European Economic Community isolates itself from the rest of the world by its barriers to world trade. To stay in is to be small. To trade with the whole world is to expand.

We are an island nation and consequently a maritime one. Free trade, throwing our ports open and taking and sending out goods without let or hindrance from and to all people everywhere is surely the easy and natural path to prosperity and leads not to price fixing and price maintenance but, through healthy competition, to the reduction of prices—and, consequently, to the increases in the real value of wages.

Yours faithfully,

EDGAR BUCK

*Cardiff*

## MONEY AND GOLD

SIR, — Mr. Smedley fears (Jan-Feb issue) that if the commercial banks were allowed to issue their own notes, they might be tempted to pay their debts in their notes. But Scottish banks enjoyed freedom of note issue for about 150 years and their currency was far more stable than that of England where banking was more state-controlled. The Scottish notes were cleared daily through the Clearing House, and any excess had to be balanced in gold by the deficit bank. It would have been useless for a bank to pay its debts in its own notes: it might as well pay in gold.

The Scottish system was abolished in 1845 precisely because the English government held the same opinion as Mr. Smedley, that the pound note must always be redeemable in a fixed weight of gold: if gold was being drained away from the country, we must cut down prices here by a high bank rate in order to induce foreign importers of our cheapened goods to buy here and replenish our gold reserves. This was the origin of the stop-go policy which has produced alternate booms and slumps here for over a century, bankrupting small firms and encouraging mergers among the survivors.

The remedy is a floating gold price. Gold is nowhere used as money today - there is too little of it. Gold serves today only to ensure trust in paper money. But gold is itself exposed to the law of supply and demand. Therefore if the value of a pound note is not to be jerked about by every change in the bullion market, the note must be made redeemable in a pound's *worth* of gold at the current price in a free bullion market on the day when redemption is demanded. Mr. Smedley wants a fixed gold price. What price would he fix? In view of gold's skittish behaviour recently, this poses a pretty problem for him. If the price is lower than that of the free market, the banks will be shamelessly drained of gold. If too high, they will be stuffed with gold for which they have no use. Mr. Smedley has a fine record of anti-socialist activity, and I am sorry to have to disagree with him on this point.

Will you allow me a little space in which to congratulate your contributor, Professor F. J. Jones, on his refutation of the widely-held notion that banks today create money. I have attacked this notion for 17 years in the pages of *The Individualist,* and I therefore look on Jones' efforts with a professional eye. I welcome his help because the enemy is so strong. Governments in every industrial country are today burdening banks with crippling restrictions because they are convinced that banks today create money. What the West has suffered in loss of production, bankruptcy among small firms and consequent growth of monopoly in industry is incalculable. I would, however, demur to Jones' statement that banks *create* credit. I know that the word is in common use to denote the mere lending of money, but its use plays into the hands of our opponents. A bank lends, and can lend, only the money lent it by its depositors. To give any countenance to the idea that the banks create this credit out of thin air is a great pity.

Yours faithfully,

HENRY MEULEN

*London, S.W.19.*

## LAND PROFITS FOR THE PEOPLE ?

*Country Life* 27 March

OF ALL the promises made in the Community Land Bill, perhaps the most certain to be fulfilled is that the new scheme will need 14,000 extra local authority and government staff and will cost over £60 million a year to administer. In theory, this expenditure should be covered by the profits that will be made. And indeed, since the local authorities will eventually be buying all development land at existing-use value and selling it to builders at market price, this ought to be the case.

However, there is no likelihood that the heady days of the 1971-73 land boom will recur. Landowners will certainly not be rushing forward to sell their land at a price that gives no profit, any more than developers will be clamouring to buy or lease land that is too expensive. The effect of the Bill will be to slow down transactions in land (possibly to a level where the only sales are those caused by compulsory purchase orders) and perhaps to lower land prices to a point that hardly covers administration costs.

Few people would disagree with the philosophy behind the Bill, that the comunity should take the land values which it creates, particularly those values created by planning permissions. What the Government fails to see is that these values are of a continuous nature, and much more easily and fairly taken by taxation on the annual rent of land. To treat them as a series of one-off transactions and to impose a 100 per cent development land tax, or to buy at existing value, is to bring incentive and enterprise to a full stop. Local authorities will benefit where the land they acquire is leased back to developers with regular rent revaluations; but when they sell outright, they will be passing back future benefits into private hands again.

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