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303 Dixie Terminal Bldg. *Cincinnati*,
February 6, 1935.

Honorable Charles Evans Hughes,
Chief Justice Supreme Court,
Washington, D. C.

Honorable Sir:

Enclosed please find an article on “The Gold Dollar” that demonstrates by several different forms of mathematical calculations that it is stationary in buying power and debt settlement. It is stationary beyond peradventure (as long as we do not change our measurement of value) because the gold ounce is priced in part of itself, called the gold dollar. The mere act of pricing the ounce in dollars forces us to divide its price (number of dollars) into its weight, which gives us the weight of a dollar. Now if the ounce advances in price, the weight of the dollar decreases without changing value.

I think, as an individual, I have a right to present my arguments to you, since they are very much more complete and full in explanation than those presented by the Attorney General.

Very sincerely yours,

J. R. Edwards

JRE/R
Enc.

THE GOLD DOLLAR.

We should be tired of the lies, slander and abuses that have been heaped upon our gold dollar in the past ten years. There has been so much misinformation appearing in the newspapers and over the radio, as well as in the weekly and monthly magazines indicating that the gold fluctuates widely in buying power and debt settlement. According to these statements, the dollar fluctuates from 60¢ to 129¢. Since President Roosevelt took 59% of its former value, also we are deluged with articles explaining the devalued or revalued dollar – a 59¢ dollar if you please. From all this misinformation, just what is the dollar worth?

By this time, I should say as a rough guess, nearly 90% of the public are at sea as to its buying power and debt settlement and think it has been devalued or revalued. This causes much uneasiness which is retarding business. Besides, it influences men, some in high places, to forward the idea of actually devaluing the dollar by deducting gold, so that it will be worth less than a dollar in relation to the ounce, as a corrective operation for a dollar with high buying power as evidenced by low prices. The same may be said of those who are advocating the inflation of currency, which is a desire to make the dollar cheaper in order that prices will advance. They think that the buying power of the gold dollar is high and therefore prices have been influenced to decline, and thus inflation of currency or devaluing the dollar corrects this abnormal situation. It has been said many times that the public created debts on a low valued dollar, which debts now must be settled with a dollar considerable higher in value. Therefore, they say, a devalued dollar has a tendency to correct this. Alright, let us change the measurement of value, which in turn changes the value contained in all weights and measures – let us really be confused.

As one of the minority of 10% who knows the dollar has not fluctuated in buying power or debt settlement, and that it has not been devalued or revalued, I challenge the other 90% to a debate on this subject. In doing so I must state the basis of this challenge. The question is, has the gold dollar as a measurement of value in the U.S. fluctuated in buying power and debt settlement? Has it been devalued or revalued?

Is this challenge one of supreme egotism? – No. – A thousand times no. It is simply spectacular and intended to overcome the tremendous lead of those who have stated that the gold dollar fluctuates widely in buying power and debt settlement and those who claim the dollar has been devalued or revalued. I do this late in January in the face of a Supreme Court decision on this subject that will be handed down in February. I am willing to take on all opponents.

While these are simple questions many irritable complications arise from muddled thinking. I claim that the gold dollar is as stationary in buying power and debt settlement as the Rock of Gibraltar. It is a standard measurement of value that automatically adjusts itself in weight to the fluctuations in the price of a gold ounce and thus the value of the dollar remains stationary. Following the automatic adjustment of weight in the dollar that keeps its value and buying power at a dollar, it requires a proclamation of an executive of the Government to confirm its new weight, because certain economic problems require the Government figures as will be later disclosed. Government confirmation cannot precede automatic adjustment in weight of the dollar on the same basis that they cannot make weather but can confirm temperature.

