

EXPLOITATION VIA INFLATION: AN ALTERNATIVE CONSTANT CURRENCY

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Our intent was to have Keith Dewey or someone from Borsodi's International Foundation for Independence here to discuss this rather formidable topic. But pressure of their work prevented this, so I will open the discussion of these matters with some preliminary statements.

Yesterday's discussion I believe shows that any hope for a free market and free enterprise depends on open and easy access to land - both urban and rural and all other natural resources. Most of us agree that human freedom rests on free production and free exchange of goods. We believe a free market must have free prices; that is, production in response to consumer demand and bidding should set prices. This is the well known "law of supply and demand." It works like this.

Suppose more people want more milk. This will push up the price - consumers will "pay more" to get some of the available supply. Farmers see this and produce more milk. They bring more to the market and this pushes prices down. Exchange drops to the level or price that effectively supplies the new de-

mand. The general price tends to be stabilized at the price that brings to the market enough to meet demands. Supply and prices change with demand. This is what I learned in getting my university degree in economics, from endless graphs of supply and demand, under varying conditions.

But demand for goods is a pressure on land. Demand for milk or beef or lumber or copper or space to live, adds to the need for and use of land. Our university economics don't really integrate this factor in their teaching. Our discussions yesterday show how the continual pressure of industry and population on land pushes up land prices. It showed us too what happens to land rents and the unearned increment which private holders of land can pocket under the accepted legal system. All this emphasizes, in our judgement, the great need for changing this system, and motivates us to extend the community collection of rent of land; and to use the land trust to hold land in use and take it out of private speculation. So much for a review.

Now, let's take a look at another aspect of the general economy which upsets the fair distribution of goods and labor - namely, money, or the medium of exchange. So long as people exchange goods for goods and labor for labor - or barter it - the two people making the exchange can mutually decide what is a fair deal for them. But barter is clumsy and awkward - it's hard to exchange milk for coal and dress fabrics for butter. So we use "money" to represent goods. This makes it convenient and everyone would be better off for it, IF the money we used accurately represented the goods and labor we exchange with it.

But suppose we allow someone to come into the picture - into the middle of the exchange - your goods for mine - to provide, manage and regulate that which represents our goods - so that it doesn't in fact measure it. We are all familiar with inflation. Prices keep going up, our money buys less and less. Because money is issued out of proportion to the goods

it represents. A lot more money is issued than there is goods. This means that people have a lot of money to bid for the goods, and this pushes prices up. In fact, our money buys less; we've been cheated; robbed.

You're also familiar with the devaluation of the dollar. Periodically, our government, and other governments, who have charge of money, who issue it, decide what the value of its unit shall be - the dollar, mark, franc, lira, pound, etc. That's the same as deciding what the value of the things you produce should be. Nice, isn't it - that people allow such things as inflation and devaluation of our money, to go on? Any doubt that we are victimized by this complex, mostly hidden, misunderstood aspect of living, which we call money?

If there is there are plenty of books we can study that expose this system. They are in the School of Living Library. Many public libraries carry them. MONEY CREATORS by Gertrude Coogan, THE FEDERAL RESERVE BANK, A FANTASTIC FRAUD by H. S. Kenan; BONA FIDE AND NON-BONA FIDE MONEY by E. E. Popp, and INFLATION IS COMING by Ralph Borsodi.

The ways different money reforms suggest to correct the exploitation via money are many and varied. To get into them is to wade into a muggy swamp; the farther you go, the deeper you sink and the more confused you get. It is because I think Ralph Borsodi gets to the core of the money problem and suggests a sound, ethical and usable system that I support and promote his Constants. I'll try to share what I know about it. First, how did this experiment come about?

In 1972 the papers were full of headline stories about the United States going off the international gold standard. The US had devalued the dollar. The US had gone off the gold standard domestically in 1931 which means that the US Dollar is not backed by gold. Only government debt, the promise and the power of the government to print more money is back of the dollar bills you hold in your pocket. In 1972, going off the gold standard meant that gold was no longer

back of payment of bills and debts to other nations.

Borsodi was reading the hue and cry this caused in the New York Times at lunch in Escondido, CA. His understanding helped him take in the risks, the dangers, the possible - almost inevitable - increase in inflation this would cause. He saw that all the books written about money and need for new systems had been of no avail. What we need, he said, is a new system in operation. Only a test, not more books on the subject, can do the job. And suddenly he wondered how an experiment in a better money system could get started. He jotted down questions that a new experimenter should deal with. When he got to his typewriter, he listed them:

Can a money be issued backed by commodities, a group of say thirty commodities, rather than gold?

Can a stable "measure of value" be computed?

Could an experiment, say for a year, be undertaken, actually set up and circulate new money with commodity backing?

What would such an experiment cost? What legal difficulties stand in the way?

Can arbitrage - instantaneous buying and selling of goods on an international market (not speculation) help defray the expenses of such an experiment and such an operation?

With these and other questions in mind, Borsodi returned to Exeter, NH, his home, and invited the interest of Exeter bankers in such an experiment. Two banks agreed to be depositories for an Arbitrage and Constant currency. This did not mean that they approved or that they would sponsor it. But they saw no harm, rather benefit, in it for them to be depositories of dollars that would be converted to Constants and eventually backed by commodities in arbitrage. Check forms were worked out; computations made of Constants in dollars (one Constant is valued at twenty cents). The new experiment was explained at the School of Living conference at Conway, NH in June, 1972; our Green Revolution carried an article about it in August; special School of Living members and

friends were invited to be depositors. Gradually, depositors sent dollars to help in the experiment; gradually Constants began circulating in Exeter and in other places where depositors lived. A few papers carried articles on it. In May 1973, YANKEE magazine featured Ralph Borsodi and this plan; in May the Bergen County RECORD carried a full page article on it. In February 1973, Ralph Borsodi explained it to School of Living California Conference attendees. Green Revolution reported on it each month.

A staff of five persons, headed by Keith Dewey, operate the office of the Constant experiment at 24 Front Street, Exeter, NH. Total number of depositors reach approximately one hundred and the average total deposits are around \$100,000 or, in Constants € 500,000. A monthly printed bulletin is now issued by their office. For a year the corporation handling the experiment was titled the Independent Arbitrage International. In early 1973 it was merged with the International Foundation for Independence, with headquarters in Luxembourg. Branches have been set up in London. The US Department of Treasury does not object; they said to Borsodi's inquiry, "You can issue clam shells or pine cones if people will accept them."

To conclude, let's point out how Constants correct the evils of the generally accepted money system. First, IFI is an independent cooperative, issuing and managing money. Borsodi believes that issuing money is not a government function. Most governments do not resist the temptation to issue money to pay its own deficits, or to pay pensions or stimulate employment. This is dishonest and inflationary. Borsodi holds that money should only be issued on goods going to market thus keeping close to the goods it represents. This makes Constants honest and non-inflationary. The value of the Constant keeps pace with the rise in prices of goods and always buys the amount of goods it was issued to buy.

Thus Constants correct the three main evils of a dishonest money system. Constant banks are essen-

tially cooperatives of its depositors and members. Constants are backed by staple commodities, always needed by all people for survival. They are in effect, claims to actual goods. Their purchasing power is constant. Ralph Borsodi explains all this and more in fifteen brief position papers on money which will be carried serially in the Fall and Winter issues of the Green Revolution, now edited and published by our new editor Dick Fairfield at 442½ Landfair Ave, Los Angeles, California 90024.

DISCUSSION:

Question - What is arbitrage?

Loomis: There is arbitrage in currency and arbitrage in commodities. This means exchanging currencies or buying commodities in international trade on the same day. Buying and selling are practically simultaneous. There is often a slight profit due to differences in currencies or prices in countries where goods are bought from where they are sold. Say, goods are bought in India and sold in London - at a fractional difference. This is not speculation - where goods are bought and deliberately held until prices rise before they are sold. Arbitrage facilitates and helps trade; speculation hinders.

Question - If Constants can be converted into dollars at an advantage, what's to keep speculators from buying Constants?

Loomis: Nothing. That would help get Constants in use.

Question - What risk is there with Constants in arbitrage?

Loomis: Very little. If prices of some commodities fall, they are likely to rise in others in the basket, so the average is about the same. What is lost in one

will probably be gained in others. This is the advantage of having thirty commodities - which include corn, rye, wheat, oats, barley, rice oil, coal, cotton, gold, silver, copper, etc.

Question - Does Borsodi have endorsement from any prestigious economists and leaders?

Loomis: Some important economists and authors are watching the experiment. Economists in the University of New Hampshire are assisting in the computation of price indexes.

Question - If the use of Constants becomes widespread won't the government consider it a threat and try to stop it?

Loomis: Possibly, though as has been said, the Department of the Treasury has said, he could issue anything people will accept. Maybe they think it is of no importance so they can ignore it or treat it facetiously. Others who see the possibility (or inevitability) of collapse of the Dollar, say that the government might adopt commodity-backed money as the official system. But banks and people should operate the money system, not the government. In case of serious government interference IFI could offer Constants from Luxembourg.

Question - Does anyone present do business in Constants?

Loomis: I have an account. I don't write many checks on it - just where the merchant knows me and accepts it and where he knows the bank will accept it.

Art Rybeck: We, are dental office, do all our business in Constants and it's quite considerable. We have had only a little inconvenience, but no serious trouble.

Question - Anything in Constants that takes the place of bills and coins?

Loomis: Borsodi sees the need of three forms of money - currency (paper money), check, and coins. He has these three forms. He has had silver coins minted with new names, one of which is a globe. Getting them minted has extended the time needed to conduct the experiment.

Question - Does the International Foundation for Independence have considerable money invested in commodities in storage?

Loomis: No. Arbitrage does not involve storage. Buying and selling the same day eliminates storage. Goods are always in transit so to speak. And if anyone turns in their Constants (claims) they get receipts to so much goods in transit which they can use in the market, like money. But arbitrage is not yet in process. They need more funds - large funds.

Question - If the Constant system can give constant value, plus interest, where is the interest generated?

Loomis: From the sale of literature and loans.

Question - Do banks holding Constants issue loans?

Loomis: Yes. Their deposits are now at a level so that they are issuing loans and debentures. For depositing and doing business in Constants, write their office in Exeter. This will assist the proper facilities and funds to test out a new and significant exchange media.