

CORRESPONDENCE

Money and Prices

(To the Editor.)

SIR,—For sound economic reasoning guidance one looks if anywhere to LAND VALUES, but I confess I fail to be enlightened by the "Notes" in last issue on "Paper Money and Currency and Prices."

In the first place I do not think anyone supposes that wealth is created by printing £1 notes, or that the Government hopes they should so suppose. The Treasury note is simply a promise to pay on demand a sovereign's worth of goods or to render a sovereign's worth of services—it is an I.O.U., but differs from the I.O.U. of a private individual in that the Government has the power to pay its debts, while a private person may not always be able to do so. The use of gold for currency is wasteful—it implies a lack of confidence in the honesty of governments or individuals. In the "Notes" it seems to be implied that the Government should have a sovereign in hand for every £1 note printed, but at no time, surely, is there gold enough in the country to cash all the bank-notes or other paper acknowledgments of indebtedness which circulate as money. What I chiefly take exception to is the doctrine that an "inflated currency" raises prices—that is, alters the value of commodities generally in relation to the particular commodity, gold, which is the legal standard of value. Gold is not invariable in value; the real ultimate standard of value is labour. So much labour exerted in producing gold exchanges for so much labour exerted in producing other things. To quote Ruskin: "The cost of anything is the quantity of labour necessary to obtain it; the price of anything is the quantity of labour its possessor will take in exchange for it." Gold in the form of coin serves a second purpose as a medium of exchange. A sovereign is a promise to pay stamped on gold; a £1 note is a similar promise printed on paper. I happen to have in my purse a sovereign, and am quite sure that should I now offer it in exchange for food or clothes I shall obtain no more of these for it than for a Treasury note. But I have no doubt that should the Government, supported by the majority of electors, repudiate its debts, my sovereign would be worth more to me than many Treasury notes. The multiplication of media of exchange cannot, however, affect the value of gold any more than multiplying yard sticks and tape measures can make the standard yard more or less than 36 inches. The present rise in prices is amply accounted for by the conditions of supply and demand. The evil effect of the Government borrowing instead of taxing to meet the cost of the war, as Mr. J. A. Hobson has pointed out, is that the well-to-do are not discouraged from spending as they would be if more heavily taxed, and therefore the demand for goods and services is larger than it need be in relation to supply.

Yours, &c.,

E. LINDSAY.

Belfast,

October 9th.

[It is not disputed that prices are conditioned by supply and demand. On the contrary, our contention was that the increase of currency in all its forms—coin, paper or bank credits—has created an artificial demand for goods which is much greater than the previous demand and there has been no corresponding increase in the supply of goods. To the normal exchanges and purchases among the individuals composing the community there has been added first the power to purchase (through paper money and bank credits) and then the actual purchases of the organised Government of the community. This is partially admitted by our correspondent in the statement that "the effect of

the Government borrowing is that the well-to-do are not discouraged from spending." How can the well-to-do continue to be able to spend if instead of giving their money to the Government in taxation they lend it? By either action they apparently part with their power to purchase. The explanation clearly is that the bonds, bills, and subscriptions are trafficked in as "securities" and are used by the lenders themselves to purchase goods, while the Treasury notes have enabled the banks not only to maintain but also to increase their bank balances at the Bank of England. By these facilities and in one way or other the banks have increased their customers' credit balances (that is, the power of their customers to draw cheques) by some 250 million pounds since the commencement of the war. The natural result has been an increase in prices, and the further and later inevitable effect, when the borrowing ceases, will be a great fall in prices which will react most powerfully on the future relations between wages and rent.

The increase in the currency has diminished the value of all things used as money. Both the Treasury note and the sovereign, each of the face value of one pound, can only buy three-fifths the quantity of commodities which one pound could buy before the war, and so our correspondent finds that it is impossible (at present) to get more for a sovereign than for a Treasury note when it is exchanged for goods. This is despite the fact that the sovereign itself is a commodity having a value due to the cost of producing sovereigns, because there is a legal restriction on any one attempting to secure a premium for gold. The Government have in fact meanwhile established a "minimum price," or exchange value for golden sovereigns just as the Governments elsewhere have fixed minimum prices for all sorts of commodities; and the community have thus far co-operated or have been morally or legally persuaded to co-operate in maintaining the value of the Treasury notes at the same value as golden sovereigns.

This is not to say, however, that the repudiation of Government debts is a necessary condition to the sovereign being sold for more commodities than a Treasury note would fetch. The Russian Government, for instance, has not repudiated its debts but it is already paying a premium for gold, and all the belligerent Governments, save the British, have refused to give gold in exchange for paper money. This has been the result of the "multiplication of the media of exchange" pursued to such an extent that gold, with its intrinsic value due to the cost of production, has asserted itself and has taken its place as a commodity along with wheat, cotton, coal, timber, and all other articles of real wealth. Nevertheless, even in this country, there is a small premium on gold inasmuch as anyone who requires to have a sovereign (for the gold that is in it) can only get a Treasury note exchanged at the Bank of England in London. He must make personal application there and the Bank cannot of course, refuse to hand over the sovereign. But the time, labour, and postage involved for anyone not living next door to the Bank of England does represent an appreciable difference between the value of the note and the value of a sovereign.

We do not attach any essential virtue to gold as either a medium of currency or as 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 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 Governments 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.—The Writer of the "Notes."]

