fixing of a minimum wage, do not break the chains of industrial slavery.

And while all these republics (of South America) remain unpeopled, with a terrible percentage of illiteracy and ignorance in the provinces, accompanied by the evils of poverty and chronic hunger in the centres of population and pseudo-civilisation, we go on singing hymns to the French revolution and the anniversaries of the days on which our constitutions were written, constitutions well intentioned in themselves but never respected—like the populace of Venice which danced unheedingly on its own grave.

MONEY AND THE CAUSES OF INCREASED PRICES

SIR,—Mr. Madsen, in your issue of January, says: "There is no bias in contesting the conception that Government can create wealth and enrich the Nation by the legerdemain of printing the words 'one pound' on bits of paper, and ordering the citizens to accept the paper as that value." Of course not, the bias is in assuming that anyone has conceived such an idea. The bias is, that instead of meeting the argument on his own theory, "The quantity theory of money," that if paper be substituted for gold of the same quantity there cannot be any rise in price, he tilts at the "windmill" of unlimited paper money itself.

In reply to Miss Lindsay, in your November issue, he says:—"We do not attach any essential virtue to gold as either a medium of currency or a standard of value. Every community could get on perfectly well without costly metal to be used as money, and we do not therefore regard the insufficiency of gold to back pound notes or other paper acknowledgments as necessarily harbouring some kind of social danger. The outstanding fact is that *whatever* (italics mine) money may be in circulation, the Government have at a given moment printed *additional* money as a legal tender with the object (or the result) of securing for a small expenditure of labour that which in the form of commodities has cost a large expenditure of labour. It is purely incidental that among the commodities in the possession of individuals gold was one; and the Government have obtained it as a valuable thing well suited to send abroad in payment for goods supplied from other markets than the home market. It would be a remarkable and a miraculous event if either Government or individuals could thus obtain much wealth without any seeming cost or sacrifice, and that the miracle will not work is proved by the increase in prices."

In the October Notes he tells us that "Great numbers of producers have been withdrawn from industry; there is, instead of a diminution, an increase in all the commodities in the way of food, clothing, and equipment they require; with increased demand for goods there is a decreased supply; the shortage of shipping has sent up freights to unheard of levels; and new taxes have been imposed on many articles of consumption; these are primary contributing factors, but it is debatable whether they are the main causes."

This is the case of Madsen *versus* Madsen.

What is the distinction between primary contributing factors and main causes?

If increased demand for goods with decreased supply is a primary contributing factor with A. W. Madsen, why should it not be a main cause to William Cassels?

Some part of the rise in prices may be due to an over-issue of paper money, but surely the rise in prices itself does not prove it.

The quantity theory of money, the theory that (other things being equal), *i.e.*, eliminating volume of trade, rapidity or effectiveness of circulation, and other possible factors, an increase in the quantity of money will raise prices, is true, but in the elimination of other factors, quantity of money itself can only be a factor.

The theory does not say the quantity of gold or silver, nor yet the quantity of paper, nor does it say the quantity supplied by banks, nor yet the quantity supplied by Government. It is the quantity and the quantity only.

Then Mr. Madsen's references to inconvertible paper, to the cost of gold and the lack of cost of paper, are absolutely irrelevant. The passages I quoted from Ricardo, as indeed the whole chapter of his political economy on "Currency and Banks," are quite in keeping with his whole outlook. For if quantity and quantity only is the thing, then the material does not matter and (other things being equal, *i.e.*, convenience and honesty), the cheapest, paper, is the best.

What is the history of currency but the progressive elimination of commodity-money by substitutes. Tokens, notes, and what we call credits, *i.e.*, certificates of indebtedness. If quantity is the only determinant of rise in prices as being due to over-issue of money, then the distinction made between Treasury and Bank notes are of no importance to the question. Gold standard is clearly only a question of relative stability.

The statement that "gold remarkably enough remains stationary" is another example of Mr. Madsen's freedom from bias. Willingness to redeem in gold is only one of many methods of limitation. Current coin in gold, certified as being a certain weight and fitness, must depend on the belief in the Government that stamps it.

There would be no sense in stamping a pound as a penny, as it possesses commodity value, but a penny equally with a pennyworth or less of paper might be stamped "a pound," and if it were limited in quantity would serve all the purposes.

