

9. 12. 1950. Your letter of 23. 11. 50.

Dear Mr. Meulen,

when I read the excellent article "Humpty Dumpsy" in "The Economist" of 11.11.50., I remembered your remarks under the heading "socialism", page 2 of your letter. You say: "... notice how quickly the process is occurring in Russia today" ... " and really, all words concerning political economy or political science must now be used in the sense prescribed by the Russian government and now fixed in the new dictionary of Liokhin and Pestrov. (" - ? - J.Z.)

(Must they? Who bothered to read Soviet-Russian economics texts and about their propagandist interpretations? - J.Z., 21.3.03.)

But from this fact (? - J.Z.) I do not derive:

- 1.) that the Russian government had a right to deform the Russian language (which **Turgénieff** called the great consolation of his life) as it did,
- 2.) that the deformations are used by the Russian people if they talk *entre eux*,
- 3.) that these deformations will be continued **one** day, if there will be a real revolution in Russia.

I think that an intelligent Russian now speaks **two** languages,

a.) the prescribed and

b.) the normal, created before 1917 by the Russian scientists, poets, etc. The fact that the latter is not spoken in public does not annul the other fact that it **exists** and is used.

When in Germany, in the year 1878, firstly by the socialist Hoedel and, a short time later, by the socialist Nobiling (both sympathising with anarchism), shots were fired at the emperor William I, the word "socialism" was used, by official papers, by members of parliament, by government officials etc., as a synonym for murder, robbery, etc. But the German scientists were not in the least impressed. Also, when Bismarck in a then celebrated speech at the Reichstag remembered the burning of Paris by the Commune, in May 1871, and stated, that he had **seen** the smoke and smelled it and that since that day he knew, from his own experience, what socialism **is**, for - - he said - - he had **seen** it, and now all officials used still more so the word "socialism" as a synonym of arson and murder, the German scientists (all non-socialists, with few exceptions) continued to use the old word in its former meaning. At last their terminology won. Bismarck himself, when conservatives reproached him for his "Sozialversicherungspolitik", as being merely socialism (in the 80's) answered: I do not fear a word, style it as you like! So the word "socialism" was used in Germany exactly in the same meaning in which Benjamin R. Tucker used it, and that until about 1914.

During and after the first world war, the word "socialism" was understood as "state socialism". One of the reasons was, that the other socialist groups had disappeared, some - - like the anarchist group - - simply by imprisoning the members or killing them. But my impression is that the old meaning of the word in Germany is not yet quite forgotten. I myself do not intend to yield to the ignorance or the illogical thinking of the German article writers and book makers, a great part of them being government officials, who dare not to use another language than their ignorant superiors. (Many of them are not masters of the German language and their opinion on this point does not carry weight.)

In all spheres, where now the word "socialism" is used as a synonym for State socialism or State capitalism, there does not longer exist a word for a movement whose aim it is to reduce the exploitation of men by men to the technically possible minimum, where the means to be applied are to be expressed by an attribute to "socialism". The consequence is, that also the notion of such an aim has been quite lost, for the existence of a notion depends - - for average people - - upon the existence of a **word**, which indicates this notion.

By what word would you **now** express a movement with the aim to abolish, as far as possible the exploiting of man by man, by other means than State socialism or State-capitalism? You have none, although the work of your life is devoted to such an aim.

Duration of bank loans. You say: "If it (the bank) confines itself to unusually short-date loans, it will lose profit".

a.) "unusually short-date loans". For decades the normal duration of loans granted by a note-issuing bank in notes has been the time of transportation of an existing good, from the place where the good was manufactured or stored to the place where it was expected to be consumed and paid by the last hand which took over the goods.

In general - - and here you are right - - the profit of such a business is not great. W. B. Greene, who knew note-business from the several thousands of note-bank in the USA, therefore - - quite logically - - proposed to do the note-issuing business by non-profit-making cooperatives. He went so far for the reasons we often discussed. I might add to these reasons that a note-issuing banker has always an opportunity to provide other services to his customers than the issuing of notes and that these other services are of the greatest profit for the customers, for the society as a whole and that they also leave a good profit to the banker.

An example for our time would be the financing, of wind-motors in agriculture, to the same extent as this is done in the USA. There the peasants are much more independent from coal than in Europe and, especially, in Germany. The financing cannot simply be done by handing over notes to the amount of the price of a wind-motor and saying to the customer: return me the notes within 15 years! I explained in my books the only possible way in which a note issuing bank may involve itself in the financing of long term investments.

b.) I now, that you consider the time elapsing between the beginning of the transport mentioned above, and the end of this transport, as unusually short. At least it is not **unusual**, for it was normal even for the great monopoly-banks such as the Reichsbank.

I know, too, that you do **not** acknowledge the distinction of exchange

I.) of present goods against other present goods by means of transportation (and exchange media issued only for this purpose! - J.Z.)

(J.Z.: Somewhere else B. pointed out that Swedes originally had for such notes the suitable name: "transport tickets". Such notes are turn-over credit or clearing notes, or "cut-up" sound commercial bills, in convenient denominations, circulating only until these bills are due. - J.Z., 21.3.03.)

II.) of present goods for future goods still to be produced,

as essential.

(J.Z.: "Notes" representing the future goods are medium or long-term investment certificates, bonds, shares or other securities. They are acquired with spare current goods and services or savings, invested for longer terms and, ultimately, repaid out of future goods and services produced or offered then. While one can buy shares with cash and often sell them rapidly for cash, they are not cash. Nor are genuine banknotes merely shares in productive capital and future earnings. They can be immediately turned into goods and services or used for debt payment and therefore they are called "currency". Share certificates, bonds and mortgage letters are not currency and cannot be used as currency even if they are called banknotes, printed like banknotes and issued under the assumption that they are banknotes. They do not have a corresponding and immediate readiness to accept them for goods and services. Why should the current goods and service providers accept them, when they have not issued them themselves, are not contractually obliged to accept them and do not want to invest their goods and services or sales proceeds from them, on long terms, in such securities? It takes two to tango! An issuer and an acceptor. In the absence of legal tender such "banknotes" would be widely refused and suffer a large discount as currency, among the few remaining acceptors, no matter how profitable they might be as long-term investments. People who think only in terms of forced value and forced acceptance do not consider this freedom alternative and its consequence. - Even tax foundation money suffers a discount when issued beyond the near-future tax receipts. So does railway money or bus money, when issued beyond its near future reflux in fares. - Current mutual sexual satisfaction is different from the promise of sexual intercourse many months or years in the future. Notes and securities are as different. - J.Z., 21.3.03.)

Many economists are of your opinion. Few of mine. Experience, made under conditions where cours forcé does not prevail, will teach both groups.

Financing in old times, say, in the years before 1844, is not yet fully explained. Example: When **Marx** tried to get examples of how the purchase of **machines** was financed by employers, he could not get any information. But there still exists a letter of Marx to Engels (owner of a great textile factory) in which he begged his friend to inform him and to tell him at what intervals his machines were written off. The literature of that time did not furnish sufficient information. Engels' answer is not preserved. I am convinced that the purchase of machines was not

financed in the simple way of handing over notes to the manufacturer, to the amount of the price of the machine and saying to the manufacturer: Repay the notes in 60 monthly intervals or so (with interest - - high or low).

Very faithfully Yours - signed: U. v. Beckerath.

Dear Mr. Meulen,

10. 12. 1950.

in itself the fact is of no great importance, but as a symptom it is. You will have read in your papers that now the great furnace at Watenstedt, Germany, will be dismantled by the decision of the British authority. The Greek government shall get the debris as reparation goods. I am convinced, the officials of that "State" (remember the reports on the Greek concentration camps in "The Word") sold this debris already as scrap-iron to an English concern. But that's not so important. Important is that:

Certainly, at the moment an increase in the production of iron is more desirable than any other things. That the English government distrusts German workers and refuses to hand over to them the high furnace of Watenstedt, I can understand, although I think that such a distrust is today no longer justified. But here opinions may differ. What is not to be understood (or too well understood) is, that the British government did not send for English workers or other non-German worker, whom it trusts, so that these furnaces might again produce iron, as much as possible and as soon as possible.

The expression of thoughts may be prohibited, but the thoughts themselves cannot be prohibited and, unavoidably, these thoughts, in the minds of Germans, must be:

If the British government **really** had the intention to protect the Eastern frontier of Germany, then it would do all in its power to produce iron for the army that shall be ranged at the frontier. If it stops iron production or dismantles high furnaces, then, quite obviously, it has **not** the intention to protect the German frontier.

The Germans themselves, at the moment, cannot do it. Against a Russian army of more than 2 000 000 and excellently armed soldiers, with an abundance of tanks and planes, the Germans are defenceless, whether there are 100 000 German soldiers merely armed with rifles and a few cartridges or 200 000 or 250 000, numbers which were discussed in the last weeks in England. Also, in this connection, the Germans cannot possibly forget the very numerous cases where people were detected in England, who were bribed by the Russians or doing unpaid services for them or defecting to Russia. It is clear that for each case detected there must be about 1,000 or so people not detected.

(There might be as many more collaborators than the discovered ones, but I highly doubt it. Sometimes B. seemed to used "poetic licence" in his letters or simply exaggerated to make a point. - J.Z., 21.3.03.)

Is the dismantling of the high furnace of Watenstedt such a case? (I tell here only what unavoidably must be the thoughts of the Germans, but assert nothing.) What is the matter with those who now decide England's and the world's fate?

In Korea, at the beginning of the war, the American army was practically without ammunition. (Ammunition for 2 days!!) The intelligence service of the Americans did not discover, that a few miles from them an army of a million Chinese troops was marching against the Americans. Atom bomb secrets are handed over to Russians. (They certainly, are no secrets any more, in all details.) Has fighting any value in such a situation? The war, although not yet declared, is practically already lost.

The situation reminds me of the situation in the USA before the Civil War in 1861. The war minister at that time was a Southerner. He sent the fleet, all ammunition and as much artillery as possible to the South. When the war began, the North was almost unarmed. (B. wrote: "quite" unarmed! - J.Z.)

Is the administration of England and of America "divided" as the administration of the USA was in 1861???????

Very faithfully Yours - signed: U. v. Beckerath.

Dear Mr. Meulen,

11.12.1950.

Gold coins again: The individualist monetary system - - at the moment defended in the whole world by a dozen men or less - - says: a monetary system should contribute as much as technically possible to the economic, social and political independence of the citizens.

All other systems say: a monetary system should contribute as much as possible to strengthen the government's power and to facilitate planning of production, of consumption and all other functions of government today considered as necessary or desirable.

Individualists agree that possible abuses of an unlimited right to issue notes are most effectively prevented by an unlimited right to refuse the acceptance of notes. That issue and refusal are to be limited, too, by that what the German law calls "Treu und Glauben im Verkehr" and "Gute Verkehrssitte" is self-evident. (Honesty and faith in trading & good commercial customs. - J.Z.)

The question is: Does an unlimited right of issue suffice to guarantee the highest degree of economic, social and political independence? Although I cannot exactly prove it, I assert: No! But I appeal to your knowledge of business, of men and of monetary history.

Let us consider business conditions among populations like, say, in Tennessee and suppose that there would be permitted an unlimited issue as well as the absence of *cours forcé* in all forms.

(The obligation of an issuer to accept at par the money, which he had issued, cannot be considered as a form of *cours forcé*.)

Suetonius reported that **Nero** coined silver so that he made many more sesterzes out of a pound of fine silver than his predecessors. But he ordered, that these new coins were not to be accepted by the tax collectors, and that taxes must be paid in old the old coins. There are also examples of later governments which proceeded in the same way or issued notes and did not accept them at par from the taxpayers. That cannot be defended by saying: The government used the common right not to acknowledge any *cours forcé*!

(J.Z.: For the same reason that you cannot discount your own IOU's, when someone pays you with them, but must, instead, accept them at their par value. Everything else would be obvious fraud. - J.Z., 21.3.03.)

Now you know that the people of Tennessee are as pious as any in the world. You know, too, the laws of that State whereby Darwin, Herbert Spencer and similar revolutionaries are strictly prohibited at schools, universities, etc. of that glorious State. Let us suppose, that in a small town of Tennessee there lives an agnostic and one who possesses courage enough to publicly confess his opinions. From reports of travellers we know what that would mean. The role of the agnostic would not be any better than that of a Jew in Nazi Germany.

(J.Z.: Well, at least he could migrate to a more tolerant US State. - J.Z., 2.6.03.)

Do you believe that the agnostic will find a banker who grants him loans? The banker would tell the agnostic: If I would grant you a loan, then all my customers would stop all business with me. I would be ruined. And the banker would tell the truth. W. B. Greene's monetary cooperatives would not help here. As you quite rightly pointed out, such cooperatives would, probably, be at least as tyrannical as a banker would be.

In such a situation an individual should have the possibility to procure for himself gold coins (or silver coins) and pay with them. There, where such coins circulate, that is - - practically - - no great problem, except in times of a crisis.

I represented here a very extreme case, but certainly not an impossible one. You know yourself of simpler cases, where a man, quite trustworthy from your own standpoint, was not trustworthy from the standpoint of his contemporaries. But his case was tolerable, because he had the possibility to pay with coins.

Very faithfully Yours - signed: U. v. Beckerath.

15. 12. 1950. Your letter of 12.12., received today.

Dear Mr. Meulen,

quinine. Your son-in-law is insofar excused as, really, quinine for decades was generally used in the whole world, as a proven means to regulate digestion, also to appease disturbed nerves. From experiences of persons I know, I saw how seldom physicians take into consideration what in German is called the "Nebenwirkung". (My dictionaries do not translate the word. "Nebenwirkung" [side-effect, J.Z.] is an effect beside the intended effect and not always foreseen.)

One shall not give advice and if I give you, nevertheless, the advice to come again, next spring, to Germany (supposing she still exists next spring) to visit your physician at Frankfurt am Main, you will say: The old fox, of course, means that I will visit him again at Berlin. I must confess, that you are right. Lecture at the British Information Centre!

Payments abroad. In the case we discuss, the American (or the person to whom the American sold the pound note) **must** buy English goods for the amount of one pound, and every day delay costs him interest, whether he like to buy something or not.

After the imported goods are paid, the possessor of the English notes are no longer free to reduce their purchases from England.

Decisive is that: Whenever owners of commodities are as hard pressed to sell the commodities, as Americans were in the years 1946-1950, they take as means of payment what the buyer offers and certainly do not **insist** on dollars, although - - of course - - they **prefer** dollars. (At the conditions prevailing in these years. If the American government performs the announced inflation - - the word taken in the sense of 1913 - - the Americans will beg the English **not** to pay in dollars, but in pounds or anything else.)

Consider also this: In the previous centuries every creditor had the right to demand gold coins (or silver coins). This right of creditors was one of the essential details of the "gold standard", the latter word taken in the sense of 1913. It is strange that this right, as an essential detail of the old gold standard (or silver-standard) escaped the attention of **all** economists, except - - it seems - - W. B. Greene.

The effect of this right of creditors could be, that a country might be deprived of its stock of precious metal. Coins are not endowed with the tendency to return to the spot where they are manufactured.

(J.Z.: In the medium and long run the go or return only to the **country** in which they are most highly valued. - J.Z., 21.3.03.)

But if the said right of creditors is abolished and the creditors must take notes or clearinghouse certificates, all is fundamentally changed and conditions are established not comparable to any previous conditions in economic history. (Except Persia, of which I will not write here.)

Every note or certificate, etc. is endowed with the tendency to return to the person or concern who issued it.

Once people become aware of this great change in monetary conditions and the "portée" of it, they will also become aware that import and export are now on a quite other basis than they were before. While imports and exports are still performed by the means of an "exclusive currency" - - at the moment the dollar - - it is either by prescriptions of ignorant governments or by the no lesser ignorance of average merchants.

What average merchants are like, may be seen from Jevons' amusing report about the resistance of English merchants against **clearing**, decades after the London Clearing-House was opened. (See: Jevons, "Money".)

The right of creditors to demand gold coins is a much more essential detail of the (old - J.Z.) **gold standard** than the right of note holders to get the notes redeemed in gold coins, on demand, or with the delay fixed in an option clause.

This right was until now not acknowledged, by economists or monetary theorists, as an essential detail of the gold standard, because this right is established not in the monetary laws but in the civil laws, where an average economist does not seek them. But the German Civil Law of 1900 did **not** grant creditors the right to demand in all cases gold coins. It only said that agreements must be fulfilled as good faith and customary kinds of payment demand.

Par. 242 of the "Buergerliches Gesetzbuch":

"Der Schuldner ist verpflichtet, die Leistung so zu bewirken, wie Treu und Glauben mit Ruecksicht auf die Verkehrssitte es erfordern." (The debtor is obliged to effect his payment in a way as trust and faith, with regard to commercial customs do require. - J.Z.)

The immense progress here established was quite overlooked at the conferences of bankers convoked by the Reichsbank in the year 1908. Experts as well as university-economists took it as self-evident that all creditors were entitled to demand gold coins if they liked them.

The question arose, whether workers as well were entitled to demand gold coins for their wages. It aroused very much attention. An economist like Adolf Wagner said: Of course, they are. Very probably the answer of Adolf Wagner contributed to the decision taken, to increase the issue of small denomination notes and not to repeal the cours forcé for silver thalers. (Later they were replaced by other silver coins, which were endowed with cours forcé up to an amount of 40 Reichsmark per payment.)

Gold standard. A few days ago, I had something to do in the vicinity of the British Information Centre and used the opportunity to reread the article "gold standard" in the latest edition of the Encyclopaedia Britannica by Prof. Graham, Princeton University. I do not agree with Graham. (He, too, overlooked the right of creditors to demand

gold coins as an essential detail of the gold standard.) But I saw from the article that **Kitson's** terminology is by no means the general one. Graham's definition is different from that of Kitson, and much resembles the definition in use before 1914.

The redemption of notes on demand is **one** detail and may be absent, although the gold standard (the word taken in the sense of 1913) still is the currency standard.

Value. England's **currency** before 1913 were gold coins. They never suffered a depreciation, also not - as far as I know - notes of the Bank of England. When England, before 1913, lost sometimes many gold coins by her external trade, the **main** difference was another one than a depreciation (existing or foreseen) of the legal currency.

Purchase of gold. I refer to my letter of the 19th of May 1950, where I spoke of **Jevons'** experiences with coining gold ingots.

Free Banking.

a) To promise redeeming the notes in gold at the market price of the gold, expressed in the notes to be redeemed, or to send the owner of the notes to the market and tell them: "Purchase yourself the gold", that's, economically, the same thing.

Technically no other kind of redemption is possible than by handing out **standardised** ingots, and such ingots are **coins**, whether they are privately manufactured or by the government's mint.

b) I cannot share the tacit supposition that notes of **well known** banks always will be fit as a means for redemption. In a case of a run, such banks will probably be more exposed or at least as well exposed to the run than are smaller banks.

c) I still do not yet see a reason for why merchants will not **price** their commodities in the shops in terms (multiples or fractions) of gold coins, if such coins are permitted to be manufactured and to circulate.

Not **trust** (the word used in the sense in which bankers used it in 1843) but continual distrust in the future, in politicians, in parliaments, in governments and (since so many people are now strong believers in astrology) in the stars, will be the basis of the note issuing business of the future.
All details of the old note issuing business will be changed by this circumstance and some others.

In the old days, the **obligation** to redeem notes was essential and note issuers themselves considered it as essential. The intention of the **option clause** had not the effect to enable bankers to issue notes without a stock of precious metal as cover. The question was only: In what proportion should the cover be taken in relation to circulating notes.

I can understand that your standpoint is: Even if all this is true - - I will, nevertheless, keep from the old system as many details as possible. A state of affairs, where the obligation to redeem (not at par but at the terms you proposed) is discarded, does not interest me.

Well - - but for Germany and many other countries only such note issuing business is technically possible (at least for the years after restoring liberty in the economy) where no obligation for metallic redemption exists in any form, but where a free bullion market exists. Russia, India and China are in the same condition as Germany. That is the reason for which I am first of all interested in the conditions of a note issuing business not restricted by any obligation to redeem notes, may it be at parity or not.

Foreign interference in internal affairs. While we discuss the matter, **Mao** - - are really great statesman, although cruel and probably gifted with other gifts necessary for **great** statesmen, such as Peter I and such people displayed - - solved the problem. The army now fighting against the West is an army of volunteers. Also the armies now fighting in Vietnam etc. are armies of volunteers. That many of the volunteers do not fight quite voluntarily and - - most important - - have not the right to retire from the army, is a matter which Asians will certainly still discuss. Europeans and Americans, obviously, lost the capacity to talk reasonably about such things.

If there is a future for mankind, volunteers from the whole world will interfere - if the rights of man and citizen are violated in any part of the world.

The acts of anarchists in the 19th century - - although committed on false suppositions - - show that volunteers fight for that what the individual understands by liberty. (Until now individuals erred here.) But this is not beyond the limits of the human mind.

Also the fact of the **Kamikaze**-pilots of Japan showed that self-preservation is by far not always the guiding principle of human conduct.

Such are all the first beginnings of a new age. (If there will be a new age.) We have here to do with **facts** and not with hypotheses without facts.

Salazar - - he does not seem to be a tyrant and until now I heard nothing of Portuguese concentration camps. Volunteers will hardly fight against Salazar, not because they do endorse his system (few will endorse it), but because they say: It's not worthwhile. There are other people to be removed, people of more importance.

India. Certainly, there exists now a law by which an Indian can (or should have the possibility) to vote if a party presents him with a candidate. If the candidate wins and proves to be a good man, the Indian was a wise voter and justified the system. If the candidate becomes a Hitler (something that he will not reveal before he is in power), the voter is much to blame for his country's misfortunes. What is there to say against such reasons???????

But I cannot discover in this state of affairs anything that deserves the term **independence**. You can?????

Russia & Success of Chinese armies in Korea. A pious Jew would answer: Your word in God's ear!! You know my opinion about the military strength of Russia. Regarding the successes of the Chinese armies, I think that the mountains of Korea are the least circumstance that favoured the Chinese.

Deutsche Partei. You are right. The credit program of the DP shows that the people had at least the idea that there exists also a credit problem. If the DP would work out the idea and express it in clear words, it could win the next election, however small the party is at the moment. Probably the DP means the system by which the Nazis promised to provide employment for the unemployed. The Nazis, in 1932 and 1933 were prudent enough not to give details. Details frighten away voters of the kind to which the Nazis appealed. But the general impression was: The Nazis really possess a means not yet detected by others. Therefore (not for their antisemitism) so many millions voted for Hitler.

It would be interesting to reconstruct the promises of the Nazis in the years 1932 and 1933. But the whole and immense literature was destroyed by the Allies in the year 1945. Everyone was obliged to deliver all literature of Nazi origin. The effect is, that many people in Germany still believe: Hitler and his economics staff really possessed the device to create employment, and if it would not have been so good and so effective, the Allies would not have insisted upon destroying the whole literature. I think that among those youths, who never read Nazi literature, this opinion is still widespread.

Believing that Hitler saw the disadvantages of a gold standard - - the latter word used as in our discussions - - would be very much over-estimating Hitler and his Staff. The opinion of leading Nazis was: The use of gold for monetary purposes is a Jewish invention. That should be sufficient to prohibit the use of gold coins.

Very wide-spread was also this opinion, although it was hardly expressed in literature:

In America there exists an immense stock of gold. The Jews possess this gold. From the gold they get, as **interest**, the greatest part of the world's production - A secret Jewish king in the USA organises that.

I asked a Nazi, how that would be possible: To **store** the gold (that is: not lending it out) and, nevertheless, get interest from a store of gold. He answered: that is a great secret. The party should catch a prominent Jew and torture him until we would, at last, reveal the secret.

Silliness may become a political power as well as high intelligence. (Crusades, and similar "movements", which the Malthusians now try to explain by lack of food in Europe.

Social order. Agreed.

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Mixed marriages. I congratulate Mr. Churchill. He had **very** much good luck. I know Germans whose experiences were of a very different kind.

Malthusians, Pacifists. Since both do not see that the West's **under-population** created the present danger of war, they resemble the pre-diluvian animals who, certainly, died out because nature implanted in them false opinions about the real conditions of their lives. In future museums their skeletons will be placed beside those of the Ichthyosaurs and similar blunders of nature.

Yesterday I got a "Zentner"(= 50 Kilos) of coal!!!

Very faithfully Yours - signed: U. v. Beckerath.

29. 12. 1950. Your letter of 26. 12. 50., received today.

Dear Mr. Meulen,

(I wish - ? - illegible! - J.Z.) a happy New Year to you, too! With pleasure I learn that your health is still improving and that you are now able to eat things of which the doctors disapprove. If one is as old as we are and has got so much experience, one may say: to each **such** things and not only rarely, is the very **best** diet.

My Christmas was nice and my friends gave me much cake. So much, that yesterday I bought some collared (? - J.Z.) herrings and black rye bread to get a change.

A chicken in London = 7 s 6d!!! In my next letter I hope to write to you what it costs in Berlin; I know it is much cheaper. Within a week or so, London could get the same chicken prices as Berlin, if London would at once introduce a free market for chickens, chicken forage, etc. That competition brings the prices down to the economically possible minimum and, at the same time, supplies the people fully, much better than an army of price controllers and the best organised nourishment **offices**, that we **saw** in Berlin and see it daily.

In my chamber: 6 degrees Celsius = 48.8 degrees Fahrenheit. If it remains so, I am content. (On the street: = minus 7 degrees Celsius = 19.4 degrees Fahrenheit.) The papers predict that in 1 1/2 weeks or so it will be warmer in Berlin.

Socialism - Individualism. If you would call yourself an anti-capitalist Individualist, it would be distinct, I think. Certainly, you have the right to call yourself an anti-capitalist. The work of your life has been to create the possibility to get capital for non-capitalists and to break the monopoly of the class now called capitalistic. If one would introduce into economic terminology the words "Tuckerian socialism" it would be a good thing. I think is impossible - - at the present state of things - - to express by **one** word exactly the "Richtung" (tendency - J.Z.) to which one belongs. Two words at least are necessary.

If you would not have changed the title of your book from "Industrial Justice by Banking Reform" into "Free Banking", you would, perhaps, have become the creator of "Banking Socialism". Rittershausen and I have stated several times that we agree that "Bank Socialism" would not be a bad word for what we want.

Annales d'Economie collective. I published **two** books on unemployment, the one in the volume you cited. ("The Practical Realisation of the Milhaud Proposals", 1934, and in the following year: "Does the Provision of Employment Necessitate Money Expenditure?". A third book: "Public Insurance and Compensation money", 1938, offers a further application of the principles at first established by Milhaud. Rittershausen wrote on his copy of "Public Insurance etc.": **Camouflage title** and was quite right. I think, Williams & Norgate, Great Russell Street, still possess copies, if their shop has not been destroyed.

Long term loans. (Exchange for future goods against present goods.) Our difference may be - - I think - - stated in a few lines:

1.) I say: Long term loans should be financed by **bonds**, interest-bearing, but the **purchase** of the bonds should be made so easy as economically possible by a **note-issuing** bank. The loans granted for that purpose -

(J.Z.: i.e., the purchase of the bonds. E.g., the loans could be subscribed with short-term shop foundation money, earned in the usual way, by the sale of goods and services for them. - The term "loan" is here misleading. The bank does not lend the subscriber the short-term private money issued by it, to enable him to buy the long term bonds. But it makes its short-term goods-warrants etc., also available to him, for such subscriptions. He will have to earn that private money and be willing to so invest these earnings. He may offer a certain fraction of his total goods and service offer for this purpose and oblige himself to accept the free bank notes for it and to deliver them as his long-term loan subscription to the issuing bank. Upon this obligation by him, the free bank can issue an additional amount of "shop foundation" notes, corresponding to his readiness and obligation to accept and use them for this purpose. It sounds complicated but is, in essence, the same process as a loan subscription with State paper money - but makes the investor independent of the availability of State paper money. On repayment of the loan, this process is reversed. The loan is then repaid with then issued goods and service warrants, for which the long-term loan debtor has then to make **his** goods or services available. - For more details see his books & other writings. His "short-hand" expressions were clear to him, and, possibly, Henry Meulen, but, probably, not to all other readers. - J.Z., 21.3.03.),

- can be short-dated. The note-issuing bank is necessary to enable investors to buy the bonds even in times when "normal money" has disappeared.

2.) You say: Long-term loans **can** be granted by a note-issuing bank without the detour of bonds and interest.

I do not give up the hope that, one day, we will here come to fully agree.

The majority of note-issue theorists is on my side. (But both of us do not trust in majorities.)

I do hope that you have in London the possibility to get **Scratchley's** economics books, including his dissertation on "Local Enterprise Societies". I had this book. Burnt. A. Scratchley was a famous mathematician and is the theorist of modern "Building Societies".

Gold coins. I do think that you underestimate the power of **gold coins**. All theologians complain - - quite justly - - that their god, in nearly all cases, cedes if **gold coins** are in competition. I personally think, that the future religion will be partly founded on gold coins. **Constantine** - - one of the greatest rascals, but also great as statesman and reformer, created a very good gold coin system nearly at the same time that he declared Christianity as the State religion. So he connected, in the minds of his subjects, the two notions of

a) honest money,

b) new religion,

both imperial characteristics, and the subjects said:

That the money is good we see every day, although we do not conceive how it is connected with the emperor's religion. Let us, provisionally, accept **both**.

Without the connection of 1.) religion and 2.) good gold coins, the new religion would have remained a belief like the religion introduced by Elagabalus and would have been long forgotten.

You will possess books in which the pre-Constantine money-system is described. From the chapters concerned with it, one may learn what a good reform Constantine performed in the monetary sphere.

Are you **quite** sure that a note-issuing banker in such a pious country as old Scotland would have granted loans to an atheist?????

You are right: The atheist can get gold coins in a priest-ridden country only by selling goods or services. But that he **can** is important.

In the years 1923 and 1924 there was established, by nationalists, a note-bank in Pomerania, which issued rye-notes. (Gold was then already considered as a Jewish invention by 100 % nationalists.) On these notes was printed: "This note loses its value in the hands of a Jew!"

The effect was not quite the expected. Nobody accepted the notes, because he did not know, whether a Jew had formerly possessed the notes and the bank had forgotten to add: "but the note becomes valid again, if a German accepts it." All that is impossible (practically) with gold coins.

In our time no act of monetary craziness or fanaticism can be considered as impossible. In Germany not and in many other countries.

I do hope that you got my letter on **Strasser**.

A friend of mine knows personally the author of one of the numerous proposals, made 1947, for monetary reform in Germany. He gave me the book and begged me to review it. I did and added some general remarks, including an imperfect sketch of the individual's **monetary rights**. I invite you to publish a better sketch in the next issue of the "Individualist". It will be the first printed collection of man's **monetary rights**. I enclose here my own sketch. Some items are to be found in my proposals to **Korean** monetary revolutionaries.

Very faithfully Yours - signed: U. v. Beckerath.

2. I. 1951. Your letter of 31.12.50., received today.

Dear Mr. Meulen,

Otto Strasser cannot be considered as an **associate** of Hitler. He was one of his most dangerous enemies. If one considers, too, that he is a single man, without connections of importance, also, obviously, without the qualities of a **great** party leader, one must say that it would not be worthy of so great powers as England, Canada or the USA to **fear** him. They should let him return and that, first of all, because the formal right is on his side: The par. 13 of the rights of man. (UN declaration of them. - J.Z.)

Italian elections. No - - the fact that Fascist votes increased did escape my attention. Probably, the Allies did the same as they did in Germany and prohibited all kinds of literature, considered by them as Fascist. Would they not have done so in Germany, the literature would still exist and daily arouse new conceit for a movement based on such crazy arguments. In Italy, probably, the same would be the case. Destroying the Fascist literature is clearly the way to a new Fascist movement.

Payments abroad. Most of what you say is quite right, but it is not the main point of the question.

1.) You say: "The **dollar shortage** in Europe means simply that Europe is importing more from the USA than she exports."

Better than I could do it: Adam Smith, David Hume and many other Free Traders pointed out that such a thing as "the country imports more than it exports" cannot exist. If statistics (commercial statistics always to be accepted with **great** and for many decades well deserved distrust - - believe an old statistician) seem to indicate a considerable difference, it is to be expected that many commodities were bought on long-term credit, that's all. This agreed, the "dollar shortage" cannot mean that Europe is importing more from the US than she exports.

2.) Really, the term "dollar shortage" is by **all** governments, the English included, interpreted in a different manner than you interpret it. Governments, backed by the professors paid by the governments, say: That we must export before we can import, that's self-evident. But exporting is difficult. The difficulty causes a shortage of dollars which would at once disappear when the difficulties of export would disappear.

3.) If it is true, what the English government says (and I believe it to be true), then it is not quite so as one may derive from the passage in your letter and the situation is to be judged in a different way.

"Our banks keep a store of dollars, ..." - The government says: Well - - the banks do keep a store of dollars, but this store is by far not enough to meet the demands of importers. And really: **that's** the point.

(J.Z.: Why should the banks keep a store of dollars sufficient to satisfy the demands of importers? If importers want dollars, in the belief that they really needed them, then they should buy them, on an English or US Exchange. To supply with any foreign currency, i.e., the foreign exchange money market, is not necessarily the business of the

banks or an important business for them. Moreover, at the free market price, or freely floating exchange rate, always enough dollars could be bought. Naturally, if many dollars are wanted than usual, and they are paid for with pounds, while pounds are not in great demand on the money market, then the value of the pound in relation to the dollar would fall. The very fall of the pounds exchange rate would make the pound again attractive to buyers of pounds. - J.Z., 22.3.03.)

4.) If the government's assertion is true (and it **is** true), that the dollar-store kept by the banks is quite insufficient for the needed imports, then it is right if a non-believer in the present system says: Dollars are **not** at hand, but pounds are always at hand as a means of payment for imports to England. And **that's** the point which is decisive.

I assert: If the country which **must** import, is in the position to **wait** one hour longer than the country which **must** export, then the country, which **must** export, will accept, with all the readiness desired, **every** means of payment, ice from Eskimos and promises from anywhere. The necessity us all possible means to provide employment - - for which exporting has always been considered as one of the most effective - - is to the same degree more pressing than importing, as the secretion part of our metabolism (Stoffwechsel) is more pressing than the intake: eating. But in times of war this observation - - of course - - does not always apply.

In times of peace the buyer largely prescribes or is able to prescribe the means of payment; in times of war the seller prescribes it.

Value. You say: "Before 1913 our gold coins never suffered depreciation simply because the Mint was legally compelled to **buy** all gold offered to it at a fixed paper price."

Indeed, thus this matter is now generally understood in science and by non-scientific people, but:

1.) gold coins **could** not depreciate because gold coins themselves were the legal measure of value (not only in England),

2.) if a Mint is ready to coin offered ingots and leaves the one, who brings the ingots to the Mint, for his convenience, the choice to accept coins for his ingots or paper money (in practice the Mint will have offered a cheque), then it does not correspond to legal side of the transaction to style it a **purchase** of gold ingots by the Mint, although the commercial effect for the ingot owner is that of selling the ingot.

The general use of language proves nothing here. That the common usage of the English language does not correspond to the real legal proceedings was stated by **Jevons**, and the manner in which he stated it is worthwhile to be read in his paper. (As far as I know, reprinted in his "Investigations in Currency and Finance".

All this is not "hair-splitting", at least not in a discussion on the standard of value.

The opinion, so wide-spread in the world at the present time, and in the Anglo-Saxon countries most, that paper money is the natural measure of value, that it is also the natural measure for gold, this erroneous opinion is closely connected with the opinion, that also before 1914 the Mints of the world and that of England especially, **bought** the gold for paper money, so as they do now. (Now the **legal** situation is toto genere different.)

The more far-going opinion, that gold coins au fond are a superfluous and even useless instrument of trade and unfit to measure values, is also closely connected with the opinions indirectly expressed in our above quoted sentence.

By a **natural** measure of value I understand (with all scientists before 1914), that measure of value which businessmen use, when they are free to choose it, as the best one known to them. Until after the Napoleonic wars, gold was obviously the best in a great part of the world.

If the laws in the whole world would not forbid the use of gold as a measure of value in commerce, e.g., to price commodities in the shops in gold, within less than a year gold would again be used as it was used in the year 1913.

Natural measures are not always the best possible ones. Admitted. The measure of value invented by you and represented in your book offers advantages.

You know the numerous other measures of value proposed by scientists, say, to compare values for historical purposes (e.g. in old Egypt and in our times) or even for commercial purposes in our time.

They may be superior to natural measures of value in many respects, but most of them require:

a.) a calculation, not free from individually chosen methods, such as the index-number measures,

b) determinations of another kind than calculations, but also chosen by individuals, subject to errors and seldom in harmony with other individuals, who are likewise appointed to make decisions like those here in question and who feel themselves to be competent. Such are the measures of value used or proposed by adherents of the Keynesian theories.

I prefer a measure of value free from individual decisions.

I assert that until now gold - - as imperfect as it may be - - has proven to be better than all artificial measures of value.

I claim for all men, who prefer gold, the right to use it and I know that I claim this right for more than 9/10 of all men.

The right of others, who prefer other measures of value, should not be violated by adherents of gold.

Such ideas are more easily expressed in the German language than in English. The German word "Goldwährung" - - like the French "Etalon d'or" - - still expresses what the word "gold standard" expressed in England in the 18th century. Now, for most Englishmen, the word "gold standard" expresses merely **one** detail of what formerly was a gold standard, namely, the obligation of an issuing bank to redeem its notes at par upon demand.

For a monetary situation, where all commodities are priced in gold coins, the English have no longer a noun, while Germans and French have it.

Was it progress, when about 1914 the "jacks in office" began to use the word "gold standard" in its present sense and to proscribe its former sense? (J.Z.: They outlawed the free use of gold rather than merely the improper use of it. - J.Z., 18.6.03.)

Let me add here, that about 100 years ago in England, as well as in Germany, the possibility was discussed of a paper money not redeemable in gold or silver coins but accepted at its face value for taxes etc. (Greene mentions such a paper money. In Germany it was widely used, and invented in Saxony in the 18th century. the first idea seems to have been conceived by the manager of a bond-issuing mortgage bank in America in the 18th century.) But at that time nobody pretended that the country was no longer on a gold standard when such a paper money was introduced. All scientists and all businessmen at that time thought, that for a gold standard the pricing of commodities in gold coins was the most essential detail and for a silver standard the pricing in silver coins. **Thus** has the language changed!! (In England.)

Now you may see, too, for what reasons I insist on gold coins and on the right of individuals to manufacture gold ingots in the shape of gold coins if there are no State Mints or if they do not provide this service.

Gold in USA. You ask: What makes **you** think that the store of gold in Fort Knox is owned by Jews?" I hope, by the word **you** are here meant some of my countrymen and not **I**. And what made them think so??? For a similar reason they thought so for which all oxen of a herd bray if **one** ox begins. One antisemite may have believed it himself or may have invented it: the nonsense was quite corresponding to the general antisemitic mentality and, therefore, believed by many thousands. Certainly, among the followers of **Mosley** there are still numerous people who believe it as well.

Chicken price. (Your letter of 26. 12. 50.) I begged my neighbour, Miss Trampe, who greets you heartily (you will remember her), to look for chicken prices at the shops. She reported to me that in Germany a pound of chicken (500 grams) now costs 2,60 West marks. For an English pound (453 grams) that would be 2.34 West marks. The present quotation of a pound note at Hamburg is DM 13.50, or 1 shilling is worth DM 0.675. So one pound avoirdupois of chicken would be worth 1.56 Shillings. The 3-pound average chicken you ate would have cost 4.68 Shillings. - Yesterday I heard from a lady that some months ago a chicken was priced in Berlin at 2 marks per German pound. (500 g.)

Free Banking. Is it your opinion that a system of note-issuing banks, founded on a general and not restricted right for every individual, to issue notes, does no longer deserve the name "Free Banking", if a considerable number of

these banks declare: We do no longer redeem our notes, neither at their face value nor at another value, but, instead, refer the note bearer to the bullion market if they want gold in form of coins or in another form? They would add: But our **debtors** are obliged to accept our notes as their face value, at least for the amount that they are indebted to us. Posters, in the case of our debtors, will inform everybody of the opportunity to so utilise the notes. Addresses are given by our offices.

Whether the system (that of the Four Bills) is called a Free Banking system or not: certainly, it is independent of that kind of trust which you mean.

In cases of a general run (the word "run" used in the sense of 1913), **your** system breaks down - - admit it! - - but under the system of the Four Bills nothing else happens than a run **on the shops**, which, **for shopkeepers**, means a **boom**.

That this must be the effect of a system of notes not redeemable is not a new knowledge.

Several times it was proposed to offer those, involved in a "run" on the bank, public bonds endowed with good interest and on a gold basis (or, in silver countries, on a silver basis).

I encountered this idea at first in an old Danish law enacted at the times of Napoleon I, then a similar law was enacted in Prussia, some years later. Still, when the German "Rentenmark" was created in the year 1923, the possibility to purchase gold bonds with it was provided for by the law and for the "runners".

(The Danish law and the Prussian are, perhaps, due to the same man: Niebuhr, the famous historian and formerly manager of the Danish State Bank and later of the Prussian. On the other hand, I read in a biography of the Prussian Minister, Freiherr vom Stein, that King Friedrich Wilhelm III. proposed it.)

Certain is: To the extent to which a "running" public buys bonds with the notes that it distrusts, the run on the banks is diminished.

You say, that in the past such crises (here runs) were mainly caused by the operation of the gold standard. You here use the word "gold standard" in the **now** generally used sense (English usage), where it means: obligation of the note issuing bank to redeem its notes at par on demand. You know, that several times before 1914 the Bank of England was freed from this obligation by an act of Parliament, **but that time** nobody asserted, that then (1825 etc.) the country would no longer be on a gold standard. Prices in the shops continued to be fixed in gold coins, and **that** was considered as essential.

Concerning the commercial value of gold coins, I repeat my opinion, that the greatest **observed** fluctuations in times of war, revolution, etc., were considered, by the **public**, as quite unimportant - compared with the fluctuations of any kind of paper money. Therefore, the public, especially in **such** times, preferred gold coins to any other means of payment. I claim for the public the right to continue in this mentality, but - - of course - - for anybody the right to express a quite different opinion on the constancy of the value of gold and to act as he thinks fit.

Here, also, is to be remembered, that if gold itself is the measure of value, then it does not possess a **price**. (**Ingots** may be sold at a price, coins of domestic origin are not sold and do not possess a **price** - if the gold standard - - the word used as Adam Smith used it or Jevons - - is legal.)

Do you know of **one** example that sovereigns in England were **sold**, say, in the years from 1860 to 1910????

Therefore, I cannot acknowledge that the advisability of gold coins as exchange medium (why not include their function as measure of value in the shops??) depends on the stability of the **free price** of gold.

Consequently, I do not think that the price of gold coins will be stable if governments do not interfere with it. But its usefulness, purchasing power and abundance will reach their maximum if governments do not interfere with imports, exports, possession and transfer, supply and the demand for gold coins.

Further, I cannot agree with your opinion on **bank reserves**. I demand the legal possibility to issue notes without any reserves, the latter word taken in the usual sense of bankers. I assert, that the readiness to **accept** the notes at par, by the bank's debtors and by the bank itself, is quite sufficient to keep the notes at par at the bullion market. (That's a **very** important point!)

But if a bank wants to do business with bank reserves, it may do so - - of course I do not demand the prohibition of such a business. But let me remind you of this historical fact:

The merchants of Amsterdam and of Hamburg - - although no blockheads - - thought it absolutely necessary to **clear** debts, fallen due, with the help of a stock of silver-coins. The example of the clearinghouses at London, Edinburgh, etc. did not impress them in the least. And then arose circumstances, which prevented them from using their silver. And - - wonder - - now they **saw** that clearing was possible without a stock of silver.

A note in the system of the Four Bills is essentially a clearing-certificate. And, **therefore**, this note does not require a bank reserve.

Furthermore, I cannot agree with what you say on the necessity to keep a gold reserve for use in external trade. Today **no** creditor demands gold in external trade. When he demanded gold before 1914, he did so because the law entitled creditors of all kinds to demand gold when the debt fell due. If such a bad law would not have been enacted, or such an interpretation of the legal state would not have been given by the courts, then the debtors would have answered:

You demand gold? Very sorry - - I have none!

In commercial affairs it is not usual to do more than is formally agreed. I often pointed that out. If you will refute me: for facts and reasons I am - - I hope - - susceptible.

What you say about the situation of Germany in external trade is what I daily read in papers. I contend and have often pointed it out, that Germany's situation would be quite different if there would exist:

- a.) a free bullion market,
- b.) a free market for foreign exchange,
- c) the legal possibility to use Milhaud bonds.

Average writers may be excused for not knowing the Milhaud bonds, but what a free market for bullion and for foreign exchange is, that they do know.

