STATEMENT OF EVAN S. HALL, FREEDOM, INC.

Mr. HALL. My name is Evan S. Hall, secretary and chief engineer of the Freedom, Inc., Farmington, Conn. I brought down two statements. The longer one I would ask to be put in the record.

Mr. HERLONG. Without objection that statement will be included at this point in the record.

(Mr. Hall's prepared statement follows:)

STATEMENT OF EVAN S. HALL, SECRETARY, FREEDOM INC.

(Summary by Milton Friedman)

"How low we have fallen! The United States, the land of the free, prohibits its businessmen from investing abroad and requests its citizens not to show their faces or open their pocketbooks in foreign ports. The United States, the wealthiest nation in the world, announces that its foreign policy will no longer be determined by its national interest and its international commitments but by the need to reduce spending abroad by $500 million . . . less than 1 percent of total consumer spending. . . . The President has not hesitated to recommend total Federal expenditure approaching $200 billion."

Travel tax red tape will prevent people from traveling abroad more than it will raise $500 million revenue which, after all, isn't a pint in the whirlpool. The President's Balance-of-Payments Program starts from a false assumption (worrying about the wrong deficit) and is unnecessarily complex and pitifully inadequate. It will not stop our creeping inflation (from budget deficits) from running away to ruinous inflation. What will?

Our trouble starts from a policy mistake. Our economic policy has been deficit spending of credit created by banks as they "monetize" the bonds, to achieve adequate economic growth and almost full employment with "reasonable price stability". This "reasonable price stability" is a fraud, just another name for price inflation. Inflation doesn't just happen; it is a crime committed by Government. Inflation caused the free-market price of silver to exceed the coin value, inviting people to profit by hoarding silver coins causing them to disappear. Prices now are about three times what they were in 1934 when the commitment was made to buy gold from, or sell gold to, foreign governments and their central banks at $35 an ounce. Reducing the buying power of the dollar to about one-third what it was in 1934 invited France and other nations to profit by trading their inflation-weakened dollars for gold from our reserve at $35 an ounce, causing half our $26 billion gold reserve to disappear. Foreign claims of $33 billion on the remaining $11 billion are still outstanding. What ought we to do? Reduce the $3.5 billion balance-of-payments deficit? No. We must reduce the budget deficit to zero, to restore and then maintain the buying power of the dollar, and achieve free-market price stability as a solid monetary and fiscal framework within which economic growth and employment will surpass the record of the past seven years.

Congress has the power to manage money in a way that will keep the free-market price level stable. Congress has the power; all it needs is know-how and the will to act. Economists or not, anyone familiar with elementary algebra knows that

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

If Government could raise the numerator, dollars, at the same rate that business raises the denominator, Commodities, the value of the ratio, Price, would be stable. But how?

Neither the Federal Reserve (with monetary measures) nor the Administration and Congress (with tax and fiscal measures) can predict and deal correctly with the velocity rate of turnover of dollars being spent next year—or next week. We need an automatic governor which, if the free-market price level rises, will raise the rate of a tax on the national income, taking dollars out of our personal pockets and reducing the demand for commodities—and conversely—making the free-market price level stabilize itself.

Automatic free-market price stability!

All we need is a law that will untax business and apply the incentive of profit (and risk of loss) to all concerned (employers, employees, and the tax collector), a law that will: