

Appendix C

The Escondido Memorandum

1. Can a stable "measure of value" be computed using index numbers for the purpose? Can the margin of error in such a "measure of value" be kept down to 1 percent and minus?

2. Can a "basket of currencies" be used in place of gold to provide a reserve for the backing of a stable monetary unit? Can confidence in such a monetary unit be created and maintained? Can provision be made to guard against the devaluation and event the repudiation of its currency by a major power?

3. Can a "basket of commodities" be used to provide such a reserve? How much will it cost to provide for the storage of such a basket?

4. Can provision be made so that a "money of account" based upon such a reserve can be used as "legal tender" for all practical purposes in a national currency—specifically in the dollar?

5. Can an experiment be conducted—say for a year—in circulating through our banks and clearing through the Federal Reserve System—the notes representing such a stable “money of account?” Are there any legal roadblocks which need to be removed to make such an experiment possible?

6. Can the cost of issuing such a “money of account” by an international institution organized for that purpose be earned by it since it will have no taxing power; because resorting to taxing power would nationalize and politicalize it?

7. Can arbitrage be used to provide for its expenses of operation? Can debentures be used to create a “revolving fund” which can earn enough to provide for such expenses? How much would have to be paid to investors in interest in addition to its inflation-proof feature on such debentures?

8. Can the various currencies in which such debentures would have to be sold be invested through such a “revolving fund” so as to earn the expenses of the issuing institution?

9. What other income is possible to cover the cost of maintaining not only the staff of economists, statisticians, and accountants, but also an advisory board or committee of outstanding economists, bankers and businessmen?

10. How much will it cost to fund such an experiment for a year?

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