The Supreme Court of the United States must decide whether it was constitutional on the part of the Government to abrogate the gold repayment clause in bonds, where the repayment of debts must be made in gold of a predetermined weight, which would cause the debts now to be paid at a different value than when contracted. Before the Supreme Court can decide this case and other questions involved, primarily they must decide whether the gold dollar fluctuates in buying power and debt settlement – whether we can value the dollar by stationary weight of gold and still keep value constant. They must decide whether we have a stationary measurement of value in the dollar that supports hundreds of billions of debts, tangible and intangible values, or whether we have a rubber dollar that fluctuates in debt settlement, which would destroy confidence.

I am not afraid of this decision because I have confidence in the Supreme Court, and this is based on the fact that in 1920 they handed down a decision that stock dividends did not create income following every mathematical calculation and against overwhelming public thought. Nevertheless probably 90% of the public still think a stock dividend does create income and corporations have taken advantage of this fact and issued same and actually misrepresented them to the public as income.

So it is today with respect to the dollar. Every mathematical calculation is against the fluctuations of the dollar. However, the public have been fed up with trouble breeding misinformation that the gold dollar does widely fluctuate and they do think the dollar has been devalued or revalued. I can mention Senators, preachers, eminent economists and prominent business men, who have stated irrevocably that the dollar does fluctuate in buying power and therefore this challenge does to them.

I am indebted to _________________ for drawing attention of the public to this error of thinking. This subject has widespread interest and there are so many conflicting things on this subject that markets definitely reflect uneasiness. It is hurting credit more than the average person suspects.

There are several ways to prove that the dollar does not fluctuate and all must be used, even if it causes some slight reiteration. This is a complicated subject to understand and sometimes it must be explained in two or three different ways before the facts are grasped.

There is an odd thing about values. It is individual appraisement of what an article is worth. It is a mental process that always forms an equation, because the value of an article <u>can never be expressed</u> without comparing it was the equal of some other article or multiples. Thus a horse, that is appraised on the basis of soundness, disposition, pedigree, etc., without depending on any existing measurement, is equal to other measurements, such as 222 bushels of oats, 5 weeks of labor, 555 gallons of gasoline, 18.18 cubic feet of natural gas, 50 yards of silk, a small real estate lot containing a half acre of surface, 12 ½ tons of coal, or 2

6/7ths ounces of gold. "A mental equation of comparative value" exists between all of the articles in order to express value. But we can simplify this equation by placing gold on one side of same. Thus a certain amount of gold equals some other article of commerce. Therefore, we can express its value in a universal commodity, such as gold, the economic value of which is commonly known. Now on the gold side of the equation its value must be stationary in order to create a sound measurement of value. Thus the price system was established. Now we can say this necktie is worth a dollar. This equation reads - $1.00 equals the necktie. We compare the necktie with a dollar to establish its value. Actually we put a tag on the necktie marked "$1.00." Of course this mental appraisement frequently becomes standard prices.

In order to start our metric system a dollar was made the standard measurement of value. From the point of this argument it does not matter how we arrive at the value of the original dollar. It does not make a particle of difference if Congress originally set its <u>value by law</u> in grains of gold, that is to say by weight. The point is that a measurement of value was established. A fluctuating measurement is worse than no measurement at all. And it can be demonstrated that everything was done to keep this measurement stationary. In so doing, hundreds of billions of debts and values, both tangible and intangible have been created on the basis that it is a stationary measurement, and therefore a safe one.

Even if the original dollar was established by law in weight, this is of no importance for experience, precedent and mathematical calculations demonstrate that a non-fluctuating measurement of value cannot be confined to a stationary weight of gold coin. We are bound to adopt the proper economic process of establishing a value, such as the gold dollar and then keeping its value at equilibrium by adding or subtracting a few grains of gold to offset the price fluctuations of the ounce so that debtors, creditors and the public are safeguarded. Thus the gold dollar (and the metric system) is the only stationary value in the United States, as all other articles fluctuate in appraisement, even the gold ounce.

