

WORKING FOR IRVING FISHER

Hans Cohnsen

I have had the exceptional good fortune to meet an exceptional personality, and work for him for 10 years—from 1932 to 1942. In 1932 the country was engulfed by the Great Depression. Together with millions of others, I had lost my job in New York. Six of us—an engineer, a schoolteacher and his wife, a mechanic, a clerk—shared an apartment, at the cost of less than \$8 a month per person. What had gotten us together was our commitment to the teachings of Silvio Gesell, a German businessman, who had attributed a large share of the world's economic problems to monetary causes, specifically to monetary instability.

I had decided to “do something” about the Depression. It did not take me long to realize that I was ill-equipped for the task. That is how I landed at the office of the Stable Money Association, which Irving Fisher and his friends had founded in the early 1920s to promote monetary stability. It turned out I was the only user of its special library. As I learned later, Fisher personally had selected the titles. Mr. Birdwell, the man in charge, soon became ill, but before he went to the hospital he gave me the key to the place. Soon afterwards he died. I called up Professor Fisher to ask what I should do about the key. If I was interested, he said, I should take the books home, and turn the key over to the janitor. That library became the basis of my economics studies—hand-tailored to prepare me to work for Fisher.

The Stamp Scrip Scheme

At the moment, however, I was active on behalf of the “Free Economy League,” which we had formed to promote Gesell's

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The author is a founder of the Irving Fisher Society and resides in Frankfurt, Germany.

solution to the country's economic stagnation: to issue "stamp scrip," emergency money that lost 2 percent of its nominal value every week unless a stamp was placed on a dated space on its reverse side. This weekly 2 percent fee would tax this scrip out of existence; it would make it self-liquidating. It would have paid for itself after one year. In two small communities—Schwanenkirchen in Germany and Wörgl in Austria—this type of scrip had been issued and actually relieved unemployment. I had just written an article about the Wörgl experience for the *New Republic*, when I read that Fisher had stated there was enough money in existence to pull us out of the Depression. The problem was that it was hoarded and there was no way to force it into circulation. I phoned him to call his attention to the Wörgl experience. He asked me to join him at the Yale Club. He had received quite a few letters on the subject; would I help him answer them? The resulting correspondence, some 20 filing boxes, is now in the manuscript section of the New York Public Library.

Fisher soon felt there was need for a handbook that would answer the questions generally asked on how to successfully issue stamp scrip. I helped him write it. As I remember, there were two editions of *Stamp Scrip* (1932). Senator Bankhead (Alabama) and Congressman Pettingill (Indiana) introduced identical bills for the issue of \$1 billion of national stamp scrip to pay for labor-intensive public works programs.

Altogether some 450 communities wanted to issue stamp scrip as a means of easing their dire financial situations. One of them, Reading, Pennsylvania, had asked Fisher to personally supervise the issuance of \$100,000 of such scrip. He sent me. We had the bills and stamps printed, and properly dated on the back. The Chamber of Commerce acted as sponsor. The labor unions agreed to cooperate, and so did the banks, the business community, and the organized farmers. All was ready to start early in March 1933. But on March 4th, in his Inaugural Address, Roosevelt closed the banks and forbade the issue of money substitutes. I returned to New Haven.

Meanwhile, the State of Oregon had appealed to Fisher for help. It wanted to issue \$80 million in stamp scrip to finance a public works project. Fisher sent me to Washington to lobby for a special permit. I talked to quite a few of the New Dealers, including the Secretaries of the Interior and Labor. None had the vaguest idea of what I was talking about. To them the profit system, speculation, overproduction, and faulty distribution were the main causes of the Depression. In principle, they were opposed to everything that might detract from their plans of establishing a planned, socialist economy. Finally, I landed at the U.S. Treasury. Mr. Woodin, the Secretary, was ill.

Dean Acheson, who acted on his behalf, referred me to his economic adviser, Professor Oliver Sprague (Harvard). Whatever Sprague decided would be all right with Acheson. Sprague took time to study the proposal. The next day he decided: there was no objection to such a limited issue of stamp scrip, but this could start an avalanche. What we were evidently striving at was some sort of monetary reform, and he could not be party to that. This put an end to stamp scrip.