They **should** know that a country's situation in external trading is much more influenced by prohibiting such a market than by any other circumstance. A note for The Economist and some others, for their note books!

You say: "Germany is forced to do it now because she cannot sell enough on short credit."

In several letters I pointed out to you:

1.) From all sides commodities, victuals, etc. are offered to Germany on the best conditions and that the government is now endeavouring to **keep these commodities out** of Germany.

The government's slogan seems to be, as Zander expressed it:

"Drohend steht der Feind mit Brot und Speck an der Grenze! Lasst ihn nur nicht herein!"

(The enemy stands threatening with bread and bacon at the frontier: Do not let him in at all! - J.Z.)

2.) Credits on a gold basis are formally prohibited in Germany. But no foreigner is so blocked as to grant credit to Germans on another basis than the gold basis. Let this impediment be removed and **then** let us see if credits on long terms would not be possible in Germany.

Here, too, I am open to a refutation based on facts and reasons.

Salazar. You are right, he is not an aggressor, but for a similar reason for which a wolf among lions is not an aggressor.

India. "... a parliament can prevent him, provided that parliament has the support of the majority of voters ...". For the next Indian dictator the majority of voters will be as a flock of bleating sheep. The events in India prove, that the system of parliamentary government - - invented in England at a time **very** different from our time - - is quite unfit to protect the people against dictatorship. A new system must be worked out. The basis is given by Benjamin R. Tucker. Our task should be to complete it.

When Hitler proposed dictatorship, he said: Listen, people! I propose it merely:

- a) to protect you against a war,
- b) to remove the obstacles to full employment,
- c) to give you the best administration the country ever had.

A parliament cannot achieve that. (There he was right!)

That the Germans did not discover the impossibilities in Hitler's promises may be an objection against their asserted capacity to govern themselves. But many other people became the prey of dictators under circumstances

incriminating them much more than those of the Germans were (without a doubt), incriminated by their elections in the year 1932.

Must I point out the reasons for which I believe that every single Indian of the 400 millions was much more independent under the Pax Britannica and the government as it was -- say -- under Curzon, than he is now???? I know well (and you know it, too) that many millions of well-informed and patriotic Indians fully share my opinion.

Very faithfully Yours - signed: U. v. Beckerath.

Dear Mr. Meulen,

4. I. 1951.

I wrote nothing about the many printed matters I get by your kindness in the last weeks. Ascribe it to the cold in my chamber and the chilblains on my hands, which compel me to reduce my correspondence.

I received inter alia:

- 1.) "The Economist" of 23. 9., 11.11. & 2.12. 50,
- 2.) "Frontiers", 10.5.50, pages 6 & 7,
- 3.) "Truth" of 17. 12., 1.12. & 24. 11. 50,
- 4.) "International Financial News Survey", 10. 11. & 17. 11. 50,
- 5.) "The Interpreter", 1. 10. & 15. 11. 50,
- 6.) "City Press", 8. 12. 50.
- 7.) "Malthusian", November 1950.
- 8.) "The Economic Digest", of May, April and November 50,
- 9.) "United Nations Experts Propose USA-Finance Nationalistically Planned Economies", by Phil Courtney, with an interesting letter by you to Courtney.

The day before yesterday I received:

- 1.) "The Economist" of 9. 12. 50, 23. 12. 50,
- 2.) "L'Unique", Nos. 47, 51, 53,
- 3.) "analysis", June 1950, November 1950,
- 4.) "The Literary Guide", Jan. 1951,
- 5.) "Economic Intelligence", August 1950,
- 6.) "International Financial News Survey", 1.12.50,
- 7.) "The London Newsletter", 23. 11., 14. 12., 21. 12.,
- 8.) "The Monthly Record", October 1950,
- 9.) "National News-Letter", No. 752,
- 10.) "City Press", 15. 12. 50.

Several clippings, too.

Clipping from "The Times" of 24. 11. 50: "German Local Government".

As the last elections in Berlin as well as in the Western Zones prove, National Socialism in the form of Hitlerism is practically dead. Why? One of the many reasons is: Hitlerism lived on a very small basis, and that basis was destroyed in 1945. What was the basis? It was the power of the government to compel all government officials to enter into the party or into its organisations. That power was not only the normal government power. The whole economy was subdivided by the Nazis into "Fachschaften", about what **Cole**, 30 years ago proposed, when he demanded the organisation of England by subdividing it into "national guilds". Perhaps the Nazis learned that idea from Cole; the interest for "Gilden-Sozialismus" was very great in Germany 30 years ago and translations of Cole's book were widespread. But important ideas seldom -- perhaps never -- come into being in **one** brain only. In most cases they arise in several brains at the same time, a fact realised in the most surprising manner by all patent offices. So the idea of "national guilds" was also proposed by Catholic economists and approved by the pope, who published the famous Encyclica "Quadragesimo anno" in the year 1930 or so.

It's a very bad idea, and **Cole** proved to be an intelligent man by abandoning it completely, perhaps after he saw what the Nazis had realised with the help of their "Fachschaften". Their proceeding was this: The leader of the "Fachschaft" -- say insurance -- compelled the managers of the great companies to become members of the party. Then he demanded from time to time the names of the heads of the departments, who were not yet members, the reasons for which they were not, if they had formally declined to become a member, etc.

If such a circular was known in the factory of office, all chiefs trembled and crowded before the door of the party delegate to become a member. The effect was not the expected. When the people were members of the party, opposition was less dangerous than before. At last it became necessary to gather the **real** Nazis in special organisations.

When the war began, compelling people to join the party was stopped for a reason I do not know. I knew some members of the party, who told me freely, that they had voted for Hitler and then had been compelled to become members. The said: "Had I known, what I know now, I certainly would not have voted for him!" That I heard often. On the other hand - - to tell the truth - - I met very intelligent men, who were real fanatics and went to the party meetings like pious Christians go to their church.

In May 1945 the many millions compelled to become members, became suddenly free. It was a great mistake by the Allies to treat all these men and women as "Nazis" and dismiss them. Man of them had been excellent officers and had been in their jobs for decades. so it was with the members of the "Rechnungshof" in Potsdam, the court for financial revision. One day the manager had made known: I incorporated the whole office into the party; is there **one** man, who will **not** belong to the party? Of course, there was none. The objector would have been sent to a concentration camp at once.

Without the system of the "Fachschaften" (national guilds), the Nazis could not have won so many members in so short a time. As far as I know, this system is also accepted by the Kremlin.

The sudden dismissal of some hundred-thousands of competent officials and their replacement by "democrats", who knew nothing, made Germany in a few weeks into one of the worst administrated countries in the world, and in many respects she still is. Twenty years ago she was one of the best administered.

(J.Z.: Even the best administrators cannot turn bad laws, systems and institutions into good administrations. "We do not want to get all the government we pay for!" - J.Z., 23.3.03.)

Clipping from "The Times" of 4. X. 50. "Dollar surplus". The spectre "Dollar gap" is disappearing - - well - - but Dr. H. C. **Hillman**, M.A. of the University of **Leeds** said, at lecture in the British Information Centre, that it disappeared in connection with the war. After the war - - supposed the war does not become a world war - the dollar gap will arise again. I asked him in the discussion, what he thought about the possibility that England paid in Pounds and Germany in Marks. The idea was quite new to him, although he was a very well informed man and knew all important economic events of the last 20 to 30 years, with dates and numbers connected. (He spoke an excellent German and at last by his sympathetic manner won even the nationalists among the listeners.)

Clipping: "Rearming Germany". There is - what no paper dares printing - - a deep distrust in the military qualities of the present commanding generals. Concerning Eisenhower, many remember that he needed many months to clear Italy from the German Armies, although his superiority was (it is said) about 4 : 1, at least in aeroplanes and tanks, perhaps also in artillery.

In such a quite abnormal situation perhaps a right of armies to choose their commander would be a solution.

Very faithfully Yours - signed: U. v. Beckerath.

9. I. 1951. Your letter of 4. I., received 6. I. 51.

Dear Mr. Meulen,

considering only the economic point of view, the investment of paper-shillings in **chain store shares** seems excellent. I do not know any better. If stores priced their commodities in gold units - - a reform that **must** come - - you will profit not only as a buyer but also as an investor.

My sister writes me from **Wiesbaden**, that there chicken cost 2 DM per German pound. That's less than presently at Berlin (2.60 DM), although Wiesbaden was and still is ill-famed for her high prices.

Temperature in Berlin has much improved. At the street 6 1/2 degrees Celsius = 43 1/2 degrees Fahrenheit. My window is open. I dislike the closed-in air of a room and consider one or two additional chilblains as the lesser evil.

Gold coins again.

You say - - not expressis verbis, but indirectly - - the measure of value, say for the purpose to express prices in shops, should be a paper money, managed by an honest, trustworthy, intelligent, etc. man. Gold coins are a bad measure of value.

I say: gold coins daily offered and demanded at a free bullion market (the latter condition is quite essential) are the best means to express prices in shops which have been invented until now. All in all, they are the least evil for that purpose.

When now paper money is used as a means to express prices in shops, it is because it is endowed with cours forcé. (Please invent an English word for cours forcé!) It is **not** because people **trust** in that paper money.

They do distrust it, as is proven by the occurrences in the savings business.

If the cours forcé would be repealed, within a few weeks or months all shops would have introduced gold prices (in the sense of 1913) and, consequently, the workers would demand gold wages.

If on the same day, when the cours forcé is repealed, freedom of note issue is admitted, then there will be at least 100 honest, trustworthy, intelligent etc. men who issue notes, but every man would pursue a system different from the systems of his colleagues. A most interesting time of **experience** would begin. Within less than a year all paper money would be refused, by the public, which is not at par with gold coins.

There may be organised special "Zahlungs-Gemeinschaften" - - to use an expression invented by Knapp (his daughter married the Bundespraesident Heuss), which prefer a special paper money - - say, that issued by you - - as measure of value and as means of payment and, perhaps, one of these Zahlungsgemeinschaften survives as the best and at last becomes the Zahlungsgemeinschaft of the whole people. That will be a process for years.

But the **next** consequence of repealing the cours forcé and admitting Free Issue of Notes, will be that gold coins as a measure of value are accepted by about 99 % of the population.

That is to be foreseen with the certainty of a lunar or other eclipse.

Economists speaking of the "gold standard" should distinguish (what very few did and do):

a.) gold coins continually exposed to offer and demand at a free market, as a measure of value and means of payment in shops,

b.) the obligation of a bank of issue to redeem its notes on demand, or with a delay, in gold, and they should foresee:

c.) the possibility to keep standardised means of payment at par with gold coins, not by the obligation to redeem notes but by quite different (an in practice simple and easily to be applied) means.

The terminology of some recent economists (Kitson, etc.) to reserve the word "gold standard" for b.) should be quite abolished as contrary to scientific and even common language and to logic.

In this connection I read with great pleasure the article marked by you in the April issue of "The Economic Digest": "The Growing Influence of Gold". In this article the expression, "free gold market" is used as it was ever used in the USA and was used in England in the 19th century. My impression is that the illogical and in no way established terminology of Kitson is now abandoned. In none of the journals, that you were so kind to send to me, did I find the expression "free gold market" used in the sense of Kitson.

Long-term loans again.

We both say: Long-term loans should be possible quite independent of a-given state of supply with currency, whether this currency be gold coins or paper money, privately or government-issued.

In a case of general hoarding, e.g. banks and other institutions should have the right to issue, at once, fresh and standardised means of payment; as many as are in demand; while, on the other hand, the right of the public, to refuse suspect or undesirable means of payment offers a sufficient protection against over-issues.

The freshly issued and standardised means payment should be also suitable for use in financing long-term loans. But from here on we differ.

You say: The financing of long-term loans should be performed by handing over notes to the debtors. There is, practically, no upper limit for note issues, although the fresh notes are not endowed with *cours forcé*.

(J.Z.: Perhaps B. should here have asked: What is the function of capital market securities at all, of saving for them and investing savings, if that were possible and a sound policy? Could governments banks or privileged note-issuing banks really "finance" all medium and long term capital requirements merely by their note issues? What was the effect whenever this was attempted? Are savings and the purchase of capital securities with them, quite superfluous? - J.Z., 24.3.03.)

I say: The possibility for issuing standardised means of payment without *cours forcé* is limited. Experience shows that the limit is about the value of a month's production of the country. (3 to 5 weeks, or so.) It is, in practice, not possible to finance long-term loans by simply handing over freshly printed notes to the debtor. Such a "financing" would involve over-emission, and such over-issues produce a discount of the notes in a free market. The discount produces wide-spread refusals of the notes.

But long-term loans for useful purposes are always possible through interest-bearing bonds.

The purchase of interest-bearing bonds and the sale of such bonds can easily be performed with the help of a note-issuing bank, shop-association, etc. (under certain conditions. - J.Z., 24.3.03.)

Loans should be so organised, that the bonds, when falling due, are not redeemed by currency but are accepted by the debtor in his normal business, a procedure wide-spread in German before the currency reform of 1908.

(That would be just one of the repayment option. The standard one would be the repayment of the loans with the standardised goods and services vouchers then issued and accepted by the debtor in his business and used then to repay his loan. In anticipation of his shortly upcoming repayment obligation, more such notes could be issued, based on the goods and service capacity of the debtor. In this way, not only the debt certificates of the long-term debtor, in the hands of a few, could be used as means of payment against him, but suitable currency, issued for that purpose and being in the hands of many of his customers, making them and thereby him more "liquid". Here B. does not mention the precautions to be taken when those, who are prepared to grant the long-term loan, use shop foundation money (privately issued notes) to subscribe to the loan certificates, or declare their readiness to undertake such an obligation. Here, too, the bond-issuing bank would merely act as a mediator and facilitator between those really granting the loan, with their goods and services, and those receiving it. Long-term notes must have the backing not only of the good will and intentions of the issuing bank but that of those, who with their goods and services do really support the loan and do undertake corresponding obligations and obtain corresponding rights, in certified form. Otherwise, under the Meulen-system, the bank would write out a "cheque" upon their goods and service supply capacity, and this without their consent and without granting them certified capital investment rights. Naturally, they are free to discount and refuse such issues. They are under no obligation to accept them, no more so than they are under obligation to accept the bonds, shares, mortgages or other securities that others have issued. That these appear would then in the form of freshly printed banknotes, of supposedly trustworthy banks, does not change their nature. They are then merely camouflaged capital securities - which do not even promise any interest payments. The obligation to publish the issue and reflux details of all free banks would rapidly reveal this kind of fraud. So would the note-exchanges between issuers and acceptors and, naturally, the free market for competing private money issues. - But B. was quite right in pointing out this alternative repayment option as well, as he did here. - J.Z. - 24. 3. 03.)

The same should be the case for coupons when they fall due. (In the shop of my father, I often saw such coupons (at Duesseldorf); in Rhenania they served as currency. (J.Z.: B. never told me about the shop of his father or about his father. Apparently, there was a very serious clash between them, which, according to Mrs. Rittershausen, even led to a court case between them. B. must have felt that he had been greatly wronged but thought it better to never talk to me about it. - J.Z., 24.3.03.)

By such provisions a complete independence of the economy from the supply of currency with gold coins or State or other conventional notes is guaranteed.

Even if, within an hour, the whole currency is hoarded and has thus disappeared from circulation, within the next hour a fresh currency can supply the disappeared one.

(J.Z.: Well, even instant printing does take some time. However, under competitive note-issues forms and printing facilities for new issues are always ready, just waiting for new orders, which might be given by telephone. - J.Z., 24.3.03.)

Experience in a society free from the note monopoly, free from *cours forcé* of the currency and from similar restrictions will teach us both.

(J.Z.: A polite way of making his point here, seeing that M. habitually ignored such experiences and hints towards them. Faith or fixed ideas over facts, as happens all too often. However, the defects of Meulen banks would make themselves rapidly known to those who tried to establish and conduct them and who dealt with them. Then even M. could not have ignored the facts any longer. Like so many, he was a well-meaning and benevolent pragmatist or practical man, who relied all too much on false ideas, principles, defective premises and traditions and without a thorough enough knowledge of relevant experiences. Nevertheless, he did manage to keep the general ideal of Free Banking and Free Trade alive, for decades, however flawed his own ideas about them still were, in their details. - J.Z., 24.3.03.)

We both agree that everyone should have the right to **try** his systems and to offer to his fellow citizens means of payment of a system which he thinks to be the best.

"Individualist" and currency reform.

Individualism is an "Ism" as are many others and in itself is no more interesting than, say, the doctrines of the old Eleates or of the Pythagoreans. But Individualism leads to enormous consequences and **for this reason** it is more important and interesting than any other Ism ever invented. There is an immediate connection between Individualism and currency. Also connected with individualism are internal trade, external trade, the wage system, the standard of value. There are, perhaps, few sides of practical life not connected with Individualism. If I had the possibility to write a book, I would insert chapters like:

- 1.) Individualism and currency, a new aspect of the problem.
- 2.) Individualism and the until now tried means to remove unemployment - a quite new aspect of unemployment.
- 3.) Individualism and control of foreign exchange, an unexpected connection. Etc., etc.

Certainly, it is possible to consider Individualism without its consequences, but that is like considering attraction without regard to the stars's mutual attraction. (J.Z.: ... that is like considering gravity without regard to the mutual gravitational attraction between stars and between stars and planets and between planets and moons. - Perhaps that is what he may have meant with these words. - J.Z., 24.3.03.) Then it would be interesting only for a few people, some mathematicians and some philosophers.

Individualism not only supplies quite new aims and new views, it supplies also the **technique** to attain the aims and supplies reasons against false techniques. That an unlimited right for individuals to issue standardised means of payment, combined with the right of other individuals to refuse these means of payment, is **the best monetary technique**, can only be discovered by starting from Individualism. Starting from any other Ism, one comes to State inflation (the word used in the sense of 1913), to Keynesian managed currency and such monsters.

If until now some readers were not content with the monetary articles of "The Individualist", it may have been because the articles were not always **individualistic enough**. E.g.: The right to **refuse** means of payment is as important as the right to issue them, but I never met an article on the right to refuse paper money.

Special interest in money questions: I assert that in England there is **much** interest for money questions and in the ranges of readers of The Individualist certainly not less than among readers of - - say - - The Economic Digest, which frequently publishes articles on money questions. Concessions to modern money theory or Keynesian theories are in **all** cases contrary to Individualism and not only may frighten readers aware with their Anti-Individualism but also because they read them daily in their papers.

My modest contribution to a system of monetary liberty was for your personal information, not for being published in The Individualist. For **that** purpose it must be more carefully worked out.

Your remarks on right. That's a very interesting point and goes deep into philosophy. In the German language the problem would represent itself in a different aspect.

The German scientific language distinguishes:

- a) **Recht**, and (Right - J.Z.)
- b) **Befugnis**. (Authorisation, Permission, Licence, Privilege. - J.Z.)

The first is that kind of right which is, as Schiller says, "mit uns geboren" (born with us. - J.Z.) It is independent of a **grant** by any powers.

One may say: A Right not **granted** or at least **acknowledged** is an "idea" and has nothing to do with reality. That would be an error. Repeatedly in history rights believed to be inborn became the most effective powers. Carlyle, in his history of the French Revolution represented this fact in a most convincing manner.

Some time ago I read the following little historical story, which happened 100 years or so ago. At a little German settlement - - numerous at that time, when, after 1848, so many Germans emigrated to the USA - - appeared one day a Negro. He was a slave and had fled from a Southern State. The German peasants gave him food and the advice to go to Canada, where he would be in perfect safety. This Negro went North, but a few days later reappeared in the company of two Southern policemen, who had pursued and caught him. He was covered with blood dirt, for he had fought before they could arrest him. The policemen demanded from the sheriff food and assistance. The law of this Northern State was that a policeman in legal service of another State could demand assistance of any sheriff. But the first thing that these Germans did was to liberate the Negro and to badly beat the two policemen. Then the sheriff arrested them and send the Negro, with a villager, to Canada. Only once that guide had returned and informed the sheriff, that the Negro was safe, did the sheriff let the policemen free and gave them the advice to leave Minnesota as soon as possible. If he saw them again, he would accuse them before the inhabitants of kidnapping. All that was against the law, which was here on the side of the policemen. But the Germans took the standpoint, that the **inborn right** of every man was on the side of the Negro. And thus this seemingly uninteresting right **here** had become a **power**.

If I say in German: "Jeder Buerger soll die **Befugnis** haben, Noten auszugeben" (Every citizen should have a permit to issue notes. - J.Z.), the sense is: the government shall permit it. And if the government does **not** permit it, every good citizen helps the government to suppress private note issuing.

But if I say: "Jeder Buerger hat das **Recht** Noten auszugeben" (Every citizen has the right to emit notes. - J.Z.), then this means, the government acts as a tyrant if it suppresses this right, and every good citizen helps to remove such a tyrannical government.

In my next letter I hope to continues. The matter is of very great importance.

Very faithfully Yours - signed: U. v. Beckerath.

(J.Z.: B. liked the method of Jesus Christ, of telling little stories with a message, and, likewise, the method of Socrates, who asked leading questions. He blamed Socrates for not having asked a simple question during his "trial", namely: Can you point out to me even one Athenian citizens, whom I have, supposedly, "corrupted" by my talks?" - Since thousands of Athenians had listened to him, and, obviously, had not become "corrupted" by him, this question would have brought them forward, in their own defence against that libel and also in defence of Socrates. Alas, the best reply is not always readily at hand - until the best replies are finally combined in a vast encyclopaedia of the best refutations so far found of all popular errors, myths, fallacies and prejudices - which are obstacles to human progress. - J.Z., 24.3.03.)

13. I. 1951. Your letter of 10. cr., received today.

Dear Mr. Meulen,

chicken could be imported to England from Germany. They could be paid in Pounds, if there were not the prescription **not** to pay them in Pounds. Certainly, the German exporters would gladly accept Pounds. The cost of the transport to London is hardly greater than the cost of transport from the village, where the chicken are hatched, to Wiesbaden or Berlin. I do not know about the English duties on imports.

Payments abroad. You say: "The point of our discussion was: Is it better that London should pay for American exports Pounds or dollars?"

I think, the point was another one. I **affirm** (thank you!) that if there is a dollar-gap or a similar gap, it should at least be **tried** to pay imports by a money that is **at hand**, so as in England's case Pounds are at hand and in Germany's Marks. At least one party should ask the other: Will you accept that and that money?

I know now, from the discussion at the lecture of Dr. Hillmann, that that possibility was never discussed England.

(J.Z.: I once participated in a large meeting dealing with foreign exchange rates and their difficulties, under foreign exchange regulations, in which the alternative of freely floating exchange rates was rejected out of hand. And in another lecture, by Robert Conquest, to a large crowd, mainly of teachers at Sydney University, in which this speaker admitted that he had never considered the possibilities of education without all its compulsory and monopolistic features! And that aroused no protest in these circles of vested interest in compulsory miseducation. How narrow-minded can specialists and "experts" get? - J.Z., 24.3.03.)

I do not deny that sometimes it may be profitable for England to pay in dollars, and if Germany possesses enough dollars, it may be profitable for Germany to pay not in Marks but in Dollars.

I did not **affirm** that the rate of the exchange would be affected by offering dollars for pounds or pounds for dollars at London or at New York.

You say (indirectly): There are enough dollars available to English importers, so that they do not need to offer pounds. But all English papers say the contrary and always speak of a dollar gap, and Dr. Hillmann came from Leeds to Berlin to deliver a lecture on the existence of that gap. He spoke so well and convincingly, that I must believe in the existence of the **gap**. I differ from Hillmann only insofar as he said: To remove that gap we must reduce our prices and get new possibilities to **export**. My standpoint is: Before you do that, offer to American exporters **Pounds**. If they refuse them, then it will still be time to scrape together the needed dollars by exporting.

The now used procedure demands: **First** export, then import, by the thus earned foreign exchange.

The natural procedure would demand: **First** import, provided the foreign exporters are content with our domestic currency. If they are not content with it, then they may keep their commodities.

(They burn to sell for pounds in England and for Marks in Germany.) (They are most eager to ... - J.Z.)

Then await the return of the domestic currency and give the people, who present it, what the people demand.

Here all great libraries are burnt. If not, I would have stated, for years, which American law prevents Americans from accepting other currencies than dollars, and which English law forbids the export of Pounds. The German law, which forbids payments in Marks was published (if my bad memory does not deceive me) in the Reichsgesetzblatt of 1934.

Gold coins again. Certainly, I admit that today the price of gold, expressed in paper money, is affected by fear of war or political upheaval. But the prices of all commodities of the wholesale trade are so affected. The relation of the paper price of gold to the paper price of wholesale commodities is **much** more stable than the purchasing power of paper money. Expressed in other words:

The "gold prices" of commodities are more stable than their paper money prices. That is by no means a new discovery.

Why gold, after being minted, shall be a worse measure of value or in any respect less useful than ingots, I do not see. To melt government-manufactured coins into bullion is prohibited in England, yes but:

I.) Replacing this melting by exporting the coins to countries, where they may be legally melted, is a very old practice and

II.) the law does **not** prohibit the melting of privately standardised ingots (medals), such as I proposed them.

We must not overlook the fact, that the State has failed in all spheres, also in providing the people with standardised ingots of precious metal. But - - calumny even of the devil would be wrong - - it may be that the mints even today continue to provide the gold industry with standardised ingots in the shape of legal gold coins, but without stamping them. (A good thing, which in normal times protects the gold coins from being melted.) From a report of the Reichsbank (1908), I learnt that this expedient has probably been invented by the American Mint.

Concerning the **price** of coins one must distinguish

a.) times when coins are legal tender, are used as measure of value in shops and paper money is not legal tender, also is not acknowledged by merchants, etc. as legal tender, and

b.) times when paper money is legal tender or acknowledged as legal tender.

In the case of a.) a price of gold **coins** is impossible and has never been observed.

In the case of b.) a price of gold coins is normal.

I suppose, that also during the crises of 1857, 1866 and 1890 gold coins will have had their price and a higher one than L 3. 17. 6., the latter in paper or silver or copper.

Interesting is your information, that in 1812 the English Government paid its troops in Guernsey with guineas and gave them for 23 s., the latter obviously against the law of 1811. (Free Banking, page 106.)

What I said above under a.) and b.) is not affected (I hope we agree on this) by the English law, that Notes of the Bank of England are legal tender as long as the Bank redeems its notes on demand at par.

(**Keynes**, in his tract on monetary reform - - **burnt** - - reports that during the first world war the Bank of England left those people to **wait**, who came to change their notes for coins, for days and longer, and opened only one counter for the purpose of redemption.)

Free Banking. You say: "... shopkeepers will not find it so easy to replenish their stocks."

Here you are right, for many kinds of crises. But it has nothing to do with the notes in my system. Here the shopkeepers get **short-term** loans from the bank and the interest is so high, that shopkeepers use every note received primarily to repay their debt to the bank.

The replenishing of stocks of shopkeepers is never financed by note-issuing banks and insofar has nothing to do with our discussion.

Let me remark here, that I the crisis of 1932, one of the severest ever observed, the wholesalers applied urgently to shopkeepers to buy commodities on the most easy terms.

Since you prefer your system to mine (you will excuse this short expression), please tell me, to what extent, in your opinion, England's circulation will absorb your notes under circumstances favourable to your system. And, if you have estimated the amount, please tell me how long-term loans will be financed in your system once this limit is attained.

You style "my" system as less **delicate** than yours. Your system is much simple to manipulate than mine. But the disadvantage is - - in my opinion - - that the system does no longer function once the quantity of notes per capital surpasses an amount of 5 or 6 guineas per head, expressed in paper money. That would be (correct me, if I am wrong) the highest amount per capita - - coins + paper - - ever observed in England.

But the need for long-term credit is much greater than that sum. It may be 5 guineas per capita and per **annum**. England will leave your system if your notes get a discount at the market because of over-issues. Once the discount arises, then the circumstance that your notes are not endowed with *cours forcé* will become effective. Then the thing becomes **delicate** for you!

If the enemy has occupied the territory, then neither my system nor yours will be applied but military notes of the invading army will be used.

If military notes are not used, as in the war of 1870/71 in France, and at the times of the Napoleonic wars, the most delicate commercial operations are executed, as in times of peace, as is reported in many memoirs; local histories, etc. of those times.

In Prussia, in the years from 1807 to 1815, times of great misery and troubles, bills of exchange, trading in futures and many complicated other methods, as were used in that time in the Netherlands (the commercial teacher of Prussia), were also used in Prussia.

At this time, the idea arose in Prussia to diminish the commercial risk by a transport insurance. I will not enter here into the details, since they are found in every good textbook on insurance.

By the way: From old laws and old textbooks I learnt that commercial business and credit business, in old times, say 150 years ago, was much more complicated than, say, in 1913.

The business of future note banks will, primarily, be to provide means of payment for wages, so that workers, employees and artisans become able to buy.

Before 1844 note banks had nothing or nearly nothing to do with that business. Many considerations, quite right for old times, are no longer applicable to the future note business.

Moreover, in old times note issuers handicapped by redemption obligations. Their business was limited by the store of precious metal they could secure. The optional clause protected (not theoretically but practically) the stock of

precious metal, but did not enable bankers to issue without such a stock. That is a very important point. The seven authors of the Four Bills often spoke of that circumstance and at last we agreed:

1.) The abolition of the redemption prescriptions and replacing them by keeping the notes at par at the market, creates a quite new moment, one until now not discussed in theory.

2.) More than 3/4 of the experiences of the old note banks (In Germany more widely spread than in Scotland) are not applicable to the new business, seeing the old experiences were primarily concerned with the possibilities to protect the bank's precious metal.

Balance of trade. You are - - I see - - on this point and adversary of Adam Smith, David Hume and some others of that rank. that is a **very** bad position. It is like standing at the top of a steeple and this in a storm of 30 yards per second. He, who dares that, **must** fall. You must here fall, too.

Do you know the German statistics (probably repeated abroad) on the balances of trade? Some decades ago a German economist - - I forgot who - - said: If the balances, reported in the statistics, are right, then the sum of all imports in the world must equal the sum of all exports, with slight differences. He found, in the average, a difference of 15 % in favour of the imports. The next year was the same and so it went for many years. Always the imports of the **world** were greater than the exports. Einstein's relativity theory was not yet known at that time and so the man dared to say: The laws of arithmetic remain valid and those of logic, too. There must be a systematic error in the statistics.

If I had in this cold (5 degrees Celsius at the street = 41 degrees Fahrenheit), and no coal, the possibility to write more, I would here reproduce the investigations of **Liefmann** in his excellent "Gold und Geld", 1916. Liefmann proved by numbers what Adam Smith and David Hume proved by reasons. He demonstrated, that the doctrine of the balance of trade is an agreed upon fable ("convenue" says B., from French usage. - J.Z.) and has nothing to do with facts.

The gold movements in the world - - he says - - were seldom caused by **trade movements**.

Liefmann said nothing of the law empowering creditors to demand gold instead of referring them to the clearing possibilities. But, certainly, that law was the *conditio sine qua non* of the gold movements.

You do not believe that the said law had much to do with the gold movements. I will share your opinion if you will be so kind as to present me with your reasons.

But you are right: If gold would not have been sent, then the value of paper would have fallen still further than it fell, and imports were reduced and exports were encouraged.

I say: Why not???

When the exchange rates are lowered by a devaluation, all people say: We have a prudent government!

And if the effect is produced by the market, exactly in the measure required and for the time required - - something impossible to perform for a government - - then the same people say: The market is an evil thing. It must be counter-balanced by gold exports and similar nonsense. (The latter from a philosopher's standpoint.) According to popular opinion, the best way is, to abolish the market and replace it by a planned economy!

Commodities offered to Germany. No - - at the moment Germany is much better off - - the chicken price proves it, although the price, immediately before Christmas, may have been some Pfennig higher than later. But you will have your revenge. The Professor Noelting, "Grosse Kanone" (famous expert - J.Z.), demands energetically the reintroduction of the Zwangswirtschaft (planned economy), "before it is too late". (How do you consider this "excellent reason"????)

You say: "... political relations are so uncertain that creditors are not inclined to give long-term credits. If Germany, as people believe (I am not sure) imports more than she exports, there must be creditors who **wait** until they are paid. If the payment is performed soon, then the credits are short-term credits and if not soon, then the credits are long-term credits, and a third possibility does not exist. But, if you will demonstrate to me, by examples, a third option, then I will accept your opinion.

India. You say: "The best government in the world is no substitution for self-government." You are very right, but if the present regime of Nehru and his court is a self-government, then the governments of "Emperor Henry I" of Haiti (established 1811) and of "Faustin I" (established 1849) were self-governments, too.

Parliament? Come to Berlin, go to a Russian Cinema and be impressed by the parliamentary scenes of Eastern Germany, which are often represented there. Two days ago, I saw them in the cinema at Bahnhof Friedrichstrasse. (50 Eastpfennig = 10 Westpfenning.) But, to tell the truth: I seldom saw a better film-technique, even at the non-political films, which were **very** good. The music was good, too.

Britain held all the executive posts??? The number of British officials was smaller than in a small English town - at last only 600 or so.

Colour bar: Here you are right. But is it removed? Has the Pariah the right to work side by side in factories with the Hindoo? (Theoretically, he has. Practically, the workers go on strike when a Pariah is admitted.

Before, there was established a "Bank of India, with its privileges, there was a right of private institutions to issue standardised clearing cheques. The "National" government repealed this right. I do admit, however, that this right was rarely or never practised.

Thank you, beforehand, for the **Punch**, which I expect with pleasure. I have always been an admirer of British wit, although - - to understand the **Punch** well, a very good knowledge of the English language and English conditions is required. The old German "Simplicissimus" was so full of allusions that could only be understood by contemporaries and Germans, so that even young Germans of today do no longer understand all its jokes. I observed that personally.

Very faithfully Yours - signed: U. v. Beckerath.

14. I. 1951.

Dear Mr. Meulen,

the clipping from "Times: of 17. 11. 50: "Korean War and after", II.) "A Mixed Legacy from the People's Government", is very interesting.

One gets the impression that in North Korea the landlord in agriculture has simply been replaced by the government's tax collector, so that the peasant still does not keep more than 50 % (or so) of the crop. Nevertheless, the peasant is thankful, for before the agrarian revolution he could keep much less for himself. It was unpleasant to read, that conditions of life in North Korea were not worse than in the South and in some respects (e.g., taxation) better. Obviously, in both territories a great part of the taxes was levied in natura. Already Adam Smith points out what a bad system that is. This fact is also acknowledged by all experts.

I estimate that, if there were agrarian banks of issue and if the governments would permit the peasants to pay taxes in the notes of these banks, the peasants would keep at least 70 % of the crop and the yield of taxes would be at least doubled. The immense waste, inseparable from a tax system based on taxes in kind, would be much reduced or would even disappear. It would be a valuable contribution of monetary individualism (the name would have to be changed; the Asians misunderstand the name) to the Korean problem and not only to the Korean.

(How to perform that? No paper would print such a contribution, which is, necessarily, in contradiction to the whole modern money theory, primarily to the Keynesian, now dominant.

The clipping from the "Times" of 10. 11. 50: "Excess Population in Italy, Large Scale Emigration as the only Solution", displeased me very much. I state:

1.) Nobody, neither the Time's "Rome correspondent", neither the "population experts", nor the Italian government have considered the possibility to free the import of victuals to Italy from all restrictions, to permit every means of payment for victuals coming from abroad (At the moment - - its seems - - the government permits only dollars), and to stop all kinds of planned economy for victuals.

2.) Even under the present conditions the bakers are looking for customers, not the customers for bakers.

3.) The "experts" take it as self-evident that the quantity of employment opportunity is a given one and cannot, essentially, be increased by human influence - - in other words, they did not read page 342ff of "Free Banking", which might have taught them, that Italy could even receive Chinese etc. as immigrants and do so without lowering its standard of living, but - it would have to give up her present crazy monetary system.

Clipping: "Rearming Germany". No paper - - it seems - - dares to print the real opinion of most Germans:

1.) That the Allies neglected to re-enforce their divisions at the Eastern front and that now their military position is hopeless.

2.) That, therefore, a re-arming of Germany would be a useless measure.

e.) That, in view of the present military situation of the Allies, the Germans have to choose between submission to the Russians or suicide (the latter is **much** discussed) and that joining an Allied military unit would be nothing than a form of suicide, but certainly worse than a cut with a blade over the artery.

Whoever thinks that I exaggerate may visit the Western zones or West Berlin and talk with the people.

Very faithfully Yours - signed: U. von Beckerath.

14. 1. 1951.

Dear Mr. Meulen,

in the following I reproduce the German text of a communication which I read today in the Tagesspiegel, published by the "dpa", a semi-official telegraph-agency.

"Laender wollen keine Ostzonenfluechtlinge aus Berlin."

Die mit den zustaendigen Bundesbehoerden vereinbarte Umsiedlung von Ostzonenfluechtlingen aus Berlin in das Bundesgebiet ist durch den Widerstand der Bundeslaender gescheitert. Mit einem Hinweis auf die eigne Notlage lehnten es die Laender ab, monatlich insgesamt 1500 Fluechtlinge aus Berlin aufzunehmen, wie es mit dem Bund Ende des Jahres vereinbart worden war."

(The federal States of German do not want any refugees from Berlin, which came from the Eastern Zone. Their intended resettlement, first agreed-upon with the responsible authorities of the Federal Government, failed due to the resistance from the federated States. Pointing out the own emergencies, the States refused to accept the altogether 1500 refugees a month, as they agreed with the Federation at the end of last year. - J.Z.)

The monthly number of refugees from the Eastern Zone is about 2,000. The great danger is, that already in these days the Magistrate of Berlin, as well, will refuse to accept these refugees. Then they will be sent back to the East, which for everyone means at least torture in a concentration camp and, for many - - or most - - death as a consequence. Everybody knows that, the Western governments, the Magistrate, the people.

An action by the people is as good as impossible, there is no legal possibility and hardly any illegal one.

Concerning the governments, I must say that their resolution is one of the meanest acts that I know of from the whole of history. One must consider, that here concerned are governments of countries which got, from their former enemies in war, not only millions but many hundreds of millions of marks, in the form of victuals and other things of greatest value for them. Probably some hundred-thousands of people were saved by these victuals. And now these governments refuse to help a quite insignificant number, compared with the help they got, and it is a help not for their former enemies in war, but for their own countrymen. Daily their proclaim their "solidarity" with these countrymen, and now the world sees the practice of that solidarity.

What the governments now does is simply murder of several hundred people monthly. If there would be justice in the world, they must be accused as much greater criminals than the war criminals condemned at Nuremberg. (Greater? Much greater?: These Nuremberg criminals murdered millions of their own countrymen by their activities, not only millions of foreigners. The total losses due to the involuntary return of refugees to the Eastern Zone are, possibly still unknown. But I remember reports that e.g. deserters from the Red Army, involuntarily returned to the Soviets, were shot before the assembled troops, with the declaration that all deserters would suffer the same fate if they tried to escape to the West. Anyhow, morally the involuntary repatriation of even one refugee to the not so tender mercy of a totalitarian State is already the same as the same victimisation of millions. - J.Z., 25. 3.03.)

If the people in the West would be less indifferent, there would be mass meetings in every town, in which would be demanded the immediate resignation of all ministers in the West and their impeachment. What a difference

between them and the noble Marshall Bersarin (not forgotten, neither in the East nor in the West of Berlin), whose first care was to supply the conquered Berlin with victuals! And that, although - - I estimate - - the supply difficulties for the Russian Army in April of 1945 were very much greater than they are now for the governments of the West.

Are ministers, who deliver, in cool blood, many hundreds of their countrymen to death by torture, still morally able to govern?

You and I, we know, that there are no economic difficulties, and that by a few strokes of the pen there would be created the possibility to supply every man, able to work, with employment, and more: there could, by the same strokes of the pen, be created a situation, where every fugitive is a welcome help for West-Germany's reconstruction.

It seems, old Voltaire is in the right, at least for our time:

"Nous laisserons ce monde-ci aussi sot et aussi mauvais comme nous l'avons trouvé en y arrivant."

Very faithfully Yours - signed: U. v. Beckerath.

15. 1. 1951.

Dear Mr. Meulen,

you know that the Soviets started an international action to "outlaw" atomic bombs. Many people take that quite serious and subscribe to the call. From time to time members of the Eastern youth organisations here try to gather signatures for this call. I think that to be an innocent pleasure. Many people in the Western sectors gave their signature because they believed it was an action considered to be illegal in the East, for it is known in Berlin that the Russians possess atomic bombs and, obviously, are very far from destroying them or declaring their use as "unlawful". Then it was published that this action **comes** from the East and the public was warned against participating. That was very stupid. If the Berlin parties would have put up posters:

Berliners - - you may sign for such calls, but add: "Russian Bombs, too!", that would have been a good thing and many Berliners would have added the three words, certainly not to please the Soviets. But the West-Berlin Magistrate **punishes** the boys and girls who try to get signatures.

You can imagine, that thereby a great fanaticism arises. The effect must be quite the contrary of the intended one. Moreover, it is - - I think - - against the Berlin constitution, which proclaims freedom of expression.

I'm very astonished that the Oberbuergermeister Prof. Reuter, an intelligent and liberally thinking man (member of the Social Democratic Party) tolerates such a political nonsense and violation of freedom of expression.

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Thank you for the clipping from the "Times" of 28. X. 1950:

"Discount Rate in West Germany - - restrictive effect on economy." The discount for bills was by the "Bank Deutscher Laender", raised from 4 % to 6 %. The importance of this is very much overestimated. Statistics teach that the part of interest in prices is for most commodities so small, that it is difficult to detect it statistically. There are very few exceptions, e.g. those, in which new machines are bought with long-term credit. Even here the repayment of the credit is a much greater burden than the interest to be paid for the not yet repaid part. Say, a factory bought machines for a million marks, with the obligation to repay the credit within 60 months and pay an interest of 1/3 % monthly. That would be a monthly instalment of 18,417 marks. If an interest of 1/2 % is charged, then the instalment is 19,333 marks. Nobody will affirm that difference of 1,000 marks monthly, roughly, is really dangerous for such a great factory. Concerning the short-term credits of the factory, they will probably be even less influenced by a difference from 4 % to 6 % p.a.

Very faithfully Yours - signed: U. v. Beckerath.

18. I. 1951.

Dear Mr. Meulen,

before me is the book "A History of Economic Thought" by Erich Roll(rest cut off! - J.Z.), 24 Russell Square, Faber and Faber, 1945. I got it from the British Information Centre. The book is excellent. I do not quite agree with the title. "Contributions to the history etc." would have been better. It is impossible to write a history of **all**

economic thoughts.

I miss a history of the legal tender idea, of Free Banking, of clearing.

But the book offers on 506 pages so much information that it can hardly to be kept in mind upon first reading.

Interesting are the explanations on the balance of trade idea.

By the balance was always understood:

Imports including precious metal = Exports including precious metal.

The "balance" was considered as favourable when the sum of imported precious metal surpassed the sum of the exported.

That will not be a new point of view for you. But I beg to ask you, is it permitted to speak of a favourable or unfavourable balance of trade, when the precious metals are no longer used as means of payment?

When people today speak of an unfavourable balance of trade, they mean, that a part of imports was not paid by exports but that credit replaced the exports. That is a situation quite different from the situation formerly called an unfavourable balance of trade.

As I wrote to you, the possibility to pay a foreign creditor with currency of domestic origin, may create a third situation in foreign trade, where, for a short time, a deficiency of exports is filled up by currency of domestic origin, but not consisting of precious metal but of irredeemable paper money.

Such a currency possesses an irresistible tendency to return very quickly to the point from which it started and to exercise there a purchasing power.

Coins of precious metal were quite free from such a tendency, and the fundamental difference, obviously, is not yet considered with due attention by economists. Certainly, that is the case for Germany. If you know an author in England or elsewhere, I would be obliged to you, if you would be so kind and communicate to me his name and the title of his work.

The system of using as a means of payment (collaterally with bills of exchange, which are later cleared) currency of domestic origin, creates an oscillation, insofar as at a time, when more currency is imported than exported, it **seems** as if there would be a gap; while two days later, when the returned currency has exercised purchasing power, the gap is filled and the exports may now even surpass the imports, if only commodities are taken into consideration.

Similar considerations take place in the opposite case, when more currency is exported than imported.

Here one may reply:

It's an old truth, that a balance of trade always is zero if long spaces of time are considered. (I do not speak of statistics, which always deserve distrust.) Agreed.

The third possibility is not yet an economic factor simply because it is prohibited in nearly all countries. (I know no country where it is permitted.)

I would think it useful to invent quite new words for possibility 1 and possibility 3. The old word "balance of trade" should be reserved exclusively for that what it meant when the word was firstly used.

What do you think?

Very faithfully Yours - signed: U. v. Beckerath.