When the gold ounce was figured at $20.67, the equation read – 20.67 individual dollars equaled an ounce of gold. Every gold dollar and fraction thereof had a value equal to one dollar in relation to the ounce. Now, when gold was increased in 1933 from this figure to $30.00 - $32.00 - $34.00 and finally $35.00 an ounce, it took more dollars to equal the higher appraisement of gold. The law of supply and demand caused the ounce to advance and we observed this increase by having a stationary dollar as the measurement. There is no other possible solution, because the ounce is priced in part of itself, called gold dollars. The mere act of pricing the ounce in dollars, automatically forces us to divide its dollar price into its weight to ascertain the weight of each dollar. Thus as the price advances, as indicated by the larger number of dollars, the weight in each dollar decreases without changing the dollar value.

When the ounce advanced in price it took more gold dollars to equal an ounce and therefore the weight of gold, allocated to each dollar, <u>automatically</u> decreased.

Physical demonstration of this fact is, when the gold ounce was worth $20.67, the gold dollar necessarily contained 25 8/10ths grains of gold (9/10ths fine.) When the gold ounce was increased by the Government to $35.00, there was an increase of 69% in the value of the gold ounce and the former gold dollar. While this advance was in progress the Government daily could have adjusted the weight of the gold dollar by subtracting a few grains of gold, so that it always contained a dollar in value in relation to the ounce. This would have followed the automatic adjustment. It was unfortunate that this was not done, because these frequent changes would have instructed the public that the gold dollar was always stationary in value, buying power and debt settlement. The British made 114 changes in their pound sterling, but in the United States we did not do this. It was taken for granted that the gold dollar automatically adjusted itself in weight to the price of the gold ounce in order to keep its value stationary.

President Roosevelt only confirmed this economic fact and precedent, which had already taken place, when he finally established the price of gold at $35.00 an ounce. He issued a public proclamation subtracting 10.56 grains of gold (9/10ths fine) worth 69¢, from the former gold dollar which was then worth $1.69, which brought down the new gold dollar to 15.23 grains of gold (9/10ths fine) worth a dollar in relation to the ounce. He took 59% of 169% (adding small fractions) leaving 100% of value in each gold dollar. Therefore an ounce of gold was allocated to 35 individual dollars in place of 20.67 separate dollars all of which have the same buying power, based upon a different price of the ounce.

If this automatic adjustment in weight had not taken place we would have seen prices suddenly drop 69% when gold advanced and again suddenly rise 69% when President Roosevelt issued his proclamation.

Therefore the standard measurement of value in the United States was kept in non-fluctuating gold dollars whose buying power and debt settlement remained the same. There was no devaluation or revaluation because it is proven its value is automatically stationary. What happened was its weight was reduced without changing value.

Let us take long term debts that must be paid on the basis of gold coin, and there is approximately 100 billions of same. Suppose the repayment was based upon a predetermined weight of gold coin, if the ounce dropped 20% in value, the creditor would lose 20% and the debtor would gain 20%. If the gold ounce advanced 69%, the creditor would gain and the debtor would lose 69%. This is totally inconsistent with a stationary measurement of value and also destructive of credit. However the changing price of a gold ounce is exactly corrected by the use of the gold dollar as a measurement of value. As the price of the ounce declines or advances, the weight of the dollar increases or decreases to keep its value exactly the same from the creation to the payment of the debt.

Now there is another way of proving that the gold dollar does not fluctuate in value. It is by the equation of comparison with commodity prices. Commodity prices were high in 1929 by reason of the great demand. We cannot truthfully say the buying power of the dollar was less because this indicates that the dollar fluctuates in buying power. <u>The dollar bought as much value as before</u>, but on the article side of the equation the appraisement of goods was higher, so it took more dollars to equalize the equation. When this demand fell off by reason of the loss of the public's buying power, there was an oversupply of articles. Therefore the appraisement of all articles declined severely up to 1932 and 1933, which changed the "equation of comparison." Less dollars equaled the same goods. It was not that the buying power of the dollar was greater because again this indicates that it fluctuates in value. It took less dollars whose value did not fluctuate, to buy the same goods. Every price movement can be explained thru the law of supply and demand which evidences itself in the equation. But we must acknowledge that the price of articles do not fluctuate equally under the law of supply and demand.