A golden carriage will not carry me on a journey any safer than a wooden one, nor any quicker. Though both equally served the purpose of travel, each would have a different value for art purposes. Mr. Madsen has been rather unfortunate in his method of controversy. He has surrounded his main thesis with irrelevancies. It is a case of not being able to see the wood for fallen timber. Nevertheless, the main thesis can still be seen.

The Government have issued 138 millions in the form of Treasury notes and withdrawn 78 millions of gold, leaving a net increase of 60 millions of money for use in internal trade. If the total money now in use changes as rapidly or as effectively, or with the same velocity as the previous stock, and if the volume of transactions have not increased, a considerable rise in prices must be the result. Mr. Madsen has not eliminated these other factors in anything he has said or written. If we were dealing only with exchangable products of land and labour (wealth), the question might be decided without much trouble, but as we are dealing with values derived from obligation, as well as values derived from production, it is not quite so easy. In addition we have to remember that money is paid for the services of men as well as for the goods they produce and must add to the stock of values and the forms necessary to transfer them.

The argument for an increase of credit in consequence of increased legal tender and Government loans has not been made out. The appeal to increased deposits is not sufficient. Increased forms of production for military and naval purposes, the increased use of land, increased employment of women, boys, and old men, the inflation of values through other causes, are all factors which would seem to tell in deposits.

The argument used to be, that an over-issue of money, put more money in the hands of bankers, who in consequence reduced over-draft and discount rates, and so created deposits. But in the face of rising bank rates, that is not admissible.

Mr. Madsen's argument in the October Notes is as follows : "A buys £1,000 worth of Exchequer bonds or Treasury bills. Government then demands boots, clothing, and equipment for the army. The investor, however, is no less able to buy than he was before, he now has 'security,' which he can deposit with his bank restoring his bank account and his ability to draw cheques. Where there was £1,000 making purchases there are now £2,000."

The question is the double purchasing power. Is it true ?

If this were true, then it would not be new ; all deposit accounts based on loan securities, private or public, must have meant double purchases, and inflation must have been going on and raising prices since the beginning of the cheque system at least, which we know is not the case.

If the bank gives £1,000 (I am told that 75% or 80% is what would give), the bank, surely, has £1,000 less, or as it does not hoard money, £1,000 is drawn from previous owners. The burden of complaint against the banks has been that they held too little reserve.

In any case hoarded or reserved money does not enter into circulation and cannot increase prices. If A gets £1,000, B or C or D cannot get it, but if B or C or D were to get it on other security it is clearly not related to the Loan, it is not a new creation but a transfer, and therefore not double.

A temporary inflation of prices is sometimes said to take place following an increase of credit transactions. The result is to register an actual shortage and hasten future supplies, but the cause is not the credit, it is the shortage.

A wheat speculator, following such indications as scarcity or intensity of rainfall or sunshine, foresees a shortage of wheat and buys up all the wheat he can. He is said to raise prices by the use of his credit. But if there is a shortage the rise of prices would follow in any case, it is only a question of whether the farmer or the speculator will get the advantage. The cause is the shortage, not the credit demand. If one country makes an economic unit with all the countries with which it trades, then the difference between "Free Trade" prices and "Protection" prices should be trifling ; but we find that the market price of, say wheat, in Hamburg differed from the Liverpool price almost by the amount of the German tariff. That tariffs and differences of currency have some effect is doubtless true, but the effects are like the effects of friction in mechanics. It is negligable.

In the course of the discussion of this question in Glasgow at the Conference week-end, Mr. Wright stated, in reply to the statement made by me and some others, that there was no premium on gold in this country ; that as a matter of fact Birmingham working jewellers were willing to give a premium for gold. Mr. Madsen argued also that the compulsion to change notes into gold at the Bank of England only was equal to a premium. Recently we have had a case of prosecution for the illegal selling of sovereigns at a premium.

These things would seem to show that in point of fact the gold standard has been departed from in this country. Tooke and other authorities say that the rise in prices in Peninsular times was as much due to the war demands of Government raising the value of gold as to the issue of paper money itself.

That is another point of view I would ask Mr. Madsen to consider.

The present war, to put the question in a nutshell, and in Single Tax language, has driven Europe to a lower margin of cultivation, and while nominal wages (money wages) may be higher, real wages (wages measured in produce) are lower. It has also placed us under the power of the State. Whatever the State does is right. It is not only in Germany that that doctrine is held.