20. I. 1951. Your letter of 18. I. 51.

Dear Mr. Meulen,

I am quite touched! You offer me bed and board, if I come over to London, fleeing from the cold in Berlin. I thank you very much.

Probably, I exaggerated the climatic conditions of Berlin. At the moment, we have on the street 5 degrees Celsius (= 41 degrees Fahrenheit) and my window is open. It was open the whole night.

Perhaps the Heaven is preparing my soul to become an Eskimo in my next existence. Eskimos are an anarchistic people. There are neither chieftains nor currency regulations nor any other statist mischief. Exactly what I want! The fur of the first polar bear I kill is for you. And if you come to my snow hut, you will be very well received and get a gallon or the best seal-oil as draught of honour.

Very interesting, that in London, too, coal is scarce. Obviously (I think), it's one of the consequences of the present English economic and monetary system.

In Berlin, where at the moment prices are pretty free, we would have coal enough, if the great lock at Magdeburg would not have been closed, right at the moment when a fleet of coal barges for Berlin was ready to pass the lock. At that day the lock suddenly had to be "repaired". The Russians do not consider that such chicanery is not a good propaganda for the Kremlin. The general mentality here is: Rather freeze to death than be occupied by the Russians.

Gold coins.

I.) I invite you to consider also the monetary situation of a country, whose prices in shops are expressed in gold coins or multiples or fractions of gold coins. (The whole of Europe and North America before 1914.)

To such a situation your considerations cannot be applied. You only consider the situation in a country, where prices in shops are expressed in notes.

For our time this kind of pricing is normal, just as it is normal that notes are a forced currency.

History does not offer an experience that shops priced their commodities in a paper money not endowed with cours forcé. Even where such a paper money (private or government) prevailed, prices in shops were expressed in units of precious metal.

II.) I think we agree that a trade in gold is facilitated if ingots are standardised. If People desire to trade in such ingots as coins, why not permit it and facilitate it?

For Germany, at the moment, ingots in multiples of **grams** would be best, not in multiples of old gold mark (= 0.3584 grams of fine gold), but in England, perhaps, ingots in the size and fineness of the old sovereigns would be best (1sov. = 7.988 grams gold of 11/12 fineness.)

The public itself should decide what kind of ingots are used at the free bullion market and every one should be permitted to manufacture ingots as he thinks fit, provided that every one, who takes the ingot in hand, knows exactly what he took in hand.

In some former letters I expressed my opinion about a private ingot manufacture and I refer to them.

It may be that, as you think, a trade in fine gold is not important. But, certainly, you concede to those, whose opinions differ here, the permission to facilitate their trade.

III.) You say: "... that gold is more sensitive than ordinary commodities because:

1.) in times of unrest it is preferred to any other commodity and

2.) because there are few substitutes for it."

In 1.) and 2.) you are right. But why is gold, in times of unrest, preferred to any other commodity??

Because its purchasing power is more stable than that of any other commodity, although this stability is not a 100% one and may even fluctuate considerably.

People prefer it as the least evil.

That, in these months or weeks, the purchasing power of gold is more stable than that of the paper-pound or the paper-dollar, you may easily ascertain (but you do not have the leisure to do this) if you compared the average gold price (the word taken in the sense of monetary theory) of, say, 20 commodities with their paper-money prices.

If in Beirut the \$-price of an ounce of fine gold rose from 38.5 to 44, that may either announce a change in the economic value of gold or a change in the economic value of the Dollar, if there is no further information. But in this case, the further information is available: the news from the USA are numerous and quite fit to raise a general distrust in the Dollar. The Dollar **is** inflated, the latter word used in the sense of 1913. Remember, that the Dollar is a paper currency and that an official **selling** price for gold, expressed in paper-dollars, does not exist in the USA. The often quoted relation: \$ 35 = 1 troy ounce fine, means the **purchase** price of the government and may remain unchanged when the market sells 1 ounce for 350 paper-dollars.

It may also happen in the USA what was done in Germany, from 1918 to 1923, where the Reichsbank used two kinds of purchasing prices for gold: a published one and a secret one, which even today is not known. (The old registers are burnt, it seems.)

You were so kind as to send to me the Economic Digest of April 1950. There, on pages 164 ff, is reprinted a passage from Dr. W. J. Busschau's book: "The Measure of Gold". Obviously, Dr. Busschau is a master of the

subject. Busschau says, that the quotations from "free" gold markets must be accepted with the greatest caution. At some places private persons are not permitted to possess other currency than the official domestic one, at other places the possession of gold is prohibited, at some places the trade with gold is restricted to a few privileged banks. Also: the published quotations are not always reliable, very much the contrary is the case. Busschau presents examples of very great differences in the quotations of gold, to be explained by such circumstances.

Rittershausen, too, who understands the subject well, affirms that there is in the whole world only **one** really free bullion market: Tangier. But the bullion dealers of Tangier are not interested in communicating the real prices they get or pay. One must offer or demand as committor if one wants to get reliable information.

When a currency is inflated by the government, then the subsequent order in which prices rise is invariably this: Precious metals, other metals, wool, cotton, and then other wholesale commodities. Then begins a scarcity in the shops and **then** prices rise in the shops. Regularly, the journals affirm, that there is no real inflation or only a moderate one, because prices in the shops did not follow the metal prices. The connoisseur knows: In a short time, they do.

In the light of these facts one must consider the observation, that prices of many commodities only rose 1 % or 2 %, while gold rose 16 % in a month.

(What official exchange quotations are worth, I learnt in the years 1926 and 1927, when I had to do with operations at the exchange of Paris. The published quotations always differed from the really paid prices. Reliable are the quotations of New York, where every single operation is published.)

III.) You say: "... in a time of strong foreign demand, your ingots would also disappear from circulation."

If in the country concerned the circulating medium is a forced currency, then gold ingots - - also in the form of gold coins - - disappear from **circulation** the very day when the cours forcé is declared. Then they wander from circulation to **trade**. From trade they cannot disappear.

But, probably, you mean the case when foreign creditors use their right to demand gold coins. Here one must not be misled by vulgar expressions like: "The **country** owes gold, and now etc."

The country owes nothing, it is some concerns of merchants who owe. Their power is not great enough to dispose of the gold coins in other people's pockets. If they cannot pay, then they are bankrupt, and the gold remains where it was before the bankruptcy.

If the Central Bank, with its great gold store, resolves to help the debtors, then this **Bank** may lose gold for a few weeks or months. That would do no harm if bad laws, for issuing institutes in all countries before 1914 and in some still later, would not prescribe to the Bank a maximum for the issue of notes, say, the threefold of its gold stock. If then the Bank gave a considerable part of its gold stock to the said debtors, then it would be compelled to considerably reduce, at the same time, its note circulation:

- 1.) by calling in loans which it otherwise would not have called in and
- 2.) by not providing fresh discounts, which it would otherwise have granted.

This caused the crises, not the temporary reduction of the gold stock.

(I do not speak here about the cause for which, in a case like the here considered, the reduction was for a few weeks or months only, so that the gold stock was or could be replenished to the extent that the concerns of merchants repaid their loans to the Bank.)

(J.Z.: I tried to "improve" this passage but still do not find it clear enough myself. Perhaps you should try to write, like B. often did, with semi-frozen figures, in an unheated winter-room! Would you do any better? - J.Z., 25.3.03.)

There is another case possible, in which the inhabitants of a country fear an inflation of the domestic currency and offer it in other countries at the free bullion market. If their offers are favourable, then the gold ingots or the gold coins in the pockets of private persons will not wander off to the free bullion market. Average people do not observe the quotations of that market. But the gold mines will observe the bullion market and will offer **their** gold by wire. You know better than I do, to what extent London, before the second world war, was a centre for such operations and how little the domestic currency and domestic gold stores were affected by offer and demand of foreigners.

Long-term loans. Let me remark that if

- a) there should really exist an upper limit for each country, for the quantity of standardised means of payment without cours forcé, which the country's circulation can still absorb, and, finally,

b.) once this upper limit is attained, then neither your point 1.) nor your point 2.) nor your point 3.) will enable any bank to continue business based on the issuing of non-cours forc  notes.

Payments abroad. We do agree if the following is now your standpoint: "Surely, it is better for US to continue exporting but to accept pounds only at a discount". We do not agree, if you say, that US does accept pounds. She does **not**, and it would be interesting to learn why she does not. I hope to find it out one day. But I know from the eminent expert, Dr. Hillmann, Leeds, that the possibility is not discussed, neither in the USA nor in England. Important is the percentage of the discount. I estimate it at 1 % or so.

Free Banking. You say: "In England, before 1844, the issuing banks always issued notes for wage payments." I think, that in the average, in the decades before 1844, the weekly wage of a worker in England was 15 shillings a week or so and it was paid weekly. From the book "Social Reform", by W. H. Mallock, London, 1914, I learnt that in the year 1801 more than 9/10 of the working class got less than 22 shillings a week. In every case, the smallest notes in England before 1844 and long after, were L 5 notes, in Scotland and Ireland L 1 notes. It would be interesting to know, how an employer paid wages of 15 s or 20 s. a week by notes of L 5. Adam Smith relates nothing on payment of wages in banknotes in England. (Ex nihilo nihil fit, well.) He mentions the payment of wages in paper money in the American colonies. But his numbers (interesting - - pages 76 of my 1/2 of "Wealth of Nations", The world's classics, are stated before 1773, and the paper money he speaks of must have been State paper money.

From books about the economic conditions in England in early Victorian days, that I read in the now burnt State Library (author forgotten), I learnt that one of the many complaints of Chartists and other reformers was the bad currency used for wage payments. They complained, that employers bought at shops and pubs silver coins that were debased by rubbing and wear, at a discount and gave them in payment as if they were full value coins.

Interesting is what you say of the intention of the 1844-act: to prevent manufacturers from giving long-term loans to merchants. But do you not overestimate, here, Lord Overstone and his adherents? The act of 1844 and the reasons of its authors were carefully analysed by such eminent writers as Adolf Wagner and Lorenz von Stein (Vienna). They confirm what you point out in your book - - although in polite words - - that there was less a system of **thoughts** which produced the act but, on the contrary, a **lack** of thoughts. The whole act is - - that's still my conviction - - a conglomerate of exhibited ignorance and presumption, an ignoring of fundamental rights and the beginning of that centralist mentality which began to prevail in every sphere of life, created Marxism in one sphere and bank monopoly in a (seemingly) different sphere. **If** Lord Overstone and the others were really led by thoughts as you assume now, then this fact must be mentioned in the next edition of your book, so that the reader may learn there was still **one** real **reason** that these men had in their head and not merely vain prejudices.

What I said, about long-term credits in Germany during the crisis of 1932, did not mean that every manufacturer suddenly granted credits of several years or so to shops. The average credit, say, for victuals, is about 4 weeks. It was probably not longer in 1932. But credits to car-yards, radio-shops, sewing-machine dealers and for musical instruments may well have been a year and longer, which is long for commercial credits. In England it will have been the same.

Balance of trade. When I mentioned, that for decades the commercial statistics **seem** to show an excess of imports over exports for the world's trade, it was my intention to demonstrate the untrustworthiness of commercial statistics in general. It was never my opinion that **you** would ever have doubted the equality of imports and exports (with slight differences) in the world.

The connection of balance of trade (supposed that such a balance exists) and commercial crises is affirmed in many books. I believe it to be a "fable convenue". Take Germany as example. No foreign creditor can claim German notes as a means of payment. All commercial contracts are concluded on the base of foreign currency, in most cases dollars. How can there be, under such conditions, a connection between the quotation of German Marks abroad and the balance of trade? To sell German Marks at foreign exchanges, to get dollars, etc., is strictly prohibited. The sinking tendency of the German Mark (which, of course, I do not deny) must be caused by other influences than by the balance of trade.

India. I would be glad if experience would confirm your opinion that I exaggerated the defects of the Indian system, which you call a democratic one. I am a friend of India and every news that things go well in India and that the people have reasons to be content, does please me. What objections I have against the Indian parliamentary system and the **elections** it provides??????? Nothing else than that I know very well this kind of **elections**. But this theme is treated by travellers and other people, who know India well. I think you know this literature. Set apart the 200,000 or so nationalists, probably the majority of the others do daily beg the gods: Let the English return and with them the Pax Britannica. Take our politicians into heaven (or hell), but let them never return. The English rule was - - now we see it - - the by far least evil.

(J.Z.: In the Laissez Faire Books catalog of May-June 2003 <http://laissezfairebooks.com> 800-326-0996, I just read a review of; Rayasam Prasad, Collapse of a Dream, paperback 372pp, \$ 14.25,: "Having witnessed socialist politics, Prasad has few illusions about government doing good. In India, he writes, "Many criminals have found politics a safe haven. They joined one political party or the other, acquired money and influence, and used them to cover up their crimes and the crimes of their followers. Seventy of 108 candidates in one election had criminal backgrounds. Every political party has its share of criminals." - Already Prof. Sorokin pointed out that politicians, as a class, have the highest percentage of criminals with victims among them. He did not stress that most territorial politics is in itself criminal and victimises productive people for the benefits of looters and parasites. The present India might just be an extreme case and their Indian victims have long been accustomed to be exploited by criminal rulers. The English rule was just a short and relatively benevolent interlude. - J.Z., 2.6.03.)

The bar between Hindus and Pariahs is styled as a religious one. But German ethnographs are convinced that the Pariahs are the remnants of the subdued Dravidian race and that, consequently, the seeming religious bar is really a colour bar. I know that many English ethnographs share this opinion.

You are right, that now the former **colour** bar between Indians and English is removed. I admit also, that this colour bar (as **all** colour bars) was a nonsense and created much unnecessary political and economic resistance. Concerning the lower class Indian people, Pariahs and others, the **bar** between them and the upper castes is hardly less than before the **colour** bar.

You will not contest that the **caste bar**, under the 250 years of English rule was much diminished. The objective of the caste bar were not only the Pariahs or the Weddah of Ceylon, but many other castes. The upper castes have now learnt to ride with others in the same railway, which, 100 years ago, was quite impossible. I know stories from the first years of Indian railways, when such a high-class Brahman occupied a wagon for himself and his servants and when he found in the wagon a man of low caste, then he said to his servants: Clean the place of that dirt! - and the traveller of low caste was turned out and his place was washed with cow-urine. Then the traveller, perhaps a rich man and in every case quite peaceable, complained to the station-master. The latter simply expelled the haughty Brahman, and when he shouted that an "uncaste" (Paria or "untouchable" ? - J.Z.) had touched him, he told him to shut up or get beaten up. That effectively destroyed the caste-prejudices. (J.Z.: It may have reduced them, but did it effectively destroy them? - J.Z., 27.3.03.)

Human rights. They repose not in the individual as a bearer of such rights but in the individual so organised, that his organisation leads him to acknowledge the rights. But in common language it is better to express the rights as if the individual would be the bearer of the rights. Philosophers know better, but they will - - if they talk to other, non-philosophical people - - speak in **their** language.

(J.Z.: Compare the distinction in the Human Rights Draft in PEACE PLANS 4, 61-63 & 399-401) between rights of rational beings and rights of all human beings. As rational beings are there classed those, who know, appreciate and respect individual rights in others. - J.Z., 27.3.03.)

And from this standpoint a sheep has its rights as well as a man and I, for my person, drew the conclusion which, 2,000 years before me, the noble **Plutarch** drew and do not buy mutton. In the eyes of carnivores, human and others, the sheep has **no** rights. But I think that you had, during the 69 years behind you, an opportunity to be quite near to a sheep and get an impression from it. Perhaps at this moment you would have felt an inhibition to cut its throat and eat it. Perhaps; perhaps not.

21. I. 1951.

By your kindness I received yesterday:

- 1.) **Punch** of 3. I. 51,
- 2.) **Truth** of 5. I. 51,
- 3.) **The Economist** of 6.I. 51,

- 4.) **City Press** of 5. I. 51,
- 5.) **The Interpreter** of 15.9.50,
- 6.) **The London News-Letter** of 4. I. 51,
- 7.) **International Financial News**, 8.12.50,
- 8.) A pamphlet: "Preference by Devaluation Will not Solve Dollar Problem",
- 9.) **National News-Letter** of 4. I. 51,
- 10.) **The Malthusian** of December 1950, of which I could only say that **Punch** is to be taken much more **serious** than The Malthusian, but that does not prevent it from being very interesting.
- 11.) **L'unique** of 31. VIII. 50.

I thank you very much and read much of the interesting contents in my bed, until the 8 chilblains on my right hand said: Now be so kind and put us under your blanket. (I do not understand that this year my left hand is quite free of chilblains. A lady, who stated the fact yesterday, said: The explanation is that you are asymmetrical in **every** respect, mentally and in connection with chilblains.)

What "The Malthusian" says about **trees** is 1/2 false and 1/2 true. When it states, that the world has not enough timber and, especially England, has not enough, because she is "overpopulated", one must ask: Has The Malthusian never read of currency difficulties that until now prevented Sweden from sending timber to England - - which she did already at the times of Child and Petty - - ??? But, on the other hand, the Malthusian is in the right when it (indirectly) says, that humanity may, by devastation of its forests, get into a very bad situation and that, if it continues to neglect afforesting, then it may, one day, be **really** without timber.

(J.Z.: A really free market for timber would make the growing of trees rather profitable, the more so, the rarer forests would become. Until now, at least in some countries, there is still all too much timber, which no one is willing to pay anything for. Thus it is just rotting away or burnt, not even used to produce wood chips. - J.Z., 27.3.03.)

In this connection: Among the few **good** laws of the Nazi-government was the prohibition to use timber in the reconstruction of German towns. It was the intention to increase new houses which, in the case of air attacks, may burn out but cannot burn down. In France I saw, from 1915 - 1918, many houses built without timber. The French used concrete-beams, which are much better.

The Malthusian reprints a letter of William Townshand (Townsend? - J.Z.) to the editor of the Sunday Express of 29. 10. 50, on the tyranny of trade unions. It **may** be that the union-rules will cause a military debacle during the next war. The only solution is cooperative socialism, in the sense of the old International Working Men's Association. If "The Malthusian" itself would have known a solution, it would, probably, have announced it.

The Malthusian published a letter of Mr. Y. Bevan to Drysdale about Egypt and states that Egypt is a **rich** country but that its peasants are **robbed** - - a fact which every visitor without blinkers has observed. The standpoint of D. is - - of course - - facts, social conditions and social robbery do not matter! There are too many fellahs! And that he "proves" by his "statistics" and does not in the least care that today, also, one of Egypt's problems is to **sell** her victuals and not to **get** victuals.

Stephen King-Hall confirms, in the issue of 4. I. 51, the news of the general despair of Germans in the West and their profound distrust in the military and other necessary capacities of the Allies. I refer to my last letter. The Allies neglect - - inter alia -- the "human factor".

St. K.-H. says many good things but he is no economist and neither is he aware that the propaganda methods of Mao and other Asian leaders have created a quite new situation. It's impossible to meet this situation by means of old strategy, au fond still that of Napoleon.

S. K.-H. says that the West is able to arm 100 divisions without being assisted by American troops. Such a statement is astonishing. A very old rule says that a country can arm about 1/10th of its population. The West of Europe has a population of at least 200 millions. What would allow an army of 20 millions - - or - - a division counted as 12,000 men - - 160 divisions. Germany, in the last war, had **more** than 1/10th of her population under arms.

The main point is: Will the Russians wait until the West is rearmed? The Kremlin declared, officially, that it will **not** wait. What's to be done?

There is no other possibility than the Mao method. Offer to every Russian soldier, who comes voluntarily to the Western army, what Mao offered, with such a success to the Chiang Kai Shek soldiers. I wrote to you in a former letter about the detail.

How great is to the probability that such a program is seriously talked about?

In Western Germany and at the moment it is zero. The almighty ministers of finance declared, that even the Germans that come from the East will be sent back. If these gentlemen will hear, that not only Germans but also Russians shall be admitted and on conditions that are favourable, they will answer: "Impossible, we - - the **experts** - - declare it impossible and we will do what we can to prevent it!

And England? I am convinced that the trade unions will never, voluntarily, give up their trade union rules and will rather become slaves of the Kremlin.

And the French workers? And the others? The same mentality!

Now judge the probability that the West will win.

I forgot to answer your question whether **forced currency** would be a good translation for "cours forcé". I think not. Forced currency means "Zwangskurs-Geld" but not "Zwangskurs" or "cours forcé". The German sentence: "Der Zwangskurs fuer deutsches Papiergeld sollte aufgehoben werden." - can be translated by: "The cours forcé for German paper-money should be repealed." But a "forced currency" cannot be repealed - - correct me if I am wrong. "Zwangskurs" is a monetary **quality**. "**Forced currency**" is the sum of notes endowed with cours forcé, that is: forced currency is a **quantity**.

Italians, too, possess a word for "Zwangskurs": Corso forzoso. In a discussion with Mr. Spiller, the translator of my 3 books, I stated, that at present the English language does not possess a word for Zwangskurs, one that, if retranslated, would again produce the word Zwangskurs.

Professor Milhaud, certainly an expert, confirmed my opinion.

Professor Buriot-Darsiles at Moulins, who speaks and writes German and English as well as his French, said the same.

(J.Z.: Perhaps the terms "forced acceptance" and "forced value" would be suitable terms. The first to indicate the compulsory acceptance and the second term to indicate "cours forcé". I have used them with that meaning and found no contradictions so far. But they are not terms to be found in dictionaries. - J.Z., 27.3.03.)

Some days ago, an acquaintance of mine had a visit by friend from Denmark. He looked at the display cases of Berlin shops and was very astonished to see that all the victuals could be bought without restrictions. He begged my acquaintance to come with him into the shop:

"Please, could I get **one** pound of butter??"

"But certainly." He got the pound and paid for it. Then he saw, that it was **Danish** butter: "Yes, the girls responded, the greatest part of butter for Berlin comes now from Denmark."

"Oh - - and what must I pay, if I buy a second pound???"

"What you paid for the first!"

"That's magnificent!!! - Now tell me: How much can I get without a card???"

"That depends on your purse. At the moment, we have more butter in store than **you** could carry away!"

"And if I buy **five** pounds?????"

"If you will **pay** for it - - at once!!!"

And then the man bought 5 pounds of **Danish** butter, sent it to Denmark, to his wife, so that the family might at least **once** get enough butter.

I do assume that this man gained at least some doubts regarding the mercantile theory: Man produces not to consume the product but to **export** it.

(In Denmark, at least at that time, the government practically expropriated most butter, probably at a fixed price, rationed a small quantity, that Danes were allowed to buy and consume and used most of the butter gained to export it. I believe that one could also buy it more cheaply in Germany than in Denmark. Danes were practically

forced to use mostly margarine and oils etc. One of those man-made "facts" of present life that most people just laugh about but do not really ponder. - J.Z., 27.3.03.

Very faithfully Yours - signed: U. v. Beckerath.

28. I. 1951.

Dear Mr. Meulen,

if it may be supposed, that the quotations of the **Bombay** market for precious metals ("Economist", Statistical summary)

1.) are honest and correspond to real sales,

2.) are those of a really free market (the word used in the sense of Adam Smith),

then they may be used, in some cases, to detect hidden inflations.

The word "inflation" I use here in the sense of 1913, that is: An over-issue of cours forcé - money, which would not be accepted by the public at par, if there would not be the cours forcé.

The "Economist" of 6. I. 1951, you were kind enough to send to me, contains these Bombay quotations:

	Rupees. Annas Gold per tola.		Rupees. Annas Silver per 100 tolas.	
27.12.50.	111	14	187	0
28.	113	9	188	4
29.	-	Market closed	-	
30.	112	11	187	2
1.1.51	-	Market closed	-	
2.	112	8	186	7
3.	111	13	185	12

After the first world war, the quotations at most exchanges were for fine gold and for fine silver. Before they were for standard gold and for standard silver, if not expressly for fine metal. I do not know how quotations are done now in Bombay.

In this Abdera, called Berlin, there is (for me) at the moment no possibility to ascertain it.

But the difference of quotations is not great and may be neglected for many purposes.

An ounce of standard silver is $\frac{37}{40}$ of an ounce fine silver and an ounce of standard gold is $\frac{11}{12}$ of an ounce of fine gold. The relation is:

$\frac{11}{12} \times \frac{40}{37} = \frac{110}{111}$, which may, for many purposes, be considered as equal to 1.

(J.Z.: I make it $\frac{11}{12} \times \frac{37}{40}$, which comes to: $\frac{407}{480}$, divided by 4, to, roughly: $\frac{102}{120}$, i.e. a higher difference than indicated above. B. had reversed the second fractions. Even a mathematician and statistician can make mistakes. But, please, consider the conditions under which he wrote, mostly in an unheated room, in Berlin Winter weather. - J.Z.)

1 tola = 180 troy grains = $\frac{3}{8}$ troy ounces = 11.664 grams.

1 rupee = 16 annas.

The average of the above stated quotations is pretty exactly: 60 ounces silver = 1 ounce gold.

If one supposes this relation as the **true** relation for the time in question, then the American price for once ounce of silver (= 80 cents) must be multiplied by 60 to get the **real** price of gold, expressed in paper dollars.

$$0.80 \times 60 = \underline{48 \text{ dollars. (paper)}}$$

The quotations for fine gold at the London Exchange, expressed in paper dollars, and reported some days ago in German papers, could have been expected for a long time from the Indian quotations.

On the 16th of January the quotation was ("Die Welt" of 18.I.51.) = \$ 40 - \$ 45 per ounce, at London. This price was still "too low".

The "Welt" of 18. I. reports a silver price of 78 1/2 d. $78.5/12 = 6,5416666$ s. per ounce in London. Multiplied by 60, one gets 392.5 shillings = 1 ounce of fine gold.

The price of the Bank of England is 248 shillings.

Such an incongruity lets expect great changes in England's monetary standard in the next months or earlier.

Very faithfully Yours - signed: U. v. Beckerath.

Addendum.

On 3. I. 51 the Bank of England's outstanding notes amounted to L 1332.2 millions or 26.664 million shillings. If the Bank's shilling-price for gold (248s = 1 ounce troy gold) could be considered as real, the outstanding notes would be worth 107.5 million ounces fine gold.

If the population supplied with currency by the Bank of England would be 50 millions, then this would be 2. 1 ounces per capita.

For the year 1885 **Haupt**, "Arbitrages et parités", VIII-ième edition, 1894, found 4 L per capita = 1 ounce.

If one would consider this amount as "normal", then one must say:

The gold value is now too high. But if 392.5 shillings is taken as the "real" price of gold, then one gets about one ounce in circulation per capita, as at the end of 1885.

Bth.

For centuries the relation between silver and gold was more stable than any other value relation between goods. There were, inter alia, these reasons to maintain the stability:

- 1.) The practice to express all prices in quantities of precious metal.
- 2.) The practice to use standardised ingots of precious metals as means of payment (coins) and measure of value.
- 3.) The immediate relation between coins and prices of goods.
- 4.) The very great quantity of precious metals accumulated, so great, that the current production and the current consumption (industry, wear and tear) did not affect the quantity much.

No. 1 is now done **secretly** in many economic spheres.

No. 2 and 3.) do no longer exist, but

No. 4.) is still sufficient to maintain a certain stability, as may be seen from the quotations at Bombay. I took at random the following quotations:

	Silver (100 tolas)	Gold (1 tola)
1949, March 24.	180/8	105/0
25.	179/8	108/4
26.	180/12	110/4
28.	179/4	108/8
29.	179/4	108/8
30.	182/10	108/8
	1081/14	650/8

Relation: 1 : 60.

1949, Sept. 23.	160/4	114.0
24.	163/0	116/9
26.	166/10	117/0
27.	163/4	118/4
28.	171/2	119.4
	824/4	584/8

Relation: 1 : 61.

1950, March 30.	187/10	116/0
April 1.	185/10	115/7
3.	186/9	114/14
4.	184/8	114/8

	744/5	460/13
<u>Relation: 1: 62.</u>		
1950, Aug. 10.	179/12	114/3
11.	179/14	114/5
12.	178/7	114/2
14.	179/2	115/5
16.	178/14	114/3

	897/1	571/2
<u>Relation: 1 : 64.</u>		
1950, Dec., 27.	187/0	111/14
28.	188/4	113/9
29.	187/2	112/11
1951, Jan. 2.	186/7	112/8
3.	185/12	111/13

	934/9	562/7
<u>Relation: 1 : 60.</u>		

Bth. 31. I. 1951.

Dear Mr. Meulen,

30. I. 1951. Your letter of 27. I. , received today

I, whose English is not above a little Pidgin-English and do require, to be understood, a reader of your benevolence, am certainly not competent to deliver to **you** a lecture on the true meaning of an English word, such as currency.

I can only tell you what I found or missed in dictionaries and encyclopaedias.

In the Columbia Encyclopedia, 1945 edition, I read:

"Currency, any medium of exchange having a legalised physical form."

In the following text the word is not used in another sense.

In the article **fiat money**, of the same work, is said: "money that is made legal tender by the decree or **fiat** of the government, with no other backing. In the text following no word is used corresponding to "cours forcé" or "Zwangskurs". The notion is expressed by a paraphrase, as I found it in all English books treating the subject.

What **Webster** says in his dictionary of 1880, that "currency" may also express a **quality**, corresponds better to your opinion. W. gives three characteristics:

1.) "The state or quality of being current; a continual course or passing from person to person, or hand to hand, general acceptance; circulation." As an example W. gives:

The **currency** of time to establish a custom ought to be with a **continuance** from the beginning to the end of the term prescribed. (Ayliffe.)

2.) Current value; general estimation: the rate at which anything is generally valued. Example:

He takes greatness of kingdoms according to their bulk and **currency**, and not after intrinsic value. (Bacon.)

3.) That which is in circulation, or is given and taken as having value, or as representing property; as the **currency** of a country; a specie currency.

My impression is: Although Webster here states, that "currency" may signify also a **quality**, it is not his opinion, that it may also be an **economic** quality. If this were his opinion, then he would - - I think - - have stated it under heading 3. But if your opinion differs here, then I will not quote Webster as an authority against your opinion.

When you say: "No money has inherent forced currency", you are right insofar as the Zwangskurs of a forced currency can have no other origin than:

1.) legislation,

- 2.) jurisdiction of the courts without a preceding legislation,
- 3.) a general opinion of the commercial world, that the currency is to be considered as fiat money.

I could cite historical examples, but they would contribute nothing to our present discussion. The Zwangskurs is not a quality given by the **nature** of a means of payment; the Zwangskurs must be added to its other qualities, by one of the three mentioned causes. But it is an economic quality.

(J.Z.: Rather a serious flaw that should disqualify it for any true economy. It establishes anti-economics or neo-comics rather than an "economy". - J.Z., 27.3.03.)

I can only say, that in no English book, ancient or modern, did I find the notion of "Zwangskurs" expressed otherwise than by paraphrases, such as the one the Columbia Encyclopedia uses.

In this connection: The definition in this encyclopedia is erroneous. The author forgot what the German economists at the time of Lorenz von Stein (who invented the expression) called the "Steuerfundation". That the readiness of a government, to accept a paper money at par, is often quite sufficient to endow the money with parity at the market, is very well pointed out, inter alia, by W. B. **Greene**. (J.Z.: In one short passage in his "The Wealth of Nations", Adam Smith recognises it, too.)

Steuerfundations (an English word is lacking) (J.Z.: Literally: tax-foundation.) is a much better backing than the "classical" backing of 1/3 or 1/4 of the whole amount by coins of precious metal and then promising to redeem **every** note at par and on demand or with a short delay.

(Nero - - as Suetonius reports - - debased the coins but refused to accept his debased coins as a means of payment for taxes. That may - - I think - - have contributed much to raise a general resistance against his government. His cruelties did not affect the people.)

Fiat money is no paper **promise**. The proclamation of Zwangskurs regularly involves the repeal of former promises to redeem the paper.

Discount rate in West Germany. My opinion is: Before Professor **Hirsch's** valuable investigations into the part of interest in the observed prices of commodities, economists grossly over-estimated the importance of interest , including the discount rate.

(J.Z.: They still do! Sometimes they talk or write as if only it mattered or as if they had nothing else in their brains.) In Germany they could have learnt it long before Hirsch by the reports of the Reichsbank and other banks. The sums won by the banks, when the discount was increased, were quite insignificant in relation to the Gross National Product.

In the **Economist** of 6. I. 51, which you were so kind to send to me, I find a report of the brewery Joshua, Tetley & Son, Ltd.: The gross income of L 5 810 070 was spent, e.g., for interest: 0. 4% for wages and salaries: 5%. The interest was less than 1/10 of the wages. Doubling the expense for interest would have hardly influenced the price of Tetley's beer. I read again with much pleasure pages 160 - 165 of your book. But for our time I think that a balance like that of Tetley as being typical for many producers.

Payments abroad. We are still at cross purposes. Do you know cases, say, where a firm of Birmingham bought cotton from a Savannah concern for pounds???????? That Pounds are quoted in New York and Dollars in London, proves no more than the regular quoting of German Marks at the exchanges of New York, Zuerich, London, etc. Both of us know: The imports to Germany are not paid by German Marks.

Long-term loans. To fix the **amount**, is - - here you are right - - impossible. Very different is the task to estimate an **upper limit**.

(J.Z.: That would involve a) knowing the total of current consumer production, which is largely dependent upon the degree of monetary despotism that is practised, b) knowing how much of this output the owners of these products and services, or of claims to them, would be able, with the best of will, to invest on long terms and c) what fraction of that maximum savings and investment amount they are willing to invest on long terms, under the then existing conditions of e.g., inflation, taxation, regulations, war and revolution threats, threats of nationalisation, difficulties caused by monetary despotism for the sale of the new goods and services so achieved, etc. - J.Z., 27.3.03.

Free Banking. Your quotation from **Attwood** is decisive. But it follows from Attwood that the pay cannot, possibly, have been **weekly**. Wages of 15 shillings per week were quite common at that time. You may ascertain that easily from any book referring to wages of the time of about 1800 and the following decades. At the moment I

find that **Roscher** speaks of a spinner's weekly income in the year 1842, working at the mule of 400 spindles and producing yarn No. 70, as being 20 shillings.

The income rose when the spinners of that class were placed at the improved mule of 1600 spindles, in the year 1859, to 30 s. 10 d.

The time of the Napoleonic wars was a time of relatively "good" wages, and in the following decades wages remained for a long time stable. Nassau W. Senior says, in a lecture delivered 1830, that at his time a daily wage of 1 s 6 d or 2 s was common, while at the time of Henry VII the daily wage was about 4 1/2 d. (He investigated the relation of wages to the price level, which, for our discussion, is not important.)

I think that the law of 1826, abolishing one pound notes in England, must have produced very much unemployment, which was ascribed, by the ignorance of that time, to other causes.

I re-read your quotation from Lord Overstone on page 123 of your book. But I cannot find that Lord Overstone thought it was "the aim of the act (1844) to restrict credit in order to prevent merchants from buying"- - the sentence to be understood as you meant it as answer to my reply. My opinion still is that you here overestimated old Lord Overstone.

India. The figure of 200,000 was the estimate by an author who wrote in "Truth" or in "The Economist". I believe it to be fairly right. The "Indian opinion" of which you speak is on the level of the French girl, whose sentence Carlyle quotes in his "French Revolution": This daughter of the independent people said:

"Nous ne sommes guère plus heureux depuis que l'on a inventé la nation".

"Truth" of 5. I. 51, page 2, says inter alia:

"If Pandit Nehru's reformist zeal demands an outlet, it would be better employed cleaning up the corruption which, since the ending of British rule, has spread through-out the sub-continent like a pestilence."

Everybody, who knew something of India, from reports of informed travellers, expected that corruption. You did not???? Certainly, you expected it too, and we both know that the coming of the corruption was as certain as a moon eclipse calculated from the usual data.

I am a strong opponent of the opinion that **Gandhi** produced anything really good in the world and, especially, in India. He **consented** to the movement against the caste spleen but hardly contributed to it. The caste spleen was as far from being a religious spleen as antisemitism was and is in Germany and other countries.

The British meddled insofar with caste affairs as they did not acknowledge the inferior cases as men of inferior rights. The station master of whom I reported, did much more against the caste mania in a few weeks of ordinary railway service, than Gandhi did in his whole life. Since both of us do not live in India, none of us can here **prove** or **refute** anything. (J.Z.: That is an insufficient argument and B. rarely confined himself to trying to prove anything only regarding those countries in which he had actually lived. He took the observations of others, who had visited them and made some records of their experiences, as proofs. - J.Z., 27.3.03.)

Danish butter. I do not know whether the Dane's money was Danish, when he bought butter in Berlin. The **main** folly of Denmark's government was - - in my opinion - - that it forbade the **Danes** to consume their own butter, at home.

The "International Financial Survey" you were so kind to send me, reports in its issue of Dec. 8, 1951, that now British exporters need no longer turn over, to the Bank of England (I demanded the repeal of its charter in one of my books.) Danish, Swedish and Norwegian currencies received from the sale of goods to these countries. I am surprised that the English did not organise a thanksgiving procession as peoples in despotically governed countries would do. (In Germany dedicated to Schacht, in Spain and Ireland to the church and in Russia to Stalin's statues.)

Human Rights. I do **not** agree with you that rights do not exist before that crowd, politely called "society", granted them. It is also my opinion that "society" is too dull to grant such important things as human rights. The rights of others are founded in **my** mind, and if my mental organisation would be so, that it produced similar feelings towards men, as towards **carrots**, then I would eat them both, but the former with a little more salt. My feelings for sheep are quite different from my feelings for some **men**. I could never kill, with my own hands, a **sheep**, such a nice, non-aggressive, pacifist being. But men - - I can easily imagine situations where I would kill men without hesitation.

That will not prevent an old warrior like you to visit me in Berlin during your next voyage.

I continue next month.

31. I. 1951. Your letter of 27. I. 51.

Dear Mr. Meulen,

you say on page 1:

"But if the demand for gold is big enough, paper will still fall in terms of gold, even without a maximum legal issue."

We must distinguish:

- a.) demand for gold at the free gold market (the word this time used in its old sense, that is: a department of the free bullion market),
- b.) the claim of creditors, to whom debtors promised gold coins, as they regularly did in all countries before 1914.

Before 1914 it was impossible for a great demand to arise for gold in the case of a.) and for **notes** to be offered in such quantities that they could get a discount, compared with sovereigns. Why? The possessors of notes would have gone to the Bank of England and would there have converted their notes into sovereigns. But once the Bank of England was freed from its obligation to redeem on demand and at par, the situation was changed. Here I will not consider this case.

Much more important, and in times of the well-known crises exclusively important, was the case b.). Great concerns had promises on bills of exchange to pay gold at a fixed date. That date came and they had neither gold coins nor notes. What they had, were unsold commodities or bills of other debtors in the same situation. Then these "dishonoured" bills fell in value, considerably. But - - and that's important for our discussion - - the quotation of notes remained unchanged as long as the Bank of England was ready to redeem the notes.

Even when the Bank was freed from the obligation to redeem, the quotation of notes at foreign Exchanges was quite different from the quotation of unpaid bills of exchange.

The reason was quite simple: One could e.g., pay taxes at par with the notes, railway tickets, all kinds of debts, etc. But unpaid bills of exchange could only be used in **one** manner at par, as a means of payment: Paying debts to the debtor, who at the moment could not pay.

Say: Lyons could not "honour" its bills of exchange. Its bills get a discount. But if a merchant bought from Lyons 1000 pound av. tea, then he could use the "dishonoured" bill of exchange as a means of payment and this at par. (The Krefeld banker and Reichsfinanzminister in the year 1849, **Hermann von Beckerath** (stressed by me. J.Z.), earned much money by systematically using, as means of payment, the creditor's own due bills. At that time even bankers did not always comprehend this simple procedure.)

Although it is arithmetically the same to say: gold rose or the bills of exchange fell in value, it is not the same economically. Economically the bills fell and gold coins remained stable. I hope we agree here.

A low price of "dishonoured" bills of exchange probably never tempted gold out of hoards. Observations seem even to teach the contrary.

Interpreter. I expect your two copies with much curiosity, and thank you beforehand. In one of the last issues the lady editor affirmed, that the American Revolution was financed by King George with the help of Rothchild. And this not as a joke but quite seriously.

Very faithfully yours - signed: U. v. Beckerath.

1. II. 1951.

Dear Mr. Meulen,

you know the works of Lombroso and many others who tried to gain from photographs and exact descriptions a **type** of the "asocial" man. They all were at last convinced that the missing capacity to acknowledge **rights** (especially those of others! - J.Z.) is expressed in the whole organisation, not only in the man's head or face. The fingers of the born murderers resemble much those of a gorilla, are also much more hairy than those of a normal man. On the contrary, the hands of saints, in paintings, are always beautiful, long and slender.

Schopenhauer says: Moral qualities, or the lack of moral qualities, a man inherits primarily from his father. When a woman declines to marry a man with bad "social" qualities - - which she will do, if she can - - she contributes towards the improvement of the human race. That is the secret reason for which we read with pleasure stories, where a girl prefers a poor man with good social qualities (capable to acknowledge rights) to another, who is rich. She sacrifices her personal advantage to that of the human race. The head of the reader does not know it, but his feeling knows it.

I hope you read the excellent articles of J. F. Eggleston in "City Press" of Jan. 5, 1951. Title: "Socialist planners say Free Trade would bring chaos ... - Then give us this chaos."

One almost believes to hear one of the old Free Traders, 100 years ago, who did not restrict themselves to merely explain the **advantages** of Free Trade, but claimed it as a **right**.

Eggleston demands

1.) a free dollar market,

2.) a free gold market

in London. He uses the world "free gold market" not in Kitson's sense but in the old sense, still retained in the USA. (Obviously, Kitson's misleading terminology is now quite abandoned, also in England.)

Does Eggleston do what the Germans call: "offene Tueren einrennen"?? (J.Z.: Running against doors, thinking they would be locked, while really they are open.)

E. expresses the greatest contempt for "currency experts", which pleased me **very** much.

E. demands the right for Britons to pay in the whole world with **pounds**. (We want one area for sterling - the world.")

If E. is in the right, then the English have **not** the permission to pay - - say - - American cotton with Pounds.

For decades you have been the only man England who demands the right of issue as a personal right. Neither Alexander nor Eggleston go as far. One day, which I hope to be near, they will demand the same personal right. But you will remain at the top of the movement if you:

1.) explain to your countrymen that the right to **refuse** means of payment is not less essential than the right of issue and that it is the best and even an infallible means against over-issue (inflation in the sense of 1913).

2.) protest against the **pretended** "right" of governments to prescribe the denominations of notes and other certificates, e.g.: prohibit notes of smaller denominations than L 5 or L 1.

Very faithfully Yours - signed: U. v. Beckerath.

2. 2. 51. Your letter of 27. I. 51.

Dear Mr. Meulen,

human rights, the rights of animals and - - if one is a Hindu - - even of plants, depend upon the mental and psychical organisation of those who judge on these rights.

The capacity to acknowledge these rights presupposes the existence of certain cells in the brains or the nerves of men or women. (J.Z.: Or certain connections between them.) Where the cells do not exist, there exists no capacity to acknowledge these rights.

Gall gave many examples. Men, in whom these cells are missing, are born murderers. On the other hand: animals possessing the cells do jeopardise their own life or sacrifice it to help or to save others. Darwin, in his "Descent of Man", reports, how a little ape saved his keeper from death, when the keeper was attacked by a great and very strong ape. The little ape bit at once the great ape's throat, before the great ape became even aware, that the little one made a move. Darwin reports other actions of apes that are, obviously, to be valued as moral actions.

Here is valid the Delphian "Knohi Sayton", "Know yourself".

A man so organised, that he must acknowledge other men's rights or even animals' rights and acts as a criminal, feels a deep repentance which may lead to suicide, and another, not so organised and missing his advantage - - and

may it be by a crime (theft or murder) - - feels the same degree of repentance. Schopenhauer explained the latter very nicely.

A man, able to acknowledge rights, and suffering wrongs, will fight for his right. Experience teaches that such men are dangerous enemies. (J.Z.: They can be as dangerous if they merely believe in imagined rights.)

A man not able to acknowledge rights and suffering wrong, feels that wrong only as a disadvantage. Often such men are reconciled by a little gift. But such natures are seldom to be found. The rule is, that even a brutal and cruel man, if offended, pursues his **vengeance** and is not reconciled by a little present.

This fact proves a moral tendency even in such men. And tendencies can be developed.

Kant, in his (seldom read) "Tugendlehre", which he wrote at the age of 73, says:

(Par. 12) "Werdet nicht der Menschen Knechte. Lasst euer Recht nicht ungeahndet von anderen mit Fuessen treten." (Do not become the serfs of men. Don't let your rights be stepped upon, unavenged! - J.Z.)

That's an appeal not to slaves but to men, able to acknowledge **rights**, the own rights and those of others.

Claims, not founded on **rights**, remain merely claims and are, for those who ward them off, settled after their victory. But claims, founded on rights, are often granted, even if the claimant is completely defeated. In "King Lear" Shakespeare gives us an example.