Now if the gold dollar also fluctuated in buying power, there would be an added and equal fluctuation of prices independent of the law of supply and demand, because we would be using a different yardstick on the dollar side of the equation. We have seen no fluctuations that could be explained on the basis of a fluctuating dollar. It is fluctuating demand and supply that changes appraisement of value on the goods side of the equation. Now the only reason we can observe and record value changes is by having a stationary dollar on the dollar side of the equation by which to compute the rise and fall of values on the goods side of the equation.

In actual proof of the fact that the dollar does not fluctuate – in the early part of 1933 when gold was selling at $20.67 an ounce, prices of commodities were at a certain value. When gold advanced in a few months in that year from the above price to $35.00 an ounce, which was an increase of 69%, there would have been a corresponding, sudden and equal decline of 69% in the price of commodities, if the dollar had advanced in buying power to equal the advance of the gold ounce. We saw no such violent fluctuations and this proves the dollar did not fluctuate. In fact, with the return of confidence prices advanced. On the other hand, when President Roosevelt took 10.56 grains from the gold dollar, if this had changed the buying power of the gold dollar by devaluation, down to 59¢ as most persons suppose, prices would have nearly doubled arbitrarily, equally and suddenly, because we would have changed the measurement of value by debasement of the dollar. We saw no such fluctuations, which again proves the dollar did not fluctuate. Also it proves that the gold dollar automatically adjusts itself to the ounce even before the Government proclamation of this fact.

Yet another question arises. If the law of demand and supply effects all values and makes them fluctuate, how is it that the gold dollar is exempt from its operation? It is not exempt and never was. Since the gold dollar is arbitrarily and automatically kept stationary, the demand and supply effects its rent, that is to say interest rates. A great demand for dollars caused interest rates to advance and visa versa if the demand is less.

We rarely need to know the number of grains in a gold dollar because it is a measurement of value and not a measurement of weight. This is absolutely true, but this is modified by physical economic conditions, since the Government issues gold coin of five, ten and twenty dollar denominations, which must have weight based upon the gold dollar. Also weight must be known in certain arts where gold is a commodity. But if the Government never issued new gold coin in the future the weight of the dollar would be of no consequence as far as domestic commerce is concerned. On the other hand, international balances must be settled in gold, which requires the Government to establish the number of grains of gold in the dollar. This is done in order that imports and exports of gold bullion, ounces and gold coin may be interpreted on the basis of gold dollars and that foreign exchange and foreign currencies may have a definite figure of interpretation into U.S. dollars and visa versa.

When we demonstrate the fact that the gold dollar does not fluctuate in buying power and debt settlement it takes away every argument from those who advocate actual debasement of the dollar, where its value would be less than a dollar in comparison with the ounce. They think the dollar buys more today and this has caused commodity prices to decline. They do not believe that demand and supply alone changes mental appraisement on goods and services, which establishes profits and loss. They think a corrective operation is to debase the dollar which would advance prices arbitrarily. But how would this re-establish profits? The debasement of the dollar simply changes our present measurement of value and causes complications in every direction, since it changes the value of every other measurement by which goods, services and real estate are sold. It might also change the buying power of currency and bank deposits. It accomplishes no other purpose.

