the words "one pound," and the gold which now constitutes a sovereign with the words "one penny," would the coins for any length of time exchange in these ratios of declared values? And of Miss Lindsay I might ask how she reconciles her dictum about a sovereign being a stamped "promise to pay" with her subsequent assertion that if the Government repudiated its debts, a sovereign in her possession would be worth more than many Treasury notes?

Yours, etc.,
A. W. Madsen.

14th December, 1916.
3, London Street,
Edinburgh.

(*To the Editor*)

Sir,—I am inclined to think that Mr. William Cassels's definition of money in December Land Values is imperfectly stated. The two considerations which he thinks explain the only necessary functions of money are (1) That it will pass as medium of exchange, and (2) that it is an absolute payment for indebtedness. With his first I think we can all agree, but why should he rule out cheques, drafts, bills, &c., from the category of money? They are credit documents used for the exchange of commodities and for the payment of monopoly charges, just in the same way as gold, silver, copper, or paper currency is used. Lord Rosebery's cheque would be accepted as readily as his gold in payment of his taxes. His drafts on London and his gold might go round the world side by side and buy him commodities all the way, but, as money, neither would be considered as an absolute payment for indebtedness. The draft would still have to do service in at least one other exchange transaction before its usefulness as a credit document was exhausted, and it is on this service that the receiver of the draft from Lord Rosebery would rely in accepting it. That is to say, indebtedness *for* goods is economically discharged by payment *in* goods or services. The same thing happens in the case of the shopkeeper and his customer. If the shop-keeper thinks, like Mr. Cassels, that money is absolute payment for the indebtedness of his customer, he does so only because he knows that money is a credit document. It would not absolve his customer from his debt unless it were so. The fact that the trader's private money, *i.e.*, cheques, drafts, &c., go out of circulation when the exchange of goods to which they relate is completed, while the public money goes on circulating continuously, does not vitiate the argument that both are equally money. It only qualifies the nature of the money, and shows that the trader's services and money are ephemeral, while, in comparison, the public services and money are perpetual. There is this distinction also, namely, that the trader's services and money can only be *offered* to the community, while the public services and money can be *forced* on the community.

Then Mr. Cassels goes on to disparage the idea that the present issue of paper money has done a great deal to increase prices. He admits that the shortage of labour and the restriction of imports have caused an increase in prices, and that this increase involves a considerable addition to the currency. I should rather point out that decreased production, relative to a currency calculated to exchange a much greater amount of produce, is bound to increase prices. Thus a failure of the harvest—a decrease in the normal production of food—must raise the price of food. And, if at the time of reduced production from any cause, we have to reckon with an abnormal issue of money, we have at once before us the two prevailing factors which now co-operate to raise prices to the abnormal height we observe to-day. Taking it, as, at least, approximately true, that "The love of money is the root of all evil." I fear that the currency question has a great deal more to do with the rise in prices than Mr. Cassels seems to perceive.

Mr. Cassels further says that "Prices were rising before the war started, and in the main for the same reason—the hindering of production. . . . The owners of the world are the great hindrance to the lowering of the prices." Quite so, but if the production of wealth were ever so great, and the production of credit documents could be increased, as we see it can be increased, without respect to the amount of wealth produced and to be exchanged, then just as money increased beyond the scope of its true function, namely, the exchange of actual commodities and services, so would prices increase. Single Taxers do not need to be told that landownership raises prices, nor that it does so for the reason that with his credit document—his legal payment of ownership—the landowner has the power of producing money by the simple presentation of a demand for rent, without his having to produce a single pennyworth of wealth in exchange. Now, on the top of all this we have the Government not only increasing the currency, but also producing public credit documents which are being exchanged for private loans of money to be expended in the purchase of goods and the payment of labour required by the war and consumed in the war. These public credit documents do not really represent wealth in existence, although they can be exchanged for wealth; their face value merely represents approximately the arithmetically capitalised rate of interest fixed by the Government upon the loans, and they in no way differ in their financial effect from the private credit document of the landowner, above referred to. Both taken together raise prices against the owners of both, and naturally also against everybody else. Obviously, however, the landowner has the advantage over the holder of Government bonds, because he can rack-rent, while the other cannot increase the interest rate on his bond.

With regard to the question of gold money, I am of the opinion that money, properly understood and properly used, does not require to be in itself a collateral security for its face value by virtue of its material composition, and I venture to say, that if gold money were as unprofitable to the financiers as it is to the general public, it would soon disappear altogether. And I also think 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.

I agree with Mr. Cassels that the present rise in prices is amply accounted for by the conditions of supply and demand, but he does not explain, as I have here tried to do, that the high prices are chiefly caused by a demand set up by the issue of forced credit documents and operating in presence of a relatively and absolutely reduced supply of wealth.

Matthew Gemmell.

Glasgow, December 5th, 1916.
