

LETTERS

LAND NOT MERCHANDISE

SIR, — I read in your journal that "local authorities will eventually be buying all development land", which reminds me that out here (in the Antipodes) our Government has been experimenting cautiously with land purchase, but makes no headway in this because it simply cannot afford to pay market prices. If it is accepted that the land belongs to the people the most direct way to ensure that they benefit, is to take the land once and for all out of the market place so that it can no longer be parcelled out for buying and selling like any items of expendable merchandise. I think the time is ripe to make a clear distinction between land rights and rights of private property, to do away with the present system which allows land to be bought and sold and bequeathed along with the installations and equipment located upon it. This does not mean abolishing private property and private enterprise. It means that when a house, farm, or business changes hands by sale or by inheritance the new owner of the going concern would come in as a tenant of the land upon which his property is situated, agreeing to pay an annual rent to the government.

If this change were made slowly as the freeholders transfer their property to successors of their choice, the question of compensation need not arise. The new owners may as well come in pay-

ing rent to the government as selling or mortgaging their inheritance to pay death duties, or raising expensive mortgages to buy the land. The big advantage of the leasehold system is that it would do away once and for all with the deplorable practice of land speculation without interfering with people's rights to carry on with their business of pleasure as usual.

Yours faithfully,

CONSTANCE G. FOSTER

Nelson, NZ

CREDIT IS NOT MONEY

SIR, — It may seem churlish to take up a point with Professor Jones of University College, Cardiff, who at least understands the difference between credit and money, which so many other so-called economists do not.

He does happen to be in error, however, in stating that banks can lend much more than the money deposited with them by their clients. Unless the bank has simply enormous capital of its own in excess of its own fixed or long term assets, it is impossible for a bank to lend more than the amounts deposited with it by its customers. I have studied the balance sheets of banks very carefully during nearly fifty years of professional life and I have never found one where advances to customers were in excess of deposits from customers.

Where I think Professor Jones has slipped into error is in not realising that an advance to one bank's customer through the clear-

ing house system almost immediately becomes a deposit, either in the same bank, or in some other bank. No bank ever lends out more than is deposited with it.

Yours faithfully,

OLIVER SMEDLEY

Saffron Walden,
Essex

PROMISES TO PAY

SIR, — Mr. Smedley's complaint (July/Aug. issue) that I have not replied to his argument, reminds me that I was once at a lecture in which my old friend, George Bedborough, was chairman. After the lecture, a member of the audience put a question, to which the lecturer replied. But the questioner jumped to his feet again with: "Mr. Chairman, the lecturer has not replied to my question." But Bedborough, with a perfectly serious face, waved the questioner to his seat and said: "No lecturer ever replies to a question. Next question please."

I will, however, try honestly to reply to Mr. Smedley's two questions. (1) The inscription on the old Scottish notes ran (with small variations) "I promise to pay to bearer on demand one pound sterling," and the notes were redeemable in coin. Hence the banks' vulnerability to foreign demands for gold. Surely it is equitable that if the free market price of gold rises, the holder of the note should receive a smaller *weight* of gold on redemption than before the rise. (2) The difference between redeeming a pound note in a pound's worth of gold at the current price in a free bullion market on the day redemption is demanded, and just buying gold with pound notes in the free gold market, is that in the former case the bank binds itself to redeem the note in gold; whereas the bullion market does not. It sometimes happened that rumours of a bank's instability depressed the market value of its notes, but the bank was able to scotch the rumour by freely redeeming all notes presented.

Yours faithfully,

HENRY MEULEN

London, S.W.19.

