

CURRENCY AND CREDULITY

The Editor, LAND & LIBERTY.

SIR,

The world financial crisis which is impending is the culmination of long-continued financial folly in high places.

In 1925, after the troubles of the 1914-18 war, at a time when the financial world was beginning to accept the value of the pound sterling as about 13s., compared with its 1914 value of 20s., our then Chancellor, Mr. Churchill, and the Treasury decided to juggle with its value. By trying to make it look like 20s., although this was an impossibility in view of the wage and price levels which had been established, they produced mass unemployment; they wrecked the steadily growing international trade of Britain; they left Britain open to the full blast of the depression which devastated America. This move was termed reverting to the gold standard. It was misnamed and should have been termed, "Fixing a foolish gold standard." The result was that the idea of any gold standard was unjustly discredited amongst the masses of labour and of ignorant so-called economists. If this country in 1925 had fixed its currency to gold at 13s., or some similar realistic value, it would have recovered its proud position as the undisputed leader of the world's trade and finance, with immense benefit. A subsequent result of this unwisdom of our authorities was that even the policy of the open market was discredited amongst the unthinking; a tariff was erected; trade was managed as currency had been; more financial and currency manipulation was commenced and Britain began its great decline which the last war accelerated.

Several years ago, at the opening meeting of the Liberal Liberty League, I was so much concerned about the disastrous nature of the currency and financial policy of this country that I picked it out for my main topic. I pointed out that the undue prosecution of the Keynesian theory would bring disaster to sterling and therefore to Britain as a main world financial factor.

I would not presume to compete with Professor Keynes in the field of mathematics. It is open to argument that the use of money as an instrument could "Iron out the divergence of Boom and Slump," "Minimise the trade cycle," and could thereby do something to give stability to employment. But this is true only in so far as this instability is due to financial factors. Generally these factors are quite secondary causes of instability and violent fluctuation of trade. They, the financial factors, are generally themselves made unsound by another major matter which, so far as I can ascertain, is ignored or not even understood by Keynes and his school (which now-a-days embraces all the major Universities and economists). I refer to the strangulation of production in an expanding economy by the growth of speculative value in land.

The major effects produced by this, and by other speculations which arise out of it, on the well-being of the community and the reliability of the financial structure cannot be corrected by Keynesian monetary management, but only by removing the cause of the unsoundness; vide *Progress and Poverty*, *Social Problems* and *Protection or Free Trade*, by Henry George. The Keynesian theory might be successfully applied, subject to the following conditions:—

(a) That those who control the circulation of money are omniscient.

(b) That they are of absolute integrity.

(c) That they are absolutely unbiassed, e.g., not affected by foolish pride or respect and concern for the rentier class as seems to have been the case in 1925.

(d) That the operations shall be anchored to, or compassed by what used to be known as the "Gold-point."

Assuming the conditions (a), (b) and (c) are all present—a large assumption, I respectfully suggest—then the condition (d) comes into play. Unless there is some such anchorage or compass, some fixed point about which the manipulations must revolve, then in due course the manipulators lose all touch with reality.

You, Mr. Editor, will fully understand the situation at which the American and British "Financial Authorities" have arrived. Last summer we went up together into the bright blue sky in a small aircraft. Between us we forgot to fix the body of the compass to the aeroplane. My attempts to direct the aircraft along an agreed course merely resulted in irrational and immeasurable circuits until all touch even with known objects on the ground was lost. Like the present credulous public, you had implicit faith in your pilot. Fortunately, he merited your faith because he discovered his error, fixed his compass (gold-point) and soon recovered his intelligent control of direction. Our financial authorities do not even recognise that such a fixed point is necessary and all we can do is to pray "God help us" when we ultimately and soon crash.

As long as there is a free market, publicly visible in the world, it is possible for the man in the street to judge for himself the values of the various paper currencies in the world, both relatively and against the absolute fixed point of gold, which measures the value of any particular currency against commodities—the prime function of money. It was to obscure this "fixed star" that the American financial authorities a few months ago deprecated a free market for gold in America or elsewhere.

Last week-end the French authorities actually proposed to open such a free market in France. A so-called "black market" always exists, but because it is illegal (not immoral) it is somewhat distorted. The French proposed in a modified manner to legalise it again. The result has been almost like that produced by a fox in a hen roost, amongst the great financial magicians of the American and British Treasuries, particularly the British.

With a free gold market in Paris the man in the street will be able to make something like an accurate appraisal of the real value of the paper currencies of the world, both against commodities—gold—and against each other; the confidence trick played in the sterling area may be exposed; even the almighty dollar may look a bit tarnished. Repeatedly in to-day's papers one reads that confidence in the pound may be shattered and sterling may lose its position as the world medium of exchange.

If sterling was really worth four dollars to the pound; if the dollar was really worth the amount of gold it professes to be worth, then no action by the French or the Italians or the Russians or anyone else could discredit either of them. Any discredit which arises cannot be charged to French perversity or precipitancy, but is solely due to the unwisdom, ignorance or immorality of our own financial authorities in manipulating one of our standards of measurement, viz., money. The effect upon the com-

munity is similar to that of a trader using non-standard weights and measures. Morally it is in the same category.

