would not so urgently be needed.

Oser also feels that George, in dwelling on the land question, did not sufficiently appreciate the power of capital. But a careful reading of *Progress and Poverty* and his other works will show that George did not close his eyes to what was going on but looked beneath the surface for underlying causes.

The balance of the book deals with the public's reception to *Progress and Poverty,* to the rest of George's writings and activities, and then to an account of his influence. (It may be noted that Oser acknowledges that in *The Science of Political Economy,* George correctly ascribes a general applicability to the law of diminishing returns, thus being ahead of the economists of his day.)

Whatever his criticisms, Jacob Oser has shown in his book that Henry George is a great thinker that must be taken seriously, and it is hoped that this work will have some influence in that direction.

LETTERS

REDEEMING NOTES

SIR, — I am afraid that I do not think that my friend Henry Meulen (May/June issue) has really answered my argument. May I ask him two short questions?

1) When Scottish banks enjoyed freedom of note issues for 150 years, what did the notes actually say? How were they redeemed?

2) What is 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 when redemption is demanded" and just buying gold in the free market with pound notes?

Mr. Meulen's proposal makes nonsense of the word "redeemable".

Yours faithfully,
OLIVER SMEDLEY
Saffron Walden,
Essex

CREDIT IS NOT MONEY

SIR, — After the kind remarks made (May/June issue) by Mr. Meulen about my article on inflation, it may seem churlish not to concede the one point on which we disagree, namely, my contention that the banks can and do 'create credit'. However, it is not true to assert that banks are wholly limited to lending the money lent to them by their depositors. They can, in fact, lend much more, provided that they always ensure that the incoming revenue from their credit-loans more than covers their net outgoings from depositors' withdrawals. Perhaps in its extreme form this proposition will make the average banker blanch; but some banks nevertheless quite legitimately tend at times to lend more than they have on account. Even so, this should not worry Mr. Meulen unduly, because it is an expansion of credit which results, not an expansion of money; and, as I have shown in my article, the expansion of credit only brings about a redistribution of prices within the market, not an overall increase in those prices. The creation of credit consequently has no permanent disruptive effects and is, indeed, often necessary to stimulate trade. What I had hoped sufficiently to have emphasized in my article was that the creation of credit is not the same as the creation of money and that the two processes must be kept wholly distinct if society is to prosper.

Yours faithfully,
F. J. JONES
University College,
Cardiff

NOR WAS ANYONE ELSE!

AMERICAN banks have been allowed to grow too powerful and have been permitted too much freedom in investment, Mr. Henry Reuss, chairman of the Congress Banking Committee, said in Washington recently.

Some banks had found themselves with "billions of dollars in shaky loans" as a result of investing heavily in property in recent years, he said. "Banks were never intended to engage in real estate speculation."

Inflation

THE COST

A married man with three children who earns £3,000 before tax now, would need to earn £51,610 in 1985 and £513,951 in 1995 to maintain the value of his income, at an annual rate of inflation at 20 per cent.

This was stated in Parliament by Mr. Robert Sheldon, Minister of State at the Treasury.

In the same way a married man who gets £1,500 before tax, and has three children, would need to get £17,663 in 1985 and £294,069 in 1995, and one earning £5,000, £98,957 and £807,110 respectively.

To maintain the value of his income, the married man with three children, who earned £3,000 before tax in 1974 would need to earn £837 more in 1975-76.

* * *

SCANLON AND JACK JONES POWERLESS

INFLATION is caused by a continuing surfeit of money; inflation can therefore be controlled or prevented only by striking at the source of money surfeit. It follows that all prices and incomes policies are irrelevant and futile, whether they are voluntary or compulsory.

If the surfeit of money continues, then all prices and incomes must rise accordingly, and nothing can prevent this, neither earstroking nor birthday honours nor fines nor imprisonment nor firing squad. It is automatic and inevitable: it may be dressed up by wage demands and strikes and all the fairy tales about goodies and badies.

In reality, inflation has no more to do with employers and employees, trade unions or ministries than the coming in of the tide or the rising of the sun. Hugh Scanlon and Jack Jones are alike powerless either to cause inflation or to prevent it. —Enoch Powell, in an address in Littlehampton, June 20.