Government may take or tax blood and wealth. It may beg, it may borrow, but it cannot steal. I have taken up a great quantity of space and have only dealt with a few points (and these not clearly enough, I doubt) in Mr. Madsen's argument. Nevertheless, I would still crave the still further indulgence of reply as brief as possible to Mr. Gemmell.

Mr. Gemmell objects to my definition of "money." He would say all media of exchange are money. Well, as definition is only a means to an end, the end clearness of ideas and correct thought, and as Mr. Gemmell has further divided "media of exchange" into perpetual and forced (my money) and ephemeral and forced or private money (with me, credit media), the difference seems only one of name. If he had only remembered to distinguish between the two forms, it would have been all right, but unfortunately he has forgotten his own definition.

He says "Lord Rosebery's cheque would be accepted as readily as gold in payment of his taxes." But the point overlooked is, that while that is so, my cheque might not be, while my gold would certainly be as readily accepted as Lord Rosebery's.

Lord Rosebery's drafts on London and his gold might go round the world side by side, but as neither is money (perpetual medium) outside of Great Britain, they equally would require to be exchanged into the money of each particular country. The draft being a promise to pay in gold would require to be met by gold or by cutting off a debt due by some foreigner to someone in Great Britain and deducted from Lord Rosebery's bank credit.

But the gold is goods, bullion not money, and could be immediately converted into watch cases, ear-rings, gold leaf, &c., &c., without delay. It could also be converted into foreign money. Except for the difference in bulk coal carried over the world would serve equally well.

A shop-keeper who takes money takes it because he knows he can buy anything with it without consulting either broker or banker.

So much for the definition question. Again Mr. Gemmell says : "Decreased currency relative to a currency calculated at a much greater amount of produce is bound to increase prices."

Here Mr. Gemmell has forgotten his former statement "Indebtedness for goods is (implication—only) discharged by payment in goods and services."

A shortage of supply does not necessarily mean supply in relation to money but supply in relation to other goods and services.

As Mr. Gemmell is presumably using the term "money" in his own sense of any medium of exchange, he must take into consideration the fact that among the first effects even of the approach of war was a shrinkage in the amount of credit documents.

Again Mr. Gemmell says in substance, "Credit documents can be increased to any extent without respect to the amount of wealth produced and to be exchanged, and so can increase prices. Also landownership can raise prices because the landowner can raise money on the security of his land." Consider it ! A landowner, in getting a loan what does he get ? He gets money. If he keeps the money in his safe, it will have no effect on prices.

He demands goods with the money ; clearly then credit documents must be limited by the amount of goods. On Mr. Gemmell's own argument, prices depend on the relation between all exchange media and goods. Credit is cash given in exchange for cash sometime. But in terms of the case, the supplier of the cash (the creditor) loses his power to command wealth.

If the debtor (landowner) does not pay up at the stipulated time the amount and interest, the creditor, can realise the debt from the sale of the security (the land).

There is nothing here to show any power to increase the demand for wealth ; there is only the power of transfer.

The landlord, as landlord, consumes without producing, he increases prices by so doing, because he adds nothing to the stock.

Property in land adds to prices (or keeps them from falling) by enabling land to be held out of use.

But that is the beginning and end of the sins of that nstitution. The rent in the pocket of all distributively, each could borrow on the security and the sum would equal the landlord's exaction. Mr. Gemmell finally says: "that the true standard of exchange values is not to be found in the material gold stored away anywhere, but in the spiritual gold hidden away in the heart of every God-fearing, honest, kindly man." Again, I think, Mr. Gemmell is in error; that may doubtless be the standard in Heaven, but "on change" or elsewhere on earth I am afraid such a standard would not be accepted. But "credit," which is trust on conditions more or less material, has a faint likeness to Mr. Gemmell's definitions. We are hoping more and more that it will get rounded and improved by (among other things) doing away with unjust property such as property in land.

It may be that instead of looking for Heaven up among the stars that sometime we shall look at the smiling green fields and happy folks on earth.

Yours faithfully,

William Cassels.

