Dr. Borsodi's Quiet Revolution
(Exeter, New Hampshire, today. Tomorrow the world?)

Picture an international monetary system which constantly maintains its value — i.e., no inflation! It's not just an idea. It's actually being tried out in certain shops and even banks in Exeter and Durham, New Hampshire!

by Richard M. Bacon
Photos by Stephen T. Whitney

Today, with the cost of living index rising as the buying power of the dollar decreases, Dr. Borsodi's plan has an immediate appeal. Inflation (a misused term that actually suggests something growing larger) is rampant throughout the western world. Last year it varied from 3% to 163%.

"That money should depreciate at a rate of 5% or more a year is heresy," Dr. Borsodi maintains. The Exeter economist holds that printing more and more paper money lessens the value of all the dollars in circulation. And he argues that this method of combating mismanagement by the government to cover its spending and balance-of-payment deficits is the most ruthless kind of manipulation for it constitutes a hidden tax with no redress on the part of either private citizens or private business.

Governmental devaluation of the
A conference at Bretton Woods, N.H., in 1944 is the source of today's monetary dilemma, according to Dr. Borsodi.

economist, sociologist, educational philosopher, and author, who for more than 25 years has written in more than 15 books has been countering the world's ills with thoughtful solutions. Operating from his home and a staffed office several blocks away overlooking the Exeter bandstand, Dr. Borsodi admits that he is once again swimming against the tide of economic opinion as he did all through the Depression and well into the 1940s. Few economists admit that this experiment could work, yet many evoke keen interest—especially members of the Federal Reserve Board in Washington, D.C. However, as Dr. Borsodi fondly points out, none of the scientific or engineering communities of the early part of this century were willing to concede that anyone—much less two bicycle mechanics—could possibly construct a manned aircraft.

"To fish surrounded by water, a world of water is normal," the Exeter

The Independent Arbitrage International (I.A.I.) in Luxembourg—a banking capital of the world.
"At that moment, he decided that instead of writing and
talking, the time had come to prove through action
that an inflation-proof currency is possible."

Although the rate of inflation in the United States has been around
3 1/2% for nearly two years, it was for quite a period of time before
that as high as 6%. Other countries in the world have not fared so
well. In Europe today inflation varies from 6% to more than 20%:

<table>
<thead>
<tr>
<th>Country</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Britain</td>
<td>8.6%</td>
</tr>
<tr>
<td>Portugal</td>
<td>10% to 20%</td>
</tr>
<tr>
<td>Israel</td>
<td>11% to 12%</td>
</tr>
<tr>
<td>France</td>
<td>9%</td>
</tr>
<tr>
<td>Italy</td>
<td>12%</td>
</tr>
<tr>
<td>Benelux Countries</td>
<td>6% to 7%</td>
</tr>
<tr>
<td>Turkey</td>
<td>17%</td>
</tr>
<tr>
<td>Spain</td>
<td>9.7%</td>
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<tr>
<td>Switzerland</td>
<td>7%</td>
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</tbody>
</table>

In South American countries, inflation is even worse:

<table>
<thead>
<tr>
<th>Country</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>64%</td>
</tr>
<tr>
<td>Brazil</td>
<td>15% to 20%</td>
</tr>
<tr>
<td>Chile</td>
<td>163%</td>
</tr>
<tr>
<td>Uruguay</td>
<td>94%</td>
</tr>
</tbody>
</table>

United States currency is backed only by gold. The I.A.I. plan is to
back constants with 30 staple commodities from all over the world.
This "basket" includes the metals gold, silver, iron, copper, aluminum,
nickel, tin, lead, and zinc; foods such as rice, cocoa, sugar, wheat, corn,
barley, peanuts, coffee, soybeans, oats; and raw materials like petroleum,
cotton, wool, cement, rubber, copra, sulphur, limes, and jute. The
commodities are balanced so that a decrease in the value of some will be
offset by increases in the value of others. Through arbitrage — buying
internationally in one market and
selling in another — it will be possible to make enough surplus funds
available to float loans that enhance free trade and the free exchange of
money unfettered by the political whim of any one government.

Ultimately, Dr. Borsodi feels that it will make possible lending money for
socially motivated purposes throughout the world. The I.F.I. will not
only provide a stable currency, but will also help coordinate local eco-
nomic development that meets real needs in particular areas. Once banking
facilities and financial reserves are sufficient, the I.F.I. will extend
credit regardless of cost. In many of the underdeveloped nations today,
borrowers are paying moneylenders from 1/2 to 1/3 of what they produce.
Only when there is a large number of banks to extend loans will the
rate of interest come down. The I.F.I. will establish a series of banks and a credit system to "preserve freedom, self-determination, non-exploitation, ecology, etc.
. . .".