Explanation: The rights were no less founded on the mental and psychological organisation of the claimant than on those of the defendant. (J.Z.: I believe that the last word should here rather be: aggressor.)

This organisation is not or only to a very small degree our own work. It is **given**, like the form of one's nose. Here a mystery is hidden.

Very faithfully Yours - signed: U. v. Beckerath.

(Here a herd instinct might be involved, which we class as "moral sense". It does not always give clear enough instructions but motivates our actions often enough in the right direction, which is here: Those actions which promote the survival of the herd. But it can also greatly mislead, e.g., when non-members are considered and attacked, indiscriminately, as "enemies", even when they have not acted aggressively but merely some others, of their herd, have. I do not know, whether in such misdirected actions, instincts or false ideas prevail. Often people are not even aware that they act upon the principle of collective responsibility. - J.Z., 27.3.03.)

4. II. 1951.

Dear Mr. Meulen,

by your kindness I received yesterday:

- 1.) a pamphlet "Rights for Robots", by Sir Ernest Benn,
- 2.) "National News-Letter" No. 757 of Jan. 25, 1951,
- 3.) "Individualism", Jan. 1951, with an advertisement of Foyle, Bookshop, 119-125 Charing Cross Road, London W.C. 2, Gerrard 5660. Many of my burnt books I bought from **Foyle**. But I forgot the address until today. Certainly, **Foyle** will sell you any work of Bastiat, including that on "Gratuité du crédit". (J.Z.: When I finally got around to visit this bookshop, it offered mainly only new books, not the scarce old titles that I was searching for. - J.Z., 27.3.03.)
- 4.) "Truth" of 19. & 26. I. 51,
- 5.) "The Economist" of Jan. 20, 1951,
- 6.) "International Financial News Survey" of Dec. 15, 1951,
- 7.) "Economic Intelligence", Dec. 1950,
- 8.) "The London Newsletter", 18. & 25. Jan. 1951,
- 9.) "The Interpreter", 15. 12. 50 & 1. I. 51,
- 10.) A cutting from "Times" of 29. I. 51, "Premium Gold Sales",
- 11.) A cutting from "Times" of 29. I. 51, "Shortage of Capital", with a copy of your letter to Engineering Industries Association,
- 12.) A cutting from "Daily Telegraph & Morning Post" of Jan. 26, 1951: "Keynes, a Self-confessed Utopian", by Malcolm Muggridge,
- 13.) A cutting from "Times" of 26. I. 51, "John Maynard Keynes", by Lionel Robins,
- 14.) A cutting from "Times" of 29. I. 51, "Indian Stocktaking",
- 15.) "City Press" of 26.I.51.

That was an interesting mailing. Thank you very much.

As interesting as the pamphlet of **Benn** is: it displeases me very much. Benn belongs to a class that nature has condemned to die out. The first symptom in such cases is always: no interest for the own affairs, no serious will to **resist**. Benn, formerly a businessman, does not see that at the bottom of all trouble is the **money** questions. He is neither interested in the cours forcé, nor interested in the monopoly of issue and what it involves. Instead of being occupied with these radical faults of political, economic and personal life, he speaks of character. Businessmen of this kind must, in the long run, cede to bureaucrats. (J.Z.: Firstly: Benn went through stages towards large degrees of individualism. That his individualism wasn't complete is an accusation that could be levied at many individualists. I found his individualist writings still worth reading and reproducing on microfilm in my series, for those who, like me, might come to like them. This particular essay of Benn was reproduced by FEE and then by me in PEACE PLANS 957. - J.Z., 27.3.03.)

Stephen King-Hall is no economist, although a very intelligent man. Now he reports a letter of one of his correspondents, also a very intelligent man, but no economist, who writes on the improvement of the wage system. I suppose you read it. I read such propositions about 50 years ago (when they were no novelty, either) and since that time often. If one were to tell him, that his ideal was realised by the Italian "Arbeitsgenossenschaften" (work cooperatives - J.Z.) (presently, I do not remember the Italian word), he would not listen.

St. K.-H. should talk about the possibility of warfare with a financial system as the Western world uses now. He never did and he never will. He does not see, that at the moment like the present, **this** is a **personal** affair for everybody.

I see only one group of men in the world, who are seriously investigating what **their** own affairs are and who are **interested** in the own affairs: The State capitalists in Moscow!

(J.Z.: Stresses on "this", "their" and "interested" inserted by me. Alas, they considered our affairs also to be their affairs and that made them our enemies. If they had been only interested in their own affairs and those of their voluntary followers, then I would have welcomed them as fellow-panarchists! - J.Z., 27.3.03.)

"Individualism" contains an article: "The Issue of Freedom". If one would expect to find here something on the freedom of note issue or the freedom to refuse suspect means of payment, one would be much mistaken. But on page 3 one finds an advertisement of Sandeman, who recommends his Port and Sherry. Two days ago, I visited a Russian cinema. There I saw a film where a Russian scientist recommended the renunciation of alcohol and of tobacco as well and their replacement by sport. A heart was shown as attacked by alcohol. It was provided by the anatomical institute of a university. For me, abstainer for 50 years - - all that was no news. But it pleased me very much. I remembered the order of Suchomlinoff, the minister of war, to the Russian army in August 1914, where he forbade any alcohol. "That's the end of Tsarism", I predicted to my friends. "Once the Russians become sober, they will chase out their Tsar". They did that. Now we have a quite similar situation. If the anti-alcohol propaganda in Russia becomes successful, then the Soviet-system is lost. (I do ascribe the complete change of the **Chinese** mentality in the last three decades to the elimination of **opium** from Chinese life. At least it was a conditio sine qua non.) Abstinence propaganda in Russia and alcohol propaganda in an "individualistic" paper. It does not please me.

On page 15 I read an advertisement of a mineral water manufacturer. The first words I read were: "Socialism is State capitalism". (You notice the influence of abstinence.) But I also read: "Almost any form of government will work, if the governors will remember that they have a master in heaven." Here the man - - who does not know that he is **no** Individualist - - is wrong. Certainly, very many of England's prescriptionists are pious men and convinced to act in the sense of their Jehovah.

At page 9 the "Individualist" defends the Bank of England as a private institution and deplores its "socialisation". Says nothing about the monopoly of note issue and the cours forcé, also nothing about the Act of 1844. Goethe say, in his "Sprueche in Prosa" (Sayings in Prose - J.Z.):

"Allgemeine Begriffe und grosser Duenkel sind immer auf dem Wege, entsetzliches Unglueck anzurichten."
"(General notions and great conceit are always on the road to cause terrible disasters. - J.Z.)

In **Truth** of 19. I. 51, page 71, says a man "P.D.S.H." of Kenya: "If I were a patriotic German, I should hate the British more than any other nation."

Always the old mentality: The man is born under that or that rule, **ergo**, he is to be hated or to be admired, etc. **Truth** should try to find out the truth on the subject and that is: In the East of Germany, the English would be welcomed as liberators, **if** they ever came there, what many doubt. In the British zone the English are hated, because the people, like all people in the world, are in the habit of "collective thinking", that is: they hold responsible the subjects for all what their **government** does, as bible, imperialism, Hitlerism and some other Isms teach it. But they hate the Russians much more, simply because they have concentration camps, which the Germans know very well from their own experience.

Truth of 26. I. 51: On page 88 is reported, that Britain's internal consumption of coal was 191 million tons in 1949. House coal = 30.9 m. tons and miners' coal = 4.9 million tons. That would mean, about 1/4 of the internal consumption is for houses. In Germany it is about 1/10. (J.Z.: If I transcribed his figures right, then I do not know how he arrived at about 1/4 for 30.9 from a total of 191. Nor am I aware of what he meant by "miners' coal". - J.Z., 27.3.03.)

Economist. The first part at which I looked was the Bombay quotation for gold and for silver. The average was: 60 ounces of silver from 11. I. - 17. I. I am sorry, that I have no possibility to ascertain the values at other **free** markets.

At page 129 is announced a book of **Pigou** on Keynes' "General Theory". Pigou, also, does not notice that Keynes knows no other "money" than forced currency. As the old Greek proverb says: "Der eine melkt den Bock, der andere haelt das Sieb unter". (The one tries to milk the billy goat and the other holds a sieve under. - J.Z.) (I cite from Kant.)

On the same page is announced a book of an ignotus (ignore = a person unknown, or ignoramus? - J.Z.): Lloyd W. Mints, "Monetary Policy for a Competitive Society". Cours forcé, monopoly of issue, the well known Keynesian clap-trap. (J.Z.: As if competition would have to be based upon the biggest and most anti-economic monopoly! - I got turned off from paying attention to most modern writings on "economics" after once, during a big book exhibition, going through the index of hundreds of just published economics texts and found in **none** of them a hint towards a sound comprehension of cours forcé and its relationship to inflation. Seeing that they did not even understand these phenomena, what wisdom can one expect from them on other subjects? - J.Z., 27.3.03.)

International Financial Survey. You marked the information that in **Greece**, from June to 2. XII. the rate of the Dollar note fell from 17,000 Drachmas to 16,400 Drachmas. That would involve a stability of the Drachma for 6 months. Is that possible, in Greece, where the note printing press has always been an important means of government financing? Also: I distrust all reports from **Greece**. How will a correspondent of the journal "To Vima", appearing at Athens, know the **true** quotations of the free ("black") market?

Interesting is what you marked about Germany. Foreign exporters demand prepayment of orders!! The **means** of payment which they demand is not reported. Certainly, the German Mark is excluded.

The report on **Canada** confirms my conviction, that the **Sterling** plays no role in Britain's external trade in countries like Canada and USA. The report runs thus:

"Under an order in Council of December 5, Canadian residents may now accept payment in either Canadian or U.S. dollars or a convertible currency for services rendered to residents of the U.S. dollar area; heretofore payment was permitted only in U.S. dollars. The measure does not affect payments for Canadian goods exported, which must still be made in U.S. dollars or a convertible currency. This move is part of the progressive relaxation of Canadian exchange restrictions, which has been evident in the past few months."

I suppose that here goods exported to England are included. But if that should not be the case (the information seems much abbreviated) the information would not be in my favour.

Economic Intelligence brings a little article: "What Is Inflation?" It quotes **Webster's** "... disproportionate and relatively sharp and sudden increase in the quantity of money or credit or both, relative to the amount of exchange business. Inflation always produces a rise in the price level." Economic Intelligence adds: "In popular language and now in policy thinking, Webster's definition has been telescoped to read: "Inflation ... is a rise in the price level."

Ec. Int. does not say whether it accepts the popular (should be styled **vulgar**) language. In my edition of 1880, the text of Webster's Dictionary differs a little:

- Inflation: 1.) The act of inflating,
2.) The state of being inflated, as with air; distension,
3.) The state of being puffed up, as with vanity or pride; conceit,
4.) Undue expansion or increase, from over-issue; - said of currency.

Both explanations are insofar false, as they do not consider that only a forced currency can be inflated. (J.Z.: The enforcement can be by the issue monopoly, even if this exclusive currency has no *cours forcé*. Then, theoretically, all prices and contracts could still be priced in a sound value standard and thus not the prices etc. would be inflated but the currency would be inflated or depreciated. However, that defence is usually not permitted to the victims of monetary despotism. - J.Z., 27.3.03.)

Also ignored is that what is called "credit inflation" is only possible if the credit is expressed in fiat money. If the currency is not endowed with *cours forcé*, then it gets a discount, not only at foreign markets but also at domestic markets. If the inflation goes so far that the shops finally refuse the money, then the public pays its taxes with the fiat money and so it disappears, firstly from circulation, then from the pockets of the people. Fiat money never disappears from circulation.

The later edition is, obviously, more incorrect than the old one. It is not necessary that the increase in the quantity of money is sharp and sudden and that it must be relative to the amount of the exchange business. It may happen, that at a foreign market the discount is only 1 %. That's an inflation, although only a small one. Moreover, it need not be sudden. It may happen that, from week to week, only 1/1000 of the circulating medium is added. At the end of the year that would be a little more than 5 % and it must be felt. Inflation need not even and necessarily an increase of the circulating medium relative to the amount of the exchange business. It may be that, quite gradually, a distrust arises in the public towards the circulating medium but that business remains the same. What will happen then? More will be bought than before and less will be saved. In other words: The velocity of the circulation increases. If there exists no *cours forcé*, then that increased velocity of circulation and the general tendency to get rid of the money would produce a discount, although business would remain the same. Vulgar economists attribute the depreciation to the distrust as an immediate cause, but in reality the way leads over the increased velocity of circulation.

All ambiguities are avoided by the **right** definition:

"Inflation is an increase of forced currency beyond the amount at which the economy would begin to refuse it or cease to accept it at par, if there were no *cours forcé*."

Even an increase of the price level **need** not always be the effect of an inflation. Take the example of the Assignats. In the year 1788 there was a very bad harvest in France. Hail destroyed a greater part of the crop than was ever before observed. All prices for victuals rose considerably. In the following years prices would have fallen, if the issue of the Assignats would not have happened. In the first weeks or months of the issue, the sinking tendency of prices, the latter expressed in silver, and the contrary tendency by the Assignats counterbalanced one another - - a phenomenon not understood by many and explained by the "great trust" of the public in the Assignats.

The London Newsletter. In the issue of 18. Kimmitt recommends attacking the State-socialist leaders personally. K. is much mistaken. To be attacked is what neither he nor the State-socialists take serious and for which they do not even possess suitable words: The monopoly of standardised means of payment and *cours forcé* are to be attacked!!

In the issue of 25. I.: "Wanted - a British Defence Policy", Kimmitt is afraid of the American warfare methods. K. conceives that destroying a country like Korea has been destroyed, could be the American warfare in Western Europe, too. He is aghast and gives counsels (of a very general nature).

There are much more effective methods possible: Apply to England and to Western Europe such economic methods that every fresh hand is highly welcome, all rally cheap goods as well, and the West will be all the more rich as it is supplied with labour and with goods.

Then, instead of a daily influx of a mere 150 refugees - which we have now in Berlin - - we should have 1,000 (and many more! - J.Z., 27.3.03.). Every intelligent man and woman would come to the West and, in a year, the East

would have a corpse without a soul, quite incapable of performing anything that requires knowledge, intelligence and the known other qualities of technicians. But what does the West do?

The Allied High Commissioners **forbade** (three days ago) the acceptance of more than 75 refugees daily!!!!!!

Now the responsibility for such actions, which until a few days ago, was only a German affair (and one less honourable than anyone reported for 12 years) is **now** and international shame.

And as for us: I read, in **Herodotus'** Histories, book "Kalliope", chapter 16, last lines, what a Persian said to his Greek friend. (I quote the German translation of F. Lange):

"Der bitterste Kummer aber auf der ganzen Welt is der, wenn man bei aller Einsicht keine Gewalt in Haenden hat." (The most bitter sorrow in the whole world consists in this, that in spite of all insight one is totally powerless to change things for the better. - J.Z., 27.3.03.)

Kimmitt would hardly be interested in a policy like the one here hinted at. He would say, on the contrary: It is very good that this lad is without power. He would produce a devastation more evil than that by the Americans in Korea.

Very good is what Kimmitt says: "A real Prime minister will do what **Pitt** did. He will tell the world that England proposes to make an immediate and practical contribution to world peace - - not by more talks and parleys - - simply by offering a market for the exchange of goods and services." Very well, but will Kimmitt stand by his words? Will he immediately repeal all prescriptions restricting imports? Will he repeal all prescriptions on immigration, on foreign exchange, so that the use of Sterling or any other currency is not prohibited and no currency will be proscribed??? Will he remove all colour bars, so that Negroes, Chinese and all others may freely migrate to England? (I demand it for Germany - - there is more work for them than 150 million can do in 30 years!)

The **Interpreter** announces in its issue of Dec. 15, that W. B. **Greene's** "Mutual Banking" is on sale at its office for 50 cents!!!! The fault of the Interpreter is, that it thinks the **cooperative** element in Greene's plan is essential. It is by no means. Essential is the **right of issue** and the breaking of the government's monopoly for standardised means of payment. Also the interest is a thing without importance. If the interest of a Greene-Bank is redistributed, so as the dividend of a life insurance company is, then the interest may be, nominally, as high as possible. Customers, who apply to the bank for loans of average time, will get back their interest (less the costs of administration, about 1 % p.a.), while those, who delay the repayment of the borrowed notes, will get back very little or nothing and those, who repaid their loans quickly will win. That is just distribution and, **in practice** the only possible one.

Riegel proposes standardised cheques instead of notes. That is the system of the Four Bills. The trouble is, that the USA do not know what the Germans had for many decades and called: "Verrechnungsscheck" (clearing-cheque - J.Z.), that is a cheque which can be made good only by clearing and not by redemption in cash. Redemption in goods is or leads to clearing, as is pointed out by **Zander** in his explanation of the system of the Four Bills. (Not translated into English. That is a real loss.)

(J.Z.: In my microfiche PEACE PLANS series they and references to them can be found in PP 40, 315, 394, 428ff [S. 385ff, 390ff, 421ff], 523, 534, 598, 785, 806, 890. [French edition in: 778-783.] - J.Z., 27.3.03.)

Other items of Riegel displease me. I hope to write about the subject in another letter.

(J.Z.: B. never mentioned R. to me. So I assumed, until I found this passage today, that he did not know about R.'s writings. - J.Z., 27.3.03.)

I hope to write, in my next letter, about the interesting clippings you sent me.

What concerns the critics of **Keynes**, I must state that none of them touched the main point: Keynes took the cours forcé and the State money monopoly for standardised means of payment as a thing so self-evident, that he never talked about it. The critic's standpoint is that of Keynes. Also here: "Der eine melkt den Bock, der andere haelte das Sieb unter". (Quoted and translated already above! - J.Z.)

Very faithfully Yours - signed: U. v. Beckerath.

Dear Mr. Meulen,

8. II. 1951. Your letter of 5. II. 51., received today.

there you are right in every respect: Thinking too far ahead is a bad thing, and I must confess that I incline towards that bad habit. Your words are confirmed by Schopenhauer, who reminded, that we do not live in the future but in the present and should never forget it. He adds, that **women** are rather inclined to live more in the present than in the future (Not when they go after a potential husband, who is rich or powerful, i.e., potentially a good provider for her future children! - J.Z., 27.3.03.) and, insofar, it is not merely useful but necessary to let women have a share in one's own affairs. Probably, they will find out some point which is **presently** important but which men overlook. In his "Aphorismen zur Lebensweisheit", chapter V: "Paraenesen und Maximen", Nr. 53, Schopenhauer says:

"So lange der Ausgang einer gefaehrlichen Sache nur noch zweifelhaft ist, so lange nur noch die Moeglichkeit, dass er eine gluecklicher werde, vorhanden ist, darf an kein Zagen gedacht werden, sondern bloss an Widerstand; wie man am Wetter nicht verzweifeln darf, so lange noch ein blauer Fleck am Himmel ist."

(As long as the end of a dangerous matter is still merely doubtful, as long as the possibility exists that one will be lucky, one must not think of holding back but only of resistance, just as one should not despair about the weather - as long as there is still a blue speck to be seen in the sky. - J.Z., 27.3.03.)

Payments abroad. If you are right, many of your countrymen are in the wrong, so also Mr. S. W. Alexander. I am here in a strange situation. You know that I esteem you as an expert, no less in rank to any other, on the other hand, Mr. Alexander understands these matters, too. He supposes a state of foreign exchange regulations where e.g. Americans do **not** accept pounds. In City Press, issue of 17. XI. 50, page 8, column 2, line seven, Alexander says: "Given a sound government in this country the time should not be far distant when the Americans would be willing to accept pounds in payment or exchange for dollars on a free market basis."

What I cannot find out with certainty, in this Abdera, called Berlin, is: Do the Americans not accept pounds

- a.) because the English authorities do not permit the English merchants to use the pound freely in commercial intercourse with the USA, or
- b.) because the American authorities do not permit American merchants to use the pound freely in commercial intercourse with England, or
- c.) does it simply lie in the present mentality of American merchants, not to accept pounds freely, e.g., because they altogether distrust the pound and say: Well, today it is worth so and so much and tomorrow it may be considerably depreciated.

If I would live in London, I could look at the British as well as the American law collections. Such collections are not to be found at the British Information Centre and at the American Information Centre. The German libraries are destroyed and the new library of the West-Berlin University hardly possesses such literature. (But if I find time and opportunity, I will try to talk to the librarian.)

Sentences as the quoted by Mr. Alexander, I find not seldom in the journals you are so kind to send to me. All agree, that there is (or was, until some weeks ago) a real scarcity of Dollars in England. If the Americans would accept pounds, then an opinion, that a dollar-scarcity exists, would be unfounded, insofar as the missing dollars could, without difficulty, be replaced by pounds.

There would be no difference between using pounds and dollars, if a British concern would pay imported goods with a bill of exchange containing the clause:

"We owe to Mr. Smith in New York xyz dollars and redeem the present bill of exchange with so many pounds as corresponds to the quotation of the pound at the exchange of New York when the present bill of exchange falls due."

All governments which impose a regulation of foreign exchange upon foreigners and their own subjects, did prohibit similar clauses. For instance, it was strictly forbidden by Schacht for German merchants to protect their creditors and themselves by such a clause. The Schacht regulation is still valid.

If there were a free commercial intercourse between England and America, so that American merchants would freely accept pounds or other currencies, not being dollars of American origin, then such a clause would long since have been introduced.

All scruples by Americans concerning the stability of the Pound would be removed by such a clause. Only in case of the Pound suffering a depreciation as e.g. the German Mark did and the Chinese Yüan, would the clause not be sufficient.

It would be interesting to learn to know for what reasons clauses like the above are now **not** applied in the exchanges between England and the USA.

Very important is the question raised by you: Why are Pounds quoted in New York, seeing that Americans do not accept pounds in the British-American commerce?

The answer to this question may be a similar one as the answer would be if one asked: "Why are German Marks quoted at foreign exchanges, when the German Mark is not used as a means of payment in foreign commerce?"

The answer would be: "There is a very small sector in commerce, where the German Mark is permitted. Example: Travellers are permitted to have some marks in their pocket when they travel to Switzerland, etc. There are some other times, which I will not enumerate here, for to do this, I would have to study the regulations. These regulations are contained in a book of a size like the Bible. There are very few men on earth who understand this book."

From a report of Lloyd's Bank's Review, article: "The Dollar Siege", of 1950, author Honor Croome, I learnt that there exist restrictions of the commerce between Britain and America. What restrictions they are, Croome does not say. Over-valuation of the Pound is, obviously, a part of the restrictions. (Pare 35, line 11 from the bottom.) It seems that Croome writes for people quite concerned with these things, that means, in this case, the special laws and regulations.

You write: : Exporters here have often been urged to quote their prices in francs, marks, lire or pesetas, to make it easier for the foreign importer." - Well - - **why** don't they **do** it?????????

-

Long-term loans. An upper limit of the quantity of note's or coins, that can possibly circulate in a country, can always be estimated.

If the quantity is equal to the quantity of goods (and services! J.Z.) for sale in the country, the amount of notes or coins is certainly too great. That means: It is to be expected, that soon a part of the coins or notes will disappear from circulation.

Example: For Germany, Prof. Hirsch (a good economist) estimated in 1930 the quantity of goods for sale to possess a value of 30,000 million gold-marks. (Perhaps I do not remember the exact number, but I know that 30 milliards was not far from his estimate.) The quantity of circulating notes and coins at that time may have been 5,000 millions or so. That was not unsound, but 30 milliards, certainly, would have been unsound.

If one supposes, that economic conditions in Germany and England were about the same, in the year 1930, then the value of goods ready for sale in England would have been about 30,000 million gold shillings or 1500 million Pounds. That would, quite obviously, have been too much as the total amount for the circulating currency. The real amount was about 400 million Pounds, and this amount was already so great, that a devaluation was to be foreseen by a "connoisseur".

Considerations like these extended, do lead to estimates of an upper limit of currency bearable in a country.

Why should this be less true today than it was at the time of Petty, who (as far as I know), for the first time gave principles for estimates like these? And **you** might say, about Petty's estimate, what **Corregio** is said to have spoken before a painting of Rafael: "Anch io son pittore!!"

Free Banking. You are right: "The Economist" is to be seen in the British Information Centre.

India. I do not consider India's present government as a **self-government**.

Denmark. Here is an example, that exportation prices very seldom have to do with the shop prices of the country. Germany's exporters were ill-famed for their very low prices for exported goods. Sometimes they exported at a real loss. Then the inland consumer had to pay this loss and the inland price for the same goods was, therefore, correspondingly higher.

In the new order of things, imports will be all the more welcome the cheaper they are. Unemployment by cheap imports will be as impossible as disease is by the introduction of oxygen into a smoky room.

Gold coins and foreign exchange.

You say: "... it was only Britain who rigidly promised creditors payment in gold before 1914."

Before me is the record of the deliberations of the "Gesamt-Kommission" concerned with the "Bank-Enquête" of 1908. All bankers took it as self-evident, that foreign creditors, who had in hand bills of exchange, signed by German debtors, must be paid in gold. They proposed means to avoid metallic gold, say, by clearing, say, by using foreign means of payment ("Devisen"), etc., all well-known things in all countries. From the deliberations reported, I see, that the legal situation of foreign creditors was the same in the USA, in France and in Italy. In France the Central Bank redeemed **notes** in silver, but foreign creditors were paid in gold, even by the Banque de France. Examples are reported, where the Banque de France borrowed very great sums from the Bank of England to meet its foreign debts payable in gold.

Zwangskurs, Cour forcé. Forced currency. Consider the German sentences: "Deutsche Noten sind Zwangskursgeld." "Deutsche Noten haben Zwangskurs." I think the English translation would be: "German notes are a forced currency". "German notes **possess** cours forcé."

"Im Jahre 1883 wurde in Italien der Zwangskurs nach 17-jährigem Bestehen aufgehoben." Translation: In the year 1883 in Italy the cours forcé was repealed, after having been in operation for 17 years.

Would the following translation be possible: In the year 1883, in Italy, the forced currency was repealed etc.?" If yes, then you are in the right, that cours forcé and forced currency in English are the same thing. But in German "Zwangskurs" and "Zwangskursgeld" would be different things.

(J.Z.: The "force" of the "forced currency" can either mean:

a) acceptance is enforced,

b) a certain value is enforced and

c) both, acceptance and value are enforced. The term does not say, by itself, which of these three characteristics is meant. - J.Z., 28.3.03.)

Human Rights. Give me some time to reflect on your replies. But what concerns the atoms, to which the moderns reduced development (Schopenhauer was in doubt whether they exist) - - perhaps it was no real development - - I remember well that when I began my existence as an atom, then, already at that time, the laws of my behaviour were in me. When I did not blow up other atoms, although it was in my power (if modern naturalists are in the right), the reason was in **my** constitution.

Very faithfully Yours - signed: U. v. Beckerath.

15. II. 1951. Your letter of 13. cr., received today.

Dear Mr. Meulen,

cours forcé - - your triumph is a 100 % one. In the British Information Centre I discovered these lines in "Currency and Credit", by R. G. **Hawtrey**, 4th edition, chapter: Assignats, page 246:

"The notes of the Caisse d'Escompte", an institution founded by Turgot in 1776, had been given forced currency in August 1788. Necker was driven to follow this example of his predecessors in borrowing from the Caisse and in November 1789, when the forced currency was prolonged to the 1st of July, 1790, the debt of the government to it had reached 155 millions."

Here by an author of high rank and certainly competent in the matter, the word "forced currency" is clearly used in the sense of "cours forcé", brilliantly confirming your opinion.

About 100 years ago, in German sometimes the word "Zwangsumlauf" was used instead of "Zwangskurs", which is now used. (By the very few who still understand what it means. Rittershausen was, since 1924, the only author using the word in the whole financial literature, but in the last years I saw the word sometimes in print, obviously revived by Rittershausen. Before the 1st world war it was quite common.)

"Zwangsumlauf" is still nearer to "forced currency" than "Zwangskurs".

(J.Z.: "Zwangsumlauf" = "forced circulation", implying: "forced acceptance" in every case, in general circulation. "Zwangskurs" = "forced value" or: "forced rate" or: "to be accepted at par with its nominal value, regardless of its free market value". - J.Z., 28.3.03.)

In all of the writings of Keynes that I have read, the words "forced currency" were not to be found. Obviously, for him it was self-evident that a currency was always forced.

Gold coins. The Reichsbank's steps to discourage demands for gold in greater quantities were not very effective, although tried. The Reichsbank-President Havenstein confessed that openly before the Currency Commission of 1908 and, inter alia, demanded, therefore, that his notes should become legal tender. Although experts like the Notenbank Praesident of the Bayerische Notenbank protested, the great majority of the commission and, later, of the Reichstag agreed with Havenstein and, since 1. I. 1910 the Reichsbanknoten were legal tender. (J.Z.: One argument, then widely accepted, was, that the next war could not be financed without legal tender! - JZ., 28.3.03.)

By a prescription of September 1914 all former debts, also those with a gold clause, could be repaid by notes.

The Reichsbank had no influence on the relations between foreign creditors and German debtors, so that, when foreign creditors had granted credits on the basis of foreign gold currency, say dollars or sterling, the German legal tender laws were of no use.

(J.Z.: Ultimately, when the depreciation of the German notes had become very great and rapid, the internal German legal tender and forced value laws and their systematic abuse for over-issues, had the effect that German notes were altogether prohibited, by foreign governments, as means of payment to foreign merchants. Thus many of the "foreign exchange controls" may have started or, if they already existed and the foreign government had committed itself, for all to long, to keep up a fictitious exchange rate, and finally could no longer afford to do so, the foreign government simply prohibited the acceptance of German and similarly inflated paper money. - J.Z., 28.3.03.)

There is - - I think - - a difference between the claim of note-holders to get their notes converted, on demand and at their face value into gold and the claim of creditors against merchant debtors, to pay - - if demanded - - their due debts in gold coins.

I read with interest (re-read - and not for the first time - it's an interesting chapter) the pages 178 - 182 of your book. The expression "free gold-market" is now - - as you perceived earlier than I - - used in England so as it was ever used in the USA, that is: "bullion market", department gold. In other words, the expression relates to ingots, may they be in the form of coins or not.

In a booklet of the Banque Tangéro - - Suisse at Tangier, which Rittershausen sent me some days ago, I read that now gold ingots are usually sold in quantities of 400 ounces - one ingot. The Banque offers to its customers ingots in the weight of 100, 500 or 1000 grams. The gold-market (the word used as in the USA) is quite free at Tangier. The freedom of its gold market consists in the freedom of everybody, using the facilities of the Tangier market, to offer as many notes for 1 ounce, or several ounces of gold, as he likes and to offer as much gold as he likes for notes. So it should be!

Long-term loans. Do you think that England's quantity of currency, per capita, was much more than one ounce of gold in 1846? In London, where not all great libraries are destroyed, it must be possible to get estimates of the currency per capita at that time. I believe that all estimates are in relatively narrow limits the same and the average of some good experts' estimates will be about 1 ounce.

The quantity of goods, ready for sale, was 200 years ago, considered by many economists as nearly equal to the quantity of money. But it is clear, that the quantity of goods, ready for sale, estimated in money, must always be much greater than the quantity of money in circulation. This was found out - - as far as I know - - in the 18th century, but I have forgotten who discovered this first.

I do agree with No. 3 of your explanations.

Alexander. Certainly, you have know his opinions for a long time and, therefore, I will not contradict you when you say, that by a free market for Pounds and Dollars he does mean the contrary, that is, a condition that is neither free nor a market. As long as somebody is found - - at a Central Bank or another, who is able and also compelled to exchange, at a fixed rate, paper pounds or paper dollars into another currency, then there is certainly neither freedom nor a market in relation to paper pounds and paper dollars, as long as such an unnatural condition prevails. But I must confess that I did not get this impression from his articles and believed, until now, that he meant by a "free market" the same as what Adam Smith would have understood by these words.

I also read in one article of the "City Press" that the pound must "find its own level". This - - I think - - is possible only in a **really** free market, so as Adam Smith understood it, one where all regulations and prescriptions are discarded.

German mark as means of payment towards foreigners. Rittershausen sends me an extract of an article in the "Financial Times" by "Lombard", Nor. 19 260, February 7, 1951, "Trading in Marks".

Lombard says, quite justly, that the announcement by the Bank Deutscher Laender, to grant, in some cases - - each to be investigated - - the DM as means of payment in foreign trade, is of no practical value. Lombard is in doubt whether the quotations of sterling in Germany, although daily reported, are to be taken serious and thinks that, probably, no real market for sterling exists in Germany. My impression is: the man knows theses things well.

I am very curious to read your correspondence with Kimmitt, Johnston and Alexander. I promise to return the correspondence within two days after receipt. (I did not yet receive it.)

Human rights. I hope to write to you in detail. I think: Right is an expression similar to "sun rise". Everybody knows, that the sun does not rise and, nevertheless, the expression is quite distinct and, insofar, useful and certainly better than an expression which gives the real conditions. It would be too long. Rights do not adhere to the man who is said to possess them. The greatest part of our property does - - the matter taken quite exactly - - not belong to us. Other people respect it, that's all.

Very faithfully Yours - signed: U. v. Beckerath.

18. II. 1951.

Dear Mr. Meulen,

by your kindness I received yesterday:

- 1.) "Individualist", No. 1, 1951,
- 2.) "Economic Digest", December 1950,
- 3.) "The London Newsletter", No. 451, 8. II. 51,
- 4.) "analysis", December 1950,
- 5.) "Truth", 9, II. 51,
- 6.) "City Press", 2. II. 1951,
- 7.) "Financial News Survey", 12. I. 51,
- 8.) Your correspondence with Kimmitt, Johnston and Alexander.

I thank you very much.

You could get no better idea than to enlarge your "Individualist" to 12 pages.

Very important is your article: "The falling value of money". Your proposal: " ... let long-term debt contracts be made out in terms of the free market price of gold" will, I hope, arouse a discussion among your readers. The result of the discussion must be the best form of a gold clause.

What is to be understood by "long-term" depends on the rapidity with which the money is depreciated by the government.

Example: Quotation of 1 dollar at the Exchange of Berlin (demand):

15 October 1923 =	37 506 000 marks,
16.	40 897 500
17.	54 862 600
18.	81 396 000
19.	119 700 000
20.	- - - no quotation
21.	- - - no quotation
22.	399 000 000
23.	558 600 000
24.	628 425 000

(Taken from: "Das Gelbbuch der Devisenkurse, Vorlag des Berliner Boersenkurier.)

The above quotations are the "official" ones. Those of the free market were much higher.

Salaries and wages were, at that time, generally paid out daily. A difference was made between payments before the close of the Exchange and afterwards.

The possibility of such depreciation reveals also an important detail: To **divide** the difference between creditor and debtor would have been obviously unjust here and even economically impossible in the case of wages. The workers would all have starved if the difference would have been divided between them and the employer. (Prices followed the dollar quotation, not exactly, but in general. Often prices rose quicker than the dollar.)

China, Hungary and others successfully competed with Germany in the quickness by which they depreciated their money.

(J.Z.: According to some hints I received, the Hungarian depreciation went even much further than the German inflation, although in the latter the mere printing costs came already to 48 % of the purchasing power of the newly printed notes. - I would like to see a leaflet, giving details like the above for, say, a dozen central banks and their inflations of their legal tender money, then just adding: Can one trust such "guardians of the currency"? Without seeing such facts in black and white before them, all too many people managed to forget about them and to tolerate the wrongful and harmful system of monetary despotism, which produces them, again and again. - J.Z., 28.3.03.)

You say - - very justly - - of the members of the Erdington C.L.P. that they are certainly fools. The effect of the resolution, which you report, must and will be, that even after the restoration of a sane value standard in England, nobody will be ready to finance houses for workers. That resolution will not be forgotten. Even intelligent workers will not be such fools as to finance, with their savings, the houses of other workers. They will say: While such a mentality prevails among my comrades, there exists the danger that one day it finds its expression in corresponding **laws** (maximum rents, etc.). If I finance a house by my savings, then it will be my own house, if there is the chance to get one.

You were so kind as to mark the article "How gold reaches black market" in the "Economic Digest", which took it from "The Statist".

I was a subscriber of "The Statist", 25 years or so ago. At that time the journal was excellent. Obviously, it is no longer. It speaks of the "black market" for gold. It cannot or will not see, that the "black" market is the only honest market. Also, it cannot or will not see that people, who today buy gold are no "speculators" but the very contrary. To trust in the policy of modern governments (excepting not one) is speculation. But to buy gold is protecting oneself against speculation. An economist would see that.

Interesting is that gold finds its way into households now in the form of **wire**. Indeed: wire is here superior to **ingots**. Subdividing wire is not a problem. Subdividing ingots is. (In China silver wire served for decades as an auxiliary currency. During the Tai Ping rebellion the government's soldiers were paid in silver wire. They refused copper or paper.

"The London Newsletter" contains a good article: "Words, words words", and reports that Mr. Leonard **Read**, in his book "Outlook for Freedom", tries to better define the freedom concept.

I am now in a correspondence with Rittershausen on a similar subject. The word "freedom" is not sufficient. What is wanted, too, and often meant, if one speaks of freedom, is "anti-monopolism". Anti-monopolism (do you know a better word?) is needed to create **independence**, and independence is not quite the same as freedom.

"analysis" is a truth-seeker and, therefore, deserves esteem. But - - like most others - - analysis does not see reality. "How avoid depressions?" is the theme of the article "The Last Bust". Russia - - analysis believes - - is free from depressions. Is acceptance of the Bolshevik system the only possibility to avoid depressions?

First of all, "analysis" is greatly in error when it thinks that Russia is free from depressions. Although, in some sectors of Russia's economy, labourers are as scarce as they were, sometimes, in England's navigation, 200 years or so ago, in other sectors prevails depression. A quite similar situation was to be observed in England. The goods not saleable in England, were sent abroad and there sold for low prices. But for that purpose ships were needed and the ships needed men. Sailing, at that time, was not an attractive occupation and few unemployed accepted such jobs as the mercantile fleet offered. What did the captains do? They "pressed" the men where they found them, first of all in the pubs. Originally, this method was a privilege of men-of-war, but the mercantile fleet used it as well, without asking the lawyers. (During the next days I will send you a nice pamphlet on the subject, printed in the 19th century.) The Russians do the same. Under the pretext, that they are politically suspect, they caught - - as estimated - - about 15 million men and women and brought them to concentration camps. There they work for the government. Simple "pressing".

And what do the Russians do with the people out of work? This very numerous class is used for political purposes, too. It serves in the political police, observes the workers in the factories, reports discussions in the street, in one word: They are informers. All governments use this system. It is said that the percentage of spies has been greatest in Turkey under Abd ul Hamid II., the 1908 deposed sultan. But in the Italy of Mussolini and the Germany of Hitler the same system was used.

It is said that one of the causes of unemployment in Russia is "planning". Planners err sometimes, and their errors, if noticed, lead to the removal and transfer of the man in power. That requires time. Before that time has elapsed, the men are unemployed.

If it is admitted, that Russia is not free from depressions, then the acceptance of the Russian system is out of question. So, what is to be done?

"Revenons aux premieres principes". (Let us return to first principles. - J.Z.)
Why is Robinson free from depressions? Because he has promised to himself to consume all that he produced. Why was Robinson still free from depressions, once he had won the Indian servant, whom he called "Friday", although he introduced a certain division of labour between them?
Because there was a tacit agreement between Robinson and Friday, that neither of them would refuse the product of the other.
The most important economic element: "commitment" (= Bestellung = order = commission) was introduced, however crude its form may have been.

If in our society everybody would order (bestellen) the things he intends to buy within the next weeks and at the prices fixed at the time of the commission, then and thereby many causes of the usual commercial crises would be eliminated.

In my books I wrote some pages about the here given possibilities.

If the workers were proprietors of their factories, then a reduction of prices of their factory's product could not lead to a dismissal of workers. It would only reduce their incomes. Under the usual employer-employee system, the same savings would be attained by a reduction of wages. But the resistance of workers against that is so large, that employers prefer to bring the factory to a standstill. (Or to dismiss workers. - Unless there are "unfair" dismissal laws. - J.Z., 28.3.03.)

The now existing difficulties in changing one's occupation or job is another very effective cause of unemployment.

One of the greatest impediments to uninterrupted production is the legal claim of workers to get their wages in legal tender payments. Legal tender is scarce. Moreover, it disappears from circulation at the beginning of a crisis. Replacing the payment in legal tender by a payment with standardised cheques would be one of the greatest advances. The cheques would have to be what in Germany is called "Verrechnungsschecks" (cheques not to be redeemed in legal tender but to be made good only by clearing.)

If the conditions of my life would not be so miserable, I would - - although 69 - - begin a manuscript:

"The organisation of a society in which continuously sinking prices do continuously improve the standard of living and tend to continuous full employment." (or similar.)
(Rather than the "continuous falling of all prices", which is characteristic for deflations, a step by step falling of particular prices would be required, one corresponding e.g. to technical and scientific progress. Then the particular

lower price encourage buying, while a general lowering of all prices, taking place at the same time, discourages buying. - B. pointed that out the distinction between "fallen" and "falling" prices elsewhere. - J.Z., 28.3.03.)

Unemployment during crises is caused by the **monopolies** in our societies (J.Z.: Rather: Territorial, collectivist and coercive States, with compulsory membership. They do not deserve the name "societies". - J.Z., 28.3.03.), the monopoly of the legal tender possessor, the monopoly of the possessors of the means of production (in which the workers participate by their shop rules, which exclude all unemployed until the last unemployed union member has found his job, and the monopoly of commitment, until now only used by wholesale merchants or manufacturers.

The latter kind of monopoly could every day be removed by a little activity among the consumers in general. (Easy said, hard to be done.)

In **Truth** Mr. Frederick Voigt publishes an article: "The Revolutionary Era" and says:

"Four great revolutions, everyone terrible in itself, and terrible in its world-wide consequences, have afflicted mankind in less than two hundred years - - the French, the Russian, the German and now the Chinese".

What was "terrible" in those revolutions, say, in the French? An economist should always underline that 99 % of the terror was produced by the **inflation**, and inflation is not possible without a forced currency.

It is impossible to separate the inflation element from the revolutionary element in the four revolutions. The terror from 1792 to 1794 is no exception. Compardon studied the old protocols of the Tribunal de la Révolution. He found that most of the accused were executed for violations of the maximum laws **and** some anti-jacobinic (anti-jacobean? - J.Z.) utterances. Also: In Paris and in all great towns the peasants would no longer supply the markets because the price control laws caused the same effects which such laws caused at all times and in all countries. Then the towns sent out policemen - organised by the most evil elements of society - - for requisitioning.

How often was it demanded in Germany, by workers, officials and in many cases also by educated people, that violators of the price control laws should be punished with death? That is demanded in **all** inflations. In France the government yielded.

City Press contains valuable contributions. Mr. F. W. Smyth, Chichester, in a letter to the Editor, protests against Mr. Roy Harrod's views on the convertibility of the pound at a fixed rate. I think that if Mr. Alexander would disapprove of Smyth's views, he would have said it in a commentary. I still believe Alexander to be an adherent of an absolutely free quotation of the pound, so that nobody is obliged to exchange old or whatever at a fixed rate for pound notes.

Very good is the article Heffernan: "Great disaster of Maynard Keynes". Heffernan does not see the main fault of Keynes: That K. advocates a monopoly of the Bank of England for the issue of notes and also a forced currency for these notes. But Heffernan uncovers many other faults in Keynes' system, sufficient to reject it. What a pity that a mind like Keynes' did leave, at **one** point, the road to liberty and so was, inevitably, led to dirigism. I know some of his earlier publications, read also his book on the mathematics of probabilities. In every line a deep thinker, brilliant stylist and a man of professional erudition.

You were so kind as to mark the article: "Free market price of gold" in International Financial News Survey. With pleasure I read that Africa now exports about 400 000 ounces a month, used not for monetary purposes. By these exportations a new stock of gold is created in the world, outside of the American holes in the ground, where the gold is quite useless. The greater the stock is, the less is the influence of fresh gold on the value of gold - - a very old observation. Thus a great stock of gold produces, by its very existence, a relatively stable purchasing power of gold.

If the demand for industrial **silver** continues, then it may be, that the existing stock of silver will be exhausted in some time. Then it may be, that the now observed relation of gold to silver = 60 : 1 at Bombay, will no longer be maintained.

Moreover, **if** Bombay is a **really** free market, then it must exercise its influence, by arbitration, to New York, where now the relation is (or seems to be) 43.25 : 0.905 or 48 : 1.

I expect a rise of gold at New York to about \$ 54 an ounce or a considerable rise in the silver price at Bombay.

I hope to write to you in my next letter on the **very** interesting correspondence that you were so kind to send to me.

Very faithfully Yours - signed: U. v. Beckerath.