WASTING HUMAN ENERGY

To appreciate the economic waste in this country one needs but to cross the vast area between the Missouri River and the Pacific Ocean. For every acre under tillage, from ten to a hundred lie unused. Yet each acre in use must reach a market; and to accommodate this very sparsely settled territory a system of railroads is maintained that could serve an empire. And so it has been from the first outpouring of the Colonies that crossed the Alleghanies in search of homesteads. Products that should have been produced and consumed east of the mountains were produced upon one side and laboriously transported to the consumers on the other side. And so it has been across the Mississippi Valley, the Great Plains, the Rocky Mountains and the Pacific Slope. During this whole westward march men have left unused lands in their own community and have gone beyond the borders of civilisation to grow stuff that had to be transported so far to market that the expense absorbed the profit.

Why these wasteful methods? Why have the tillers of the earth left the idle lands close to the market for those lying at a distance? Why have they operated distant mines, while those close at hand were but partly worked? Why have they laid waste millions of acres of timber land, instead of conserving it for the future? The motive for it all is found in the word "speculation." The man of pioneer spirit saw among his neighbours men who had bought land when it was cheap, and were now well-to-do. But the very increase in the value of lands in his own community that had enriched his neighbour prevented him from acquiring any land at all. The country was growing in population, however, he reasoned, and he might profit as his neighbour had profited by going on ahead of population, taking possession of land and awaiting the coming of those who would follow after him. Thus he and his family suffered all manner of dangers and privations in order that they might become land speculators. They took up not alone land to use, but ten, twenty, fifty times what they could properly till. For, the more acres they owned, the more they would be enriched when the land rose to ten or fifty dollars an acre.

But many of the newcomers on the frontier were unable to buy even low-priced lands, and passed on to still newer frontiers; until now nearly the whole surface of the country has been taken up. And during it all our statesmen who should have restrained the people from scattering out in this wasteful manner took credit to themselves for building elaborate systems of railroads for marketing the goods of these specluators. What man, owning a great estate, would develop it by scattering the labour sufficient to use one-tenth of it over the whole estate? What landlord with tenants sufficient to fill two floors would erect a twenty-story building and permit them to locate where they pleased? Had our early statesmen understood the laws of poilitical economy, they would have taken for public purposes the annual value conferred upon the land by the community. This would have produced two direct effects. It would have prevented any man from holding more land than he could use to good purpose; and it would have prevented any idle land in a settled community. Hence, the next man seeking land would find it immediately connected with a market. Such a system of settlement would have kept men within reach of the fullest co-operation, would have saved a great part of the present cost of transportation, and would have made the lot of each newcomer, whether by immigrant ship or stork express, easier than those that came before. What a field there is for real statesmen! What an opportunity for the young man and the young woman who feel themselves equal to great things! The greatest events of history lie just before us.—S. C., *in* The Public, *September 15th.*

Our contemporary, The Public, which has hitherto been published in Chicago is henceforth to be published in New York. The editors assure us that this means no change in the management or policy of the paper. The change is made solely to facilitate the task of putting this journal on a sound financial basis. The only change will be to devote perhaps a little more attention to happenings outside the United States, and "in its new office of publication the co-operation of the Joseph Fels International Commission will put it more closely in touch with the democratic movement throughout the world." We wish all success to The Public under the new conditions. Ever since it was founded by Louis F. Post in 1898 it has been a brilliant and convincing advocate of reform in general, and has incidentally lent a helping hand to our cause, and we can feel certain that the same high standard will be maintained. We note with pleasure that recently more and more space has been devoted to the taxation of land values, and we are glad to think that this will be continued.

Native Lands in South Africa.

The Beaumont Commission have prepared their black and white map for the consideration of the South African Parliament, based upon General Botha's policy of a separation of racial land interests as opposed to segregation. It has taken two years for its work, and advises the doubling of the native areas from twenty million to forty million acres, and the setting up of local Land Boards to do the necessary reshuffling of properties. Natal and Zululand, however, it suggests had better be left out of the scheme.

The total area of the South African Union territories is, roughly, 300 million acres. The whites number about 1,300,000, and will hold 260 million acres. The blacks, nearly four millions, would have under the scheme 40 million acres, and that of the poorest quality. Yet even the 40-million area is fiercely contested as too much.

Thus does the white man "take up his burden" all over the globe. It would be interesting to know, further, how the 260 million acres are divided among the whites.—The Labour Leader, 12th December, 1916.