We could save and invest with confidence in the future of the dollar. Government could continue to honor its 1935 commitment to buy gold from, or sell gold to, foreign governments and their central banks at $35 an ounce. Dollars would continue to supplement gold as the international money and good-as-gold capital reserves supporting other currencies and accepted in trade within and between the nations of the world.

Congress has the power to maintain free-market price stability, whatever the rate of unemployment or economic growth. Congress has the power; all it needs is know-how and the will to act. There are no legislative panaceas. Our one best hope is a bill to remove the cause of the entire disease.

What is the cause of price inflation? Why do prices rise? Because too few are unemployed? Because too many are receiving too-high incomes? Because prosperity is "overheated"? Not primarily. The "new" economists are mistaken. They have managed to extend prosperity 7 years by deficit spending—that is more than the "old" economists have done by balancing the budget—but economist or not, anyone familiar with elementary algebra knows that—

$$\frac{\text{the number of DOLLARS spent}}{\text{the number of units of COMMODITIES paid for}} = \text{average commodity PRICE}$$

and that when Government—by deficit spending of credit created by banks as they "monetize" the bonds—inflates the numerator, dollars, faster than business increases the denominator, commodities, the value of the fraction, price, rises.

Money inflation is the primary cause of price inflation. Inflation doesn't just happen; it is a crime committed primarily by Government.

Government's responsibility is to adopt the monetary and fiscal policies that will raise the numerator, dollars, at the same rate that business raises the denominator, commodities, to keep the value of the fraction, price, stable.

The Federal Reserve, by market operations with Government securities, and by adjusting reserve requirements and interest rates, has been governing the quantity of bank credit, raising or lowering the quantity of dollars in the market. These monetary measures depend on human judgment, not infallible; they may do more harm than good.

The administration and Congress, gazing into economic crystal balls, have been trying to raise or cut taxes to cool or heat prosperity, to restrain or promote economic growth, and always to reduce unemployment.

These fiscal measures, too, depend on human judgment, not infallible. What we need is an automatic fiscal governor responsive to price trends, to make the free-market price level stabilize itself. How would you design it?

Government commits the crime—inflation by excessive deficit spending—because our income-tax law, the Internal Revenue Code of 1954, as amended, is inadequate. Thousands of pages, an incredible monstrosity, yet it doesn't even collect enough revenue to prevent inflation. Mr. Chairman and members, our country's in an inflated jam. Only you can save it. Introduce and act on the freedom tax bill.