23. II. 1951.

Dear Mr. Meulen,

you were so kind as to send me a copy of your letter to the Engineering Industries Association of 29.I. 51. Did the secretary answer?

The caption of "analysis" is: "Civilization depends upon morality." (Ralph Waldo Emerson.) Statistics teach that morality depends on institutions, organisations, etc. Emerson should have known that. In all great crises, especially at times of over-issue of fiat money, the world seems full of criminals and people, who have nothing to do with civilisation. Let the cause disappear, i.e., the fiat money be replaced by honest money or semi-honest money (like the German mark after 1923) and criminality diminishes within a few weeks and so do morals. (What average people understand by "morals".)

I do hope that you read the little article: "More Nehruism" in "Truth" of 9. II. 51. Nehru assists - - at the moment only morally - - the leaders of "Pukhtoonistan", who try to separate the Pathan tribes at the Afghanistan-frontier from Pakistan. "Truth" says quite rightly, that Afghanistan is under Russian influence. Certainly, Nehru knows it as well as others know it. But there are still people in England - - says Truth: who acknowledge him as the exponent of a "national" government.

Good is the article: "Common sense about communism". Yet I miss a clear program. Until now I do not see another possibility than the old Roman device: Organise, in time, a revolutionary government for the country which you expect to be at war with you, in some years or also in some decades. A government with a **program**.

"Individualist" of December 1948 reported that at New York there has been set up a revolutionary Czechoslovakian government. Do you know what became of this government? "analysis" should explain its program, but it seems, "analysis" knows nothing of that government. German papers, too, report nothing.

I bought for a few Pfennig an old book: "Das rote Quartal", published 1882 by Prof. Johannes Scherr, Zuerch, and describing the Paris Commune of 18. III. 1871 - 28. V. 1871.

Scherr reports some interesting figures. The legal basis of the Commune were the elections of 26. III. 71 to elect the 90 members of the town council. At that time the "terror" had not yet developed, although many acts of violence had occurred, on both sides.

The elections were free, insofar as nobody had to fear reprisals for his vote. The number of electors was 490 000, the number of voters 277 300 = 57 %. That is very few, measured by modern elections, say, in Germany. In Berlin we had a percentage of more than 90 %. But at that time the political interest of "the masses" seems to have been much less than in our times. The percentage of electors seems to have been rarely more than 50%. How was it in England at that time?)

One can assume, that the non-voters were, for the greatest part, non-adherents of the revolution. Would they have voted, the Communards would have been in the minority; by the indolence of the non-voters, they got a majority. The majority was smaller than modern Communists represent it. All elected deputies of the arondissements 1, 2, 9 & 16 resigned: 15 deputies. From other arondissements still another 6 deputies resigned - - all not under pressure but as a protest against the revolutionary tendency of the majority, as one must believe; Scherr gives no details. On

the 16th of April 1871 were the by-elections. Only 1/8 of the electors voted. Again, two deputies resigned. In 3 election districts there were no votes at all.

So one can say: If the people of Paris would have been politically interested to the same degree as are now the people of Berlin are and of many other towns - - certainly not only in Germany - - the Commune, in the form in which it developed, would have been impossible.

Moreover: The militia of the quarters in the West and in the Centre of Paris, about 30,000 and well armed, sent a delegation to Versailles and begged for canons, ammunition and officers. Thiers replied: At the moment this would be impossible. They should leave Paris.

Certainly, the militia possessed as much ammunition as a militia-man normally has with him. They had also rifles and bayonets. And they had, certainly, more officers among them than the Commune had, of which Scherr reports, that they had none, but that they did at once nominate a sufficient number.

The main motive of the revolution was, as Scherr reports and as I read in several other works:

1.) The Versailles government had ordered an end to the payment of 1 1/2 francs a day to the militia. Nearly all men of Paris were members and had, at the moment, no other means of subsistence.

2.) The moratorium for bills of exchange was not renewed. All shop-owners were concerned and most of them saw no possibility to pay.

3.) The moratorium for rents was also not renewed. Most workers and many others could not pay their rent.

Really, the Commune undertook no other "social" measures than to continue the payments to the militia and to extend the moratoriums.

During the last days, when nobody took the decrees serious, the Commune decreed, that every factory or workshop closed down, could be taken over by the workers.

(In not a single case did the workers take over a factory or a shop, probably because they did not understand the decree. Also the situation - - continuous firing in the streets - - was not favourable to such a revolution, appealing not to the **arms** of the workers but to their brains.)

All in all, the Commune would have become less than a "movement" if there had been **one** man of courage, talent for organisation, economic insight and knowledge of history.

He would have organised the 30 000 militia men of the Western and middle part of Paris, would have at once decreed, that the town of Paris would continue the payment to all militia men, even if they found work, and that until ultimo 1871. He would have decreed that of all rents until December 1871, the town would take over the first 50 francs a month and would have issued similar decrees concerning unpaid bills of exchange. These decrees would have caused an expense of probably less than 100 million francs. (Paris had 1871 2 million inhabitants.) To perform the decrees, the man would have permitted (not created) a bank like the old Caisse d'escompte, but the denominations of the notes would have been in metallic money.

Everybody would have taken that as an important but historically uninteresting measure of administration. Journals outside of Paris would not have reported it, because it would not have interested average readers.

99 % of the **guilt** of the Commune remains with the "educated" classes, whose members were without interest in the own affairs and they were stupid and dull.

Very truly Yours - signed: U. v. Beckerath.

(J.Z.: Weren't the uneducated classes also without serious interest in their own affairs and stupid and dull? That is not exactly a libertarian, anarchist or cooperative-socialism platform. Only the hint towards monetary freedom at the end is somewhat liberating but not clear enough. Did B. think that this would have been the only thing that would have been then and there politically and economically possible and that it would have been cheap compared with the bloodshed and destruction that would have followed without such measures? I do not know, but I do suspect that he had only a similar "revolutionary" "program" in mind - when he was a young guy, and simply carried it over to his old age, without revising it, although he had, since then, adopted free market solutions in almost every sphere and would not have recommended the continuance of such subsidies and moratoria, not even temporarily. But often not much can be done when there are mainly only numerous prejudices on both sides, combined with much ignorance and also emotionalism and brutality on both sides. The proprietors were right in fearing expropriation without indemnification and were prepared to use their weapons to defend it. No financial take-over bid was made to them. The "socialists", "liberals" and "freedom-fighters" didn't really know what either

would or could mean and require. No one had a sensible program to abolish the mass unemployment in Paris within a few hours or a few days at most. [For instance, by shop associations issuing their own notes in short term loans for wage payments, thereby finally assuring sales for their members and a huge demand for the labour of the unemployed.] Is it so much different in our times? Are rights, liberties and economic sense always exclusively on one side or, rather, lacking on both sides? - J.Z., 28.3.03.)

27. II. 1951. Your letter of 2. II., received yesterday

Dear Mr. Meulen,

a provisional answer to your question No. 1: Some of the advertising by broadcasting are on a very high level, worked out by real experts and most people listen to them with pleasure. Humoristic dialogues are preferred and often to be heard. Here a new kind of art is developing as it seems. But also science wins by advertising: statisticians are now vis-à-vis quite new problems, must invent new methods and need also know a good deal of psychology. The matter is this: advertising by broadcasting **costs** more than other kinds of advertising. Now it is the task of the statistician to eliminate from the turnover that part which is due to broadcasting. Then the statistician must investigate whether the expenses are recovered in due time. That is difficult, because - - of course - - every department of advertising ascribes any success to **its** activity. What a real mathematician would do is this: He would set aside, sometimes, all mathematics and simply ask the customers personally, why they came to the shop, whether through advertising by radio, by journals, etc. I will, gradually, enquire among my friends and report to you.

Question No. 2: The number of unemployed in Western Germany is less than 3 millions. I am looking out for the last reported number and when I get it, I will write to you.

I do share your opinion, that the influx of refugees is only for a small part responsible for the unemployment and that the last unemployed could get employment within a few months if all monetary laws would be repealed.

Could not must: A certain degree of intelligence is required to use the possibilities of freedom of note issue, for free banking and all other kinds of monetary as well as general economic liberty. And even intelligence is not sufficient: Activity is needed, too, and interest in the own affairs. My impression is, that Europeans of today are less intelligent, active and interested than the people 100 years ago. My impression was won by reading hundreds of books of this time.

The restrictions on bank lending are a **very** great obstacle for economic recovery. Banks should be absolutely free. The few which misuse their liberty will soon disappear from the economic arena and the rest would fulfil their tasks.

The question of the influence of bank lending on the degree of employment in Germany is not to be answered easily. There have always been severe restrictions and the real influence of these restrictions has never been fully investigated, partly because the statistical data are missing and partly because the restrictions were thought to be an advantage in every respect. Even intelligent economists thought so.

In the 19th century in Germany, as well as in the whole world, there were three severe restrictions on bank lending:

- 1.) The obligation of banks to redeem their notes on demand and at par.
 - 2.) The connected obligation to limit their loans to a multiple of their store of precious metal, say threefold.
- 1.) and 2.) concern loans necessary to bring the product to the consumer or, what is practically the same, to exchange present goods or other present goods. (It is impossible to grant **such** loans from deposits; they **must** get the form of loans granted by handing over **notes**.)
- (J.Z.: While that may be the optimal solution and one limited only by the total quantities of goods, labour and services that people want to exchange, we have to take into consideration that there are few note issuing banks left, these do not issue, as a rule, notes in loans for this purpose and the other banks are only allowed to use their own capital or short term deposits of their savers for this purpose. So, it is not impossible but being done. Even silver coins from the banks; stocks were lent for this purpose. - J.Z., 28.3.03.)

3.) The prescription to use only large appoints (denominations - - what is the common English expression?) for notes, in Germany 10 Thaler or in Southern Germany 10 Gulden. This prescription was extended by the Banking Law of 1875, which prescribed 100 marks as the minimum. So the Reichsbank as well as private banks were practically eliminated as creditors to grant loans for **wages**. Even before 1875 and by the above-mentioned prescriptions, the role of private or other banks as creditors for wages cannot have been great and, consequently, their role in providing employment cannot have been great.

Long-term loans are necessary to improve the condition of society. Their role in providing employment is very small in times of peace when compared with the financing of current production and bringing the product to the last consumer.

Hertzka in his "Freiland" remarked very well, that if the selling of current production is hindered, the obstacle must be removed. The create new means of production in such a condition must increase the quantity of unsalable goods, and, insofar, is not the right means to relieve a commercial crisis, although **all** economists affirm the contrary. (The first edition of "Freiland" appeared 1889.)

(J.Z.: Capital goods like roads and railways, trucks and buses are also, indirectly, means of production. Even schools are and universities, houses and offices. To build and run them, people must be employed, fed and clothed, from current stocks of consumer goods, without these stocks being immediately increased. So one should at least distinguish between long-term investments in such capital goods and long-term investments that would, almost immediately, further increase the accumulated stocks of consumer goods. - J.Z., 28.3.03.)

Note issuing became more and more a bad and even dangerous business. The danger was in the prescription to redeem the notes at par and on demand.

The large banks and, especially, the Bank of Prussia collected notes in large quantities and presented them to the smaller banks and this at times most unsuitable for redeeming notes. Thus, at last, the private note issuing banks gave up their privilege (Was it a "privilege" under these conditions? - J.Z., 28.3.03.) to issue notes, except four banks:

1.) Bayerische Notenbank, issue	32 000 000 mark maximum
2.) Saechsische Bank	16 000 000
3.) Wuerttembergische Notenbank	10 000 000
4.) Badische Bank	10 000 000.

68 771 000 mark maximum

Such sums were of trifling importance for Germany. The privilege granted to the Reichsbank by law of February 1906, to issue notes of 50 and 20 marks was not extended to private note banks.

So one can say that **employment** was financed in Germany essentially by her store of **coins**, not by notes.

The above figures I took from the 6th edition (1910) of the Reichsbank-Praesident **Koch's** book: "Die Reichsgesetzgebung ueber Muenz- und Notenbankwesen, etc." which I got some days ago.

(The existence of a store of coins is not **sufficient** to provide employment, a fact which in old literature - - now forgotten and burnt - - was often pointed out.)

It would be important and interesting to investigate, as you propose, the influence on employment of interest rates and of the habits and prescriptions in the direction of investments. But the records on Germany's economic history are burnt and will probably never be restored.

The employment in Germany at the Nazi-Time would require a special investigation. I possess no special data.

All errors on the influence of prescriptions on employment were carefully collected and used in the new prescriptions on banking, imposed on Germany after the defeat in April 1945. It is difficult to talk about it in decent terms.

Now the role of the private banks in providing employment consists in collecting currency by their deposit business and granting loans to employers by the so collected means of payment. The fact, that not the whole of Germany starved under such a system but only a few hundred-thousand people, gives the bankers and others (governments, editors, etc.) the conviction that this system is **proven** by "practice".

-

Cours forcé. You know that mediaeval laws granted the sentenced the right to **scold** the sentence for half an hour after the sentence was pronounced. (I learnt this from Zander, who - - a Jew (and a lawyer - J.Z.) - - was excellently informed about the history of German laws, much better than the average German lawyers were.) I use this old German privilege and declare:
A word like "forced currency", expressing a **quantity** (by the word "currency") as well as a **quality** (by the word "forced") is as good as the **umbrella**, which Jules Verne describes as an invention by an English traveller, which was combined with a telescope, a dagger and some other implements. It required a science to be used.

Falling value of money. You say: "... it would be better if **fluctuations** were divided between debtor and creditor."

What variations are **fluctuations**????? Suppose, many people in a country saved and supplied the country's economy with improved machines, etc., so that the productivity is doubled, prices for most products of industry decreased, men eat much more and better, so that the market for agricultural products improves and peasants earn much more than before. The non-creditors did nothing than to demand higher wages, etc. For what reason must here the **variation** (which is no **fluctuation**) be divided between creditor and debtor?? I think, the decrease of prices should benefit primarily the **creditor** and all measures to **divide** the variation would be unjust.

It would be easy to construct more examples, also such, where by the activity of debtors the price level is reduced.

The result of long investigations, which Rittershausen and I performed, about 25 years ago, was: Gold is the least evil. This result was predicted in a work now exactly 100 years old, "Obligationenrecht" by Savigny, one of the best lawyers of the time. Savigny said: The people would consider all deviations from the results of contracts, based on precious metal, as unjust and for this reason at last contracts will be restored on the simple basis of precious metal. The variations are too small for non-scientific people to perceive them.

If the increase of prices is caused by an influence of purely monetary nature and can be considered as final, then there is no **fluctuation**. I think in such a case (**if** it occurs), the variation should also not be divided, but the debtor should indemnify the creditor. Example: Depreciation of silver-money. It would not have been just to treat pensioners in any other way than to increase their pensions to the extent by which silver was depreciated.

Concerning the **fluctuations**, investigated by Jevons, Rittershausen and I got the opinion that a right of either creditor or debtor to **prolong** a contract for some years would be the least evil. Technical details are difficult but they can be worked out.

The last word about the matter will be spoken once **experience** on clauses, as you propose them, will be available. Insofar, I do not oppose such clauses, although I myself would, in every case, remain an adherent of gold, as far as my own affairs are concerned.
(The heaven graciously protected me from the care for affairs to be based on gold. I never saved and always expected an inflation.)

Do you know: "A serious fall in the value of gold" by Jevons?? It is reprinted in his "Investigations in currency and finance". (Burnt.) Jevons remained an adherent of gold, although he studied the matter with the greatest care. (I should have said: **Because** he studied it.)

The Statist. In Germany the word "Schwarzer Markt" (black market - J.Z.) signifies something at the lowest point of morals. (In the popular meaning. Not among those with at least some knowledge of free market economics. - J.Z., 29.3.03.)

Monopoly. You are right: A **definition** is difficult. Perhaps monopoly is a **fundamental** notion, which is to be considered as an **element** and can be made distinct only by examples but not defined.

The so-called **natural** monopolies (as for gold by the owners of goldmines) are not so dangerous as they seem to be, because the owners **must** sell the produced good or become bankrupt. Such is the case with the "railway-mile", electricity, etc. You will know **Marshall's** investigations on the natural limits of natural monopolies.

"analysis". (Ordering goods.) It is very rare that an employer closes his factory as long as he has a great quantity of **orders**. So the well-known commercial crises - - like that of 1921 in England - - with 7 millions unemployed - - would certainly be impossible, if **all** people ordered their future consumption for - - say - - a year. I know, that this is psychologically impossible, but I believe than ordering to that extent will not be necessary.

Four great revolutions". I remember to have read in old histories of the French Revolution (Carlyle??) (J.Z.: When I met him, in 1952, he had accumulated, in his post 1943 library, about 150 works on the French Revolution. - J.Z., 29.3.03.), that the laws from 1792-1794 concerning the price-stop and wage-stop were named the "maximum-laws".

F. W. Smith. He will **now** be an adherent of free issue of private notes without forced currency. Ask him once more: He will **now** admit that here lies the **only** possibility to prevent commercial crises. ("Die Zeit ist die Moeglichkeit entgegengesetzter Bestimmungen am selben Object." says Schopenhauer.) ("Time is the possibility of opposite observations on the same object." - J.Z.)

Keynes. To express current errors **so clearly**, that they can easily be refuted, is a **service** to science. Keynes provided it. Crystal clearness is the advantage of every line he wrote. Perhaps I do wrong to Keynes, when I affirm, that he was in **error**. He started from a supposition which is quite general in our time, the supposition that State-managed and State-issued paper money, with **forced currency** is natural for our time. This supposition assumes that Keynes is quite right. If he would have written, at the top of his main work:

"All what I have written here is meant for exclusive paper-money, the world "exclusive" used in the sense of W. B. **Greene**", the work would be without reproach. For the coming generations it would have been a book like the books of modern mathematicians, who start from the supposition that straight lines, if lengthened sufficiently, return to the point from which they were drawn. The results of such a mathematics are, logically, quite interesting (for mathematicians) although of no practical importance.

Alexander and Human Rights. My next letter.

Very faithfully Yours - signed: U. v. Beckerath.

2. III. 1951. Your letter of 13. II. 1951.

Dear Mr. Meulen,

my possibilities to write are still very restricted by the winter weather; for some days it has become cold again. But today I will return your correspondence with Alexander, Kimmitt and Johnston (see page 10) which I kept for about 2 weeks, much longer than was my intention. But here was, force majeure.

What you saw with full clearness and what the three gentlemen did not see so clear is:

Can the modern theory still be supported: "Every note-issuing institute should be compelled by law to exchange a fixed quantity (weight) of gold for a fixed nominal amount of note-money to those who desired the note-money and are ready to give the gold to the institute?" (Salva redactone.)

I avoid here the word until now used by all authors occupied with the subject, the word "to buy". This transaction is no buying. It may be that it is a transaction sui generis. (To be investigated.) The application of the words "buying" and "selling" presuppose that the parties are free to offer and to demand. But here the party considered as "buyer" is **not** free; and if there exists a law as in the USA, which prohibits the subjects the possession of gold (in the USA more than \$ 100 in coined form) and compels them to bring their gold to the Central Bank, then the "seller", too, is not free, and, therefore, no seller.

The three gentlemen got a notion - - more or less slight - - but, it seems, not a 100 % clear one. If they would have got it, then they would have answered your questions, asked with perfect clarity and distinctness, with the

same clarity and distinctness. They did not. But this is - - I think - - not yet sufficient to contend, that they are in opposition to your opinion.

Your opinion is: The above-mentioned fixed relation must be removed and replaced by a relation determined only by free offer and free demand. It would be desirable to abolish it by a special law. (You know that I agree with your opinion, although I insist on going still further.)

What I miss, in the explanations of these three gentlemen, is that degree of clearness and completeness which would have been demanded by the public 100 years ago.

Kimmitt and Johnston demand - - and here they are right - - a free circulation of gold sovereigns. But both do not speak about those important points of which were always spoken of in discussions on money standards 100 years ago:

a.) Shall the sovereign, or fractions of it or multiples of it, be the measure of value for goods ready to be sold in the shops, and for workers in the payment of their wages, etc.

I.) Shall it be prohibited to price in other measures of value? (I would protest such a prohibition.)

II.) Shall any kind of pricing be permitted (in grams of gold, of silver, copper, tin, notes of a bank, which the owner of the commodities trusts, etc.)? Such a free competition of value measures (free choice among value standards) would be the right thing, I think.

III.) Shall all creditors (landlords, workers and other creditors) get the right to claim sovereigns in payment or shall they only be entitled to get the **value** of sovereigns?
(The latter a right founded on custom, for centuries, in Persia and, perhaps, not yet abolished, so far as Persian gold coins or silver coins are concerned. **Gibbon** relates the procedure of the grand vezir of **Malik Shaw**, who paid the income of governors etc. not in coins but in kind, according to the value of the coins, in which their income was stipulated.)

b.) Shall everybody, who possesses gold ingots - - subject or foreigner - - get the right to **coin** the gold into sovereigns? (Or equivalent private gold coins or medals! - J.Z., 29.3.03.)

Let me here add a point of view that is **now** important:

The Royal Mint was always ready to accept gold ingots from private persons to coin them, but the coining required **time**. Losing time is losing interest. Therefore, in practice the gold owners did not go to the Mint but to the Bank of England, which exchanged the gold ingots for notes or sovereigns, as the owner of the ingots liked it. That required practically no more than a day if the "standard" (percentage of fine gold) of the ingots was reliably certified.

If now all issuing institutes shall be released from the obligation to accept gold (I would like to add: and to pay gold for notes), then the coining again requires **time** and loss of interest.

That would not occur if **private** coining would be permitted.

For China (sycee), old **Algiers** (before 1830) and California in the first years after 1848 (discovery of the gold fields) it was permitted or even usual, as in the case of China, the latter in respect of silver currency. Perhaps also in other countries, which a more learned man than I will know.

This point is important. If the times of coining in quite entrusted to the governor of the Mint, then **he** is the currency dictator which now is the governor of the Bank of England. That delay in the executing of monetary laws can be the same as abolishing them, is pointed out by **Keynes**, in his valuable "Tract on Monetary Reform". Pending the First World War, the Bank of England did by no means **stop** the redeeming of notes. But only **one** counter was opened to the public and the redeeming was extended over so many days that, in practice, it was abolished. A similar proceeding may take place in coining, if the governor of the Mint is an adherent of the now prevailing theories and believes to serve his country by preventing sovereigns from circulating, as far as he can.

This point seemed to me of great importance, not only for England but also for Berlin, whose bad economic situation requires a monetary reform, requires as well - - that is my opinion - - a circulation of gold coins, although not as "exclusive currency".

Let me here remark, that in most German States, also in Prussia, before the introduction of the currency laws of the Reich, nearly all gold coins of the world could be used to pay taxes with them and, consequently, were accepted in all great shops. Sovereigns and "Napoleons" circulated in quantities, not to be underestimated, in the whole of Germany.

By this (very wise) prescription for tax offices, every State which coined gold supplied Germany with currency as well, whether the foreign State liked that or not.

A similar system should be reintroduced in Berlin - - that's my opinion - - and insofar the efforts of England, to put sovereigns into circulation, interested me much.

At last I wrote to Mr. Alexander and asked him - - in my pigeon English - - whether he was ready to admit private coinage. Alexander answered, quite kindly and politely. I enclose a copy of his letter. You see from the copy that Alexander **declines** private coining.

If Alexander says, that he will restore the whole currency position to pre-1914, that would mean - - taken literally - - that he will restore the condition where the Bank of England paid for an ounce of fine gold (troy) 3 L 17 s 9d and redeemed a note of 100 L by 5 sovereigns. We agree that this would bring England in a very short time to the condition in which she is now and, insofar, outweighs all that is good in his proposals. But as yet I am not quite certain, whether the fixing of a relation as, above stated, is his true opinion. The whole matter is - - for modern people - - very intricate, and there is rarely found a man considering **all** sides of the problem at the same time, or, more exactly, considering one side without forgetting the others.

Mr. Alexander wrote, that he will, eventually, visit me. Until now he did not. **If** he visits me, he will probably be disappointed if he does not speak German.

All three gentlemen do not talk about the right of issuing standardised means of payment without State control, although they know, that sovereigns are not sufficient to supply England with currency.

All this set aside for a moment, the plan of **Johnston**, accepted by Kimmitt and - - it seems - - by Alexander, is monumental and, if executed in the right way, it may be the beginning of a new historical era.

I.) They claim the reform as a right of the **City of London**. That is original English. No foreigner, however concerned with monetary reform, would have been able to get such an idea, at the same time revolutionary, and yet founded upon the country's best historical traditions, appealing to the honour of the man next in power to the King himself (if he **will**) and so blending a psychological moment with a purely technical one, which until now no English money reformer did.

II.) They use the old wisdom (to be found at Gibbon - - as far as I remember) that revolutions, executed by a legally installed authority and having the **right** on their side, do always have a much better chance.

III.) They detected - - it seems - - a loophole in England's legislation. That opening is - - it seems - - that the sovereign has never been abolished as legal tender. If that would be true, they would not only have the **right** on their side (which is in politics - - as we experienced it - - of no weight), but also the **law**, which in a country like England may be decisive.

In Kimmitt's article in No. 436 of the London Newsletter of 19. X. 50, I find on page 5 the sentence:
" ... for bullion is useless as money because it is unstable in that it can be inflated overnight."

If there exists a right for everybody - - as in 1913 - - to coin every quantity of fine gold, then bullion is as good as money. Kimmitt and Johnston should talk about this point in detail. From J.'s (K's? or was K. quoting Johnston? - J.Z.) sentence - - so as it stands here - - could be derived that he will leave **coinage** entirely to the State - or - - perhaps - - prohibit it altogether.

Bullion can be "inflated" - - in the sense in which J. means it - - only if the circulating paper money is fiat money. But if J. draws all conclusions from his proposals, then he must demand that at least for London the forced currency of the paper money is repealed.

After this repeal the situation would be quite changed. If, after the repeal, the price of fine gold, expressed in paper, is doubled, every person says: Paper is **depreciated** down to 50%. If prices in shops are expressed in quantities of gold, the shops say: Our prices are unchanged in sovereigns, but in paper money they are doubled. In great shops, such as Woolworth, Lyons, also at bus-lines, railways, street cars, etc., the depreciated money would simply be rejected and by wage earners it would be rejected, too. Thus the proper term could be and would be applied: "depreciation of paper money", and not: "inflation of bullion". Obviously, Mr. J.'s opinion differs here, but, probably, he will agree if one brings the matter nearer home to him.

Responsible, for the insufficient clearness even among the best experts (among whom I count Kimmitt, Johnston and Alexander) is the present state of the English economic language. The word "inflation" is today used quite differently from its use in 1913 and this fact has escaped most experts. The word "gold standard", too, is used in another sense than in the 19th century. When first accepted, the word "gold standard" signified a monetary condition where the prices in shops were fixed in quantities of gold, where creditors get back their loans, when due, in the value of the quantity of gold handed over to the debtor, and landlords got their rent in the value of a fixed quantity of gold. The so-called "experts" thought, after the introduction of notes and of State paper money, that the gold standard required logically the redeeming of notes in the well known manner. But at that time they never thought - as, obviously the moderns do - that the word "gold standard" can only be applied to an economic condition where **paper** circulates and this paper is redeemable in the manner of 1913.

All three gentlemen do hardly speak on the function of the free gold market, where the value of an ounce of fine gold, expressed in several means of payment, is daily quoted. **You**, in your excellent letter to the editor of "Everybody's 3 d", page 3, of 24. II. 51., are - - as far as I can see - - the only English author ready to introduce the quotations of the bullion market as an essential aspect of the monetary standard.

In the "Four Bills", Bill I, par. 5, Bill II, par 4, the free Gold Market of **London** was provided as an element of German currency. Nobody then would have ever thought that such a gold market would one day become unimportant or be in danger of being prohibited by the English government. Let me add, that in the German law "ueber wertbestaendige Hypotheken" (Law on value-preserving mortgages - J.Z.) of 29. 6, 1923, the English gold market is introduced, **so** great was, that that time, the trust in London as a commercial centre. This trust has disappeared, in England no less than abroad. If today one wants to know what a sovereign is worth, then one must look for the quotations of the **Greek** gold market, or that of Tangier, of Brussa (Brussels? - J.Z.), of Bombay, etc., which only 20 years ago looked themselves and with the greatest respect to the London market. Your article will remind many Englishmen of this deplorable mutatio rerum and a feeling of national honour may perhaps cause (by **one** stroke of the pen) what economic insight could not. The readers of "Everybody's" will also say: Shall it be prohibited for Englishmen what is permitted for Greeks, that is: to use the good old English and honest sovereign for payment and valuation purposes?

I thank you very much for the copy of "Everybody's".

What does Mr. Johnston mean by a "local coinage" (The London Newsletter of 19th of October, page 3)? If everybody shall have the right to **coin** bullion in London, that would contradict his words, on the same page, that "bullion is useless as money".

Private coinage. **Haupt**, in his great work "Arbitrages et parités" (8th edition, 1894, page 458), reports that the factory **Ralph Heaton & Sons**, Birmingham, under the name "Mint of Birmingham" - - Haupt says in his French book: "Monnaie de Birmingham" - - was the Mint for many States, say, in South America and for colonies. Does the firm still exist?

In the issue of 19. X. 50 is mentioned the King of Cambodia, Norodom Sihanouk. That reminds me of an article in the Temps, which I read, in about the year 1900 - - one gets old in the course of time - - and written by the Prince Jukanthor of the Royal House. The article impressed me very much and was, perhaps, the first publication which arose in me the idea that Europe may **not** be superior to the East. This prince will long be dead, but, perhaps, he left sons. So fantastic as it may seem: You should send a copy of the "Individualist" to "the Son of Prince Jukathor". The Oriental princes are much concerned with modern money theories, which I saw and got confirmed by **Vram Pilossian**, a Persian economist, with whom I was acquainted in 1934. He was a member of the council of Shah Reza. His task was to serve as a living encyclopaedia to the Shah. If the Shah asked him: "What did Adam Smith

say on export duties on wool? - - then the Shah expected that Vram Pilossian would at once tell him and also tell him what other economists of rank might have said, pro and con. He was the man to give such information. His knowledge surpassed that of many average German professors taken together, and his judgement was sound and profound. When we met, his first question was: What do you think of overproduction? I answered, that there has never been a state when mankind possessed too many goods, but the contrary occurred very often. He became very glad and said, that exactly this answer was given by himself to Shah Reza. At first the Shah would not believe that his Vram Pilossian could be in the right against so many well renowned European authorities, bankers, wholesalers, etc. But he became quickly convinced, being himself a man with a clear head. Pilossian had studied at Paris and knew, as I became aware, the most forgotten French socialist and anarchist utopias as well as all modern ones. He was of a formerly ruling family, which governed some tribe in Southern Persia and was extremely rich. He told me that his family possessed large territories in the desert, where copper ore was to be found which contained up to 60 % pure copper. The best copper ores in Chile contain 2 %. (Over- and understatements? - J.Z.)

We went together to Siemens, the well-known electric concern. The engineer we met there, instead of listening with ears and mouth to the Persian, delivered **him** a lecture on the difficulties of copper mining in Persia, which produced no good impression upon P, although such behaviour among German "experts" is not rare. The engineer spoke of asses as a means of ore transport. The Persian asked: What would be the cost of a cable railway from the mines to the coast. The engineer did not know. I think that even today a connection would still be possible between the ore-holding tribes in Southern Persia and English concerns. But I digress - my old fault.

Let me shortly remark, that Prince Jukanthor said in his article, that the Royal family of Cambodia was always at the picket duty of social reform in Cambodia. The same was true, according to Vram Pilossian, of Shah Reza, whose ambition it was to become the social reformer of Persia. - Alas, I lost Vram Pilossian quite out of my sight.)

When I read of Kimmitt's and Johnston's intention to start a monetary revolution, with London's Mayor at the top, I thought that **you** should now write an "open letter" to the Mayor and explain **your** standpoint in the matter. The Individualist will be a good journal for such a publication. (Would it have been? Did it have more than 150 to 200 readers then, world-wide? - J.Z., 29.3.03.)

Was it not the Lord Mayor of London, who made a decisive contribution to England's liberation from Cromwell's tyranny? And a second time a Lord Mayor of London contributed - - if I remember right - - to England's liberation at the time of the "glorious revolution" against James II.

Concerning the danger, that gold coins go to the **melting** pot if the price of gold, expressed in paper money, rises, let me remark, that this danger is not to be overestimated, as Greene's example proves. Moreover, this danger can only exist where the paper money is **fiat money**. If it is not, then a very different thing happens: The people refuse the paper money. But it is still used - - with much advantage - - to pay taxes and to buy postage stamps. **No** modern author, it seems, considers the forced currency as a deciding factor, here following **Ricardo**, who, in his "High Price of Bullion", too, never spoke of forced currency. The consequence was (seldom noticed) that his pamphlet is without scientific value.

One part of **Kimmitt's** letter of 6.11.1950 pleases me; another part not. What he says about the **foreign exchange control** as a force to drive coins into the melting pot, is quite right. This control is never used for money which is not fiat money, but for fiat money it is - - as far as my knowledge goes - - nearly always used.

If fiat money is depreciated by over-issue - - and that occurs inevitably - - the government **always** says: The depreciation is the effect of speculation! Now we **control** that.

The people, who do not know what speculation in money is, and that it is practically impossible (*), is content and praises the government.

(J.Z.: (*) Governments try to make this difficult but cannot make it impossible. Seeing the arbitrariness and power of government, also the huge volumes involved in national paper currencies, such speculations are high risk speculations and I doubt that it was ever they, and not the false monetary policies of governments, which greatly influenced any foreign exchange rates for any considerable time. But, I do frankly admit that I have very little knowledge of this money market and judge rather a priori. But I do know that internationally there is much money floating about, which tries to escape taxation, other confiscation and regulation by governments and that it will often try to escape into other currencies, which seem to offer, temporarily, a little more safety from the official robbers. To call such escape attempts "speculations" would also be misleading. - J.Z., 29.3.03.)

Over-issue of fiat money does inevitably raise the price of gold, expressed in fiat money. The prices of other goods follow very quickly, those of silver, copper and wool often on the same day. Thus the purchasing power of gold remains more stable than that of paper, and for that reason gold is kept in the pockets as an interest-less but profitable investment. That contributes to save many gold-coins from the melting pot. But if in other countries as well any foreign exchange control is introduced and commodities, manufactured of gold, are not included, **then** a great part of the country's former currency may go into the melting pot. That confirms Kimmitt's view, that the exchange controls and the melting pot are very closely connected. (See the next page.)

Kimmitt reports in the mentioned letter, that Johnston will begin with an international clearing house, which counts in gold units. Let me remark:

1.) The "Giro-Banks" of Amsterdam and of Hamburg were founded on the principle which Johnston will realise. He should study the story of these old banks, the former very nicely told by **Steuart** in his well known (but seldom read) book. (Burnt.) Both banks had customers in all countries. E.g. the Hamburg bank had all great Scandinavian merchants as customers.

2.) Other people will not agree here with Johnston and will say: Why should Englishmen get less advantages from sovereigns than Greeks? We want to see circulating sovereigns **now**. May the merchants care for themselves, but we - - the misera contribuena plebs - - demand sovereigns and this without **delay**! Who has the right to **delay** such an important reform? If Johnston will not be our leader here, then we will choose others!

Kimmitt takes here a better standpoint than Johnston. But Kimmitt does not speak of the right to coin ingots. That right would contribute to provide sovereigns, much more than the bullion in the vaults of the Mint.

You read how many thousands of ounces South Africa sells every week in all parts of the world. If there would exist a Mint in London, the South African gold would all be coined before being sent abroad, but many coins would remain in England. You know, from old statistics - - at the moment I have none at hand - that England's capacity to keep gold in circulation, is greater than two sovereigns or three per head.

Very interesting what Kimmitt reports: The English Mint is training men to **mint** sovereigns!!!! Coming events? asks Kimmitt. I think they are coming!

Displeasing is the letter of A. A. **Pallis** of 9. 11.50. The depreciation of the drachma he attributes (his duty as State official) to the lack of **confidence** of the Greeks. Over-issue? That word does not exist in a government's vocabulary. Also the people does not care about over-issues. Most of my acquaintances, in October 1923, when prices rose by 300 % in a few hours, did not care about the report of the Reichsbank, where the amount of freshly printed money was stated. "What has that to do with the **dearth**?" they said. "You are a theorist!" (Here they were in the right.) They accepted it not very kindly when I told them, that lack of theory does not make a practical man. I had a friend at that time, who seemed to understand me. But when his neighbour came to him and demanded his **house** for very many millions, he sold it, and when he came to me and boasted of the excellent business he had made, I calculated, that he had sold a house, valued 1914 at 50,000 marks, for about 60 Pounds. He was not troubled then and only saw the many millions. When the stabilisation came, then he finally saw what an ox he had been. But before he could not conceive that my calculations, from the reports of the Reichsbank, could have anything to do with **his** house! He had thought, that the calculations were for insurance purposes, out of his sphere. **Such** are the **people**.

(J.Z.: If one sees how little people comprehend about or show interest in alternatives like voluntary taxation, extraterritorial autonomy, individual responsibility, cooperative production, reading and publishing on microfiche, floppy disks and CD-ROMs, one is not too surprise about such gaps in awareness and interest. Even their survival instinct does not induce them to seriously seek solutions to the "Final Solution" coming via ABC mass murder devices in the hands of a few. - J.Z., 29.3.03.)

Pallis reports that transactions in gold are still officially prohibited in Greece and that the drachma is the legal currency. Is he really not aware, that the people simply ceased to obey the monetary orders of his government and have, in many spheres, already replaced the drachma by the sovereign, not only as a measure of value but **also** as a means of payment?

Again, Pallis speaks of confidence. He really seems to think that by selling sovereigns for a moderate price in drachmas the Bank will create the opinion that the drachma is **worth** that price and not less. But it is sufficient for 1 % of the population to get the right opinion of the "Vogel-Strauss-Policy" (Is this term known in England??) (Ostrich policy of putting the head in the sand, thus not seeing and ignoring dangers. - J.Z.) of the government and the whole transaction comes to nothing more than to make a present to these 1 %. And the 1 % exists! The German Reichsbank spent about a milliard gold-marks in the year 1923 to "prop up" the Reichsmark, of course only with the same effect as is now observed by the Bank of Greece.

In your letter of 11. 11. 1950 to Kimmitt, you say: "... not ... clear why gold does not emigrate when the international price of bullion rises."

But the explanation is simple. If the **purchasing power** of gold abroad becomes greater than it is in Greece, then the gold is sent abroad, but when the purchasing power of gold in Greece is greater, fresh gold comes to Greece, in spite of the rising of the gold price (expressed in drachma) in Greece and in spite of the rising of other prices.

In Greece - - it seems - - the purchasing power of gold coins becomes greater and greater, so that I am not astonished that gold continues to flow to Greece.

And why does the purchasing power of gold increase in Greece? **One** of the causes may be the general desire to be able to leave the country quickly, in a case of danger. People sell, under such circumstances, all furniture and all commodities to get gold, which can be easier transported than almost any other commodity and it always ready to serve as a means for bribery during a flight, something most important in oriental countries.

I read many years ago old reports of Jews who had fled from Germany in the Middle Ages. The Jews sacrificed all their gold to bribe officials, especially judges, and so saved their lives. Any other good would have proven less suitable. Conditions in our times are not so **very** different from those of the Jews in the Middle Ages.

In your letter you again propose to redeem notes at a fixed **value**, not at a fixed **weight** of gold. Here your standpoint is:

1.) The government determines the **value**. If the government prints notes in the greatest quantity, every note - - certainly - - still possesses a **value**, and, however the government may decide, even if the over-issue is so great as ever - - the people obey and **you** think they really **have** to obey, that the government's value is always the **right** value.

2.) That also applies to the **past**. If a note - - say a pound note of 1913 - - had the value of 8 grams standard gold (11/12 fine) - - and forty years later, by over-issue, it has a value of - - say - - 1 gram, the owner must still recognise that the note's **value** has remained unchanged. If the note holders gets only 1 gram, he must be content, as if he were getting the true and real **value** of the note.

You will understand, that not all people do here agree. They say: **Fluctuations** in value are tolerable. But changes that are expected to remain are no **fluctuations**. They are not tolerable if the government caused the change by its over-issues or by depreciations (devaluations).

Moreover, it would not be the right expression -- say the people - - that the **value** remained unchanged, because both quantities - - 8 grams and 1 gram - - get the **name** value. The element of **time** cannot be eliminated in this manner.

A value, so changed, is no **fixed** value. It is the very contrary.

When we framed the "Four Bills", we had to reflect on the matter. Our unforgotten friend, Dr. Unger, asked: When is change in the quotation of gold in a really free gold market no longer to be considered as a **fluctuation**? We all understood at once, being well trained by the experiences in the inflation-time. Dr. Ramin told - from his experience in credit business, that a change of less than 2 % was not considered as "dangerous" by Berlin bankers. Credits were often granted with the clause, that variations of 2 % were not to be considered, or that the first 2 % were to be born by the creditor if the quotation at the gold market rose and by the debtor, if it fell. Then another told, that it is a general law in statistics, that accidental fluctuations seldom surpass the double of the average fluctuations, the latter counted from the arithmetical mean, in all spheres of statistics, economic, technical, astronomical, chemical, in short, in all observations, as is reported in the special books on the theory of observations. The average can here be estimated to about 1 % of the average quotation over a long period. Then we resolved, that a deviation of 5 times of the average deviation from the means would certainly announce, that here

was no **fluctuation** observed, but a change, expected to **remain**, or at least to remain for a long time. And we expressed that in the "Four Bills", Bill I and Bill II, of which I send you today a copy.

You did not distinguish between variations expected to remain and others, mere **fluctuations**, expected to disappear in a short time, perhaps to be followed by variations in the other direction and of about the same size. Will you maintain this standpoint? If yes, will you defend it, say, in the "Individualist"?

Let me remark, that **legal tender** and **forced currency** are not quite the same. A forced currency is always legal tender, but there may be notes with legal tender (forced acceptance - J.Z.) and, nevertheless, the **quantity** of notes to be handed over to the creditor may depend upon the quotation of the note at a free market.

We had - - not frequently such legal tender notes: The Prussian "Tresorscheine", for some years after 1807, when Prussia lost the war against Napoleon, the Danish paper currency at about the same time and a few others, which I have forgotten.

In literature before 1914, German economists and lawyers distinguished "Zwangskurs" (forced currency) and "Legalkurs" (legal tender), e.g. in the case of the "Tresorscheine".

In French it is the same: The distinction between "cours forcé" and "cours légal" was quite common in old French literature.

Professor Buriot-Darsiles - - my French translator - - an excellent and extremely learned man - - confirmed to me what I had found in French books on the subject, when the Prussian State Library (several millions of volumes) still stood. As far as I know, it is the same in Italian.

That the distinction was common in Germany before 1914, is proven by the reports of the deliberations of the currency commission of 1908, where the speakers used it.

Kimmitt does not distinguish between legal tender and forced currency. (I prefer the terms: "forced acceptance" and "forced value". - J.Z., 30.3.03.) An author like **Hawtrey** does.

I think that now, when the discussions on the monetary standard are revived, the quite clear distinction will, sometimes, be necessary.

In your letter of 11. 11. 50. you say - - quite rightly - - that the foreign exchange control in itself cannot influence the gold price, the latter expressed in forced currency.

Yes - - the influence is not **direct** one, but it is an **indirect** one and, in this indirect way, a most powerful one. It does not act as an immediate cause but by what we call in Germany "Zwischen-Ursachen". (Intermediate causes. - J.Z.)

The series of Ursache and Zwischenursache (I do not know an English word) (Cause & Intermediate Cause. - J.Z.) is:

- 1.) Forced currency. (Forced value. - J.Z.)
- 2.) Over-valuation of the currency in internal trade, although it is inflated by over-issue.
- 3.) Foreign markets say: **We** do not acknowledge this currency as forced upon us. Every day new over-issues may occur. We refuse to accept the currency, something that you - - the subjects - - do not dare to do.
- 4.) The forced currency is quoted at foreign markets lower than before.
- 5.) In the country of the forced currency the merchants follow and quote the foreign exchange **higher** than before. They find several reasons to do so.
- 6.) Government says: You speculate! There is no over-issue. You are wicked and incompetent people. We introduce an exchange control.
- 7.) The Central Bank sells small quantities of foreign exchange at the former rate, so that the public may believe: the merchants really brought down the exchange rate of our currency by speculation.
- 8.) A "black market" is organised beside the "official" market of the Central Bank.
- 9.) Intelligent people buy foreign exchange at the Central Bank and very cheap, too.
- 10.) Thereupon the Central Bank "rations" and allocates foreign exchange.
- 11.) Then the merchant, who wants \$ 1 000 demands \$ 100 000 or more. (I speak from my own observations during the inflation time.) He gets 1 % , that is, the \$ 1 000 he really wanted, and then sells them on the black market and profits much."
- 12.) In many cases he buys gold at the black market for this allocated foreign exchange. The dollar value of gold may have remained unchanged, but as the dollar itself rose in price, expressed in inflated fiat money, the gold

price rose, too.

