out of its course that we correct it, and I have no doubt that by this system combined with a sane banking system we can keep it within one or two per cent of level all the time. Instead of fluctuating, it will remain at 100, 101, 100½, 99, 98½, and so on, very seldom departing more than one per cent from the ideal level.

Now, if it is true that business is staggering today because the dollar is staggering, if it is true that the dollar has all these evils in it, then it is worth the effort of every efficiency engineer to take part in the movement to stabilize the dollar.

An organization to promote the idea of the stabilized dollar is about to be formed. Some bankers have made a careful study of the subject and their conclusion is that they don't want to agitate for a stabilized dollar just now. But this is just the time to agitate the subject. If we take a standpat attitude and sit on the safety valve, we shall pay the usual penalty. If the unstabilized dollar is responsible for the present discontent, the mere discussion of the evil we are suffering from, the mere pointing out to labor that it is not the fault, for instance, of the Taylor system, the pointing out that these evils exist owing to the fault of the unstabilized dollar, will of itself help to allay discontent.

So I vigorously disagree that the project should not be started now. I have a list of twenty-four of the leading bankers in the United States who want