



E. C. Harwood writes in the September HGN that gold purchases by the government cannot be considered inflationary because the gold can be used (and is now so used) to settle foreign claims against the dollar on the world market.

This transfer of gold to foreign countries certainly was not planned when buying gold for the purpose of holding it as backing for our domestic currency. True, it was ready to be used in an emergency, but it must be considered bad fortune or adverse circumstance that has overtaken the U. S. in its balance of payments' position. Now we have to live up to our promise, even though we must accept devalued dollars for it.

At any rate, we expect to improve our position and regain the lost gold. Then we shall be back where we were, with gold hoarded by our government for which paper dollars are circulating in the economy without the possibility of extinguishing this form of financing through the commercial banking principle. This could only be accomplished through the sale of this gold in the free market into the hands of ultimate users, as is done with other commercial loans. I have dealt with this problem in greater detail in my article "An intuitively perceived theory of money and interest". ("Free Deeds," Autumn, 1964; Blauvelt, N. Y.).

While on the subject of balance of payments: a German committee of five economic experts, appointed by the Bonn government, has found in its recently published report (first part) that the best way to overcome the difficulties deriving from balance-of-payments was to have floating exchange

rates. This recommendation was promptly repudiated by the Bonn government.

Another point—foreign central banks use both gold and some strong foreign currency, often U. S. dollars, as backing for their own money issues. Question: since additional dollars have to be issued by our Federal Reserve System for such purposes, and since this issue of money involves interest bearing government securities, how much does it cost the American taxpayers to finance the dollar reserves in foreign countries?

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I believe Mr. Meehan (September HGN) underestimates LVT's effectiveness in a "vertical city." Some of the fantastic values in urban land, such as \$33 million an acre, are comprised of two main elements: basic land rent and hefty percentages of the gross volume of all business ventures on the land. These two factors, capitalized at, say 5 per cent, would build up a tax base rapidly.

Another factor is the long-term lease, at the end of which everything standing on the land becomes the property of the landowner. This is a great boost to land values, and, I should think, especially significant as the lease approaches termination date.

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Mr. Meehan says land rent is only a fraction of the return for the entire improvement in New York City. He should look at land prices in order to appreciate what the land rent in this "vertical city" really is. More commerce means greater site rent. A glance at Staten Island reveals plenty of land speculation, and in midtown New York, too, one can see numerous buildings known as taxpayers. Harlem is another speculation area where the land value is generally more than the building value, but it abounds in tax-