

economic nonsense and social stupidity of the highest order.

Consider the case of the hospital rate. After a long-sustained agitation, led by cupidity and aided by ignorance, this rate was abolished. This has been an advantage to none but land-sellers. The abolished rate increased land prices. Slowly, any advantage to property-owners has vanished like smoke. No one has been helped but the

seller-out, and for this "mess of pottage" local and popular control of hospitals has for all practical purposes been abolished. So it is with all de-rating proposals.

It would not be unreasonable to expect a Royal Commission to be sufficiently informed on economic matters to know what the social consequences of their proposals must be. The astonishing thing is that this fantastic proposal has been put forward to ease the burden of rates on the home-owner.

"Funny Money" In Canada Senator Roebuck's Grim Warning

IN my terminology the rise in prices due to the fall in value of money is inflation. Not all increases in prices are due to that cause. First, you have increases in the intrinsic value of goods. The mousetrap of today may be better built, and therefore it costs more money to make and is a little more expensive to buy. Second, commodities may include materials which have gone into short supply. Third, increased wages will certainly affect prices, as will gasoline taxes, and municipal taxes upon buildings and improvements.

There are quite a number of others, but the greatest to be considered at the moment are the increase in land values and high rents.

All these things add to the cost of commodities and therefore necessarily increase prices. But, I submit, they are not sufficient to account for the billions of dollars of increases in prices. Certainly none of them, nor all of them together, will account for what we have seen in other countries, that is, runaway inflation, or, as it has been called on some occasions, "galloping inflation", an inflation with which, I submit, we are at present threatened.

Measured in dollars, wages have risen, but, measured in the commodities which wages will purchase they have risen very little. As a percentage of the gross national product they have, in my opinion, actually fallen.

Last week I saw a great freight train a mile in length roll by. It was composed of more than 100 cars and was drawn by a three-unit diesel locomotive. It was immensely heavier, it was longer, and was travelling at a much greater rate than did trains of years gone by. And note the point: it was operated by one man less than the number that comprised the crews of freight trains a few years ago. Now, if there was any increase in the real wages—there was in the money wages—of that crew, the increase was infinitesimal as compared with the increased productive power of that train. The slight increase in real wages, if there was one, is not an element to any appreciable extent in the increase in prices of the commodities which that train might carry.

Sometimes I cannot help wondering just why it is that

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those who seek to blame organised labour for rising prices persistently close their eyes to the fantastically magnified land values and high rents which now characterise the dominion of Canada.

In a class with the monopolisation of the earth and the high prices that attach to it, but of vastly less importance in magnitude, are price increases effected by patent monopolies, cartels, conspiracies for the elimination of competition, and so on. All these things may increase the selling price of goods, but all of them, I submit, are of lesser importance in the problem of inflation—the decrease in the purchasing power of money.

Inflation occurs when the prices of goods go up because the value of money goes down. Why does money go down? There is a classic phrase used by economists and very often heard from the platform and the press: money goes down when too much money chases too few goods. Too few goods I have referred to already, and that factor may not be wholly controllable; but the factor of too much money, I submit, is controllable.

Now observe this: money consists of two things, currency, which is certainly under Government control and is in fact produced by the Government printing press, and bank credits.

Bank credits are very largely in the same category. The excess of credit available for the purchase of commodities is both directly and indirectly within Government control. Indirectly by reason, for instance, of purchases on time of cars, appliances, and so on, and loans (including building loans), which furnish purchasing power to deplete our too few goods, without immediate replacement of them; and directly, by way of Government borrowings, including the issue of Government bonds, which in public possession are like dollar bills for they are Government promises to pay and are negotiable.

The junior senator from Winnipeg gave useful figures which show that from July 31, 1957 to January 7, 1959 the debt of Canada increased by \$1,111 million. In a year and a half—and not in wartime—the Government loaded the investment portfolios of investors in Canada with this huge amount, in addition to what had already been absorbed. There is every indication of a continuance of this high-flying finance in the coming year, in the budget that will come down in a few days, and quite likely there

will be a similar indication in budgets in the years to come. Is this not sufficient explanation of the results of too much money in relation to too few goods?

It is an open secret that a considerable portion of the huge amount of debts in the form of the bonds have been sold to the Bank of Canada and the chartered banks, and that the banks were unable to resell a considerable portion of those bonds to the public.

