new gold imported into the United States between August, 1915, and our entry into the war gave our price level its great war time boost. That billion of gold and our twenty-two billions of Liberty Loans after we entered the war explain more than nine-tenths of our high cost of living to-day.

This rise of prices has hurt those with "fixed" incomes and helped those who take what is left—the so-called "profiteers."

In spite of the general impression to the contrary, wages have not, *on the average*, kept up with the soaring cost of living.

Both the danger of incurring inflation and its evils are bound up with the fact that the public generally is ignorant and indifferent or the subject. The sound banker and the economist have always to fight against inflationistic fallacies and proposals. The average man persists in thinking that "a dollar is a dollar." As he cannot imagine having too much money himself, he cannot imagine a country having too much money. He little dreams that his present difficulties with the high cost of living are due primarily to too much money and substitutes for money, or credits.

When we were suffering from the opposite aberration of our unruly dollar, *i.e.*, when we went throug the drastic fall of prices, beginning with the close of the Civil War and ending in 1896, the evils of depression in trade, bankruptcies, and unemployment, very nearly led the country to adopt the desperate remedy of Mr. Bryan, a remedy which would have been worse than the disease.

The radicalism of those days, expressed in "populism," died out soon after prices stopped falling. The present radicalism wil die out soon after prices stop rising. If only we could put a stop once and for all to these great swings of prices in either direction, we would escape a vast amount of social discontent which price movements alway breed.

To secure this result we need a stable price level, and to secure a stable price level we must stabilize the dollar, the aberrations of which disturb the price level.

Our present dollar is constant in weight. No matter what influx of gold may take place, or how much the value (purchasing power) of gold is lessened by the increase of its paper and credit substitutes, the government must pay the same nominal price for it. In other words, fluctuations in the price of gold can not show themselves in the altered price of gold. They are, therefore, reflected in the prices of other things.

Let us, therefore, vary the price of gold. In other words, let us vary the weight of the dollar, weighing it when the index number of prices is too high, and lightening it when the index number of prices is too low.

This can easily be managed if we have gold circulate by means of paper representatives, redeemable in whatever amount of gold bullion may be, at that date, the dollar.

In this way, any change in the price level is always in process of being corrected, the gold bullion dollar is always being approximated to a constant purchasing power (i.e., a constant price level), the circulating dollar certificates are redeemable and hence equal in purchasing power to this amount of gold, and finally the credit structure (assuming a sound banking system) is also kept from fluctuating by its relation to this stabilized dollar.

(Continued on page 1129)