

ought to pay—so much more, so that, in the end, Government receives its share in the general profit.

"I do not criticise your reviewer. But I want to stress one point: David Lilienthal, Chairman, T.V.A., writes in his well-known book on T.V.A. (p. 168) that the *increase of land values created by T.V.A. was earned by individual landowners.*

"Land values are not subject to general taxation in U.S.A. As these land values (or their increase) by no means coincide with income (or its increase), they are bound to escape taxation. As on the other hand, this increase of land values is the most important visible fruit of T.V.A. (as of all public works), we may say with certainty that *individual landowners*, and not the Government, *are earning T.V.A.'s fruit.*

"If Government were the owner of all the lands

deriving some benefit from T.V.A., and if Government would give these lands on lease for periodically revised 'unimproved ground rents,' the increase of land values created by T.V.A. would be earned—automatically—by Government. If Government is not the owner of these lands, Government may re-appropriate these ground rents (and their increase) by way of *Land Value Taxation.*

"The Irrigation District Act of California, e.g., embodies the principle of raising all the necessary amounts by the levy of a tax on unimproved land values. This principle has been upheld as valid by the Circuit Court of Appeals of the U.S. in the case of *Wells Fargo v. Imperial Irrigation District 136, Fed. (2), 539.* Reports from California indicate that it works well, and that the California people would be more entitled than T.V.A. to write upon the dams the proud words: "Built for the people of the United States."

PAPER MONEY AND THE DUKE OF BEDFORD

Mr. Gustav Büscher, Zürich, writes: "In the *Manchester Guardian* of July 8th I had a letter on the value of the German mark. The letter caused the Duke of Bedford to send me a short letter and ten pamphlets on his pet theory, social credit and paper money. I took the pains to send the Duke a reply, of which I enclose a copy."

Mr. Büscher's letter to the Duke of Bedford was as follows:—

"YOUR LORDSHIP,—You have been so kind as to send me ten pamphlets of yours concerning monetary and financial reforms. Being much interested in these matters and also in all things British, I have read them with interest and wish to thank you. It is no flattery if I tell you that I have found in your writings and speeches many proofs of a noble humane feeling and true British generosity and fairness.

"You wish to abolish poverty and over-taxation by the issuing of paper-money. I have made a close study of the great German inflation after the first world war and I can assure you that your proposition was realized in the German inflation as much as it could be. The German inflation lasted from 1919 to the end of 1923, the issue of paper-money covering a constantly increasing part of the public expenses. In the final year probably 90 per cent. of public expenses were paid with paper-money. There was no unemployment in Germany in all these years, in any case no unemployment of importance. Yet there was increasing want and misery among the great masses of the people. Statistics have shown that the death rate was considerably higher in the years of paper money than in the years of the gold standard. According to the official *Statistisches Jahrbuch für das deutsche Reich* the death rate was in the years of an increasing paper money circulation:—

1920	...	932,982	1922	...	890,181
1921	...	869,555	1923	...	866,754

"After the return to the gold standard at the end of 1923 the death rate went down at once as follows:—

1924	...	766,957	1926	...	742,955
1925	...	753,017	1927	...	765,331

"I can assure you that the same thing has happened in Austria, Hungary and to a lesser degree even in Italy and France. The return to the gold standard has always improved the health of the people and has diminished the death rate considerably.

"I suppose the believers will protest that they do not want such an unbridled inflation and that they will take measures to prevent the decrease in the value of money.

"I read in your pamphlet on poverty and over-taxation on pages 33-34: 'It would be quite easy to collect by taxation, for destruction, as much money as was needed to preserve the value of the money left and to permit continued issues of new money to the right people in the right way.'

"Allow me to tell you that this is a very dangerous error. Increasing the money circulation is—if one is not hindered by some moral scruples—the easiest thing in the world. Decreasing the money circulation is one of the most difficult tasks of states-

manship. For this reason the history of all currencies is a story of ever-repeated inflations and of no deflation of importance. I wonder that this well-known fact seems to be unknown to you.

"Increasing the money circulation means decreasing the value, the purchasing power of money. In nearly all cases of an increasing money circulation the Governments have tried to avoid the increase of prices. They have succeeded in the beginning but never in the long run. You propose to abolish the gold standard and to prohibit the free selling and buying of foreign currencies. All Governments have tried this and have found it useless in the long run.

"An increasing note circulation means a decrease in the value of money and therefore it would not abolish poverty, but increase poverty. The working classes get their income from wages and salaries which they can never raise as quickly as prices rise and therefore in the race between wages and prices following any considerable increase in paper money, they are always the losers. They also lose their savings, partly or wholly.

"The working classes have very little real property, especially no landed property, which is the safest investment in such times. They invest their little savings in money values, which are practically decreasing with the decreasing value of money. What they lose is partly won by landlords and speculators. The land, as the safest investment, is always increasing in value in such times.

"Most people who favour the abolition of the gold standard and the increase in note circulation are speculators who have run into debt to acquire land which they hope will rise in value and make them rich out of other people's pockets. After the German inflation the poorer classes and also many members of the middle classes had lost nearly everything and were going in rags, whilst the landlords and the landed speculators had got rid of their debts.

"I will not say that the well-to-do people gain everything that the working people lose in an inflation. It is not an intentional cheating of the poorer classes. Most of the wealth which is taken by an increasing note circulation from the working people is squandered by the State. This has always been the case and cannot be avoided. This fact, especially the rise in the prices of land, is hidden from the public attention, nevertheless it is of great importance.

"I wish to add that I have just now completed the translation into German of a great French book by Professor Rist, the celebrated French economist. It is entitled: *History of Monetary and Credit Theory.* It is really a history of paper money, well written and very instructive. It has also been published in English by the Macmillan Company in New York. It tries to be fair to all writers and theorists. Everybody who wishes to be thoroughly informed on the possibilities and dangers of paper money should read it.

"Yours, etc.,

"GUSTAV BUSCHER."