

# Introduction

by Robert Swann

Ralph Borsodi once said that without money reform, no social reform would be possible, and he added money reform, or an honest money system, will be the most difficult reform to bring about because so few people understand the problem. Because Borsodi was and is a widely recognized leader of the decentralist movement in the United States, and because his books, from *The Distribution Age* to *Seventeen Problems of Man and Society* represent such a comprehensive analysis of our present society, such a statement has to be taken seriously.

At the same time he was reluctant to write a book about it. It was only after he had almost single-handedly launched the "Exeter Experiment," as he called it, that some of us who were working with him persuaded him to set down in a brief outline his ideas for an "honest money system" which are contained in the pages which follow. He had, in fact, in 1977 at the age of 87, set out to write a book on what a "decent" money system would look like. At the same time he was on a trip in California and he had gone to the library to do some research for the book. But when he noted the headline in a local paper which announced that inflation had increased

another percentage point in the last month, he decided that another book would be useless. There were too many books already. No one would pay any attention to another book. He sat down and jotted what he later called the "Escondido Memorandum." It was an outline for action on how to establish an experiment which would actually launch an "honest money system."

On returning to his home in Exeter, New Hampshire, he sought out the president of the local bank, a good friend of his, and asked for his cooperation. His plan was to announce in the local newspaper (the publisher was also a friend) that he, Ralph Borsodi, would indeed issue a currency based on 30 commodities, and this currency could be purchased with U.S. dollars at the local bank, and would be accepted as payment for goods at local stores. He noted that the currency would not devalue like U.S. dollars because it could always be redeemed for the same amount of commodities, or it could be redeemed at the local bank for U.S. dollars at an exchange rate based on the current price for the index of commodities. Since the "commodity basket" as he called the currency, would continue to have the same value, even as the dollar went down in value. Hence, it would take an increasing number of dollars to exchange for the same number of constants. To ensure there would be enough dollars in the bank, he placed some of his own money with his friend at the bank to cover any demand.

During this period he talked with local store owners to get their support and set up regular meetings for local people, especially business people, to explain how his system worked or the concept in back of it. All of this work and education paid off, and to his own surprise many people began buying "constants" and using them at local stores. Even the Town of Exeter accepted them as payment for parking traffic fines. Very few people ever redeemed them for dollars at the bank.

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In order to continue such a scheme, of course, it would have been necessary to purchase significant quantities of the 30 commodities which were included in the basket. An initial start was made by purchasing a quantity of silver, but this was later sold to cover the cost of returning dollars for Constants, when Borsodi had to give up the experiment partly due to his age and health. Many people never did turn in their Constants, probably keeping them as souvenirs of the "Experiment."

What was the result of the experiment? Borsodi had proved what he had set out to accomplish: that people were interested in a currency which did not devalue. The media was quick to realize how interested people were. Two national magazines, *Forbes* and *Newsweek*, carried stories about it and several newspapers in the region wrote about it.

But what would be necessary to bring about a wide scale monetary reform? What would an entire money and banking system which would change, in fact revitalize, an entire economic and social system, look like? These were the questions we asked Borsodi, and we finally got him to sit down and draft in his terse, curmudgeon style the following essays on money and banking.