At the moment it seems as though the French Socialists, bemused by slogans and ignorance of both economics and finance, may defeat the French Government's proposals. If they do, they will only substitute ultimate, and quick, catastrophic effect for what could and would probably have been a conscious step towards a sounder position.

Inflation, though partly attributable to other causes, for example, unbalanced budgets, is an Alice-in-Wonderland condition resulting from the actions of these currency planners and manipulators. It is the state of the drug addict with phantasy clouding his brain. Losses look like profits; rises in wages purchase less and less commodities; harmful policies look like insurance against unemployment; cheap money loans by the Government look like sound finance; beautifully engraved Government bonds and bank notes turn out to be the chimera of credulity; the whole economy and finance of a society wanders round in a ghost-land of unreality and developing hardship. What should be incentive to greater production turns out to be a premium on absenteeism; moral values and respect for law become confused or vanish; eventually the game of make-believe crashes upon some rock of reality and the facts of life, the laws of nature make themselves felt.

Inflation is the falsest mirage of prosperity, the very deception of the devil, and the longer its drug effects are endured the harder the task of breaking loose from it and the greater the ultimate suffering from the return to normal life. But let there be no mistake about it. If life is to persist then this habit, these wicked State misuses of power, must be utterly broken or Western civilisation, both in Europe and America, will die and its high standard of living and its great and justified hopes will perish from the earth. Liberty, true individual liberty, or death. That is the great law of Nature, for a sound, healthy Society.

To-day the leaders and masses of labour are suffering from the deception of such works as Beveridge's *Full Employment in a Free Society*, and kindred stuff from the Austrian so-called economists and from the Fabian Society. They mistake the feverish flush of the more-than-full-employment of the moment for the ruddy complexion of a healthy economic order. Either they will gain wisdom and knowledge and take the necessary remedies of sound currency, sound land legislation, sound revenue and trade policies and begin to breathe freely and healthily in the liberty of true "laissez faire" or they will come to catastrophes of the sort that Germany went through in 1922-23, *et seq.* In all history this has been the fate of nations which have permitted their central authorities to manipulate the standard of price measurement, viz., currency.

The American position to-day is almost parallel to the British. They have been misled by similar half-understood economic teaching about full employment and security. Under Roosevelt and the New Deal they have been putting their trust in currency manipulation as a remedy for social disorders which require a different medicine. The dollar and the whole economy is thereby distorted. Whilst the American dollar is not so hollow as the sterling pound and whilst the American economy, under some freedom from restrictions, has a slight tendency to correct its unhealthiness, there are still many fatal policies, such as the Protectionism, which distort their economy.

Considering the matter philosophically the startling fact emerges that men have to-day forgotten, misunderstood or never learnt the basic truths which were responsible for the growth of the social order they have inherited. Western civilisation was the product of the Christian ethic, with its derivative belief in the dignity and rights of the individual, termed individual liberty. The teaching of Adam Smith, John Stewart Mill and Herbert Spencer grew out of these beliefs and were applied to some extent by America and, to a different extent, by Britain. The full flower of this teaching given by Henry George was never fully accepted or adopted. The result of this failure was predicted and analytically explained by him and is now coming to pass. As he demonstrated, danger, misery and decay are inevitable if the laws of nature are ignored and flouted.

Men must learn that liberty demands that the central authority shall keep its hands off currency, trade and production; that it shall collect the economic rent of Nature as a trustee for the community as a whole; that it shall cease to take from the individual, by taxation, wealth to which he has the moral title of creator; that it shall fulfil its main, and perhaps its only, function of protecting the individual equal freedom of each unit of its population and shall not itself infringe it.

WILFRID HARRISON.

G.B.S. AT IT AGAIN

Mr. George Bernard Shaw had a letter in *The Times*, January 19th, criticising proposals for a "capital levy," and he made some points which were unexceptional. "Put an extinctive tax," he said, "on savings and the market becomes one in which there are all sellers and no buyers, bringing the price of future incomes to zero." But whatever was the bearing of the following remark: "Lloyd George found that out when he let the Left Wing persuade him to tax land values instead of rents; rents are income; and only income can yield anything to the Exchequer." It is remarkable that Mr. Shaw, who has acclaimed Henry George as his mentor in political economy, takes opportunity whenever he can to make a butt of land value taxation and its necessary incidence on the value of all land, used or not, built upon or vacant. The above remark puts Mr. Shaw among those who use the most specious of excuses for exempting valuable land from taxation—that no income is being derived from it, and enrols himself in the camp of the land speculators. Moreover, he confuses the idea of a capital levy with the assessment of land at its capital value for purposes of an annual tax based thereon, the assessment which is used over most parts of the world for local taxation. The Lloyd George tax to which he refers was a tax of but a half-penny in the £ of the capital value of undeveloped land and the "Left Wing"—which was never heard of away back in 1909—had nothing whatever to do with it and we are quite in the dark as to what Lloyd George "found out" about it, or indeed as to the relevance of the remark. Mr. Shaw should try again and ascertain what Sydney, or Brisbane, or Wellington, or Johannesburg, or Pittsburgh, or Copenhagen, to name but a few of many places, have "found out" from such taxation as they impose on the value of vacant land and of all land, *irrespective of the income being derived from it*. Let him disengage himself from folly and look at the "capital levy" in proper perspective.

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