(J.Z.: As one saying has it: You can never do just one thing. Actions have consequences. - I split up his point 9 into points 9-12. - J.Z., 30.3.03.)

In May 1922 the purchasing power of gold was, in Germany, 5 times greater than in 1913. In the USA it had not changed much. The very high USA prices of commodities in 1919 sank very much by the crisis of 1921. That was the reason that gold was at that time not exported from Germany but imported. The quantity of Dollar-notes in Germany at that time was estimated by the Americans to come to several hundred million dollars. The exportation of goods from Germany was greater than at any time before in history.

History repeats itself very often. What is observed now in Greece was long before observed in Germany (and not only in Germany). Therefore, I state here these old facts.

In your letter you distinguish, philosophically quite right, "market for foreign exchange" and "free gold market". The laws to control foreign exchange do not, but all laws known to me do include gold and consider it as a foreign exchange. In Germany silver is included as well.

On page 2 of your letter of 11. 11. 50 you suppose that gold is regularly melted down before it is exported. But the purchasing power of gold in the form of sovereigns is greater than the purchasing power of ingots, whose fineness must be secured before the ingot is exchanged. Thus why would one always melt down the sovereigns?

Concerning the **clearing** on a gold basis it seems that we agree.

A **real** clearing needs no gold. (No gold metal present on either side and exchanged. - J.Z., 30.3.03.)

And if gold is required for the transaction, then it is not a real clearing. (Paying a still un-cleared balance in gold is another matter. But even this can be avoided, by carrying the unpaid balance over to the next clearing transaction. - J.Z., 30.3.03.)

If A owes to B 100 units and B. owes to A 100 units, due at the same time, then the debts can be cleared without gold. (Not all merchants perceived that. See Jevons: "Money". I could add examples from the history of the Girobank of Hamburg and that of Amsterdam.)

In the last paragraph of your letter you say: "let the price of gold rise."

Once the forced currency is repealed, the quotation will be thus:

Paper money gets a **discount** at the free market of xyz %.

Read an old "Kurszettel" (Notice of exchange rates. - J.Z.) of the Exchange at Frankfurt on the Main. There all was quoted in Silver Gulden of the Free Town of Frankfurt. Some paper currencies were at a discount. Never the notes of the Frankfurt Bank. They were used as value units.

It was similar at all Exchanges of the world - before 1914.

The standard coin, in England, the sovereign, **was never quoted**. Notes were quoted, with their value being expressed in parts or multiples of sovereigns. Also ingots were so quoted.

As a consequence of the easiness to coin ingots, an ingot of, say, 800 grams weight and a fineness of 11/12, was always quoted for the price of very nearly 100 sovereigns.

The weight of 1 sovereign is 7.988 grams.

3. III. 1951.

Let me copy here the letter of Alexander:

Jan. 24/ 1951.

Dear Sir,

I am much obliged to you for your letter. We do propose to restore gold coinage. I do not think we would agree to private coinage of gold. All prices would be restored to a gold basis. We would restore a complete free bullion market. We would permit silver to be a legal tender up to 40/-. I fear I do not quite understand your other questions. We would in effect restore the whole currency position to pre 1914. Please forgive the delay in answering your letter but I am overwhelmed with correspondence. When I next come to Berlin I will if I may call upon you.

Yours truly - signed: Alexander.

The question, Mr. Alexander did not understand, concerned the Milhaud bonds, which enable merchants to perform external and internal trades whether gold coins circulate or not and enable them to use gold as a basis of value.

Most people do not distinguish:

- 1.) gold (or silver) as a means of payment,
- 2.) gold (or silver) as a measure of value.

In your letter to "Everybody's" you distinguished the two functions.

Let me stop this letter here. It is already too long. (10 pages in the original. - J.Z.) I post with this letter your correspondence with Kimmitt. That with Johnston and Alexander follows.

Very faithfully Yours - signed: U. v. Beckerath.

4. III. 1951

Dear Mr. Meulen,

yesterday I received by your kindness:

- 1.) "The Economist" of Feb. 17, 1951,
- 2.) "Truth" of Febr. 16 and Febr. 23., 1951.
- 3.) "City Press" of Feb. 9, and Febr. 23., 1951.
- 4.) "National News-Letter" of Febr. 22, 1951.
- 5.) "The London Newsletter" of Febr. 22, 1951.
- 6.) "analysis", Jan. 1951.
- 7.) "International News Survey", Jan. 19, 1951.

I thank you very much.

You marked the interesting article in "The Economist", "Prices and Cost of Living:", pages 397/398. It may be that some critics of the interim index of retail prices are unjust. A critic should study what **Irving Fisher** in his "Making of Index Numbers" (one of the most valuable books ever written) pointed out:

1.) It is surprising how close the different index numbers, calculated by quite different methods and even by using the prices of quite different commodities agree, if only the general trend is considered. Irving Fisher gave many examples.

2.) If an index number shall be used to adapt financial obligations to the standard of prices, then the situation is quite different. Example: One method produces statistically a rising of price by 100 %, another method, not worse, produces statistically a rise of 105 %. Represented graphically, it requires a magnifying-glass to find out the difference. Yet the financial effect is of much weight. Suppose the period considered is a year. Then the savings department of a great factory may promise - - to hastily - - to pay out savings on the basis of an index number.

Now it is a difference, financially of weight, whether the savings department is obliged to pay back, for 200 dollars, saved at the beginning of the year, 200 dollars or 205 dollars. Factories calculate with very great exactness and their "household" is of a very different kind than the household of a worker. If a worker has to pay in a week 10 dollars for rent and he has only a few dollars, then he can, in most cases, procure the needed 10 dollars by reducing some expenditures. A factory cannot, in a similar case. Its fixed expenses cannot be reduced, except by dismissing workers.

Considerations of this kind, induced by Irving Fisher's standard work, led to devices such as sharing the price variations indicated by index numbers between creditor and debtor. It would require a book to explain why that is not possible in practice, even when both parties consent to this procedure.

The most evil situation for the savings department would be, if the prices rose - - say during 11 months to 150 % and then fell to 105 %. That would mean for the factory to be falling into a crisis, as all others are. Paying out savings during a crisis is in most cases impossible.

One of the most important objections to government index numbers is that governments, of course, use the prices prescribed by themselves. It may happen - - as was often the case in Germany - - that the official maximum prices are far below the "black market prices" and that the "black market" is still the only market where things can be bought. The "normal" market is not supplied.

Most astonishing - - for me - - is that: There is, in Germany and more so in Switzerland, an, influential party, that of the adherents of Silvio Gsell. (Popularly spelled: Gesell. - J.Z.) 20 years ago it was also influential in the USA. The adherents know the use of official index numbers quite well and the manner how these numbers are calculated. Nevertheless, they continue to demand a monetary and economic system that is using the official index numbers instead of gold, instead of government "managed" paper money, instead of silver, etc. The system would lead to tyranny greater than in Russia.

And why do the adherents of Silvio Gsell demand an index number standard? They began to demand it when official maximum prices did not yet play a role in economics. Now they know nothing better and affect not to know the manner in which, e.g., the index numbers in the Eastern zone are calculated.

Bombay prices of precious metals

	Silver, 100 tolas.		Gold per tola.	
8. II. 1951	190 Rup.	0 annas.	112 Rup.	12 annas
9.	190	1	112	7
10.	190	4	112	10
12.	190	14	113	4
13.	191	3	113	7
14.	192	14	113	8
	1145	4	678	0

One tola gold = 59 tola silver.

Price of silver in London = 78. 5 d per ounce.

To be expected price of gold = $78.5 \times 59 = 4634.5$ d = 420 s per ounce.

Official price for bought gold = 248 s per ounce.

Question: Does the Bank of England get much gold for its price of 248 s ?

It seems, the Bank reports nothing on its gold purchases at the official price.

Did you read the article "Z-Men Blunder" in "Truth" of 23. II. 51? The article may be considered as a contribution to the answer to the often put question: "Why do so many Germans consider the submission to an English leadership in the next war as suicide?"

Article: "Kenya Fingerprints". The Whites of Kenya seem not to know that the ID cards of Berlin all contain the fingerprint of the proprietor. The population is far from objecting against the system. On the contrary, generally it is considered to be a protection against the misuse of stolen ID's.

The article "Back to Barbarism", concerning the "elections" at the Gold Coast, is very good. Do you know what **Aristotle** said, in his book "Politics", about **born slaves**???

I hope to write still some words on other articles of "Truth".

City Press of 9. II. 51. **George Winder** says, in his article: "TIMES AND economist on Lord Keynes" (speaking of the time before 1914):

"There were, it is true, occasion periods of unemployment, although they were of short duration, and never reached the dangerous proportions realised during Professor Robbin's 'Keynesian Age'."

Here Winder errs **very** considerably. The crisis which began 1873 continued for 16 years in Germany. The year 1889 was the first "good" year after 1873. What today is considered as a serious crisis was, at that time, considered as normal, that's all. The main difference is that today the unemployment assistance is better than in the 19th century. 10 % unemployment of all industrial workers was considered as not too much, in the 19th century. Several times 33 % was observed without fear and was not considered as a sign of a crisis.

In the 17th century in Italy constantly about 1/3 of the population in the towns was fed by the Church. (In reality these people were unemployed.) George Foster reported the same from Belgium when he travelled there in the year 1790. The history of unemployment is still to be written. I collected figures for it for many years. All burnt.

City Press: Interesting as its articles are, it disappoints me. Alexander does not propose the text of laws to realise his propositions. He should publicly appeal, in his City Press, for lawyers able to draft bills. How is it possible to so courageously attack the present system, with so well selected arguments, and not to care for the text of a Reform Bill????

The same applies to **Kimmitt**. I expected reports on numerous meeting where Kimmitt and Johnston spoke and demanded signatures to an address by which London's Lord Mayor is invited

- 1.) to declare London as an independent district concerning the monetary standard,
- 2.) to reopen the Royal Mint,
- 3.) to announce that everybody may coin his gold ingots under the conditions of 1913 at that Mint.

It would be a beginning and a very impressive one. And what do the gentlemen do? Nothing - - so that one may really ask: Did they take themselves serious?

Alexander in City-Press of 9. II. 51, praises the Hamburg Banks for extending the working hours to 9 hours 40 minutes. He takes it as self-evident, that in 9 h and 40 min. **more** is produced than in - - say - - 7 hours. Did he never hear of an **optimal** length of working hours? He may defend his position by saying: 10 hours or more **are** the optimal length. But he must talk about it and prove that he has investigated the problem.

(J.Z.: Whatever the average working hours of bank employees, Banks should also be open when normal working people can visit them, after normal working hours. I was once for a year in a 9 to 5 job. It gave me just 30 minutes to drive to the next town and do my shopping, with shops then closing at 5.30 p.m. and Banks were usually closed by 3 p.m.! - Mostly I was a shift worker and luckier in this respect. - J.Z., 2.4.03.)

There are several optimal lengths of working time: That considered from the standpoint of a high output, that from the standpoint of a high degree of people's health, from the standpoint of best quality of product, from the standpoint of that a wage-earner should have time to sufficiently reflect upon possible technical improvements at his workplace, etc. Alexander is - - it seems - - not interested. But Russians are, as may be seen from publications in Eastern papers. (Such discuss **such** subjects was allowed and even encouraged. - J.Z., 2.4.03.)

"analysis". You marked some passages as being of doubtful truth. I agree with you. Although the leading article "About Revolutions" contains much commonplaces, it contained few **truths**.

Do you know what **Machiavelli** wrote on revolutions? M. experienced revolutions, he **saw** the armed masses in the streets and on and on the squares. But analysis writers are pure theorists. I regret that the writer (anonymous) did not experience the revolution in Germany. At the Lehrter Bahnhof, not far from the place where I stood, an officer was rent to pieces by the populace, and what people, belonging to the "educated" classes did, if they caught a man, whom they considered to be a "communist", was not much better. There was a kind of torturing prisoners to death, called "Die Rolle" and invented - - it seems - - at that time. The street fighting in the years 1920 and 1921 in Berlin in some other towns cost "only" several thousand lives, but were of a cruelty regularly observed during civil wars. And the effect? Socially and economically: zero.

National News-Letter. King-Hall is a man interested in the own affairs and knows that today public affairs are the affairs of everyone of us. But he is no economists and is not interested in the monetary problem.

King-Hall reports terrible details on the American warfare in Korea. I do hope you read them. (Petrol bombs.) (Napalm bombs. - J.Z.)

The end of all is: We have to wait for the Jacks-in-the-office to decide when they will get the time to be occupied with our for them - - so unimportant - - affairs.

Often I ask myself: What would be better: Simply cease to eat and to drink - - so as so many old Romans died - - and to leave the so-called world to the Russians (Soviets - J.Z.) or to continue what one has begun?

The thing is: In old Rome it was technically **possible** to die by voluntary starvation (the most easy kind of death). In our "culture" it is not.

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International Financial News Survey. Your tip to apply to the International Monetary Fund is excellent. I will do it. (He did and got a free subscription for many years. - J.Z.)

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What neither Alexander nor Kimmitt nor Johnston see is that:

Until now a pound note was fiat money. The 3 gentlemen demand, that the pound note shall **no longer be** fiat money. In other words: The public shall get the right to refuse it without stating reasons.

On the other hand, the gentlemen know as well as we do, that England's stock of gold coins was never able to supply **enough** circulating medium and never will or can be, even if South Africa's mines would be situated in England. But the right to refuse State Paper Money is a real right only if there exists also the right to freely issue notes. These three did not yet become aware of this consequence. You are the only man in England that sees it.

These three gentlemen protest - - it seems - - against an obligation of the Bank of England to redeem its notes at par and on demand. They do not say it expressis verbis, so that you conclude, they demand, on the contrary, the restitution of the old obligation. **Perhaps** you are in the right. But I am inclined to suppose here only a lack of consistency due to an insufficient investigation of the problem. But **if** the old obligation will not be restored, then it will be of no use to replace to obligation by an offer to redeem notes at the conditions of the bullion market. It is technically impossible to fulfil such an offer.

Suppose, that there comes a gentleman with 1 000 notes, each 1 pound and demands redemption under the conditions of the bullion market. The quotation may be 85.5 % of the nominal value of bank notes without discount at the bullion market. How to redeem? No bank possesses ingots in the size required. The ingots must first be manufactured.

Secondly: Why not say to the gentleman: Be so kind as to go yourself to the bullion market! Why **should we** do that for you? If you go yourself, you will experience the market's real condition. If we do it for you, you will think that we cheat you. In every case, you do get the same amount, and if you go yourself, with less delay.

What I point out here applies, too, to the notes of **your** bank, unless your letter to "Everybody's" might be taken as a change of your views on this point.

(Concerning the fundamental principle it is subordinate. The matter considered from a purely practical standpoint it is important.)

Very faithfully Yours - signed: U. v. Beckerath.

5. III. 1951.

Dear Mr. Meulen,

In the British Information Centre I found:

G. D. H. Cole, "A Short History of the British Working-Class Movement, 1780 - 1947", London, 1948, Allen and Unwin, Ltd.

This book contains numbers and graphs on wages in the first decades of the 19th century, from page 79. I copy this passage:

"Owen's Labour Notes for a time not only passed current among members of the movement, but were widely accepted by private shopkeepers in payment for goods. This is not so surprising as it sounds. The age was one in which private note issues made by small banks were a familiar form of currency, private tradesmen often issued their own copper- "tokens", and even private employers, in face of the shortage of national currency, had sometimes in emergencies issued their own notes."

(At the first page of the book is said: "No portion of the book may be reproduced without written permission.. Does that apply also to oral or typewritten reproduction???????) (J.Z.: Does it also apply to reading, where it is reproduced in one's eyes and brain and from which it might be quoted, if one has a good memory? - J. Z., 3.4.03.)

Cole is a good economist. Since his first book , 1920 or so, which I read at that time, he has much improved. But that he praises the act of 1844 - - in a passage not quoted here - - proves that he does not see all details of the problem.

Cole wrote also a book - - not on the shelves here - - "The Payment of Wages". It may be that in that book more can be found on the means of payment for wages at that time.

10. III. 51.

In the British Centre (formerly British Information Centre) I discover: "Life and Labour in the 19th Century", by C. R. Fay, M.A., Cambridge, University Press, 1947. An excellent book although the author sympathises with State socialism and trade unionism and - - like nearly all people neglecting the study of Free Banking Principles - - ascribes the lack of currency to the bad will of the ruling classes, who "sit on it". Fay says on page 196:

"... The resumption of cash payment in 1819 was injurious: for owing to the shortage of small coin, the wage earners were paid *in bulk* (italics mine) with large notes, which they had to split at the nearest public house."

"... The Truck Act of 1831 prohibited payment in notes on Banks more than 15 miles distant, but said nothing about cheques - an oversight which the capitalists repeated in their Bank Act of 1844."

The latter prescription was, obviously, intended to facilitate the redemption of notes given in payment of wages.

The book contains much interesting detail. I think you will easily get it in London.

Malthus, in the 2nd book, 18th chapter, mentions a wage of 18 Pence or 2 Shillings per day as typical for his time.

Lady M. **Vierkandt** lent me "Dear Pig" by Nathaniel Gubbins, London, Dennis Dobson, London SW 1, 12 Park Place, St. James, 1948, and recommended it as one of the most amusing books ever written. Now I see that she did not in the least exaggerate. (126 pages, the book is probably cheap.)

Lady Vierkandt, wife of the celebrated sociologist, Prof. Vierkandt, is one of the most intelligent women I ever met. She understood at first sight my article (*) in the issue of 1. 9. 1950 in the "Westdeutscher Immobilienmarkt" on gold as a measure of value, although she never before had read economics books or articles. She will be 77 in April.

Very faithfully Yours - signed: U. von Beckerath.

(*) That was, probably, the **only** article which any German newspaper or magazine published by U. v. Beckerath. after WW II. As excluded are certain ideas from German media. When I wrote, after B.s death, to "DER TAGESSPIEGEL", asking them to include in their "Cultural Notes" an appeal for any remaining letters and papers of Ulrich von Beckerath, as they had often done for other writers, they refused to do so, arguing, that they had never published anything by him and on him. Indeed, they had not, since they rejected all his letters for publication. The voluntary censorship can sometimes be as bad as the imposed one. He could not afford self-publishing and the then existing media were closed to him, apart from the few quotes from his letters, which Henry Meulen included in his "The Individualist". (Also apart from my own PEACE PLANS series, in which some of his writings appeared in English and in German.) I have often wondered how much more he would have written, if only a printed journal had been available to him or at least alternative media like microfiche, floppy disks, websites and CD-ROMs and a good word processor. (He died in 1969.) In his last years he was restricted even in the use of his

typewriter, because neighbours complained about its noise, when used late at night, i.e. when he was awake and they wanted to sleep. No wonder that sometimes he had suicidal thoughts. - J.Z., 3.4.03.)

7. III. 1951.

Dear Mr. Meulen,

in a calendar, published in the Eastern Zone, I find these passages:

"Die Friedenskaempfer verurteilen Aggressionen, wo immer sie sich ereignen, und sind gegen fremde, bewaffnete Einmischungen in die inneren Angelegenheiten der Nationen. Sie fordern die Einstellung derartiger Interventionen, wo immer sie auch zur Zeit stattfinden." - Extract from the Prager Proklamation des Staendigen Kometés des Weltfriedenskongresses.

(The fighters for peace condemn aggressions, wherever they occur and are against foreign armed interventions into the inner affairs of nations. They demand an end to all such interventions, wherever they might presently occur. - Extract from the Prague Proclamation of the Permanent Committee of the World Peace Congress. - J.Z.)

Concerning "aggressions" everybody agrees, if the word "aggression" is taken in the sense of 1913. However, the following lines express the general opinion of those, who interpreted the Law of Nations. Some time ago we had a long correspondence on the theme. You were inclined to agree, too. Then I communicated to you a passage from the work of J. G. **Fichte**: "Die Bestimmung des Menschen", for the first time printed in 1800, where Fichte says:

"Kein freier Staat kann vernuenftigerweise Verfassungen neben sich dulden, deren Oberherren Vorteile davon haben, wenn sie benachbarte Voelker unterjochen, und die daher durch ihr blosses Dasein die Ruhe der Nachbarn unaufhoerlich bedrohen. Die Sorge fuer ihre eigene Sicherheit noetigt alle freien Staaten, alles um sich herum gleichfalls in freie Staaten umzuschaffen, und so um ihres eignen Wohles willen das Reich der Kultur ueber die Wilden, das der Freiheit ueber die Sklavenvoelker rund um sich her zu verbreiten." (Page 111 of the edition 1944 of the "Philosophische Bibliothek".) (Translated somewhere above. - J.Z.)

Here Fichte says the contrary of what the now acknowledged Law of Nations says. If Fichte is right, a free State (Alas, a territorial "free State" is never free enough! - J.Z., 3.4.03.) is the natural ally of every oppressed part or group in any territory. A free State may at all times intervene in favour of the oppressed. You know that I am inclined to go farther and say: Every citizen and every group or citizens in any territory has the right to intervene. Oppressors are "hors de la loi". The **technique**, by which the new principle is to be applied, is still to be worked out and, certainly, is not the same in all cases.

You were so kind to publish an English translation of the above quoted text of Fichte in the Individualist. But at the moment I cannot find the issue in which it was published.

Today I am vindicated in favour of my opinion - - not quite logically - - seeing that the common opinion is shared or rather defended by the Communists. Principles defended by Communists are suspect.

(J.Z.: Communists always interpreted such remarks by condemning only "capitalist" interventions. "Socialist" or "Communist" armed interventions would not be, according to them, "aggressions" but "defensive" or "liberating" actions. As long as the terms "aggression" and "liberation" and "defence" are not properly defined, one cannot effectively oppose their propaganda. See my long article on "aggression" in an early issue of "PEACE PLANS". - J.Z., 3.4.03.)

Hertzka, in his "Freiland" investigated the problem. He had proposed to organise a free State at the territory today Tanganyika. He had to tell his adherents what should be done with the millions of Negroes, who inhabited the territory. His solution - - too long to be quoted here - - seems not bad. I think "Freiland" has been translated into English. (J.Z.: It was and both, the German and the English translation, as well as the sequel were microfiched by me in my series. - However, if my memory does not deceive me, Hertzka's colony was set up not among Negroes but on unoccupied and virgin land. His colonists did not drive out any Negroes but defended themselves against their aggressions. - J.Z., 3.4.03.)

Negroes are always suppressed by their chieftains and are themselves oppressors if they get the opportunity. (J.Z.: Just like most "Whites"! - And, e.g., in two World Wars, they massacred each other on a much larger scale than they ever murdered Negroes or Negroes ever managed to murder each other. - J.Z., 3.4.03.)

Until a few decades ago, chieftains sold their subjects as slaves; also fathers sold their women and children as slaves. Here "non-intervention" is neither wise nor just.

Very faithfully Yours - signed: U. v. Beckerath.

11. III. 1951.

Dear Mr. Meulen,

I continue my remarks on your correspondence with Johnston and Alexander. Winter weather, cold fingers and some private trouble prevented me from continuing earlier. My consolation is: in 8 weeks it will be warmer than now, and I hope the world will still stand by then.

In his letter of 16th November 1950 Johnston does not answer your question in clear terms and does not say, whether he demands an obligation of the Bank of England (or other issuing banks) to redeem its notes on demand and at par. His remark, that a gold coin standard is to be distinguished from a gold-"bullion"-standard leaves the question undecided. Certainly, he is right, when he says that:

"... we do not require to hoard gold in **unused** reserves."

I think that he did not expect that you recommended a hoarding of **unused** gold. He commits what logicians call a "petitio principii". The question is: **What** quantity of gold is to be considered as not needed by a note-issuing bank? Johnston does not discuss the question.

Also, it is not quite the same whether

- 1.) a note-issuing bank is obliged to redeem its notes at par and on demand, or
- 2.) there should be permitted a free market for sovereigns.

It may and will happen, that a note-issuing bank stops issuing when the market rates its notes at a discount. If, in such a case, the bank had granted loan only on short terms, then the following happens: The bank's debtors procure the cheap notes for themselves and repay with these notes their loans at par, with much advantage to themselves. The bank destroys the notes and so the notes, together with their discount, disappear from the market.

Here I supposed that on the notes an option clause was declared. If the bank did not provide such a clause, then, within a few hours after the discount becomes known, all note holders come to the bank and demand redemption. If then the bank cannot redeem **all** its notes, it is bankrupt. If that occurs, the discount will become much larger than before, but it will disappear as well, some time later, to the degrees by which the bank's debtors buy the notes and repay their loans with them at par.

The free market for sovereigns has no other significance than this: As long as on the market a paper sovereign and a coin = 1 gold sovereign, are at par, nothing happens. But as soon as there is a discount of, say, 1 % is observed, the note holders demand redemption. So one can say: the market and its sovereign price, expressed in paper, are the great regulator of the bank's business. (If the bank's note issues are based on **this** principle. - J.Z., 3.4.03.)

Another question not discussed by Johnston is: What could be done if all note-issuing banks stopped their business??

It is clear, that the country's need for currency cannot be supplied merely by freely circulating sovereigns. The authors of the **Four Bills** discussed a very similar question and their answer was the Bill No. IV.

In his letter of 16th November Johnston admits the possibility that a sovereign will be quoted at the market for 3 paper pounds. Insofar, he declined a prescription that there must always be parity between a sovereign and a paper pound. In your letter of 18th of Nov. you asked again if he demanded parity. If Johnston did not answer, it may have been because he believed to have answered the question by his remark on the 3 pounds. But he should not only have thought this, he should have **said** it in clear words. The question is important enough. Insofar Johnston's letter of December 6th is not satisfying.

My impression from the following letters is that Johnston became aware that the problem of paper money is much more complicated than he had expected.

There are two ways to cut the Gordian Knot which represents the relation of paper to precious metal:

- 1.) Obligation to redeem, at par and on demand or at option within a few months,
- 2.) prohibition of paper money.

Here I do not mention the system of the Four Bills or that of Milhaud. Before these systems were framed, the economic world knew only the forgoing two choices and was always ready to **cut** Gordian Knots, thus sacrificing the wealth of the people rather than their own brain substance. (Rather than straining their own brains. - J.Z.)

No. 1 Johnston declines - - as it seems - - although not in clear words.

No. 2 seems to be his true opinion. This opinion is so far from what England really needs (and not only England, I always remember Berlin in our discussion), that he hesitates to express this opinion in clear words.

Let me remark here that, until now, political economy did not yet answer the following question:

"What shall be legal tender, if precious metal, as a consequence of a panic or a similar cause, does not circulate and notes are at a discount at the market?"

Zander, Rittershausen and I, after long discussions, came to the following conclusion:

The debtor should notify the creditor of the possibility of a settlement by clearing. If he does not, then the law should determine that a possibility for clearing recommended by the local chamber of commerce, should be legal tender, insofar, that the creditor could not refuse to accept a payment with the help of such clearing. Concerning the practical side of this possibility, we were satisfied with those explained by a very remarkable article in the New York paper "Sound Currency", 1895 & 1896, written by John DeWitt **Warner**: "The Currency Famine of 1893". His solution is practically the same as the system of the Four Bills. (That the two volumes 1895 & 1896 of "Sound Currency" were burnt is one of my greatest losses.)

Although Johnston did not answer your question so clearly and distinctly as he should have done, I am convinced:

- 1.) He declines a legally fixed relation between the sovereign and the paper pound, so as it was fixed by the monetary laws valid 1913.
 - 2.) He demands that prices in the shops should no longer be fixed in paper but in sovereigns (or fractions or multiples of it).
-

Johnston sees not that his remark:

"... did not think so in 1885, when I learnt my banking and, as "money", would have deemed the paper pound a forgery." (Letter of 8th December.) and his other remark:

"... The paper pound ... depends on the solvency of the Bank of England." - are in contradiction.

If the paper pound is a forgery, then it must be prohibited and the governor of the Bank of England must be imprisoned. If it is a forgery, then its value cannot depend upon the solvency of the Bank of England.

Let me remark, that in the year 1885 - - to my knowledge - - neither in England nor abroad was paper money, if issued by a bank like the Bank of England, ever considered as a forgery.

(J.Z.: In my photocopy of the following page 3 of this letter the right hand text is partly cut off. I reconstructed the full text as far as I could. - J.Z.)

Johnstone's style is remarkably good. Nobody would believe that Johnston began his apprenticeship in 1885 or so. He must have been born around 1870 and is now 80 years old or more.

Alexander.

Your letter of 30. 12. 50, page 1, line 5 from the bottom. I think that Germany was in the same situation as England. I believe that this holds for several other countries as well, but for Germany it can be easily proven. Is there a single case recorded that the Reichsbank did **not** redeem its notes at par and on demand (or with some hours delay) if notes were presented to it by Germans or foreigners?

Your remark on page 2: "... followed by an export of cheaper foreign goods ... legally cheapened gold" does not apply to Germany and I would be interested if it could be verified by English statistics.

In Germany practically (not legally and not theoretically) much more than 9/10 of the bills drawn by foreigners on German firms were paid by **clearing**. In German textbooks on foreign trade (and I think in English ones, too) there is explained how, by a "Gegengeschaef" (creating [or using! - J.Z.] counter-claims) the clearing was made easy. In German text books London was represented as the international clearing house for international trade, so that practically neither coins nor notes had to be used in foreign trade.

But your remark is correct, that the Bank of England's activity (let me add: and of all other banks of issue) was unreasonably restricted by the prescription that the issued notes must amount to no more than a small multiple of gold in its vaults.

Even merely to exchange present goods for other present goods the total amount was too small.

Concerning the financing of present goods against future goods - - still to be produced - - the German banking theory demanded that this financing must be performed through interest-bearing bonds, not notes. In practice this rule was sometimes violated, especially in the years before 1932. Rittershausen wrote a very good book on it.

(Why should the suppliers of consumer goods and services be prepared to sell these not for their own notes but for those of others, which are, in reality, merely camouflaged mortgage bonds, shares and other capital securities, although printed and issued in a form as if they were genuine banknotes and, obviously, no one is obliged to immediately accept all of them at par for his goods or services or in payment of debts due to him now? They are then merely "asset currencies", as illiquid as all capital securities are and thus not "current" enough to be suitable as "currency" and acceptable as currency. It takes two to tango. Each issue of a genuine currency must have a corresponding immediate readiness to accept it at par for wanted goods or services or in due debt payments, in order to keep up a sufficient demand for the notes corresponding to the volume of the issues. Meulen never seems to have realised this aspect of free note issues. He simply assumed that his kind of notes would be readily accepted "upon trust" in honest and wise bankers, until, finally, when the corresponding medium or long term loans became due, or in the meantime only to the extent of the interest or instalment payments, the notes had to flow back to the issuer. But in the meantime the bulk of them had **NO** foundation or reflux at all, and were at best floating upon his assumed "trust". If they had been the **only** exchange media permitted, then and only then might he have got away with it. For want of something better, people would then have used his notes. But such "banknotes" would not have stood up to free competition by those banknotes, whose issues and reflux was at any time in proper balance, with each note so "current" as "currency", that it was immediately usable or exchangeable, at par, into goods, services and debt-payment receipts. - Under free competition by sounder "ticket money" etc., his notes would have suffered large discounts and wide-spread refusals. He might have tried to preserve their value by redeeming them into gold upon demand, but not at a fixed gold value but at his price for gold. Even this redemption he might have delayed by an "option clause". By his issue "principles" and practices, the depreciation of his notes might have led to by a discount 50 % against gold weights value at the beginning of his issues [provided he would have found enough deluded acceptors at this rate]. By his notions on the "price of gold", this would have meant, that the "price of gold" had doubled, expressed in his notes taken as standard paper money notes, and that thus he would have had to redeem his notes in only half the quantity of gold that they were worth initially. In other words, he would not offer holders of his notes more for them than the free gold market would offer for them. Thus with his "redemption" offer he would not have abolished but confirmed the discount of his notes, on a free gold market, thus leading to further total refusals of them. - His notes would also have depreciated against the paper money notes of the Bank of England, especially since they would not have had the tax foundation which the Bank of England notes had and have. - Or did he imagine that the paper pound of the Bank of England would somehow, more or less magically, preserve the value of the competing pound notes of banks of the kind that he proposed? What would he have done

to preserve the par value of his notes with at least the (already inflated) pound notes of the Bank of England? On this matter he remained forever confused and deluded and ignored or did not understand the counter-arguments of B. - What can one do if even a writer on "free banking" like him, does not really understand "free banking"? At least one can try to straighten out one's own mind on this matter. - With Rittershausen's book I presume that he meant his 1932 title: "Der Neubau des deutschen Kreditsystems" (The Reconstruction of the German Credit System), 180 pages, which I microfiched in PEACE PLANS 315. - J.Z., 3.4.03.)

Alexander reprints a part of your letter in the City Press of 19 I. 51. His answer displeases me. What he says, in the last sentences is not true, although it is generally believed. Past times - - by a well known psychological law - - are always represented in memory so that its bad aspects are forgotten. Alexander much underestimates the degrees of unemployment before 1914. Here your economic knowledge, obviously, far surpasses that of Alexander. (Your letter of 19th of January 1951.)

Concerning the last sentence of the said letter, it seems obvious that Alexander - - like Kimmitt and Johnston - - demands that prices in the shops are expressed in sovereigns and that sovereigns should circulate and be used as means of payment in the shops.

That is not the same as using a free market price of gold as a standard of value. Under Alexander's and the other gentlemen's system and from time to time the following will occur:

Notes, no longer being legal tender, will, from time to time, get a discount at the market. And then arises what none of these gentlemen has discussed: Notes at a discount and not being legal tender (J.Z.: forced acceptance, also not having a forced value and not being the only notes on the market, but with many better ones around! - J.Z., 3.4.03), are generally refused by the general public and are sought only by the people who owe the bank **due** debts. These people get the cheap notes and then, an hour later, they use them to pay to the bank what they owe. The bank has to accept its own notes at par. It may be, that by the demand of such debtors the notes will win back, in a short time, their par level. But the large shops will refuse the discounted notes, if their debts to the bank are paid and if the discount is considerable, say, 5 % or more.

The consequence must be a lack of currency, with many of the well-known consequences. In that situation there is, practically, only **one** help: Applying to an issuing bank for fresh notes. John DeWitt Warner deals with the case in full and provides most interesting examples. Your system of Free Banking would here also be of good use, although your aim is, first of all, the financing of **production** and not of **sales**, and, consequently, loans of longer duration than, say, 3 months. How the right middle course could be adopted is represented by **Zander**, in his admirable **Eisenbahngeld**, of which I send you a copy as printed matter. (His principle does by far not only apply to railways. He spoke of railways because we had an example for this in Germany. Under railway minister **Oeser** - - a **very** able man - - the German railway issued certificates for general circulation to a total of about 1,500 million gold marks.)

I mail your correspondence at the same time as this letter.

Very faithfully yours - signed: U. v. Beckerath.

15. III. 1951.

Dear Mr. Meulen,

did you read **Max Stirner**, "Der Einzige und sein Eigentum"? Does there exist an English translation? (A French one exists.) If not, it would be necessary to produce it **now**.

Max Stirner had a friend, who was his adversary, in literature: Bruno Bauer. His writings are forgotten, although they are of great importance. Bruno Bauer investigated - - as did so many others - - the notion of **duty**. He asked: If such a thing as duty exists, what then is the **highest** duty? His answer was: **Criticism!** Accept nothing because an authority said it; reject all doctrines not founded upon reason. And if that is admitted, then accepting a doctrine merely because an authority proclaimed it, is a sin and even the greatest sin.

In England there exist societies for the reprint of old and valuable tracts. In Germany such societies do not exist; a great shame for a nation which once styled itself as a nation of "thinkers and poets". (As a **nation** the Germans are very far from being thinkers and poets; they persecuted their thinkers and let their poets starve.) It is also a shame for the booksellers, for it would be a good business. I tried to speak about the matter with booksellers I know. Of course, they had no time to occupy themselves with such "theories". (Now **all** scarce old tracts could be very cheaply and in large numbers reproduced on a single CD-ROM, in whole special libraries. But are freedom, peace and justice lovers engaging in a run on this medium, to utilise it for this purpose, for the kind of literature they do, supposedly, love? Far from it! See: www.butterbach.net/project.htm - J.Z., 26.5.03.)

Bruno Bauer was quite competent as a judge on **sins**, for he had studied theology well. But he was inclined to consider as a sin that which is punished by the law of cause and effect on earth. Concerning heavenly things he was modest enough to confess, that after a study of many years and reading hundreds of theological books, he still knew nothing of them.

Bruno Bauer and his friend and brother, Edgar, although both are now forgotten, contributed very much to overthrow the old theology, so that in Germany, for many decades, it is no longer considered to be a real science, except in its historical part.

Edgar demonstrated, too, that **Seneca** must be considered as the true founder of Christendom, and that the correspondence between Seneca and the Apostle Paulus, very probably, is not a falsification, as was generally believed by scientists and is still pretty generally believed.

(I read the correspondence. It gives the impression of being genuine. Paulus warns Seneca against speaking to Nero about the Christian doctrine and providing him with Christian books, because the emperor would not be prepared to understand the least of it. That sounds quite reasonable. That Paulus had good relations to the Imperial Court he relates in his biblical letters.)

If I had money, I would try to prepare a new issue of the writings of Bruno and of Edgar Bauer.

What has that to do with our themes? Much, I think!

Before me is **Arthur Kitson's** book "The Banker's Conspiracy", which confirms line for line Bruno Bauer's theory. Kitson is an uncritical man. That he is, although he possesses all capacities to be a good critic. So he is a **sinner** in the sense of Bruno Bauer's philosophy, and his sin is a most heavy one.

(J.Z.: One of his first books: "The Money Question", 1903, 231 pages, was good as an attack on the money monopoly. Therefore I microfiched it in PEACE PLANS 42 - 44. Nevertheless, later he fell victim to "Social Credit" doctrines. - Of people, whose writings still exist, B. always spoke as if they were still alive. - J.Z., 3.4.03.)

Some of the practical consequences of his sins are:

1.) In the minds of many of his readers - - probably of most - - he aroused the quite false and disastrous opinion, that State-issued money can be and really is a good and reliable measure of value. (Page 98ff, "Conclusion"). And that he wrote in the year 1933, when he had read so much on the role of State money in German, France and all other States.

2.) He took it as quite self-evident, that paper money must be issued in the way of a **monopoly**, in other words, he did not acknowledge and not even discuss the right of **Free Banking**.

(I find it much worse that he fell from opposing the money monopoly in 1903 to advocating it in 1933. - J.Z., 3.4.03.)

He knew that you had written a book on it and, very probably, had read it. Nevertheless, he did not talk about it. It was his right, as an economist, to reject your principles, but it was not his right to ignore the book.

3.) He did not distinguish forced currency and other currency. A zoologist not distinguishing between herrings and oysters and who simply classifies both under "sea animals" is less guilty.

4.) "Das ist der Fluch der boesen Tat,

Dass sie fortzeugend Boeses muss gebaeren." - Schiller, "Braut von Messina."

(That is the fruit of evil deeds, that they give birth to further evils." - J.Z.)

(Why didn't his initial opposition to the money issue monopoly give birth to further good writings on the subject? - J.Z., 3.4.03. - In other words: Why do so many formerly good brains seriously deteriorate once they reach their supposedly "mature" stages? - In some cases that is catastrophic for the whole world. E.g. the case of Alan Greenspan. - J.Z., 26.5.03.)

The consequence of not distinguishing between forced and other currencies is: He did not become aware of the fundamental right of the people (not only of the people but of individuals! - J.Z., 3.4.03.) to refuse the acceptance of paper money. In other words: He did not study the theory of legal tender. (Nor its practice. - J.Z., 3.4.03.)

The neglect of this right is the last cause of all our evils.

(J.Z.: I would not go that far but I do assert that it causes, indirectly, many more and many greater evils than most people can imagine so far. It is closely related to inflations, deflations, sales difficulties, mass unemployment - and with them to wars, civil wars, dictatorships and terrorism. - Any super-computer, fed with all the relevant details, would show up the correlation. Most human minds seem unable or unwilling to correlate all the relevant facts. - J.Z., 3.4.03.)

If the right would be exercised, the people would at once see and feel, that gold coins are not sufficient as a currency.

(A fundamental perception, leading at once to the conviction, that an additional currency is indispensable and leading, furthermore, to considerations on how a paper currency can be at the same time necessary and yet not be legal tender [J.Z.: in general circulation! Towards its issuer it must be forced currency, at *cours forcé*! - J.Z., 3.4.03.] and that, with these seeming contradictions, it can circulate freely and without resistance.

These considerations would at once have been deepened by the further consideration, that an obligation imposed upon issuing institutes to **redeem** paper money [with rare metals - J.Z.] at par and on demand or with a short delay, leads to the consequences so well pointed out in your book.)

If some unknown line filler of some economic journal would have committed such a sin of omission, the sin would not have been great and the consequences would not have been disastrous. Publications of this kind are soon forgotten and seldom read with attention. But Kitson was an author of rank, wrote in an excellent and impressive style, was a successful businessman and knew very much. For **him** this omission was a **sin**.

The law of cause and effect resembles insofar the old Jehovah as it punishes seldom the sinner but, primarily, his children, other relatives, subjects, followers, etc. In other words: it uses the principle of collective responsibility. (One of the reasons for which I **hate** the law of cause and effect. If I would have created the world, I would have introduced a very different principle and would have introduced monetary liberties as among the world's fundamental laws. But those responsible did not care for my advice.)

In our case the law of cause and effect did not punish Kitson, either - - he died in peace and honour - - but his followers are still today slaves of the Bank of England's issuing department. (In my book on Milhaud I demanded the repeal of its charter.)

I suppose that you have Kitson's book at hand. On page 99 he says:

"Great Britain, during the years 1915 - 1916, discovered the true principles of State issue of paper money, etc." That is not true, for two reasons:

a.) The true principle has been discovered in Germany, that is, in Saxonia, in the 18th century. When it was discovered (Saxonia, perhaps, was the best administered State in the 18th century) and had well operated for some decades, then the other German States accepted it as well, first of all Prussia.

(J.Z.: On this subject see the following compilation, which I microfiched in PEACE PLANS No. 641: Prof. Heinrich Rittershausen, Die aeltere deutsche Gesetzgebung zum Staatspapiergeld, gesammelt, 1945, 29 S., als Material zur Diskussion des Steuerfundationsgeldes oder Beitragsgeldes. - R. got type-written copies made of the old laws, in a Breslau library, afraid that all the libraries would be destroyed. - J.Z., 3.4.03.)

b) Great Britain **discovered** nothing (in the years 1915-16) (Except better methods to slaughter and get slaughtered! - J.Z., 3.4.03), she simply applied the old misuse of irredeemable paper money with forced currency.

There are several means to keep the nominal value of paper money without forced currency on a par with precious metal, especially of gold. (It's for the sake of simplicity that here I do not speak of silver.)

Theorists always contended that **redemption** at par and on demand, or with a short delay, was the right means. They won because this means requires the least effort of thinking. (Bth: "expense of brain substance.")

You know the other means, such as endowing the notes with interest (first issue of Assignats), killing those who refuse acceptance at par (for decades used by the soldiers of South American armies, mostly in Mexico), and the by far most important of all:

Offer of a creditor, to whom, practically, all are indebted (tax office, railway, great stores, whose commodities are articles of day to day use) to accept the paper money as readily as they would accept gold of the same nominal value.

That is the principle invented - - it seems about the year 1740 - - by Saxonian "Cameralists". Saxonia, at that time, paid her officials, suppliers, etc. by certificates called "Steuer-Antizipations-Schein". (Tax anticipation certificate. - J.Z.) The main contents said:

"The Saxonian government accepts this paper at its nominal value when taxes are paid with this paper.

An obligation to redeem the paper is not established.

Nobody is obliged to accept the paper if he is entitled to get coin, but transactions performed with help of the paper are lawful so as if they were performed with help of coin."

Nearly the same text was printed on the paper money of other German States, especially that of Prussia.

Jevons knew the principle but did not appreciate it. He mentions it as an American invention, also in the 18th century. (Jevons' "Money" is burnt with my library. Therefore, I cannot state more details.)

(J.Z.: Stanley W. Jevons, Money and the Mechanism of Exchange, 1875, 8th edition, 1887, 349 pages, indexed, was reproduced in PEACE PLANS 628, 29 x reduced. Here and now I will not look up the relevant passages, either. We need international teamwork to explore and record all aspects of monetary freedom in an easily accessible way, permanently in "print", very cheaply, in at least one of the alternative media. - J.Z., 3.4.03.)