Stable Money

A year had passed. Would my work for Fisher continue? Until now I had worked without a salary. Fisher paid my expenses—the travels between New York and New Haven, a trip to Chicago to speak on stamp scrip, and extended stays in Washington, where I stayed at the old Cosmos Club. Now, Fisher asked, would I be interested in doing the research on a book on the history of the idea of stable money? He would pay me a modest salary. So for the next 10 months I had a place in the economics section of the New York Public Library at Fifth Avenue and 42nd Street. After a year, *Stable Money: A History of the Movement* was published. Fisher generously put my name on its title page—“ . . . assisted by . . . ”

Fisher dedicated this book to President Roosevelt, a fact that was often misinterpreted to mean that he was a supporter of the New Deal. Nothing could be further from the truth. Fisher fought the New Deal—on his speaking tours, in his weekly newspaper column (a service of his Index Number Institute), in numerous articles and several books. This dedication was to recognize Roosevelt’s contribution to the concept of a stable dollar. His message to the London Economic Conference in the summer of 1933 stated unequivocally, “We hope to maintain a dollar of the same purchasing and debt-paying power which we hope to attain in the near future.”

Roosevelt had cited from the numerous letters with which Fisher wanted to “educate” Roosevelt on the subject of money. This dedication was an attempt to induce Roosevelt to pay more attention to monetary issues. The “Committee for the Nation”—a businessmen’s organization that fought Roosevelt’s Marxist economic measures—distributed several thousand copies of *Stable Money* to leading businessmen to fortify them in their own battles against such New Deal economic stupidities as the National Recovery Act (NRA) and the Agricultural Adjustment Act (AAA).

The book finished, Fisher asked me to participate in some of the deliberations of the Committee for the Nation. He sent me to Washington to work with Congressman Jerry Voorhis (California) on a bill

to stabilize the dollar, and for talks with economists at the Federal Reserve Board, the Department of Agriculture, the Treasury, and other agencies. I read and reviewed books and articles for him, accompanied him on speaking trips, and prepared memoranda on topical issues as bases for his letters to Roosevelt. It was a specialty of his to take on opponents of his ideas, particularly when they had expressed themselves in print. He knew he would not be able to change their minds. "But," he often remarked, "we can spike their guns. They will no longer have the same power of conviction."

Sometimes an exchange of letters ensued. When I had prepared his letters, he answered requests for a meeting by sending me. Thus I spent many hours with James Farrel, the grand old man of U.S. Steel, whom J. P. Morgan had hand-picked, as he told me. He had formed the "World Trade Council" in an effort to combat American protectionism.

Another correspondent, Orlando Weber, head of Allied Chemicals, tried very hard to convince Fisher through me of the virtues of Hitler's "autarkism." He was one of the strangest geniuses I ever met. He had started as a bicycle racer, changed over to automobile repair, finally worked for one of the 67 chemical companies that he ultimately combined. He was a strong-willed man. He so much wanted a daughter. When his wife bore him a son, he insisted on having him brought up as a girl. Some nine or 10 years later, a daughter was born, upon whom he then lavished all his attention, practically forgetting the son, who became a dancer—in women's dresses. My brother, who had met this unfortunate man, told me this story.

With Fisher's introductions I interviewed central bankers, finance ministers, and leading economists of most European countries in 1935 and 1936. My reports and newspaper articles on these travels paid for them. In 1937 certain American silver interests asked Fisher to endorse their plan to monetize silver in Cuba. He sent me there, together with Robert Hemphill. There was no endorsement.

I spent many weeks in the spacious offices in the basement of 460 Prospect Street, facing the beautiful garden surrounding Fisher's large house. Often I assisted Fisher in the calculation of the weekly wholesale price index of the Index Number Institute, or helped prepare an article for his column.

Healthful Living

In early 1936, Fisher "lent" me to his good old friend Dr. John Harvey Kellogg, whom he had met after a serious illness around the

turn of the century. Fisher suffered from "open" tuberculosis, and had gone to Colorado Springs, hoping against hope to get well. As he was lying there, he told me, he decided that if this was the end he might as well die in harness. So he started to work in a race with death, trying to accomplish as much as possible in the time still left to him, and he kept working at that speed all his life, a fact that accounted for his extraordinary productivity.

But to come back to Dr. Kellogg. He had made Fisher "health conscious" by introducing him to his dietary notions and giving him the benefit of his unusual experiences as a surgeon. (He told me he had performed some 22,000 major operations.) Dr. Kellogg established the first sanatorium in Mexico—the 4,000-bed Battle Creek Sanatorium—and ran the Battle Creek Food Company. Near Miami, Florida, where I saw him, he had a gorgeous health home with a tropical garden.

