

deposit, and to pay for the staff and organization which is necessary to operate the cheque system and the general expenses, and out of the balance to pay interest to its shareholders.

It is frequently said that the loans or credits given by the bank to its customers cost nothing—that they are created by the mere stroke of a pen. This is far from true. The transaction is effected by an entry in the books of the bank showing that the borrower is entitled to draw up to a certain amount, but that entry could not be made if the cheque system and the whole elaborate organization of the bank did not exist. It is largely that which the customer has to pay for, and the credit he receives is not costless.

If the loans made by a bank cost it nothing, then it would seem to be perfectly easy for the banks to undercut every other lending agency and absorb the whole business of lending money. In fact many other organizations, such as insurance companies and building societies, and private individuals lend money. There is no evidence that the banks are taking away all the business of such competitors.

Nevertheless, it is true that banks, if they pleased and if they disregarded the solvency of their borrowers and of themselves, could lend much more money than they do. In that event they could cause such an increased use of money substitutes as would lead to inflation. The decline in the purchasing power of money would lead to an increased need of money on the part of all their customers, and either the bank would cease to be able to meet all the demands made on it (would lose its liquidity) or the demand would be met by more loans and more inflation until the ultimate collapse occurred.

"Costless" Credit

The idea of costless credit exercises a perennial fascination for those who will not take the trouble to examine the essentials of the problem. The word credit is itself question-begging. Sometimes it means the possession of wealth and a good financial standing. An individual whose credit is good in this sense is recognized as being able to fulfil his obligations, and in particular to be able if he borrows money to repay it. Sometimes the term credit designates one side of the process of granting a loan which makes one party to the transaction a creditor and the other a debtor. In this sense there is no credit without a corresponding debit—a fact which often seems to be forgotten! Sometimes the word credit is used as if it meant money. This use arises from the manner in which bank loans are granted, for this enables the borrower to draw cheques which otherwise he could not have drawn and thus in effect adds to the volume of money substitutes in the form of cheques. This kind of credit, however, creates a debit or debt which the borrower owes to the bank.

F. C. R. D.

[The second part of this article follows next month, paragraphs dealing with inflation and its evils, that money is not wealth, money and production and the gold standard and concluding that monetary changes are not likely to improve the distribution of wealth.]

3d. THE TRUE NATIONAL DIVIDEND. Pros and Cons of Social Credit. By W. R. Lester, M.A.

LORD WEDGWOOD'S WARNING

[In the House of Lords on 22nd October, Lord Reith raised discussion on the reports of the "Uthwatt" and the "Scott" Committees, not on the merits of their proposals but calling attention to the "machinery of planning advocated" and urging that some action be taken. Lord Wedgwood's speech was in our view the most pertinent.]

LORD WEDGWOOD said: We have the astonishing spectacle of the pillars of the Conservative Party urging State dictatorship in the user of land and the pillars of the Socialist Party urging the righteous rival claims of the local authorities. Well, that shows openness of mind on both sides, which is most useful. We do want time to consider where we are going and even what we want. In the eloquent opening speech of the noble Lord, Lord Reith, he said those terrible words which we have had re-echoed ever since in every speech—"get something done." Everybody thinks getting something done is what we want. If that is all you put your mind to you will get the wrong thing done. A friend of ours, known to most noble Lords here present, President Nicholas Murray Butler, of Columbia University, has said that the greatest danger to democracy is the people whom he calls "the for-God's-sakers"—the people who cannot think for themselves, who are always saying to those in authority "for God's sake get something done." The business of Parliament, I need hardly tell your Lordships, is to stop the Government doing foolish things, not to urge it. It is most necessary that in this case we should reflect before we try to "get something done."

What do we want to do? I gather that the great aim and object of the new Planning Minister or Commission, or whatever it is going to be, is the preservation of rural amenities and, above all, the preservation of our existing form of agriculture; that the land of England should be divided into two classes—agricultural land and developed land. If that appears a desirable course to your Lordships, to me it is a perfect abomination. It is the development of Fascism so far as agriculture is concerned. It means the crystallization of the existing system of tenure and the existing system of agriculture. You are going to preserve part of England for agriculture and refuse to allow industry or workers to live in that part of England.

LORD BALFOUR OF BURLEIGH: Hear, hear.

LORD WEDGWOOD: You are going to Ghetto-ize the industrial population of this country. Lord Balfour of Burleigh may approve of that. All Fascists will approve of it, but nobody who loves liberty can possibly approve of confining the industrial classes to the towns and keeping the agricultural portion of England in pristine beauty. It is not only the Ghetto-izing of the industrial population I am thinking of. This crystallization of land ownership and land tenure means that the agricultural labourer must say good-bye for all time to any ideal of three acres and a cow. He will not be allowed to buy. He has got to remain for ever an agricultural labourer. The Guild system in the Middle Ages had the same idea. Messrs Chesterton and Belloc would have

liked to see the Guild system introduced for agriculture, I suppose, as well as the retention of every man in that state of life to which God has pleased to call him. Just as we have passed Acts of Parliament preserving the interests of dentists, doctors, nurses, and perhaps lawyers, by preventing fresh people from coming into their professions, so you are going to do it for the agricultural industry as well—crystallize, ossify. It may succeed, but it will be the ruin of our Empire and the destruction of all possibility of recovery of our trade and prosperity. In these circumstances no new industry can develop. The user of land depends on getting rid of the idea of preserving the existing system, preserving agricultural land as it is to-day. The only hope from these discussions and Reports that I can get is that we have had Lord Phillimore who used to be the principal supporter of the landowners in this country, accepting the ideal of a ceiling for the price of land—the 1939 ceiling. But let noble Lords consider for one moment the impossibility of determining now what the 1939 valuation should be. If you are going to deal with the user of land in this country the essential thing is a valuation of the land as it is to-day. We must have that valuation if we are going to buy pieces of land for anything. If you are going to dictate the user, you must know what you are going to pay. When you have your valuation, then you can reconstruct back from that your ceiling valuation for 1939. You have only got to consider the inflation that has taken place since, and make the percentage deduction. It is easier to make your valuation of what it is to-day than to start trying to value property which has changed hands dozens of times, perhaps and been broken up.

Whether you are going to deal with that problem of the user of land by purchase, which I do not recommend, or by the rating and taxation of land values, which I do recommend, valuation is the key to both. Valuation is essential. When you have that valuation you might remember the incidence of taxation. When people recommend that there should be an increment duty on land instead of a tax on land value, they seem to be completely ignorant of the well-established fact that the incidence of an increment duty falls upon the user of land, upon the purchaser, whereas the incidence of a tax on land values falls on the landowner. One is a burden on industry for all time, the other tends to make land cheaper and easier of access for the people who want to use it.

The crofters movement has lost a notable champion in the death of Mr R. M. Bone, retired teacher, who was a member of the Ross and Cromarty County Council. He was a gifted orator and used his talents on many public platforms pleading the cause of land reform. For the past twenty years he was member of the Highland League for the Taxation of Land Values.

2s. 6d. THE THEORY OF HUMAN PROGRESSION, by Patrick Edward Dove. Abridgement by Julia N. Kellogg. Published by the Robert Schalkenbach Foundation, New York.

1d. CITIES HELD TO RANSOM. By M.