The importance of the principle results from the possibility, provided by it, to keep notes at par with gold without forced currency (legal tender, cours forcé, compulsory acceptance and compulsory value) and without metallic redemption obligations, also that it holds good in times of general distrust. Rittershausen proposed to call it the: Principle of: value through readiness to accept at par.

It is true that Treasury Notes **seemingly** were of the same kind same kind as the old Saxonian "Steuer-Antizipations-Scheine". Tax offices accepted a sovereign as well as a note of the nominal value of one pound. But the **quotation** of Treasury Notes at the Exchange was prohibited. Moreover, everybody knew that a merchant could buy much more for 1000 sovereigns than for 1000 Treasury Notes of 1 pound each. In Saxonia, and later in other German States, the paper money was daily quoted. The effect was: If there was a discount at any Exchange, taxpayers at once bought the notes (or lent them) and paid with the notes their taxes, at par. That buying of notes by taxpayers continued until the par value of the notes at the Exchanges was restored. The fluctuations were seldom more than fractions of 1 %. That was the reason why the public did not worry about them. But if there would have been a great discount, say, 5 %, the public would have at once refused the notes and the government would have been obliged to stop issuing.

This simple mechanism to prevent over-emission (formerly called inflation) was called, by Lorenz von Stein, an excellent Austrian economist, "Steuerfundation". (Tax foundation. - J.Z.) Experience proved that "Steuerfundation" worked much more promptly and more effectively than metallic redemption.

A great advantage of paper money founded on the principle "Value by readiness to accept at par" is: Crises of the usual type, that is, where distrust has nearly wholly replaced trust, do hardly affect this paper money.

There can never be a run, the word used in the sense in which bankers use it. If people distrust the paper money, they bring it quickly to the place where it **must** be accepted at par. There it is transformed into goods or services or it pays debts.

The next step is: lack of currency.

What then follows is: (Lack of capital offers because conditions offered are not attractive enough. - J.Z.)

The capital market is no longer supplied, except that part which offers a well-known and easily understood standard of value, that means, in practice, gold.

That gold coins, to be handed to creditors, are impossible (in most cases - J.Z.) is known to the public, which is, therefore, content with **gold value**, provided by the principle: "Value by readiness to accept at par".

If gold-value investments are to be found, the public buys them (to the extent that they can afford to invest! - J.Z.), if not, the people continue to buy goods. (Or amuse themselves otherwise rather than save and invest. - J.Z.)

The latter is certainly an economic evil.

The former (lack of currency) is easily repaired by the issues of local issuing institutions, shop associations, railways, tramways etc.

(J.Z.: I am under the impression that B. was here "brainstorming" and jotting down some notes rather than systematically explaining his system and that he did not get around to edit what he said here. Keep in mind the conditions under which he was writing, in an unheated room, although very sensitive to cold and that this is not an essay but just a letter to an old friend and that his mastery of English left much to be desired. - J.Z., 3.4.03.)

Kitson had the right to try a refutation of all that or to state reasons why he declined the principle, a principle whose application leads at once to local private issuing institutions and which work only if the liberty of people to refuse the acceptance of paper money is acknowledged. Kitson does nothing of this kind. Certainly, he never heard of the principle.

What he does is: Recommend a money whose basis is forced currency (forced acceptance and forced value - J.Z.) State power and monopoly.

What Kitson says of the "full cover redemption fund" (page 99, line 3 from the bottom):

"... composed of securities issued automatically, retired automatically, self-regulating, never redundant, never deficient, neutral in its effect on prices, but rising equal to any strain upon it; guaranteed against debasement by the community which issues it, and incapable of debasement by the community which purchases and uses it". - is false in every word. (Well, in every significant term or statement. - J.Z., 3.4.03.)

Treasury notes are issued when the Treasury wants money. Insofar there is automatism in their administration. They are retired in the measure in which the public pays taxes in Treasury Notes.

Here acts the "Steuerfundations" -Principle, but because these notes are not quoted at the Exchange, the working of the principle is not noticed by the public.

(J.Z.: At least in some countries Treasury Notes are quoted at the Exchanges. But, I believe, mostly they are in higher denominations, issued as short-term investment securities and opportunities, sometimes with special tax concessions, in which most of the public are not interested. Moreover, in countries like Germany there are either legal or juridical obstacles against the acceptance of any government debt certificates, except currency notes, in the payment of taxes. To that extent Treasury Notes then and there do not even have tax foundation. They do also promise interest payment. Tax foundation money does not. And, usually, they do not have "shop-foundation", i.e., cannot be used as local currency. - J.Z., 3.4.03.)

That one can buy other securities from the government, with Treasury Notes, does not contribute to their security. That would only be the case if the bought securities were endowed with these privileges:

Face value in gold units and acceptance in tax payments at their face value, after the bonds are drawn.

The same for their due interest coupons.

(Example: Civil War Loan Bonds in the last 2 years of the Civil War in the USA, when the public began to distrust the Greenbacks and the government granted the gold-value privilege to the new loans.)

Guaranteed against debasement? We saw that during the last devaluation.

Kitson is half-way to be excused because the right of the people to refuse paper money was - - as far as I know, please correct me, if I am wrong - - never seriously discussed in England, as far as State money is concerned. In Germany, up to the year 1908, this right was considered to be self-evident. It was granted by **many** German laws, and granted in quite clear words, In the year 1908 it was discussed in Germany (for the last time) by the currency committee assembled by the Reichsbank, preparing the law of 1909, by which Reichsbanknoten were made a legal tender from 1. 1. 1910.

(J.Z.: I consider it to be important that it was stressed during these sessions that the next war of Germany, already then anticipated as a major and very expensive war, could not be conducted without making its notes a forced currency. Among the numerous theories on the causes of WW I, this particular aspect is usually completely ignored. To make wrongful and senseless wars financially impossible for any government, should also be among the aims of peace lovers. Tell me of even one of them who cares about that aspect! Not only voluntary taxation, voluntary purchase of government bonds and voluntary acceptance - or refusal of its paper money, will be required, but these actions must be combined with the issue and acceptance of sound and optional alternative currencies, privately or cooperatively issued and accepted, in order to reduce the risk of wrongful wars, from this angle, as much as possible. - J.Z., 3.4.03.)

That the right of the people to refuse paper money was not sufficiently discussed in England and certainly much less than in Germany, is proved by the celebrated speech of Sir Robert Peel, where he tried to answer the question: "What Is a Pound?" I quote the deciding passage from Kitson, page 58, where it is more completely reprinted than in "Free Banking", page 253. Peel said:

"... a certain quantity of gold with a mark upon it to determine its weight and fineness. ..."

Here Peel's statement is incomplete and Kitson did not notice it. Peel should have added: and quoted at a free market for offer and demand. If Peel would have added that the circulation at a **market** is essential, he would have introduced the element **desire**, whose essentiality you pointed out. Gold not on a **market**, the word taken in its widest sense, is no basis for a country's currency. So the USA, Russia, Poland, etc. are really **not** on a gold basis (although they themselves believe to be), simply because gold is not admitted at the country's markets.

Peel continues: "... and the engagement to pay a pound means nothing and can mean nothing than the promise to pay to the holder when he demands it, that definite quantity of gold."

Here Peel errs to such an extent that an economist can do nothing than be astonished.

1.) Peel does not become aware that he suddenly changes the problem and does no longer ask: "What is a **pound**?" Instead, he gives an answer to the question: "What shall be legal object of demand by a creditor?" Those are very different things. Here I will not quote historical examples, where in a country gold coins circulated and they were legal tender, insofar, as nobody had the right to refuse them in payments, but where creditors had no right to demand gold coins.

(The best investigation, although not published, is one by **Zander**.) Will it now remain unpublished among his papers? If his relatives preserved them at all. He was already blind and a very old man when I met him, just once, in 1990. - J.Z., 4.4.03.)

Peel is, perhaps, to be excused for not having thought quite clearly on this and not having known examples refuting his: "... means nothing and **can** mean nothing ...".

Let me here only refer to Germany for the time after 1924. There many loans were taken out with the clause that the creditor had only a claim to be paid with what in Germany is called a "Verrechnungsscheck", that is a cheque made good by clearing only. The Nazis prohibited such loans by a special law in the year 1934, where it was stated, that every creditor had the right to claim Reichsbanknoten. Certainly, Schacht is the author of that law. So it is quite possible to agree upon a gold basis and on a "Verrechnungsscheck" as a means of payment, one which excludes gold as a means of payment.

2.) Already at the time of Peel more than 9/10 of all transactions in England were performed by set off, clearing, acceptance of the own bills of exchange as a means of payment, etc. It should have been the aim of Sir Robert Peel to give this practice a legal basis, instead of entitling every creditor to demand gold. Kitson is **here** in the right when he points out the impossibility to fulfil such a privilege.

But he errs, no less than Peel erred, when he thinks that the impossibility of **this** privilege had anything to do with gold as a basis of **value** or with coins as a means of payment, that every debtor (if he has gold coins) could give legally in payment to his creditor.

In the German "Handelsrecht" (commercial usage, which can be enforced at court) is clearly distinguished:

- a.) legal **tender**, which a debtor may force upon his creditor and
- b.) legal object of **demand** by creditors.

It seems that the English legal theory does not deal with this matter, although in practice it certainly occurs often. (Zander heard from a friend, that French lawyers do also carefully distinguish these two points.)

(J.Z.: In France there is a long-standing tradition of hoarding some gold for emergency purposes, based upon their experience with governmental paper money. I am sure that these hoarders would resist any legal obligation to part with their gold hoards for the payment of ordinary debts. - J.Z., 4.4.03.)

To repeat it: All that would have been discussed long ago and, very probably, be also legally resolved, if only the right of the people to refuse paper money would have been sufficiently discussed in England - by lawyers and economists.

I do not add: also by the leaders of the workers. At the present state of development, they are so ignorant on such things that a worker's right, like the above, would certainly not be understood by them.

Individualism should constantly emphasise that right and consider it as a fundamental right, which is as important as any other.

And Individualism should also **criticise** the following current opinions:

- I.) The opinion that paper money must be a State money or at least issued by a monopoly bank.
- II.) The opinion that the obligation to accept the paper money generally (legal tender quality) is essential.
- III.) The opinion that inflation would not be effectively stopped by the right of free acceptance (including the right to refuse it! - J.Z., 4.4.03.) (the word "inflation" taken, in the sense of 1913, as over-issue).
- IV.) The opinion, that gold, to be a measure of value, must be an object legally demandable by creditors.
- V.) The opinion, that gold, to be a measure of value, need not, necessarily, be daily exposed to free offer and free demand.
- VI.) The opinion, that forced currency is a self-evident necessity.
- VII.) The opinion, secretly still prevailing, that gold coins and gold ingots are a **Jewish** matter, invented to establish Jewish supremacy. (This opinion is no better than another one, namely, that the heliocentric system would be an invention of atheists to hurt the Holy Church.)
- VIII.) The opinion that monetary crises would still be possible where the right of issue and the right to refuse paper money are known and constantly used.
(Other crises may be possible there, but certainly not monetary ones.)

Very sincerely Yours - signed: U. v. Beckerath.

(This compilation of major monetary errors ought to be supplemented as far as possible, also by a list of minor but popular and in combination also significant errors on money, credit, clearing, interest, capital, banknotes, covers, redemption etc., and both lists ought to be combined with the best refutations so far found for them and then sufficiently and permanently published. - J.Z., 4.4.03.)

17. III. 1951. Your letter of 14. cr., received today.

Dear Mr. Meulen,

theoretically you should have received the correspondence with Alexander and Johnston immediately after posting your letter.

Marcus Aurelius. He introduced "set-off" into Roman legislation. That was an immense reform. It meant an emancipation of many debtors from the stock of currency in the country. The idea of payment without coins and without barter is one of the most important ever conceived. **Erich Roll**, in his "History of Economic Thought" does not speak about it.

Julius Caesar. He killed many millions of men. My opinion is: If he would never have lived, it would have been an advantage for the world. The reform of the Roman calendar does not outweigh the Hitlerian mentality which he brought into the world - for centuries.

Pacing, whilst turning ideas over in one's mind is recommended by **Aristotele**. I conclude from your remark that your study offers more space than mine.

(J.Z.: Thinking requires a good blood circulation of the brain, bringing more oxygen to it. This is stimulated by walking. The first academics in Athens, followers of Aristotle, were called "peripatetics", if I remember some reports right, i.e., people who frequently walked around, in a certain location, probably around a temple, talking with each other. It may also have helped that they were not drinking wine or ale whilst doing so. Coffee and tea may keep a brain sufficiently stimulated and nourished, by widening the arteries, thus making possible the intellectual revolutions started in coffee houses, while people were sitting down. - Open air speaking centres also have, usually, no seats and people keep moving around in them, listening a bit here and there, which might have helped to keep them mentally more alert. - The opposite often happens in classrooms, where people are stuck on their seats, while the teacher drones on, on a boring subject, characterised by the German saying: "Wenn alles schlaeft und nur einer spricht, dann nennt man dieses Unterricht." = "When everybody sleeps and only one talks, then this is called a 'lesson'." - I often had to make a great effort to keep my eyes open! Choosing a front seat helped keeping me awake. Especially during my last school years these lessons kept me from pursuing my own intellectual interests, which were outside the prescribed curriculum. - J.Z., 4.4.03.)

German broadcast. Yes, the firms which broadcast advertisements operate on a licence from the German Post Office.

Long-term loans. It must not be forgotten that the true source of employment is the own wants of the employed. The aim of social and economic reform must be to permit want to appear as a **demand**. (J.Z.: To the extent that one is able and willing to supply wanted services in exchange. - J.Z., 4.4.03.) Demand creates employment, and so the circle is closed.

(J.Z.: The ready of sale goods and services, including labour, must become effectively monetised or liquidified, to enable them to exert a monetary demand for them, after the issue, when they stream back for their redemption by the issuer in his goods, services or labour. For this the right to issue, to accept, to refuse acceptance, to discount exchange media and also free choice of value standards, free pricing and free contracts are required, all presently squashed by all too much contrary legislation, jurisdiction and public opinion. Thus the enormous "redemption funds" of this kind, e.g. waiting in all the stores, remain unutilised and e.g. unemployment remains all too large, and sales too low. The issue must be mainly only on short terms, especially in such loans for wage payments, and by those who have this kind of "redemption fund" to offer, organised in suitable and local issue and acceptance combinations. - Online goods and service and labour offers have only a limited "shop foundation" compared with the local currency issued by a local shopping centre. - J.Z., 4.4.03. - However, the a "readiness to accept foundation" among all employees for exchange media that do also have shop foundation, is very large and does also help to keep such exchange media at par with their nominal value standard. - J.Z., 26. 5. 03.)

My opinion that in times of peace current production prevails compared with the production of goods to be financed by long-term loans, differs widely from opinions of others. Yesterday I got details of a reform plan worked out by a lady which I have known for 25 years or so. (Mrs. Johanna Boedeker, Hannover-Gehrden, Schaeferelweg 7, where she founded a firm: "Institut fuer Sozialproblem-Forschung"). Mrs. Boedeker collaborated with the late Geheimrat Wohlmannstetter, an excellent statistician and formerly department-chief of the Statistisches Reichsamts. The Nazis persecuted him because he was a pious Catholic. W.

estimated that in Germany, England, etc. that part of production which is not to be financed without the help of long-term or medium-term credit was at least 65 % of the whole production.

I say: That has nothing to do with the fact, that the natural source of employment is the current-want of the people, including that of the unemployed, and that current wants must be satisfied by current production. That the production is performed with the help of plants financed a year ago, or some years ago, is unimportant for the problem of employing the unemployed.

If unemployment arises by **crises**, then, regularly, the formerly employed are separated from a plant already **existing**. (Stressed by me. - J.Z.) The question then arises: How to bring the men **back** to their machines and not: How to finance fresh plants and machines.

If that consideration is sound, then the problem of creating employment for the unemployed cannot be: The raising of long-term loans and the production of things normally to be financed by long term loans.

An exception is to be admitted in the case where goods ready to be consumed are **not** consumed and are in danger of becoming spoiled. In such a case it is natural that the goods are rather lent out, in form of long term loans, than becoming wasted. (It is not simple to perform that operation.) The situation will then be thus:

- 1.) The unemployed, who were employed before the crisis, are brought back to their machines by the expedient X, which restores the state before the crisis,
- 2.) The goods in danger of being spoiled, are lent out in form of long terms loans and create something useful - - a canal, a railway, an agricultural improvement. The effect is, that the goods are not given to the men formerly unemployed (J.Z.: Assuming that these are already employed again, by the restoration of the usual turn-over process of consumer goods, consumer services and labour. - J.Z., 4.4.03.), but to fresh labour, attracted from abroad (such labour is always available, and may it be from China).

The first considerations of this kind I found in the book of Hertzka, but not yet in a form to be used in the practice of a community suffering from unemployment. I worked out the plan in my books. (J.Z.: I believe that these otherwise unusable stocks will also have to be invested at a considerably reduced price, especially when they have to be used up fast. But the additional local currency, temporarily issued to achieve their sale and their investment in long-term loans, and also the restoration of the normal turnover credits and their means of payment, will prevent their prices from becoming as low as the emergency sales prices, expressed in an all too short-supplied exclusive currency. - J.Z., 4.4.03.)

If I am rights, new methods of financing are to be created, although not **so** new that they could not be put at once into operation with the existing technical means.

But **in general** and to repeat it, bringing work to the unemployed needs no capital investments. (Si omnes patres sic, at ego non sic. - Abaelard.)

Cours forcé. In future I will use words like "forced currency" or "fiat money", although not gladly. My impression is: You, too, would prefer a better word than "forced currency" for "cours forcé" or "Zwangskurs", if it existed.

Falling value of money. Certainty, freedom will not save us from price fluctuations. (May God, if he exists, preserve us! Price fluctuations are the valves of the economy.)

But we are, in our discussion distinguishing between:

- a.) price fluctuations caused from the money side and
- b.) price fluctuation caused by other factors. (Harvests, fashions, new inventions, new religions, changes in government, wars, etc.)

It is the opinion of Jevons that neither creditors nor debtors really want a protection from b.

Concerning (a), Dr. Ramin, my former employer, a very intelligent man, invented, for a special case, a formula which can be easily generalised.

(He invented it in the year 1925, when the whole world was still occupied with **index** clauses.)

I reproduce the German text, taken from an article which I wrote in October 1930 in the monthly "Heim und Scholle".

"Ein Mueller nimmt RM 10 000 auf. Zur gleichen Zeit kosten an der Berliner Boerse 100 kg. Roggenmehl, franko Berlin, excl. Sack,, Qualitaet 0 - 60 %, RM 25.- . Man wuerde dann fuer RM 10 000 = 40,000 kg Mehl bekommen. Vereinbart wird, dass der Schuldner, bei der Rueckzahlung, den Wert von wenigstens 20,000 Kilos zu liefern hat."

(" A miller takes up a loan of RM 10 000. At the same time, at the Berlin Exchange, 100 kg rye flour, ex Berlin and excluding bagging, quality 0 - 60 %, cost RM 25.- . Thus one would get for the RM 10 000 = 40 000 kg rye flour. The agreement is that the debtor, upon repayment, will have to deliver the value of at least 20 000 kg.")

Please take more information from the article in itself, which I send you together with this letter as "printed matter". I beg you to return "Heim & Scholle" this year or next year, if I should then be still alive. All other copies are burnt. The copy sent is a present from an acquaintance.

If I had to rewrite the article, I would make two improvements:

I.) I would wholly discard the idea of a gold-inflation.

II.) I would discuss the case where a government uses its own maximum prices as an element for index numbers (as does now the government of the Eastern German zone.)

In the year 1930 I had not yet investigated (what I should have done) the price development in connection with harvests, etc., in the very years for which other economists believe to have observed a gold-caused inflation. Also, I had not yet calculated the amount of fresh gold per head in the gold standard era and, therefore, had not yet found out how trifling that amount was. (That neglect will vex me even three days after my death.)

Concerning your passage page 1, the last 5 lines, I can only say that your opinion is for me more interesting and of weight than that of the whole Left Wing. The Left Wing not only exaggerates but is simply wrong.

Buying gold at a fixed price from the State. **Yes**, you are free to "buy", but the State is not free to sell. **That** is the trouble. A business of this kind does not deserve the name of "buying".

Regarding Alexander, it is my impression that his ideas became clear in the last months. Before, he still thought in paper units. Now he is on the right track and thinks in gold units. Before he spoke of a gold price. Now he speaks of a paper price.

We agree that there should be no price prescriptions for gold or coffee. For some time Alexander has shared that opinion.

Kimmitt. The idea that price variations have **much** to do with sudden gold flows (B. says: "wanderings" - J.Z.), is a "fable convenue". Gold flows were possible in the past because creditors were entitled to demand gold.

That gold payments are the result of distrust is not confirmed by practice. Where there is real distrust, the exporter demands pre-payment, which need not be in gold and **is** really only very rarely demanded in gold.

You are right, that the G/S is an almost automatic deterrent to over-issue, **if** a country (that means the 2 or 3 persons interested in such things and possessing the power to decide them) is prepared to pay this very high price (more exactly spoken: if the 2 or 3 persons think that the others should pay the price. Voltaire says: The weakest government possesses strengths enough to endure its subjects' sufferings.).

Local coining. I am afraid you are right. **If** - - then Johnston is not the revolutionist for which I took him. He will not redeem his country. Coining in **London** by order of the Lord Mayor, **that** would have been a matter of no less consequence than the revolution of 1688.

Greek coins and the melting pot. You say: "... maintains the price of gold by open market operations ..." Do you think that **other** persons than the governor of the Bank of Athens, **too**, sell their gold for the price offered by the governor????????? The Bank's price is no **market** price and produces none.

Are gold coins sent to the melting pot??????? I am not convinced.

The payments of gold to foreign creditors, mentioned in your letter, were possible because the English banks had granted to these creditors the right to demand such a payment. And later the Banks were irritated when the foreign creditors **used** that right. Here reform must begin.

Redemption of notes in a fixed value of gold. I understand, that **your** kind of redemption has nothing to do with over-emission.

Hermann Sexauer. I remember the name, but I forgot in what connection I heard or read it. Before the first World War I met a Dr. Sexauer at Frankfurt, but it was not 50 years ago. I think that the name Sexauer appeared last time in some German language publication. If you are interested, I look for that.
I regret that Dr. S. is an enemy of UNO. Nobody is satisfied with the UNO, but here applies the old: "Don't shoot the piano player. He's doing his best."
The leading persons seem to be good people. Nobody could produce "better melodies".

Emerson. His remark: "Civilization depends on morality" is contained in the essay "Civilisation", Works edition, Edinburgh 1906, page 362. Emerson takes "civilisation" in a pretty wide sense, not only meaning the conduct of men towards each other (which would, in German, be conceived by the term **culture**).

Your remark on "criminals" holds good for many of them, especially for "price sinners" and such people, the real pioneers of a new and better social order. But there are criminals whom both of us condemn.

Nehru. Glad to agree with you. I expect the day when a Pakistan army, conducted by a second Babur, invades India, conquers it, and Nehru, in vain, tries to reconcile the Heaven by prayers to the Indian gods, by washings with cow urine or a hunger strike in manner of Gandhi. (These Brahmans!!!)

The 1871 Commune. In the year 1905 a new Commune was prepared quite openly. It was, **perhaps**, stopped by the questionnaire of the Confédération Générale de Travail, sent to all Trade Unions, where all workers were summoned to answer this question:

With what will you pay your bread, your other victuals, your bus, etc., the day after the revolution? Suppose that all currency disappears on this day from circulation, as will, very probably, be the case.

The importance of that questionnaire cannot be exaggerated.
(So, why have I never seen in print, in any language? - J.Z., 4.4.03.)

If Johnston, Kimmitt and Alexander give up their original plan to coin sovereigns in London, by the authority of the Lord Mayor, I can only apply **Schiller's** verse to them:

"Der Zeitpunkt	(Our Time? The Time Has Come? The Point in Time
"Eine grosse Epoche hat das Jahrhundert geboren,	A great epoch was born this century
"Aber der grosse Moment findet ein kleines Geschlecht."	But the great moment found only small men. - J.Z.)

Very faithfully Yours - signed: U. v. Beckerath.

21. III. 1951.

Dear Mr. Meulen,

as "Printed Matter" I send you page 4 of the "Tagesspiegel" of 20. II. 51.

The present economic (rather anti-economic! - J.Z.) organisation of Berlin, where men, able and willing to work, are not welcomed but, very much to the contrary, are considered as people who deprive others of the opportunity to work, **must** produce much corruption as is reported under the heading: "Politische Fluechtlinge ausgenutzt".
(Political refugees exploited. - J.Z.)

You will have read in your papers, that the Russians, some weeks ago, suddenly occupied the village of Staaken, belonging to the British sector. The number of inhabitants is about 5,000, but only some dozens will remain at Staaken under the Russian government.

1.) The problem of political and other refugees from the East,

- 2.) the problem of the cheap commodities in the East-sector of Berlin (1/4 of West-Berlin's bakers are unemployed by the cheap bread, etc. to be bought in the stores of the Eastern "H.O." (= Handelsorganisation, a government-owned group of stores), and
- 3.) the problem of unemployment in West-Berlin in general,

are, au fond, **o n e** problem:

How is an economy to be organised in such a way that:

- 1.) by additional manpower the supply is improved,
- 2.) by imported, cheap goods the supply is further improved,
- 3.) a vast capital, already existing, so that it need not be newly raised (factories, machines, tools, etc.) can be employed for the benefit of the population and of its owners????

No German party has seen **this** problems, all propose the well-known "capitalistic" (*) methods:

- 1.) restriction of immigration,
- 2.) heavy import duties,
- 3.) nothing, concerning the idle capital.

Very faithfully yours - signed: U. v. Beckerath.

(* J.Z.: I would not call it a "capitalistic" but rather a statist and bureaucratic, interventionist and monopolistic "method". "Whoever calls the present system 'capitalistic' slanders capitalism."- said some libertarian many years ago. Free enterprise, free market and free trade capitalists would make profitable use of all under-utilised resources. - J.Z., 4.4. 03.)

22. III. 1951.

Dear Mr. Meulen,

by your kindness I received yesterday:

- 1.) "Truth" of 2. III. & 9. III. 51,
 - 2.) "City Press" of 2. III. & 9. III. 51,
 - 3.) "The London Newsletter" of 1. & 8. III. 51,
 - 4.) "The Malthusian", January 1951,
 - 5.) "Individualism", March 1951,
 - 6.) "The Literary Guide", March 1951,
 - 7.) "National News-Letter", Nos. 759, 762, 763,
 - 8.) "L'Unique", 1-er Janvier - 10 Fevrier 1951,
 - 9.) "Pensée et Action", Janvier 1951,
 - 10.) "Procrustes: The father of modern statesmen", by Otto Strasser,
 - 11.) "The voice of America", a clipping,
 - 12.) Many other clippings.
-

"Truth" of 2. III. 51 reports several murders of Arabs by Jews. Many of the Jewish leaders are very bad men What they will at last attain is: retaliation and killing of many thousands of **innocent** Jews (the leaders know how to save themselves in time). Nationalism is the same thing among all peoples.

Article: "Communism in China". There are very many educated people in the world who have time, are not threatened by proletarian destinies, are Anti-Communists and wish earnestly to do something against it. Not **one** of them tried to sketch a constitution for a new China. Such a sketch published would arouse much discussion and, at last (perhaps) lead to a constitution which can be considered as the best under present conditions. The sketch would be easy in this case. Since 1912 there have been several constitutions in China, all quite well framed, but each without regard to the problem of means of payment.

The reformer could well follow the existing texts and content himself with modifying **some** paragraphs. Thereby the Chinese themselves would at once see, what faults had formerly been made. But, among the thousands, who **could** do such a work, not **one** performs it. What an age in which we live!

(J.Z.: Well, how could one introduce one of B.'s drafts of monetary rights and liberties into the constitution of Mainland China, first subjecting it to as extensive discussion as even the draft constitution of the communist regime got? Is there even now, when some free market options have been introduced there, any chance to get any such drafts published in any of its media? I doubt it. Those who managed to escape seem to have only some vague notions on the advantages of "democracy" and none on economic rights and liberties. - J.Z., 4.4.03.)

Article: "The Food Muddle". If my English were better, I would invite the English economists to study the German food situation of 1923/1924. In October 1923, daily and in every great town people starved. From Munich I read incredible details. (J.Z.: There and then Hitler made his first putsch attempt!) Coal, gas and electric current were available only for a few hours a day. There were few trains and little traffic, etc. The currency stabilisation took place on the 19th of November 1923. A few weeks later the conditions of 1913 were restored. Before the 19th of Nov. 1923 nearly all people believed that food, coal, etc. were **missing**. But nothing was really short. (Except sound currencies! - J.Z., 4.4.03.) By 1924 again the old problem of **selling** the goods was given, mostly in agriculture, so that many peasants at that time were not able to pay their insurance premiums.

(J.Z. This inflation was followed by a sharp deflation, partly ascribable to the usual under-supply of the monopoly currency and partly to the fact that much of that already short-supplied currency was coercively extracted by taxation and then hoarded in public accounts, for all too long, before being spent again. According to some estimates, this involved up to one quarter of the total note circulation at that time, if my memory does not deceive me. I do not have the reference on hand. It may be in the Beckerath papers already microfiched. - J.Z., 4.4.03.)

English economists should gather such data and derive from them the fundamental influence of a sound value standard to the people's supply. All present troubles with food, coal, etc. would disappear within a few weeks if all money laws since 1913 would be repealed. (1909, to include the German legal tender law! - J.Z., 4.4.03.)

Did you read of the "Yetminster scheme", article "In the Country"? The power given to the Ministry by the Agriculture Act of 1947 (revision of the farms' boundaries). Great opposition by the farmers. But a quite similar law was enacted in Prussia and other German States 100 years or so ago. The law was very successful and increased agricultural production considerably. The minister should get some of the old Prussian books on the effect of the laws translated, together with their texts and publish the translation.

It is not to the credit of the people of the whole world that the splitting-up of agricultural fields, by the effects of time (centuries) was never removed by mutual agreements. Always there had to be an act by an **authority**. The individualist theory must consider such cases.

(By the way: In **Japan** the peasants regularly possess very small parcels of land - but several. About 1/3rd of the peasant's time is required to wander from one lot to the other.) (Is this absurdity still in existence there? - J.Z., 4.4.04.)

"British Gazette"- - March 2, 1954 - - excellent!!! Nationalisation of the air!!! It would be quite **logical**.

On page 219 "Truth" cracks jokes on C. Bresciani-Turroni's "Economic Policy for the Thinking Man", a mathematical book. Truth should not do it. Such great mathematicians as **Walras, Jevons, Pareto**, proved mathematically, that a liberal order of society **must** work best.

I read also works that **tried** to prove mathematically the contrary. But it was easy - - for one trained by the said scientists - - to detect their **mathematical** mistakes.

Mathematics is a good ally. Until now mathematics won every battle. Its weapons are irresistible. The Nazis were quite right - - from their standpoint - - to prohibit lectures on mathematical economics at universities.

(The Professor Riebesell, whom I had the honour to know personally, did not care about that and delivered excellent lectures on mathematical economics at the University of Hamburg. There was not **one** informer among several hundred listeners.)

Bresciani-Turroni is a statist. I regret that I cannot read his book. (I would not have the time for it.) It would be a great pleasure for me to show him his faults.

You marked the interesting article: "Those Premium Sales". The author says that the average premium received by the Rand was 17 s per ounce. I read an article in the "Economist" on gold production (forget the issue) from which I am inclined to conclude that the **real** premium was much greater. Premium sales must, **at last**, restore the old gold standard, defined by

I.) no fixed relation between gold and other goods, be it notes or commodities,

II.) all commodities, wages, taxes, etc. priced and expressed in gold units.

"Truth" of 9. III. 51. Article "Moral Authority". I am glad to read here an excellent demonstration, that **India** was certainly not "liberated" by the new regime but the very contrary happened. What still astonishes me is that so many Englishmen saw that as coming, quite clearly, and, nevertheless, consented to that kind of "liberation".

City Press. (March, 2.) You marked the articles: "Paris gold sales L 1 700 000 a day", and "Russian gold" (output = ca. 2 mill. ounces per year.) I always believed the French to be an intelligent people. What concerns Russia: With 2 million ounces per year she can bribe what is corruptible in the world. **How** great that percentage is, you may estimate.

Alexander was my great hope until a few weeks ago. He is that no longer. Why not? He **does** nothing. Also some of his ideas are dangerously false: Article "Purify our capitalism". Capitalism cannot be purified, it can only be abolished. Capitalism is, what Alexander does not know or see, the monopoly of capital on the one side and the delivery to the mercy of these monopolists of all who possess no capital.

(J.Z.: I strongly dissent here. They do possess an immense capital in their labour capacity over decades. That capital can be capitalistically anticipated for take-over bids for existing enterprises, using bonds as means of payment. But, usually, workers are not interested in even considering such free capital market options for their own liberation at the workplace. They do not even compare their combined bank-accounts with the capital required to buy 51 % of the share companies they work in. In that respect they are as dull as most slaves and serfs were. The accumulation of productive capital in the hands of a few is merely the natural consequence of that dullness. In the main, they have only themselves to blame. Likewise, they almost never ponder and attack monetary despotism and consider their monetary freedom options. Nor do they show sufficient interest for other economic, political and social rights and liberties. As a result, they find themselves in largely-self-caused and even voted-for messes, for which they then blame: "capitalism". Elsewhere B. gave similar explanations of "capitalism", e.g., as a condition in which most people do not show sufficient interest in their own economic affairs. Moreover, in the USA there are over 10 million of such "monopolists", bidding for labour, as much as they can, under monetary despotism. - J.Z., 4.4.04.)

Alexander seems to believe that capitalism is nearly the same as economic liberalism. An **economist** should be better instructed.

(J.Z.: Here B. subscribed to the usual European and leftist notion of capitalism, not to that of free-enterprise, free-market, free-competition, classical liberalism, Free Trade, Free Migration, and Laissez-Faire capitalism of the Ayn Rand and Murray N. Rothbard type. Alas, these two did not go far enough in the monetary freedom direction, either. - The voluntary and cooperative socialism which B. favoured would have turned the capitalism of the relatively few into a capitalism of the many. - J.Z., 4.4.03.)

Words must be well chosen. Capitalism is a very much hated word. The hate is deserved. The thing which it always designed cannot be justified. From the article it can be seen that Alexander means anti-monopolism when he says "good capitalism". Is the English language so poor, that there is no other name to be found? (I will not affirm that "anti-monopolism" would be the best name.)

If **Tucker** would not have insisted on calling his system "anarchism", then **Tuckerism** would be a good name for what is now wanted.

On page 4 "City Press" says: "**Football** is a pernicious drug, undermining the national strength." That's the first time in my life that I read such an opinion. I personally always hated football.

(As for me, rugby etc., soccer and other ball games leave me quite indifferent, with the exception of table tennis. But I do regret that so many waste their time on them, merely watching them. The players at least get some

exercise in the process. With a tiny fraction of the man-hours spent on such an other sports most of the social, economic and political problems could have been solved long ago. To that extent all sportsmen are losers, even those who win their games. But then all those not engaging in sports haven't done their duty in this respect, either. - J.Z., 26.5.03.)

In the issue of 9. III. Alexander reports details from a meeting held at Winchester House. ("Cost of living meeting.") General Weston spoke and said:

"... cost of living depends on trade." (Here he is right.)

"Trade depends on power." (Here he is right, too. The general and his listeners agreed, that trade does not **only** depend on power.)

"The power of this nation was the British fleet." - Here the general becomes an (excusable) victim of the indistinctiveness of language.

First he spoke, obviously, of the power of those who trade.
Then he speaks of the power of the **government** ("Nation".)

Language does not distinguish the two powers. That does not prevent them from being **very** different things.

The power of those, who trade, does not consist in men of war, it consists in the used right to issue standardised means of payment, standards like gold coins, and obliging oneself to accept means of payment as one would accept gold coins, if one sells one's labour's products. That is a very abstract thing. If it would be less abstract, then it would, long ago, have been discovered and would have been generally acknowledged.

An able economist should transform the present English prices into gold prices. Alexander could do that easily; he does not lack information.

The prices, transformed into gold prices, will be found not higher (in the average) than 1913, I think.

The German gold price (reported from the Exchange of Frankfurt) is now about 8.- DM one gram. 1913 the price was 2.79 marks for 1 gram. It follows at once, that one DM is worth 35 old gold-pfennig. It follows further, that prices in Berlin are generally cheap, expressed in gold. The price level cannot fall lower.

Very few people acknowledge this simple calculation. The others think: The old lad is crazy.

I learn from the issue of March, 9, that the American Department of Agriculture published, after World War I, an enquiry on the history of price controls since 4 500 years. American government papers are cheap. You should order a copy!!!!

Interesting is the report on Diocletian's price edicts. The German statistician **Lexis** calculated from the edicts gold prices for kilograms and litres. ("Handwoerterbuch der Staatswissenschaften", article "Price", 3rd. edition and 4th edition.) (burnt) From the table produced by Lexis may be seen that the old Roman prices were about the same as the prices in the 19th century.

Duruy interprets the edicts quite well, and certainly better than the pious Lactantius, quoted in the issue of 2. III. (Lactantius seems to calumniate the emperor.)

You marked the passage on the importance of interest for the cost of a house. I hope you agree with the passage. "Raising of interest rates would not raise the cost of houses". That's true in **two** respects. If the interest paid by the purchaser of the house is returned to an investor, who intends to purchase a house, when he has saved enough, the financial effect is surprising. That is seen at the American Building and Loan Associations in those States where there is no legal maximum for interest. Example:

A house worth \$ 20 000 is purchased for \$ 10 000 cash and the rest in 144 monthly instalments of \$ 113.80 each. That means for the creditor - - say a Building and Loan Association - - a monthly interest of 3/4 %, or - - by compound interest - - 9.38 % per annum. Seemingly - terrible. But if an interest of only 1/2 % monthly is charged, then the instalment is only \$ 97.59, which is not **so** great a difference.

On the other hand: A Building and Loan Association, which charges 3/4 % monthly interest, can grant to its investors (and really grants) 2/3 %.) Thus \$ 1 invested with it at the end of every months, for 300 months, yields with 2/3 % monthly interest an amount of \$ 951. That is: If a worker saves only \$ 20 a month, then in this way he

gets, at the end of 25 years, \$ 19 020 and if he invests \$ 21 then he may purchase the house free of debts. So, by the effect of compound interest, an investor, saving for a long period, can hope to become a house-owner, if the interest is high enough. On the other hand, the debtor is not overcharged, if the time of paying off the debt is relatively short, as it regularly is in the business of Building and Loan Associations. If the investor gets only 1/4 % monthly interest, then \$ 1 yields at the end of 25 years only \$ 446. That is not encouraging.

Your marked, too, the passage where it is said, that the building costs are now fourfold the costs of 15 years ago. That means: **in gold** they remained about the same.

In your pencilled remark you say that Alexander **now** supports what many people in England call the gold standard, that is: a legal obligation of the Bank of England, to redeem its notes at their face value and to exchange notes for gold also as the face value. Before Alexander did not quite distinctly say: Yes, **that's** my opinion. I still don't believe it.

Kimmitt. Issue of 8th of March. Your remark, that the English Queen certainly has the right to visit any play she likes, no less than any citizen, is quite right. I regret that the remark is not made publicly. (The poor queen may say, as many before her have said: God protect me against my friends!) Instead of meddling with the Queen's private matters, Kimmitt should have said something about his plan to coin sovereigns in London, by the authority of the Lord-Mayor. I get the impression that he gave up this magnificent plan.

Kimmitt's remark on "political Zionism" displeases me, too. Always the same: The people - - men like Kimmitt not excluded - - look for **guilty** persons. That's easier than to look for **causes**. Your remark is evidently correct.

The Malthusian, my old friend. What is right in this issue is that there are quotations from Non-Malthusians. You read that from Bernard Shaw: "Twenty workers can produce more than twice what ten can produce and a hundred much more than five times what twenty can produce." If the Malthusian is in doubt here, then he may ask any entrepreneur.

Of **Japan** the Malthusian affirms that she produced 3 million tons of fish in 1948. Possible. But in the year 1929 the production was 10 300 000 000 pounds (World, Almanac for 1934, page 396.) A "long ton" equals 2240 pounds, so that the production for 1929 was 4.6 million tons. It is known, that the boats of the fishermen were for a large part destroyed by the war, and it may be believed, that by 1948 these losses were not yet replaced. But the supposition is not fantastic, that one day they will be and that Japan's fishing fleet will be as large as corresponds to the possibility to **sell** the fish caught. (**Here** lies the rub!!) The Malthusian should have stated, that the numbers for 1948 cannot be considered as normal.

But this set aside: The number of inhabitants (Japan proper), in 1930, was 64.4 millions. Per head (sucklings included!) there were available 1 600 pounds of fish per annum, or 734 kilograms or 2 kilograms per day. One kilogram of codfish is equal to 710 calories, of herring to 1420 calories.

Certainly, the number of calories is superior to 1 000 calories. The Malthusian says that fish contributes only 47 calories a day for the average inhabitant of Japan.

Malthusian statistics!!!

It is not worthwhile to enter into the rest of what the Malthusian says in the issue. But the content is insofar very interesting as it proves that Malthusianism does not possess other arguments. If the Malthusians would know better arguments, then they would offer them.

(It may be that in the Japanese fishing statistics the weigh is a gross weight, including entrails, tails, etc. But that would still not explain the Malthusian's 47 calories.)

Individualism. With regret I read in this issue that Cole is a State socialist. What the fellows of the "Society for individual freedom" do not see, and what they are not interested in, is: Every Englishman must **now** ask himself: What can I, and what could my friends personally do in that situation?

Benjamin R. Tucker (page 415, bottom) explained it:

"... issuing their own money in defiance of legal prohibition", that is it.

Here is the means to liberate Russia, China, all others.

If Tucker would have written nothing else than this single line, he would already have been the greatest of all economists.

The Literary Guide. Lack of time prevents from entering into details of the interesting articles. But "Is Solomon a Myth?" displeases me. A. D. Howell Smith possesses sound judgement enough not to take Solomon as a pure myth (which Lord **Raglan** seems to do.) But Smith has not carefully enough investigated the biblical text. Smith says: "That he was a powerful monarch, who extended his father's conquests and entered into alliance with the kings of Tyre and Egypt, need not be questioned."

In the books of Kings is reported, with clear words, that Solomon was unable to keep his father's conquests. The kingdom of Edom, although depopulated by the "man after God's own heart", revolted under **Hadad** (I Kings, XI, 14) and, although the military force of Jadad, probably, was not very great, Solomon could not re-conquer Edom. **Rezon** won Damaskus and the adjacent territory (XI, 25). I estimate that Solomon lost more than half of the territory which David had possessed.

What concerns the **alliance** with the king of Egypt, it cannot have been of long duration. All rebels named in the Bible, Hadad, Rezon and, later, Jeroboam, were protected by the king of Egypt and Hadad married the king's sister-in-law. The Bible (Kings, first book, III, 1) speaks only of "affinity", not of an alliance. The same applies concerning the king of Tyre. They had no wars and were in commercial intercourse, where the wise Solomon cheated his friend considerably. (1. Kings, IX, 13.) The treaty, mentioned in 1. Kings, V, 12, was, obviously, no "league", as the English text translates it, but a commercial treaty.

Lord Raglan "states" that "no trace has yet been found of Solomon's temple." That is by no means astonishing:

I.) Nearly 3 000 years have elapsed since that time.

II.) The temple was several times replaced by other builders and temples were erected at the same place, e.g. the great temple of Herod and, later, the mosque of Omar.

III.) The building was hardly a "temple" but only a chapel, whose dimensions are reported. (I Kings, chapter 6.) Most village churches in England will be larger. Smith says that the temple's "glories may have been exaggerated". There is no reason to suppose that there are exaggerations reported, considering the admitted smallness of the building.

Critic, critic!!

In National News-Letter No. 759 you marked a passage where Stephen King-Hall praises (quite justly) the agrarian progress by the Communist administration in Korea. The Americans could have done the same and 10 times more in South Korea. The devil knows on what they spent their time.

Stephen King-Hall demands a European Refugee Organisation. Such an organization is impossible (not impossible, but, rather, useless! - Moreover, they should be granted full extraterritorial autonomy as well! - J.Z., 5.4.03.) without permitting refugees the free issue of notes to and allowing them to raise loans on a gold basis. Never will one of the present European governments grant such things. They would rather perish together with their subjects, and the mentality of the subjects is the same. Stephen King-Hall is no economist. Pity.

"Pensées et action". Je vois ce journal pour la première fois. Je vous en écrirai encore.

