

Doc #221: Piecing Together the Original Simons/Soddy “Chicago Plan of 1933”

The Chicago Plan of 1939

The plan most commonly understood as the “Chicago Plan” was written by Irving Fisher, Paul Douglas, and others, and is expressed in this *July 1939 paper A Program for Monetary Reform*.

The Chicago Plan of 1933

However, this plan is very different from what we might call the “original” plan started by Henry C. Simons, after he sent a letter sent to 40+ economists in March 1933. To understand this plan we must look at several documents:

(1) *Wealth, Virtual Wealth and Debt: The Solution of the Economic Paradox* (1925-6) by Frederick Soddy. See especially pages 204-206, *The Remedy*.

(2) March 16, 1933 letter from Henry Simons, Frank Knight, and others to more than 40 economists. This really launches the 100% reserve solution, and Irving Fisher shows immediate interest in parts of the Simons original plan, especially the part about possibly limiting the 100% requirement to checking accounts only.

(3) April 1933 revision of the last 3 pages of the March 16 letter, circulated by Simons. (I haven't found this document yet. Please provide link if you know of it.)

(4) November 1933 letter, an unpublished and unsigned memo, primarily written by Simons. (I haven't found this document yet. Please provide link if you know of it.)

(5) A 5-page addendum which was attached to a January 19, 1934 letter from Simons to Irving Fisher, where Simons states, at the end of the letter, “reveals one serious omission: we have said nothing about the problem of preventing a transformation of deposit banking which might render our drastic reform quite empty, nominal, and unsubstantial. To cover this omission, I have prepared a tentative addendum of about five pages, which I will attach to this letter.” (I haven't found this document yet. Please provide link if you know of it.)

(6) June 6, 1934, the Monetary Control Act of 1934 (H.R. 9855), or the “Cutting bill,” named after Representative Cutting, the first piece of legislation derived from the original Simons letters. However, the Fisher influence is already apparent, where it states that the 100% reserve requirement only applies to bank deposits “subject to check.”

(7) November 1934, Simons publishes *A Positive Program For Laissez Faire: Some Proposals For a Liberal Economic Policy*. For banking and currency reform information, see pages 23-26, including related footnotes.

(8) February 1936, Simons publishes *Rules versus Authorities in Monetary Policy* in the *Journal of Political Economy*. This paper is also reprinted in Chapter 7 in Simons' 1948 book: *Economic Policy for a Free Society*.