And how would we debase the present gold dollar? Would it be by value or weight? If by value it destroys every argument. But suppose we say that hereafter 70 gold dollars equal an ounce of gold as compared with 35 dollars. Then we would have a 50¢ dollar. We would have a new measurement of value. All prices would suddenly double. But what about bank deposits and debts? Would the Supreme Court permit bank deposits to be devalued by half when they were created in the present 100¢ dollar? The Supreme Court certainly would not permit debts containing the gold clause to be paid in 50¢ dollars. Afterwards the new dollar would automatically adjust itself in weight to the rise and fall of the gold ounce as it does today. But if we devalued the gold dollar by weight to a gold content of 50¢, it would contain 7.65 grains (9/10ths fine). This weight would be stationary. Hence every time the gold ounce fluctuated to the extent of 1¢ it would give us a new measurement of value, because the stationary weight of the new gold dollar would cause it to fluctuate with the gold ounce. This would cause prices to fluctuate independent of the law of supply and demand, which would give us two factors to contend with that changes prices, instead of one.

On the other hand, it is said that we contracted debts on a 60¢ dollar that must be repaid with a dollar that has a higher value which debasement of the dollar would correct. This is entirely a wrong statement because we contracted debts when the gold dollar contained 25 8/10ths grains (9/10ths fine) and are now repaying the debts with a dollar only containing 15.23 grains of gold (9/10ths fine) both of which have the same value in gold at the time the debts were created and at the present time. Again it confirms the fact that we have a non-fluctuating dollar.

The inflationists are even in a worse predicament since also they contend that the gold dollar fluctuates in buying power and debt settlement. They think the phenomena of low prices is because the dollar buys more today. The inflationists want to cheapen the dollar in order to make prices rise and to pay debts with a lower priced dollar. The only way to cheapen paper currency is to destroy confidence in it by printing enormous quantities until confidence breaks.

It would be unfair on my part not to explain the one chance and the last straw that economists have for saying that gold fluctuates in buying power. I do not say the gold dollar. I mean gold as a reserve. Also I cannot lay myself open to attack from this quarter.

The Government's gold reserve is used as a base to expand and contract credit due to confidence, over-confidence or fear. Thus commerce and finance are influenced to enlarge and shrink with an increase or decrease of profits. It follows that the buying power of the public is made to rise or disappear and thus commodity prices advance or decline by reason of the law of supply and demand. The visible and final difference between the two extremes are the high and low prices of commodities. Therefore some economists may claim that these price fluctuations are caused by the difference in the expanding and contracting buying power of gold. This is not true, and does not mean that the value or buying power of the gold dollar fluctuates. It means that the volume of the gold reserve was put to greater or lesser economic use under the sway of a varying degree of confidence. The economic use of gold can expand and contract, but as far as commodity prices are concerned, it is likened to the machinery of production in influencing the change of commodity prices.

Some economists say that to explain commodity price fluctuations in terms of dollars by indicating a 60¢ dollar at one time and a dollar worth 129¢ another time, simplifies the situation tremendously. And then a devalued or a revalued dollar said to be worth 59¢. These misstatements not only to not simplify it, they complicate it. You see too large a percentage of the public have been mentally short-changed until they actually think they are short-changed in the dollar. I am not particularly criticising the misuse of terms. I am calling attention to the fact that these terms cause a tremendous amount of unrest and uneasiness, which produces fancy thinking on the part of those who believe it, that causes fear, when they forward nostrums to correct it.

This leads us to the final point of this argument. We should cease talking and thinking about a widely fluctuating dollar, or a devalued or revalued dollar, because it reveals our lack of knowledge. Also it causes all kinds of muddled thinking about correcting this situation or protecting ourselves against it. It is surprising how many problems arise from the subversive thinking. Every responsible individual has his thoughts about it. Even some radio speakers not only heavily dwell upon this subject of the fluctuating dollar, but try to follow up its causes and blame the plutocratic bankers for it and then tear our economic system apart for permitting such an outrage.

These arguments obscure the main issue that prices are low solely by reason of the law of supply and demand and that is the sole reason for unemployment because profits have disappeared. The main issue is how can we increase the buying power of the public and thus cause greater demand, with its accompanying higher prices which will re-establish profits that can be spent constructively and thus finally absorb the unemployed.

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