He told me how he got it. He had gone to Florida in the early 1920s to seek solace for his poor eyesight by walking in the hot sand and living off tropical fruit. He was greatly helped, and wrote enthusiastic articles, praising Florida as the ideal American resort. One day he was called to the home of Mr. Wright, one of the inventors of the famous airplane motor. The beauty of the place was overwhelming. What would he do with it if he owned it, Mr. Wright asked. Kellogg told him what he could accomplish for the sick. "Come back next week," Wright said. "I'll draw up an agreement." "I've never committed myself to a deal without knowing the terms," Kellogg replied. "The only way you can have the place," Wright said, "is on my terms." When Kellogg came back, there was the agreement. It specified practically in his own words everything Kellogg had said he would do. The price of the property: one U.S. dollar. In case of non-compliance with the specified conditions, it would revert to its present owner.

I tried to interest Kellogg in a health study Fisher and I had concocted: to find out whether, and to what extent, personal habits influenced longevity. It was an outgrowth of the idea underlying the successful operation of the Life Extension Institute that Fisher had founded some 20 years earlier with ex-President Taft and a New York builder. The Institute operated by having a string of associated physicians carry out periodic health examinations of life insurance holders. The life insurance companies paid for these examinations. Actuarial experience showed that premium holders who underwent regular medical examinations lived longer. We hoped to repeat this result with a "Personal Habit Questionnaire," also to be distributed by life insurance companies.

The insurance companies, however, rejected our offer. Dr. Kellogg explained why: "Look at me," he said. "I am overweight; I have only one lung and one kidney; my eyesight is poor; and I have to use a hearing aid. I'm 89. Yes, I am a vegetarian and an advocate of 'internal cleanliness.' I have survived because I come from a long-lived family. My grandmother lived to be 97. If you ask but this one question: How old were your grandparents? That is all you need to know. Habits can shorten or extend life by some 10 years." "You are foolish," he also said, "you and Irving Fisher, trying to help humanity by preaching economics. I help people individually. That makes sense, and they are grateful." He even offered to pay for my study of medicine. In 1941, as the war broke out, he sold his Battle Creek place to the U.S. Army, and immediately planned to open another sanatorium with the money. His secretary told me that after a brief illness he was called to his bedside to listen to one of his often-repeated jokes, which made him laugh more than anyone else. So he died, laughing—at 93.

While working on *Stable Money*, Fisher wanted to know how I lived. As the author of the bestseller *How to Live*, he felt he had a legitimate right to know. I told him I was a strict vegetarian. "Without meat your body won't get enough iron," he said, and insisted that I have my blood analyzed at the Life Extension Institute. My iron count was one of the best on record.

Fisher paid much attention to his own diet. His favorites were artichoke bottoms, brussels sprouts, and cantaloupe with vanilla ice cream. He used neither coffee nor tea. Alcohol in any form was taboo; he was one of the leading supporters of prohibition. But he was tolerant of the habits of others. Actually he tried to apply to himself the knowledge gained by a Chicago experiment with the "Self-Selection of Diet by Children," which proved over a 10-year period that children—from less than one year to age 12—intuitively knew what to choose from a wide selection of natural foods offered them at every meal. They had the best bone development ever registered in a group of Chicago children.

He told me that he once wanted to find out whether there was any relationship between diet and endurance. He asked the athletes who happened to train at the Yale University Gym to submit to a simple test: Just stand and hold your arms horizontally, and let's see who can do it longest. The wrestlers and the football stars scoffed at the idea; they were sure to win. But they were the first to give up. The one who lasted the longest was an Asian who, it turned out, was too poor to be able to afford meat. The more meat one ate, the shorter his endurance.

Fisher really took care of his body. When I was at "460," we played before lunch in practically all weathers with a heavy medicine ball on the court behind the house. He was also massaged regularly.

Family Life and Work Habits

When I worked at "460," I was considered a member of the family. Mrs. Fisher, a tall, beautiful, white-haired lady with lovely black eyes, was a most gracious hostess, who took an intense interest in her husband's work. Whatever he wrote for the general public he first submitted to her scrutiny, and he rewrote it until it was clear to her what he meant. Thus, I think he rewrote the introduction to *100% Money* over a dozen times until she was satisfied. Wherever he was—and he spent at least one-third of his time away from home—he wrote her daily and talked to her on the telephone. And at home, after dinner she generally read to him, for she wanted him to share her interest in literature. It was with her that I first discussed the question of a book in honor of Fisher's 70th birthday. With her encouragement I approached Wilford L. King of New York University, a staunch supporter of stable money. He referred me to Arthur D. Gayes of Columbia University. *The Lessons of Monetary Experience* was published in 1937, "on time." In a personal note, Fisher wrote me that "it means more to me than any academic honors."