Dealing in constants is no more difficult than operating one's present
checking and savings accounts. Money is converted into the currency
of spending just as one does when passing through international borders
today. In addition, a monthly report will be issued investors showing
the value of the constant as the value of the dollar fluctuates.

The trouble with present currencies, Dr. Borsodi believes, is that
each is the product of an individual nation. Even though members of the
International Monetary Fund, each nation is guarding its own interest
rather than the general welfare. A conference at Bretton Woods, New
Hampshire, in 1944, called to dis-
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Russian international monetary concerns as the war was drawing to a close, precipitated our present dilemma, the Exeter economist contends. The meeting was dominated by the thinking of British theoretician John Maynard Keynes, and most western economists are still adhering to his precepts. Dr. Borsodi, pointing to the widespread ramifications of the "controlled inflation" which Keynesian economists advocate, quotes from Ecclesiastes: "He that diggeth a pit shall fall into it," as relevant to today's situation. "The pit was dug at the Bretton Woods Conference," he states, "and it is only a matter of time before some member nation, questioning the viability of the U.S. dollar, will take some precipitous action and drag the whole system into the pit along with it."

The prospect of another Depression with even farther-reaching economic and social repercussions has haunted Dr. Borsodi for years. Thinking of the money system and its faults is not new to Dr. Borsodi, a former marketing consultant to some of the country's largest companies. The publication of Inflation Is Coming And What To Do About It in 1948 attracted instant attention and was later instrumental in his being invited to confer and lecture at various Indian universities. There in the mid-1960s, he talked with followers of the Gandhian philosophy, who agreed that the only way for underdeveloped nations and cooperative groups to combat government control of money and to find low-cost credit with which they could show their own self-determination was to establish a system of currency that was not tied to any one political system. But it wasn't until last year, when he and his wife were on holiday in southern California, that the actual plan of establishing a non-national, non-restricted money system was finally formulated.

While researching for his latest book in a small library there, Dr. Borsodi was struck by the headlines of the day which announced the President's decision to devalue the dollar. The world press was reacting to this move and reported the fear that a house-of-cards chain reaction would undermine all the monetary systems at once. Dr. Borsodi made the notation of ten points (which he refers to as the Escandon Memorandum) concerning the establishment of an alternative currency. At that moment he decided that, instead of writing and talking, the time had come to prove through action that an inflation-proof currency is possible. The I.A.I. was formed.

Part of the experiment is to get the people to accept the idea of an alternative currency. Cooperating banks, it is felt, are necessary to aid in the circulation of the new money. Their endorsement of the plan is not essential.

Phillips Exeter Academy recently opened an account with I.A.I. The University of New Hampshire soon followed suit. Now even stockbrokers in both Exeter and Durham are posting signs in their windows—"Constants Accepted Here"—as a gesture of acceptance, even though coinage and paper money are not yet available. Many of the professors at U.N.H. have also been brain-trusting the operation.

This is not an undercover operation in any way. The Federal Reserve Board of Boston and the Federal Reserve Board in Washington, D.C., have both been openly apprised of the progress of the I.A.I., but members of both bodies are waiting to see how the experiment goes.

Will not the federal government take action to stop coinage of money? The Exeter revolutionist only smiles. "Coinage of money is only historically a government monopoly," he
The quiet revolution unfolding in the shadow of Exeter Academy may have world-wide repercussions.


brown were eating, sleeping and standing.

“They’re just cows,” Kathleen took out the paper of sandwiches.

“They’re always here. Sometimes a lot closer.”

“Will they come closer today?” I’d never seen a cow except on the milk bottles in Mirabelli’s store.

“We’ll eat now,” was all Kathleen said.

I couldn’t stop staring at the cows.

Don’t know what was in the sandwiches. Except it must have been loose, because Kathleen kept saying,

“You’re spilling. You’re smearing. You’re spotting.”

“But we had already finished, and I moo-called the cows for about an hour.

“Of course not,” Kathleen said.

“We’ve got to start home.”

“We didn’t girl-talk yet.”

“Don’t be silly.” Kathleen closed her eyes at me.

“Not past the buttercup!”

“Well, pick them now. But not too far off!”

I didn’t go too far off. But I think the cows did. Earlier. Over our way.

And the new shoes were silky on the soles.

I got up as fast as I slid down. The sky was still blueing-water blue, but the fresh wash smell was gone. I tried