

## Chapter 3

# The Story of the Escondido Memorandum

On September 15, 1943, in the middle of World War II, I spoke about inflation at a dinner meeting attended by over five hundred people at the historic Aldine Club in New York City. The Chairman who presided was Dr. William H. Kirkpatrick, Emeritus Professor of Education of Columbia University; I was introduced by Pearl Buck, then one of the leading novelists of the day and a distinguished Sinologist. After my talk, a panel of equally distinguished authorities in many different fields discussed my prediction that after the war inflation would cause a depression of catastrophic consequences.

Five years later I wrote for the publishing division of the School of Living what today would be called a paper-back. It embodied most of what I said at the Aldine Club in 1943. It was entitled "Inflation is Coming! and What To Do About It". But I brought it up-to-date; I took into account what had taken place a year before at the Bretton Woods Conference.

Of the sixteen books I have written, "Inflation is Coming!" is the only one which became a best-seller. A little less than half a million copies were sold. I used to be amused when I visited a book store I patronized down in Wall Street to see two stacks of books side by side, one of my "Inflation

is Coming!" and another by a Wall Street analyst, W. J. Baxter, entitled "No Inflation Is Coming!" Both seemed to be selling equally well.

In spite of immense sale of my book, in the thirty years since it was published nobody in power in Washington and nobody in the prevailing Keynesian establishment has paid any attention to my call for the establishment of a stable dollar. Irving Fisher, of Yale, to whom they should have listened, had been calling for a stable dollar for years. He had enlisted the support of some of the most influential economists, bankers and business leaders both here and in England. They formed an association to promote the idea. But he had no more influence on official policy than someone as little known as myself.

But those who are making monetary policy today ought to be listening. If they believed Fisher "dated" and that his ideas are irrelevant today, they ought to listen to what Chancellor Jacques Rueff, of the French Academy, who is one of France's most distinguished economists, spelled out in detail in the book he published in 1972 entitled "The Monetary Sin of the West". In his book he says, and includes the evidence to prove it, that the inflation which was started in 1944 is now irreversible and that it is going to end in one of the worst catastrophes in the whole economic history of the world.

They ought not only to be listening but doing something about it. But they are doing neither.

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The idea of conducting a series of experiments to demonstrate the feasibility of creating an inflation-proof monetary system, instead of writing another book about inflation, came to me on March 3rd, 1972. At that time my wife and I were wintering at a resort near Escondido, California, and I was working on a book I planned to call "Wealth and Illth".

On March 3rd—I made note of the day on what came to be called the Escondido Memorandum— was in Escondido looking up some material for my book at the library. While eating lunch I picked up and began to read a copy of the *New York Times*. Like the rest of the press that day, the *Times* featured under banner headlines the crisis caused by the first devaluation of the dollar. For days representatives of the International Monetary Fund from all over the world had been meeting at the Smithsonian Institute in Washington, trying to decide what to do about it.

It suddenly occurred to me that an experiment to do what neither my own book nor the books of my friend Irving Fisher had done, might rivet attention on the importance of replacing the present unstable and inconstant dollar with a stable and constant one. I made some notes about what such an experiment would entail, finished them when I got back to the ranch and my typewriter, and decided that if I could persuade the two banks in Exeter, New Hampshire, where I lived, to make it possible for me to launch such an experiment, I would do so.

Both banks, perhaps, because they both knew me, agreed to make it possible for me to conduct an experiment. The experimenting then began. I began to create a complex alternate currency system which was to include the issuance of bank-money, the printing of paper money, and the minting of a coinage. The whole system was to be based upon a substitute for the dollar to be called a "constant."

The first constants were issued at a conference of about three hundred people in Conway, New Hampshire, on June 21st, 1972 called together to discuss "The Human Future" by the School of Living of Freeland, Maryland. The last constant was issued in the summer of 1973, when I was convinced that the feasibility and acceptability of the idea of such an alternative currency had been proved, and I felt, because of my age, unable to transform what was an experiment into an international bank of issue.

I want to take this opportunity to thank the hundreds of people all over the United States—beginning with those who bought the first constants at Conway—whose cooperation made the Exeter experiments possible. Perhaps this account of my experiments may eventually lead to transforming what they helped to do into a viable stable alternative currency system; perhaps it may lead some one or some group with the administrative talent, necessary resources, the statistical and banking “know-how”, to create an international bank to issue the constant.

What their cooperation proved is that there must be hundreds of thousands of worried victims of inflation, and perhaps millions who are ready to abandon the dollar the moment an alternative like the constant becomes available.