I have referred to Fisher's working speed. Actually it was his intensity, his power to concentrate on the subject at hand. Once, travelling with him by train—air travel was the exception in those days—I turned to ask him something. It took some time before he woke up to answer. "Don't ever interrupt me again like that," he said sternly. "My mind works at the speed of a fast train. I can't stop it easily." In 1936, on a Saturday afternoon, I was alone in the office. Outside a tornado blew; it cost more than 400 lives in New England. I ran upstairs to call Fisher's attention to it. Again he snarled at me. The house could have come down; he would not have noticed. I was once with him on the first fast train from Nebraska to Kansas City. The tracks were satisfactory for low speeds. We travelled fast, and the cars were shaking so badly one could not even read a newspaper. Fisher, immersed in his work, sat there as though he was riding on air.

An Inventive Genius

Fisher's inventive mind was not limited to economic problems or matters of health and hygiene. His invention of the visible index made him a rich man. He told me that after he had gotten his patent

he reasoned that if he sold it he could expect no more than \$25,000. So he borrowed \$35,000 to manufacture and put it on the market. He knew it was superior to any competing product. Soon Remington Rand, his competitor, bought him out for \$1 million; and made him a director of the company.

But his mind was also open to the basic inventions of others. Thus he helped get Sonotone-Bone Conduction Hearing Aids introduced into the United States. He was involved in the development of a dynamic balancing machine, which used for the first time piezoelectric quartz for measuring impact; it became the basis of high-speed balancing. I worked in the shop that built the first such machine, and sold it to the U.S. Navy for balancing naval gyroscopes. Fisher was also involved with the basic patent for heating non-conductive materials by means of high-frequency electricity—now used widely in high-frequency ovens. As a great believer in milk as part of the daily diet, he helped promote the construction of emulsifying milk dispensing equipment. He no longer had enough capital to last through the development stages of these inventions, so he did not make much money with them. I felt he wasted too much effort in these attempts to regain his fortune, and too much time with promoters of often questionable character.

View of the Great Depression

Fisher's optimistic attitude misled the public during the Depression, and caused heavy financial losses to the many who trusted his judgment. From the outset Fisher considered the 1929 stock market crash a necessary adjustment for an overheated market. The economy had suffered as a result of the outflow of capital into the stock market, and compensatory credit expansion by the Federal Reserve at that time was diverted to the stock market. A correction was absolutely necessary. But, Fisher argued, it should not be permitted to turn into deflation, setting in motion a disastrous spiral of falling prices, bankruptcies, and unemployment with their dire social consequences. Fisher insisted that the economy was sound. What was needed was confidence so people would be willing to borrow and the banks willing to lend. He pleaded with President Hoover to reverse his policy of retrenchment; he appealed to the Federal Reserve to resume the open-market operations with which Governor Strong of the New York Federal Reserve Bank had so successfully mastered similar setbacks during the 1920s. He wrote and lectured profusely in a heroic effort in the face of economic disaster to stem the tide of deflation. As a man accustomed to act in accordance with

his convictions, he bought additional stock when he should have sold, hoping to set an example.

It was small comfort to him to see his “debt-deflation theory of great depressions” (in *Booms and Depressions*) confirmed. In fact, the effects of the October 1987 stock market crash on the economy were prevented by exactly the measures that he had advocated in 1929–30.

Before my work with him had ended, I implored Fisher to begin summarizing his economic teachings, to write a comprehensive volume on how a national economy should operate, including the part to be played by government and especially the tax system (see his *Constructive Income Taxation*). He said he still had too many other books to write. But he had only five more years to live.

The Irving Fisher Society

Fisher’s major economic teachings have stood the test of time. His practical proposals for implementing these teachings have largely been ignored due, as I see it, to the fatal misapprehensions of Marxist-socialist economic ideology. Now that so-called “real socialism” has so abysmally failed, Irving Fisher’s day may yet come. With leading monetary economists of Germany, I have formed the Irving Fisher Society, in the hope of keeping his spirit alive.