POVERTY AND POPULATION

(To the Editor.)

SIR,—In this controversy let me say right here that I am not at all prepared to defend everything that Malthus has written in the *ESSAY ON POPULATION*. In the light of present-day knowledge this book contains a mass of matter that must be discarded. I am in agreement with the fundamental theorem of Malthus which I would put thus in the words of the Right Hon. J. M. Robertson:—

"I. Population is necessarily limited by means of subsistence.

"II. Population invariably increases where the means of subsistence increase, unless prevented by some very powerful and obvious checks.

"III. These checks, and the checks which repress the superior power of population, and keep its effects on a level with the means of subsistence, are all resolvable into moral restraint, vice, or misery."

That, I take it, is the essence of Malthusianism in the minds of present-day reformers and has no relationship to any *Wage Fund Theory*.

In this connection I would not like to think that *PROGRESS AND POVERTY* would be condemned as a whole by a school of thinkers because George's opinions on the Population and Interest questions were found to be untenable.

Mr. Lester says "the issue is clear. Malthus attributes poverty to the pressure of population on subsistence. George attributes it to unjust man-made laws." Do unjust man-made laws not constitute a hindrance to the production of the necessaries of life? "Malthus declares that his argument 'depends entirely upon the differently increasing ratios of population and food.' Clearly, then, if it can be shown that the capacity of food production per head of the population increases with the growth of population Malthus's argument and all that has been built on it falls to the ground."

Not so fast, Mr. Lester! You must not assume that Malthus was such a silly blunderer as all that! Mr. Lester's statement is a worse futility than any fallen into by Malthus. He, Malthus, constantly pointed out that, while the food yield of the planet could undoubtedly be very much increased if mankind bent itself intelligently to the task, there is not a shadow of ground for believing that it ever will be increased at such a rate as to keep pace everywhere with the increase of population that would take place if the preventive checks were for a time removed. Moral restraint, therefore, I contend, there must be, if population is not to be constantly restrained physically. I would bring the argument to a point by saying that, save where men have learned to guard against the results of thoughtless instinct, human procreation *always* goes on faster than the increase of the available means of subsistence in terms of the average standard of comfort.

But, says Mr. Lester, our land laws could be altered so that subsistence in its broadest sense could be brought within the reach of all. Can Mr. Lester point me to any considerable country in the world's history where reform *ever* kept pace with the needs of the people? What likelihood is there that it ever will? Certainly the history of our own country yields little hope of early betterment. The mirage of the *Golden Age* is ever in front of us, and we are hoping always as to its realisation despite the perpetual disillusionment of our hopes!

I was interested, like Mr. Lester, in the alleged discovery of the extraction of nitrate from the atmosphere. In the light of what has gone before, of what avail will this be to the man in the street? Meantime what? Until the brotherhood of man is realised through the Single Tax is there to be no recognition of pressure of population on subsistence?

Some years ago Dr. Ogle, Superintendent of Statistics in the General Register Office, gave evidence before the Labour Commission as to "the enormous mortality of infants and children in the working class. In Preston it was so high that insurance societies refused to insure infant life." The former statement was corroborated by pages of figures which show how population is kept down by wholesale premature death.

Besides pushing on the advent of the Single Tax I am all for saving this holocaust of infants which is the obvious expression of the check of misery on the principle of population.

Those who, like Mr. Lester, suppose they are refuting Malthusianism by saying that wealth does increase faster than population are not taking hold of the most awful fact of the case, namely, that population is being kept down to-day, and has always been kept down, by wholesale premature death.

We must bear in mind that every country in the world is imperfectly developed, as measured by intellectual expert opinion; but it is the merest truism to say that a country can only be developed up to the level of the intelligence of its population in the mass. In other words, in a country whose resources are imperfectly developed, population, as Malthus professed to show, presses against the actual developed resources. Until the undeveloped resources waiting to be taken advantage of, as, say, the abstraction of nitrogen from the air, is this age-old massacre of the innocents to go on? Mr. Lester says, "But I refuse to believe that, given equality of economic opportunity, there need be any fear of this 'unbridled exercise' of sexual instinct," and to hark back to his original article wherein he says "so long as we can look around on locked-up resources on every hand it is idle indeed to write learned articles on the over-population peril." Does this mean that until the advent of the Single Tax this terrible wastage of life must just go on?

Does Mr. Lester think there is any cause save increase of population which makes recourse to inferior soils necessary? Is the recourse to lower quality soil, *other things remaining equal*, not a general lowering of the standard of comfort? The productiveness of human labour is progressively lessened by the necessity to recourse to less and less fertile land, and less productive natural agents generally. Progress in the arts of life gets used up in this way instead of adding to our wealth or leisure.

George recognises this, and we will see where his argument leads us. "Even if the increase of population does reduce the power of the natural factor of wealth, by compelling resort to poorer soils, &c., it yet so vastly increases the power of the human factor as to more than compensate. Twenty men working together will, where Nature is niggardly, produce more than twenty times the wealth that one man can produce where Nature is most bountiful. The denser the population the more minute becomes the subdivision of labour, the greater the economies of production and distribution, and, hence, the very reverse of the Malthusian doctrine is true, and, within the limits within which we have any reason to suppose increase would still go on, in any given state of civilisation, a greater number of people can produce a larger proportionate amount of wealth, and more fully supply their wants than can a smaller number."

Bastiat, I may say, made great play with this argument before George.