Let us examine that transaction. In the first instance the federal Department of Finance prints the bonds and delivers them to the banks. They are of course in the form of Government promises to pay at some future date. Secondly, the banks credit the full amount of the purchase price to the Government. Thirdly, the Government proceeds to issue cheques to the full amount of its bank credit, with which the recipients of the cheques may purchase goods, thus putting that additional purchasing power in the hands of the buying public. Then the banks, being unable to sell the bonds, put them in their vaults.

You now have printed bonds hidden away in bank vaults, on the one hand, and, on the other hand, you have Government cheques in the hands of the public of the amount the banks paid the Government for the bonds. It

is a transaction that is tantamount to the printing of money for the payment of Government debts. In its essence that is "funny money". That is chiefly why our dollar has been falling in value as measured by commodities. That is inflation, pure and simple. That is why, to some considerable extent, the cost of living has been advancing, and for this, the Government authorities in my submission, are solely responsible.

It is officially admitted that we have spent \$700 million more this past year than has been raised in revenue, and this without including expenditures on capital account. I am not a prophet; I cannot foretell the future, and I do not wish to try. But if an unsound financial policy of that kind is continued at the magnitude of one billion dollars deficit in a single year, the end is inevitable. If the process continues far enough, the time can come when our currency could be ruined as were the currencies of Germany, France and other nations at various periods of their history. We too might reach the point where the city of Toronto could pay off its debt with a postage stamp, and the national debt could be liquidated with two postage stamps. I believe the commonsense of all good men will prevent this outcome, but I issue the warning that the Government had better be careful.

From The American Press

ACRES TURN TO GOLD

Editorial in Dayton (Ohio) Daily News

MIDDLETON officials expressed pleasure at their "windfall" when 25 acres purchased for \$47,000 a dozen years ago brought them \$164,180, a 400 per cent profit, when sold back to private landholders.

Was it really a windfall? These are the factors that led to the increased worth of the sites:

ONE—The municipal government added to the value of the property by building a four-lane thoroughway across it (this was the original reason for purchasing the tract), by constructing a railway underpass and by good zoning (one side of the highway for residential, the other for commercial-industrial use).

TWO—The land value rose, too, because every person who moved into or was born into the Middleton-Butler county area increased demand in proportion to supply. Population rose more than 30 per cent during the past decade while the supply of land remained constant.

THREE—The totality of tax-supported community facilities—parks, schools, roads, art centre, street lights, police and fire protection, sanitary works and urban renewal—which won national honours for Middleton, made all local property more desirable, reflected in higher selling price or annual rents.

FOUR—The totality of private improvements, in homes, charitable institutions, business and industry similarly contributed to the phenomenal increase in the desirability of this tract of land, a former tobacco warehouse section a mile and a quarter from the heart of downtown.

So the profit, as it was called by city officials, was the

result of community effect and activity, a bona fide earning and not a windfall.

DILEMMA OF FOREIGN AID : THE LANDLORD GETS IT ALL

Editorial in Charlotte Observer (North Carolina)

THE Wall Street Journal carried a letter the other day from one L. M. Winsot of Salt Lake City. Mr. Winsot spent five years, from 1941 to 1946, as Director General of Water Resources in Iran. He has some ideas (or, more specifically, some questions) about foreign-aid policies in the Middle East.

"First of all", he says, "the dollars sent to most of these 'landlord' countries do not help the poor people who need the help. The dollars find their way into the pockets of the rich who need no help, and the spread of Communism goes blissfully on.

"If the 'poor' in the villages of the Middle East are to be helped, they must be given a place in the sun. Today the landlord owns everything. He gets from the farmers one-fifth of what they produce for use of the land, one-fifth for the water used for irrigation, one-fifth for seed, one-fifth for oxen used to stir the land and to cultivate the crop.

"This leaves only one-fifth for the farmer. Of course he must borrow from the landlord. While he is in debt he is not permitted to leave the village. He is never out of debt."

This situation has been written about a number of times. It is notably true in Iran. It is true as well in other backward countries America is helping, partly from benevolence but largely from a desire to stop the spread of Communism.

So what do you do about it? Do you stop the aid