"Procrustes, etc." by Strasser. As all, what Strasser writes, no **program**. Some days ago I received (sender not stated) a copy of the "Cincinnati Freie Presse", with an article by Strasser, violently written, like all that he writes, but also, here, no program. I have sent to the "Cincinnati Freie Presse" (published in German) some remarks and added the Four Bills. I think Strasser will get it.

Concerning the clippings I hope to write on them in my next letter.

Kant pointed out, that there are four kinds of thinking (in German):

- 1.) Quantitaet,
- 2.) Qualitaet,
- 3.) Relation,
- 4.) Modalitaet. (Method - J.Z.)

Each of these four kinds he subdivided into 3 others, so that he got 12 "categories".
I found these 12 categories useful in many investigations.

Has that anything to do with the present German "co-determination-movement"?? Yes, it has!
Average people use only **one** category in their thinking: quantity. More or less, that exhausts their possibilities.
The workers demand **more** in wages, the employers would like to grant **less**.
Both (today) do not reflect on the **quality** of wages (gold wages, paper money wages, bank note wages, etc.), on the **relation** of wages (no worker knows what relation his wages have to the output of his factory), on the "Modalitaet", say, weekly payment, monthly payment, and other points of view.
But the **bureaucracy** begins to occupy itself with the other categories, although in an extremely primitive manner. But they do, the State bureaucracy as well as the trade union bureaucracy. And the mere beginning of that improvement in thinking is sufficient to establish a rule over workers and employers. That is the real sense of "co-determination". (Mitbestimmung. - J.Z.)

Very faithfully Yours - signed: U. v. Beckerath.

24. III. 1951.

Dear Mr. Meulen,

as printed matter I send you a copy of "Der Kriegsdienstverweigerer" (The Conscientious Objector - J.Z.), first issue. Although I do sympathise with every conscientious objector, the journal displeases me, From the marked passages I get the impression that it is paid for by the Russians. (It appears at Nuernberg.) The other and unmarked articles are written in a violent but unconvincing language, as if the authors themselves were not quite convinced of their program.

For many decades I have been studying money questions. Never did I find that a **woman** contributed something to the theory (even if it may have been erroneous). At the moment I do not remember, either, important contributions to the theory by **young** men. I think, that it's astonishing, that women are so little interested in what, in German is called **Wahrung**. In mathematics statistics and other abstract sciences women contributed valuable books or dissertations. The number of mathematical works by young men is even surprisingly great. The 17 years old **Gauss** published his "Disquisitiones arithmeticae", until today considered as very important. **Pascal**, as a boy, discovered several theorems of Euclid, although he was educated without mathematical instruction. (J.Z.: If I remember right, then orally B. ascribed this rediscovery to me as made by an 8 year old Gauss. - J.Z., 5.4.03.)

Your experience is as long as mine and your attention has not been inferior. What has been your impression and what is your opinion?

Very faithfully Yours signed: U. v. Beckerath.

25. III. 1951. Your letter of 23. III. 51, received today.

Dear Mr. Meulen,

the return of "Heim & Scholle" is not **so** urgent. If I get it back next year, that will be sufficient.

Marcus Aurelius. In my book on Milhaud's proposals, I pointed out that there was a long development before people learnt to distinguish sufficiently "depositum" and "pretium", preserving a sum of money in a depository and (lending) (I guess B.'s handwritten correction, in spread ink, means that. - J.Z., 5.4.03) this sum out as a loan.

I pointed out that legislation, generally, applies the laws, which are quite suitable for a depositary, to loans as well. That a man, who deposited 100 coins must get back 100 coins of the same kind, is clear.

(J.Z.: If he had "safe-deposited" 100 particular coins, then he ought even get back the same coins and should have to pay a fee for this safe-keeping service. For example, it might be a very valuable coin collection. - J.Z., 5.4.03.) It is not self-evident, that 100 coins, given as a loan, must be repaid in the form of coins. I quoted an old law of Hammurabi, who seems to have been the first legislator, who distinguished the two cases. Then, after an interval of many centuries, Marcus Aurelius introduced set-off into legislation.

But most legislations are still - - logically considered - - in the same state in which Hammurabi found the Babylonian, when he reformed it.

The whole theory of metallic "redemption" is based (people don't know it) on the old pre-Hammurabian prejudice.

Julius Caesar. **Seume** says: Whether Brutus had been a good man, is or may be considered as doubtful. But that Caesar was a rascal is not doubtful.

Do you know the reasons of the German professor concerning the bust of Caesar? Professors are inclined to become famous simply by denying something which their predecessors believed to be true. So it was in the first decades of the 19th century with the **Trojan War**. Some professors "proved", that Troy never existed and that the Trojan War was a Sun-Myth. **Schlieman**, a businessman, said: Very probably, Homer's histories are fables, but the town is so well described, that it must have existed. He was considered as a fool by scientists (so-called scientists). But Schlieman was a very rich man and simply began to dig out Troy. I read several articles in which "scientists" **proved**, that his excavations were performed quite unscientifically.

Long-term loans. I admit, that I considered primarily unemployment by crises. Here the data are less doubtful than in cases not occurring during crises, where individual circumstances are always mingled and hide the real cause. But I think that there is no **essential** difference between the hundred-thousands (of unemployed - J.Z.) in "normal" times and the millions in times of a crisis.

Machinery causes much temporal unemployment. "Ce que l'on voit." (Bastiat) But at the same time or very shortly after the introduction of the machines, which caused the unemployment, there was created fresh employment by the increased demand of the employers and the increased demand of buyers, who bought at reduced prices. "Ce que l'on ne voit pas."

(J.Z.: More concretely spoken: One should not only consider the jobs "lost" where new or better tools or machines are replacing, often very gradually [The replacement of hand-forged nails by machine-produced ones took from about 1800 to 1900 in England!] the old ones, but also the new employment wherever the new and better tools or machines are employed. The growth of these industries, and the number of people employed in them, was sometimes very rapid. Naturally, quite frequently changes of jobs and of workplaces and residences were required from the employees and all too often they were not ready for these changes or laws or customs or credit conditions made them more difficult than would have been natural. Often new industrial towns had to be established - to circumvent the ancient restrictions and those who enforced them in the old towns. - J.Z., 5.4.03.)

Trade union rules contributed very much (perhaps most) to prevent the unemployed from changing their professions, and so prolonged their unemployment.

(J.Z.: Trade unions, or their kind of mentality, did also, for centuries, oppose other payments of wages than payments in coins of the realm, and helped to introduce and uphold corresponding prohibitive legislation, so that truck-shop "payments" or certified claims to goods in an employer's store, could not naturally develop into sound and alternative means of payment issued by free and efficient banks of issue. - J.Z., 5.4.03.)

I must repeat what I said in a former letter, that the few statistics on unemployment in the old days do confirm my opinion. All in all, unemployment is reduced compared with the condition of 100 years or more ago.

(J.Z.: On the other hand, the rise of the monetary despotism of central banking, during the 19th and 20th centuries, has made monetary self-help in case of monetary crises more difficult than before and has led, in some cases, to extraordinarily large and prolonged degrees of unemployment. Proper cause and effect statistics on this may still have to be compiled, say, county by county and for at least the last 200 years. - J.Z., 5.4.03.)

I am very curious to read your letter to "City Press" on checks against excessively long-term loans by that kind of banking which grants long-term loans simply by handing over notes.

Falling value of money. We both advocate full liberty to agree upon what people think to be best in the case of price fluctuations. You understand that I believe **Jevons'** reasons to be good as long as they are not logically refuted.

Gold payments. There are few cases reported where the real reasons became known for which a creator preferred gold to other mean of payment. I do not know a case where distrust or lack of mutual trust has been such a reason. I cannot overlook the other reasons reported. Also: If an American cotton exporter distrusts an English cotton importer, then the exporter will certainly not say: Pay gold in three months, but he says: give a warranty or prepay!

Unfavourable balance of trade. **Countries** are not partners in trading. If they are considered so, that's a facon de parler. I do admit an exception in cases like the present Russia, where the government has the monopoly for external trade.

Gold redemption. What I demand is: Freedom for Banks that do not redeem, as the Banks described in Bill IV of the Four Bills. The others may promise what they can technically fulfil. If they promise more, the Banker will be justly punished for cheating his customers.

Communist aggression. I did not say, that there **is** suppression of minorities, if these minorities **say**: "We are suppressed". In all countries the communist minorities say: "We are suppressed", just like in India the adherents of widow-burning declared: "We are suppressed by the English." (The "Manchester Guardian" published an open letter off such pious Brahmans to Gandhi about 30 years ago.) But the distinction of real suppression from pretended is easy.

German Reichsbank gold redemption. Certainly, the Reichsbank officials could not deter foreigners if they demanded gold. And **that** demand was the origin of our discussion.

Stirner's style in German is really good, but the modern style is by far not so good. To people accustomed to modern style it may not seem so. But that Byington made a magnificent job of the translation is pleasant to hear. It proves, that real individualism is still understood in England.

Kitson all in all did more harm than good.

Value by readiness to accept, at par. Let systems **compete**. In this case I say: What is good in times of war, a fortiori is good in times of peace.

The Right to refuse the acceptance of paper money. This right must be the basis of a good theory of money. Until now **such** a theory does not yet exist, but in my books I tried to draw the first lines.

Open market policy. The stock of gold able to influence the **market** must be **very** great. In the case of Greece, very probably, it is not great enough, and the Greek subjects know that well. Selling and buying **securities** (this word taken in its usual sense) will hardly influence the relation of gold to notes.

Note of 1793. That's **very** interesting for several reasons.

I.) The note seems to have been issued against the law. That is pleasing.

II.) The issuer promises to **pay**, although the thing, which he promises to pay, is very scarce. It was not probable that the issuer would be able to keep his promise. Insofar the promise was not honest. He should have printed on his note: "If I possess the cash." And: "In every case, I accept the note in my business, so as I would accept cash."

If honesty should be acknowledged as a necessary basis of paper money, then "value by acceptance at par" is the only possible option. (J.Z.: Acceptance immediately, also by whom and for what, and by how many others what do they offer? - are some of the associated and necessary questions, that must be satisfactorily answered. If the issuer is a large department store or super market chain or a local shopping centre then the answer to some of these questions is obvious. - J.Z., 5.4.03.)

III.) The role of paper money - - legal or illegal - - seems to have been much greater at the time here in question than historians believed and still believe.

Concerning the other clippings I will still write to you. (Today and tomorrow I do not have much time. A lady, whose acquaintance I made about 50 years ago, came to Berlin and expects that I am at her disposition.) (J.Z.: So he was a "lady's man", to that extent! - J.Z., 5.4.03.)

Hoarding of coins. You heard that the government is replacing its notes of 1 DM (bearing no number!! The old English note of 2 Pence bears a number.) by coins of some kind of sheet metal.

Immediate effect:

- a) the new coins are hoarded, because they are of **metal**,
 - b) already many counterfeits of lead are in circulation.
-

Arbuz. I write today to Munich 13, Dr. Schwab GmbH., to send to you two boxes and apply to me for payment. I beg you to accept the little matter as an insignificant counter-gift for so many valuable books and papers and be assured that your moral asset is not in the least diminished.

Very faithfully Yours - signed: U. v. Beckerath.

28. III. 1951.

Dear Mr. Meulen,

yesterday I received by your kindness:

- 1.) "Truth", of 16. III. 51,
- 2.) "City Press", of 16. & 23. III. 51,
- 3.) "Economic Intelligence", February 1951,
- 4.) "The Word", March, 1951,
- 5.) "The Literary Guide", April 1951,
- 6.) "'The London Newsletter", 8. & 15. III. (That of 8. III. you sent me also with your last mailing.)
- 7.) A leaf from "The New Statesman & Nation", 24. III. 1951, article "Books in General", concerning "Les hommes d'affaires Italiens du Moyen Age" par Yves Renouard.

I thank you very much.

You marked in **Truth** the passage quoted from Napoleon I:
"... in war the morale is to the physical as three to one", and added:
"An argument against conscription."

Let me here remark an observation from the first World War. The **volunteers** were believed to be generally of a lesser morale - - the word taken in the sense of Bonaparte - - than the conscripts. Also the soldiers considered the volunteers, as long as they had not displayed extraordinary qualities, as a little suspect.

(J.Z.: At least with the wisdom of hindsight one could say that only some kind of "patriotic" idiot would have volunteered his participation in WW I - fighting to the death for WHAT??? Those, who held back, were the more

ethical and rational people. Neither of the then existing regimes was worth fighting a world war for or against, a blood sacrifice of about 10 million human beings, mass hunger, lack of freedom, mass destruction and also the following sickness of hungry and weakened bodies, which took away in the "great influenza", another 18 million lives. And this war laid the groundwork for WW II and the Cold War, numerous "brushfire" wars and the present situation where mankind is faced with extinction by ABC mass murder devices! What rational being would have volunteered to introduce such messes and to continue the existing territorial messes? I read reports of Bavarian units, which went to the attack with the same "pleasure" (!!!) as many of them had when they engaged in their village brawls with the boys from another village, more or less drunk or claiming a monopoly for relations with the local girls! Only this time they were better armed and more deadly in their fighting. They needed no good reason to fight, the fighting itself had its attractions for them! If wars killed only such people then mankind would be better off and progress much more rapidly. - J.Z., 6.4.03.)

Several articles appeared in all gazettes to destroy the pretty general prejudice against volunteers.

(J.Z.: The professional soldiers and generals, too, showed themselves as competent only in the conduct of mutual mass slaughters. - J.Z., 6.4.03.)

My own experiences are not extended enough to get my own impression. From literature in former wars it seems that this prejudice existed also in the war of 1870/71 and even 1813, when the number of volunteer was very great. It would be interesting to know how it was in other countries.

From Thukydides I learnt that a city allied to Athens (I forgot the name) begged for help, but asked: "no volunteers, but citizens". It seems that at that time the volunteers were considered like the "Landsknechte" in Germany at the time of Luther. If all that would be not without foundation then the military consequences should not be neglected.

(Compare the bad reputation which some "professional soldiers", "mercenaries" and even some militias made for themselves. - J.Z., 6.4.03.)

The artists "Frustration in Korea" reminds me of an article I read some months ago - - I forget in what gazette - - that States and governments have displayed so little ability in **all** respects, that it is **now** a dangerous thing for the peoples to entrust governments with war.

The Report of the Chartered Bank of India, Australia and China contains, under the heading "China and Japan", news from China, confirming the opinion of **Adam Smith**, that in general the tendency so **sell** is much stronger than the tendency to **buy**. The Report says: "... imports into China having to arrive **before** the corresponding exports, completing the deal, are allowed to be shipped."

The English government says to its subjects: Listen, men, before I allow you to imports, you must export and so win the dollars needed to import.

(J.Z.: Obviously, if that kind of absurd bureaucratic ruling were strictly adhered, to by both sides, then no foreign trade would be possible at all, for the own imports are the other countries' exports. - J.Z., 5.4.03.)

Mao Tse Tun says: Ye foreign exporters, you are allowed to export to China, but first of all you must bring to us your commodities, **then** we will talk about exports from China. If England would do the same, the "Dollar-Gap" - - a mere invention - - and a thing that never existed -

(J.Z.: It does exist if a false exchange rate is imposed, e.g., the pound is artificially over-valued as against the dollar, and if alternative and sound means of exchange and value standards may not be freely applied. In other words: Then it has the effect that any other price controls have as well. - J.Z., 5.4.03.)

- would also disappear from the brains of the people. Paying for imports to England simply by means of payment of English origin would have the same effect and be less primitive.

In "City Press" of 16. III. 51 I read an article "Debt Insurance", which displeased me. I find these figures:

1946: insured sum = L 25 000 000, premium = L 134 000.

1950: 349 000 000 602 850.

I cannot interpret the numbers as the author, Mr. John Hefferman does.

In the year 1946 the premium for credit insurance was between 50 o/oo and 60 o/oo. That is a premium for heavy risk. In the year 1950 the premium was less than 20 o/oo. That proves: Now a mass of risks is included of much less danger than in 1946. Ergo my impression must be: The increase in credit insurance business was, essentially,

performed by winning a great mass of good risks. The idea of credit insurance is now spread also in circles where it was unknown or not believed necessary 5 years ago. A quite sound development.

That the number of company liquidations was:

413 in 1949 and

464 in 1950

(302 in 1939)

proves nothing. What is needed in such statistics is the sums that are lost. It **may** be (perhaps) that simply a number of small firms were taken over by a great or united one. That need not be an unsound development.

A real danger may be the Bank's advances to the government. But here one misses figures. And for what purposes did the government spend the borrowed sum? It **may** be, that the sums were spent for "good" purposes. (I admit: the contrary is probable.)

The increased advances of Bank to industry **need** not be dangerous. When the Banks get more money from their investors, then it is not unnatural that the lend more money to their debtors.

Alexander deplores the rising prices. Before the first devaluation the price of an ounce troy gold was 77 s 10 d. It must now be supposed to be as high as 420 s (my letter of 3. III.) Thus if prices would be 5 times of the prices before the first devaluation, then they would be "normal" and the purchasing power of gold would be unchanged. My impression is, that prices are much below the fivefold of the prices before (say) 1931. If that impression is right, a further increase of the average price level is probable.

I miss in Alexander's articles the word "forced currency" or a corresponding expression. I am convinced that Alexander - - although one of England's most able critics - - does not possess these two notions, once quite familiar not only to economists:

1.) forced currency and other currency,

2.) the right of the people to refuse paper money.

Without these notions one cannot possibly be a competent critic in monetary matters.

Oliver Smedley has published an article "Mass unemployment or Free Trade". In the section "Dumping" he does not use the best and, certainly, not convincing arguments for Free Trade. He takes the example of the "dumping" of cheap Japanese shirts. Now suppose that the system of the Four Bills would be permitted. What would happen? The Japanese (who must not be taken as a fool) asks: "What shall I get for my cheap shirts?"

Answer: The price you demand but paid out in cheques not convertible into gold, yet convertible into goods, practically in every store.

Ho, ho, says the Japanese!! That must be carefully considered. If I get as payment such cheques, then I must use them as means of payment there where they are accepted. And, certainly, now I must lock out, in what store there are goods, which I can bring home to Japan with advantage or can bring with advantage to another country. In whatever country I profit from this, that's all the same for me.

(J.Z.: Naturally, in international and wholesale trading no ordinary shop foundation currency or cheques would be used as a rule but, instead, large denomination and freely transferable certificates that provide claims to ready for sale stocks of wholesale traders. - J.Z., 5.4.03.)

Now it may be that **every** kind of good in Japan is cheaper than the corresponding good in England. I see clearly that, in spite of this cheapness, under this system of payment I cannot sell a handkerchief in England. The cheque I get as means of payment buys commodities, which I sell at a loss in Japan! For me as a merchant it was a better time when I would get, as a means of payment, a bill of exchange, whose possessor was entitled to get **gold** from the debtor. I would have taken the gold and would have bought anything that is cheaper abroad than in Japan. Funny means of payment they have introduced here!! And how easy it was for me at the time when the government had invented the **dollar gap**! At that time I had the right to say to the English: Exempt me from your pounds, I demand dollars!!! And they paid the dollars - - not much, but they paid dollars. And with dollars it was nearly the same as with gold in the old days. And now I stand here, offering shirts for 2 shillings a piece and they will pay with their bloody cheques, not convertible into gold but only convertible into goods!!! I go home to Japan and report: 2 shilling shorts are unsaleable in **that** country!!!

(J.Z.: Selling shirts for 2 shillings might then be impossible because it would be unprofitable. The price would have to be raised to a level which would allow the Japanese shirt seller to buy enough other goods in England that would make his trade profitable both as an export and as an import business. In practice not only would the price of the Japanese shirts, measured in English currency go up but the English pound would have gone down against the Japanese yen to roughly restore purchasing power parity between these countries - under freely floating exchange rates. Fixed and controlled exchange rate prevent that automatic market adjustment of international exchange rates. After the adjustment English prices would no longer appear high to Japanese nor Japanese prices low to British traders. - J.Z., 6.3.03.)

Dumping is impossible, if the means of payment is a paper convertible into goods only, goods that he, to whom the paper is presented, possesses and not into goods which he does not possess. Into gold if he is a gold trader or a jeweller.)

At the present moment the English governmental paper money would do the same service - - as far as external trading and dumping is concerned - - as a paper issued on the principles of the Four Bills.

Among the ideas of Alexander and **all** his friends (there are very intelligent men among them!) the idea of a money convertible only into goods that the man possesses, to whom the money is presented - - that idea is entirely lacking. For this very reason all his arguments for Free Trade are easily refuted by the **dumping** example.

Smedley begins his article with these words: "Full employment should never be a policy."

I say: It **should be!!!**

And the above-mentioned money is the only and the sufficient means to get full employment without danger of dumping."

(J.Z.: Under free exchange rates and in the absence of other foreign exchange controls, even government fiat money, when paid to anyone overseas, or if anyone overseas is given a corresponding credit at an English bank, is nothing but a shop foundation money redeemable only in English goods and services. When goods are dumped then they are nearly given as presents to their buyers. That leaves the buyers with the purchasing power they have thus saved, and they will sooner or later spend the thus saved money on other goods. In total the country upon which goods are "dumped" would be better off. The dumping country would be worse off. It got rid of the dumped goods but got very little purchasing power for the goods it dumped. Thus, unless government subsidies are granted, at the expense of taxpayers, private merchants would soon cease dumping. Alternatively, they would need a monopoly for the internal market so that losses they suffered externally, through dumping, could be recovered internally by over-charging the internal consumers for the same kind of goods that were dumped at ridiculously low prices overseas. Do people, upon whom presents are dumped, at Christmas time, really feel worse off through these presents? - J.Z., 6.4.03.)

City Press of March, 23. You marked the passage in S.W. Alexander's article: "Gaitskell goes wrong":

"But it is just as well to emphasise that the printing of paper money for any purpose whatsoever will not summon into existence a single ounce of new production."

Alexander should have added: "By paper money I understand here government paper money as a forced currency. Private paper money, only convertible into goods and without forced currency may and should be increased in volume until the gold market announces the beginning of a depreciation."

But Alexander lacks the notion of forced currency as well as of other currencies and brings all under the same heading: "Currency". Not good for an economist!!

You marked the passage where the exportation of British money to Uruguay and to Mexico is reported and say: "So now we send money to Mexico and Uruguay for safety!"

A question:

You are - as I am - - convinced that the present government, or its opposition, will **not** change these conditions, which now chase British capital to south America, where - - although the governments there are despotic and certainly will not govern for a long time - - the capital is safer than in Britain. The reason - - and here we agree, too - - is less maliciousness than ignorance.

But what remains to be done under such circumstances other than the way which Benjamin R. Tucker showed?????????

Monetary revolution, as in Germany in 1923!

In your letter to Alexander of 23. III. 1951 you say:

"Whether new money raises prices or not depends on the volume of saved wealth in the community."

If that were true, then prices in the USA, during the New Deal period would not have risen.

I say: Whether new money raises prices or not depends upon its being issued as a forced currency and this in a greater quantity than the quantity a country's economy would accept - if it were not a forced currency.

Only one of the two definitions can be right (except the case where both are wrong). I would be very much obliged to you if you would demonstrate to me in what ways my definition is wrong. If you can, then I catch for you at the Friedrich Wilhelm Platz a white blackbird and send it to you.

"The Word": Not a word on the question: With what do workers pay the day after the revolution?

If they wait until the government has printed forced currency for them, then they will go the way of the Russian workers. Until now the workers do not know another way. However, "The Word" is not interested in this question, either.

The Literary Guide: I read with much interest the marked passages: Christianity in Samoa, the forbidding of films in the USA and the nice little story of Shaw and his "Madam, who has all appearance to be his wife".

The London Newsletter, 8. III. "Pay wages in sovereigns", Kimmitt says.

I say: It's impossible to pay **all** wages in sovereigns. But paying them in notes, which stand at the gold market at par with sovereigns, that is possible.

But on this Kimmitt is in the right: "Sovereigns are fool-proof, knave-proof and politician-proof."

The two copies of 8. III., both No. 455, differ a little. The one seems to be a "propaganda issue". (Very ably written.)

The clipping from New Statesman & Nation. The critic seems not to have read **Goethe** (in his translation of Benevenuto Cellini's Memoirs), where G. says that the invention of bills of exchange - - which emancipated so many people from gold and other cash - - seems to have been a very essential element in the development of Italy in the Middle Ages.

Very faithfully Yours - signed: U. v. Beckerath.

31. III. 1951.

Dear Mr. Meulen,

Both of us do not like **generalities**. We start from facts and not from doctrines and are always ready to sacrifice the most holy doctrines or those most dear to ourselves, if they do not agree with **one** fact. But the trouble is: Starting from facts is psychologically possible only with the help of doctrines. The kind of doctrines, by which we start from facts, seem self-evident to us. Here we may be in the right or we may err.

Nearly all authors, investigating the problem of unemployment, start from the fact that the unemployed do not **produce**.

Ergo - - they say - - production must be set in motion again.

Further: production requires **capital** - - which is self-evident.

Ergo, they continue, introduce into that sector, where unemployment occurs, **capital**.

How much?? Very simple, they say: The average capital per employed can be estimated, in a modern economy, to come to a value of about 2 000 grams of gold, varying from 1 000 grams or even less in some districts to 3 000 grams or more in others; so e.g. a number of 1 million unemployed requires fresh capital for an amount of 2 000 million grams of gold or about 70 million troy ounces or - - 1 ounce counted for \$ 35, about \$ 2.500 millions.

Where such an amount of **capital** cannot be provided, unemployment must insofar remain.

(J.Z.: Even most members of the, otherwise much advanced, Austrian School of Economics, do largely and still subscribe to that error, when they do not ascribe crises to over-optimistic interest rates, that lead at first to over-investments and then to a collapse of many of these investments, to a collapse of interest rates, a corresponding holding back of capital and thus to mass unemployment and sales difficulties. As a rule, they, too, imagine fresh capital would be required to "create" jobs. - Please, correct me, if I summed them up wrongly on this subject! - J.Z, 7.4.03.)

All that **seems** quite logical, but the doctrine by which they try to explain the fact of unemployment is false, although it **seems** to be self-evident.

The people who reflect as above, firstly do not distinguish unemployment through economic **crises** from unemployment resulting from the consequences of war, civil war, floods and such things, by which a district's capital is really **destroyed**.

In the case of economic crises the district's capital is **unemployed, too!!!**

Here the problem is (apart from exceptional situations) to re-instate capital as well as men into employment.

That, really, many people do not distinguish the two above-mentioned cases, I learnt inter alia from an article of the British general John Frederick Charles **Fuller**, translated in the issue of 17. III. 51 of the Munich weekly "Revue, die Weltillustrierte". The German caption is: "Wie kann Russland besiegt werden?" (How can Russia be defeated? - J.Z.) Here - - quite typically for many authors - - F. speaks of the Marshall-Plan, praises it (justly), but does not sufficiently distinguish the aid of this plan to countries whose industrial plant is destroyed by the war and others, which merely suffer from unemployment, say Germany and England.

The authors of the Marshall-Plan, or **the** author, themselves, do not seem to have distinguished the two cases sufficiently. (To their honour it must be said, that they have **done** something, while others, especially the economists, talked nonsense.)

Let me here set aside the case where a country's plant is destroyed by war, etc., as in Germany for about 50 % and in other countries, like the Ukraine, for a much greater percentage. (It is said, that China suffered most, with not only the greatest part of her factories being destroyed but also her bridges, railways, etc. But it may be that poor Korea does here surpass China.)

Where merely a **crisis** caused unemployment, there the problem must be attacked from the side of **selling**, or, speaking more distinctly: of selling and buying, although it is self-evident that to every sale belongs a purchase. The latter is not always taken into consideration, which can be seen from the many proposals to sell, primarily by **exports** and where it is supposed, that the foreign importers do possess the necessary means of payment. In fact, they do **not** possess them and they are in the same condition as the domestic consumers.

Once that is admitted, then the problem gets a quite new aspect and it is then:
How to restore the purchasing power of the consumer????

Also, experience shows, that production "fara da se" (arranges itself? - J.Z.) if **buying** is not handicapped.

Not the man buys. His means of payment buy. Only the possession and use of suitable means of payment permit the transformation of **want** into **demand**.

This transformation is the central problem of the present state of culture and civilisation.

Will the business of note-issuing institutions, whose aim it is to finance primarily production, and for this reason facilitates the producer's situation as far as possible, say, by long-term loans (not too long, but, certainly, longer than - - say - - 3 years (do we agree here?????) and low interest (say, no more than 3 % or so - - do we agree here?????) - - will that business, I ask, sufficiently finance the **consumer** and sufficiently transform his **want** into **demand**?

(J.Z.: It should do so only to the extent that the consumer is able and willing to offer wanted work in exchange for this demand and that his readiness to work is utilised by an employer who can offer him suitable means of payment for this purpose, primarily those with "shop-foundation and obtained by him from a local shop association, acting for him as his note-issuing bank, for this purpose, and granting him a short term loan in these exchange media -

mainly for wage payment purposes and also in the interest of the associated shops - to secure their sales. The relationships of all these factors cannot be over-stressed until they become quite clear in the minds of the readers. - J.Z., 7.4.03.)

I think it will not, insofar as from time to time occur causes, which prevent the flow of notes from the producer to the consumer.

What causes may here occur, I need not point out, the fact being observed in every crisis and often in times of bad business, not yet developed into a crisis.

They do occur also in times of prosperity, where many consumers, by circumstances which they themselves do not know, do not come into possession of the required quantity of means of payment, although they do neglect nothing of what men do usually do to attract such means.-

If there would exist a legal and economic possibility for workers, employees, artisans, etc. to issue notes - - say, with the help of an institution - - and if it could be made certain, that these people accepted the notes, at their nominal value, when their labour is paid for, then there would also exist a possibility to fill the monetary gap left by financing (the medium and long-term capital requirements of the - J.Z., 7.4.03) producers only.

I do admit, that providing capital finance to the producer will always make financial also a great mass of consumers, providing them with sufficient means of payment. That must be so, because every man, to whom the producer hands over the notes, received from his bank, is in some respects a consumer, too and the producer himself is also a consumer. But, nevertheless, there remains a gap, perhaps only a small gap, but great enough to require special attention and means to fill it and dangerous enough as a possible cause for a sales crisis.

I see no other possibility to secure the aforesaid kind of consumer-financing than the obligation of the consumer to buy, in the future, a certain quantity of certain goods in certain shops.

How far this obligation must go, I do not know. But I think 3 months and the corresponding amount of such articles, whose purchase can be delayed, are necessary.

Others, with more economic experience or more intelligence, or both, than I possess, may make better proposals.

Very faithfully Yours - signed U. v. Beckerath.

(J.Z.: Between the medium and long-term production credits to enterprises, and the ordering system here only hinted at, I see mainly (as B. did, in most of his other explanations) the need to finance current production of consumer goods and current supply of consumer services, by providing the so employed people with exchange media, in returns for their current labours, and for them to purchase their daily needed consumer goods and services with. The most natural suppliers of very short-term turn-over credits, for this purpose, are associations of goods and service providers, to the extent of their combined readiness to offer their goods and services for sale. For most of the daily needed consumer goods and services no special order commitments are required. They almost sell themselves - if only the consumers are sufficiently supplied with suitable means of exchange and this the very suppliers of these services could most effectively do, and would do so in their own interest, if they knew about their rights and opportunities in this sphere and about the sound issue and reflux techniques for such exchange media. Their ready for sale goods and service would, normally, be more than enough to provided, in liquidified form, not only the required exchange media for the already employed but also for masses of so far unemployed people and additional large numbers of people wanting and needing jobs, as refugees from oppression and exploitation in other countries. - J.Z., 7.4.03.)

1. IV. 1951.

Dear Mr. Meulen,

you sent me many clippings, some worth a special letter to write about them. Lack of time prevented me from doing this.

Economist of 3. 11.51. The Banque de France purchased in America many ounces of fine gold for \$ 35% each and sold them at Paris for \$ 43. Very nice. A country which does not acknowledge the **market** as supreme judge of prices may (finally - J.Z.) pay for its seditious mentality. But that the Banque de France sold the gold so cheaply I do regret. A more careful observation of the markets would have taught that the price of gold - - counted in Dollars - - **must** rise. You remember that I prophesised it from the price movement of silver in Bombay.

From the clipping of the **Times** of 8. II. 1951 I learn that there exists a free gold market which until now escaped my attention, that of Alexandria. I regret that the **Times** does not indicate the units to which the prices of gold and silver relate, also not whether fine gold and fine silver are quoted or standard metal. I would like to observe the relation of silver value to gold value. I think: A great difference in this relation proves that arbitration of exchange does not work between the markets where the difference is stated and, consequently, these markets are not free in all respects.

Times of 22.2.51. "Drain on German exchanges." The German rulers, like all others, do not see, that Germany could also pay in marks, if only these gentlemen would permit it. Germany could also pay in Dollars, so that a German merchant would promise to a bill of exchange, in his normal business, for the value of - - say - - \$ 1000, quotation taken in New York, if articles are bought which are priced in marks. All this is prohibited.

Times, 22. III. 51. "Self-Defence in Indo-China." Some decades ago the Anamites were regarded, by many, as the most cowardly of all peoples. How they were mistaken! They display a courage not inferior to that of the Europeans and that from the moment at which they are fighting for aims which they believe to be their own.

The real cause of this revolution is that predicted decline ago by experts: "The French did not find fit employment for the younger people, educated at High Schools. There was no other possibility for them than to revolt. There was also another cause, which not many people see, but you and I, we see it: The French created a central bank with a monopoly for standardised means of payment. If that would not have happened, then the establishment of banks of issue would have procured jobs for the whole educated class.

At Connecticut, before 1861, there was one issuing bank per 2,000 (two thousand) inhabitants. The same would have been possible in Anam.

That Christian Bishops have created their own armies may be (may be) the beginning of a new social organisation.

If this man collected taxes by accepting cheques of issuing banks and there, where such banks do not exist, paid his army by cheques, accepted at their nominal value when taxes are paid by them, if he were to proceed in this manner, then he might win. If not, then these forces will create nothing but the usual oriental despotism, financing themselves by taxes levied in kind and become easily overthrown.

Spiritualism a religion in Anam? Government guided by table-knocking and writing machines?? This is nearly the same as the using of augurs by the old Romans. The next step **must** be that table-knocking will be declared a Government monopoly, and since such a monopoly cannot be effective, the government will prohibit spiritualism altogether and replace it by a religion which acts without superstitions, at least of that kind.

When Constantine declared Christendom to be the State religion of Rome, he emancipated the government from the augurs - - a very important matter - - if it may not have been **one** of the reasons for Constantine's religious reforms. Although Constantine was, perhaps, the greatest rascal of his time, he was certainly no blockhead. That he proved by his monetary reform.

The clipping "Moscow and Peace" is interesting for many, insofar as, e.g., it is now dangerous for Englishmen to come to Berlin otherwise than by air. That has been pointed out by some journals of West-Berlin, e.g., by the "Tagesspiegel".

Clipping: "West Germany's Free Economy". When the German Mark was devalued, I prophesised to Rittershausen: Prices in West Germany will rise in two years or so as a consequence of the devaluation. Counted in gold the present prices are lower than in 1914 for many articles. That is an impossible condition. Naturally, prices must be higher, seeing that the conditions of production are now much more unfavourable than in 1914. The estimate of 2 years I take from an elder dissertation of **Wagemann**, formerly manager of the Institut fuer Konkunktur-Forschung. Wagemann found out, that in the average, after 2 years, the effects of a devaluation are compensated and prices - - counted in gold - - are about as high as they were before the devaluation. I prophesised, too: **If** prices began to rise, then the government would become confused and would again introduce a managed economy. Its first promoter will be Erhard. It all came true.

Again the banknote for Twopence. The text is: "Promise to pay to Mr. (illegible) or bearer on demand the sum of Two Pence for (illegible)."

Here the banker promised to **pay** money, although the **lack** of that money was the very reason for issuing that note. Such a promise cannot be considered as honourable. It depended on the Banker's good luck whether he would be able to fulfil his promise. If he would have been **quite** honest, then the text should have run (salva redactione) thus: "I accept this note as I would accept 2 pence in legal money in my business."

I reread in **Kitson's** "The Bankers' Conspiracy" his quotations from "Protocols of the Learned Elders of Zion". Prot. 20: "You are aware that the gold standard has been the ruin of the States which adopted it, for it has not been able to satisfy the demands for money, the more so that we have removed gold from circulation as far as possible."

"Economic crises have been produced by us for the Gentiles by no other means than the withdrawal of money from circulation."

Prot. 22: "In our hands is the greatest power of our day - gold."

It is today well known that the "Protocols" are of Russian origin, some say: written by a member of the ochrana (and years before 1914). That the "Protocols" are **not** of Jewish origin is easily to be seen: (Antisemitism - J.Z.)

I.) It is observed that in times of crises the Jews suffer of them no less or even more than the "Gentiles".

II.) If anyone keeps gold coins out of circulation and so produces a money crisis, then he - - of course - - ruins Jewish creditors as well as Gentiles, Jewish debtors as well as Gentiles. But we see here the world-wide spread opinion, that Jews possess an immense store of gold coins and get the greatest advantage from it, although they do not lend it out, but, on the contrary, "sit on it". I often asked Nazis: How is that economically possible? The answer was in one case: Nobody knows that, but "we" should catch a Jew and torture him until he confesses it.

III.) Everyone who had to do with Jewish banks knows that they - - like all other banks - - restrained their cash reserve as much as possible, simply not to lose interest. So the contrary of Prot. 22 is true: Gold was **not** in the hands of the Jews.

In the "Protocols", of which I had a copy, the word "gold standard" is not used in the sense of: Most important detail: The issuing bank is obliged to redeem its notes on demand and at par, and in gold, it is used as the contrary of the silver standard or of Bimetallism. The leaders of the agrarian parties at that time were all adherents of Bimetallism and antisemites, too, so that in their minds gold standard and "Jewish interest" were connected. I think the author was a Russian agrarian.

Very faithfully Yours - signed: U. v. Beckerath.

3. 4. 1951. Your letter of 30. III. 51, received yesterday.

Dear Mr. Meulen,

I repeat: The returning of "Heim & Scholle" is not **so** urgent.

Long-term loans and price level. If I remember well, the miller was permitted to repay the loan in terms of **free** gold market prices. The clause of Dr. Ramin would, generally, be in favour of the miller.

Dr. Ramin predicted that in future really **free** gold markets will no longer exist, and it seems as if he was here in the right. The most free gold market now seems to be that of Tangier, but the exportation of gold to Tangier and the exportation of gold from Tangier is not as free as it was before the war. This influence cannot be measured exactly, but I think that it is great. I conclude that from the different value relations of gold to silver in Tangier and in other territories. Under economic freedom, arbitration lest such differences disappear, very soon.

The non-existence of **really** free gold markets more or less destroys credit in the whole world, consequently it destroys capital supply for buildings and so produces a housing shortage. The effect being an indirect one, men do not detect it. Example: That in Spain now many thousands of people live again in caves, worse than Spaniards lived 10 000 years ago, is an indirect effect of the prohibition of a free gold market in Spain. Perhaps there is not

even one man in Spain who sees that. So, by the destruction of credit the question is solved: Clause of Dr. Ramin or gold clause? The answer is: Neither!

In Germany and many other countries such index clauses as that proposed by Dr. Ramin are now formally prohibited by law. Bad government paper money alone is permitted as a measure of value and value basis of credit. Insofar the whole question is already "solved". The "solution" reminds a little of the Malthusian solution of the "social question". Malthusians say: Let man not come into existence. Then the problems connected with this existence need not be solved or are solved by the non-existence of man.

Modern money owner say: I do not care a straw about the future and certainly not by becoming a **creditor**. So credit does not come into existence and the problem is **solved**.

Zanders "'Kampf der Wertpapierbesitzer" is valuable too, if put on your shelf. However, you get more profit from the pamphlet by **reading** it (every day 2 lines). (To my disgust, when trying to check on its title, I could neither find a copy of it in my mess, nor have I microfiched it so far, according to my main list, far less translated it into English. I use here the title as I remember it. B. wrote: "Wertbesitzer". - J.Z., 7.4.03.)

"Der freie Mensch". (The free man. - J.Z.) The problems of the **gold** standard are in England not **fully** discussed, because this word covers two quite different notions:

1.) expressing prices in shops, wages, taxes, debts, etc. in terms of gold weight (113 grains = 1 sovereign, 5 grams silver = 1 Franc, etc.),

2.) the prescription that note issuing banks must redeem their notes at par and on demand in gold.

Only point 2 is discussed in England. In Germany primarily point 1 is discussed.

Gras in der Wueste. (Grass in the desert. - J.Z.) Mohammed says: A mountain may change the place where it stands, but men will not change their opinions,"

You still adhere to the opinion that - - the thing economically considered - - the situation of mankind would be better if the number of men would be diminished, and, obviously, take that as a self-evident fact. You know, that I **do not** consider this as self-evident, on the very contrary.

Solomon. Why do you not care a damn about Solomon???? The reports on his government are flour on your mills. He introduced a kind of **gold standard** in his empire. What an evil think he did by accumulating so much gold was to be seen shortly after his death. The king of Egypt, attracted by the gold, conquered Palestine and took all the gold. Adherents of a paper standard may take that as an example, that the gold standard produced a **war**.

Women and money questions. And I was so proud of having discovered a new law of psychology!

Marcus Aurelius. He was a great man and gave some good laws. But he also introduced a very bad innovation: The legal possibility to accuse dead people of lese-majesty and, consequently confiscated their property. Even Nero did not go so far. More important is:

If 100 coins are **deposited** with a banker (say in a box) then this depositing does not constitute a **loan**. If the 100 coins are given as a loan, then the debtor may buy sheep with them and get a lamb from each sheep. Whether it is just to hand over some lambs to the creditor, that is a question already raised by the old scholastics. If, however, the 100 coins are given as a deposit (to be held as it is, securely - J.Z.), then the question of interest cannot arise. Then, on the contrary, it is clear that the man who accepts this kind of deposit may justly demand a fee for watching, administrating, etc.

Long-term loans, prices, wages, employment and unemployment since 1844. For every **effect many** causes can be assumed. I contest that the number of workers driven out of employment by machinery was, **in toto** greater than the number of workers who found employment by the economic effects of machinery. There are economists who share my opinion. In any case I have statistics on employment on my side. (**You** do here agree with **Marx!!**)

(J.Z.: Obviously, since this kind of complaint or accusation has arisen, we have acquired many more machines per head of the population and the total number of employed people has also greatly risen. If the machine stormers were right, then the total number of employed should now be even smaller then it was in their time, being reduced from its small numbers still further, with the use of every newly added machine. The complaint became rather: WE

do not possess enough productive machines ourselves and are too much dependent upon the machines in the hands of others. Nevertheless, the complainants did not seriously try to purchase production machines on the market, on terms, thus becoming self-employed and profiteers of the labour of "enslaved" machines. - J.Z., 7.4.03.)

Gold payments. Neither in cases of trust nor in cases of distrust does an exporter normally demand **gold**. Ask any exporter. The tendency to accumulate gold in times of war danger has - - I think - - not much to do with trust or distrust of exporters.

Unfavourable balance of trade. That word is used by all authors to indicate a state of trade between **countries**. But if countries are not trade partners and only individuals or firms are such partners, then the authors have no logical right to apply the word "balance" to **nations**. This view agrees well with the view that balances of trade, in the sense of "vulgar economists" (Marx's expression) do not exist at all, as was proven already long ago.

Communist aggression. You say: "I insist that almost any action by a country can be twisted into a case of aggression." I answer: If you were an editor of the **Prawda** you could. As an editor of the Individualist you will have to take things as they are.

The République Supranationale will certainly **not** wait until the armed forces of a government (you say of a **country**) cross frontiers.

Reichsbank gold redemption. I reread Free Banking, pages 177/182. You mention the Enquiry of 1908, held in Germany on currency questions. Let me cite from the Report of the Commission, page 67, some words of the Freiherr von Wangenheim, spoken in the session held 12. X. 1908:

"Dazu kommt ferner die Gepflogenheit unserer heimischen Banken, jedem auslaendischen Geschaeftsfreund gegen die kleine Provision von 1 o/oo jede gewuenschte Menge von unsern deutschen Goldmuenzen zu schicken, welche Geldtransporte namentlich auf dem Ueberlandwege statistisch heute nur sehr unvollstaendig erfasst werden."

(Add this the custom of our internal banks to send to each foreign business friend, for the small provision of 1 per thousand, any quantity of our German gold coins. These money transports, into other countries are today and statistically only very incompletely reported. - J.Z.)

If Wangenheim spoke the truth (and, certainly, he did) then the opinion, wide-spread in England, that the German merchants or bankers took the gold they wanted or liked, primarily from the Bank of England, cannot be founded. There are also other communications in these Reports, from which follows, that the Reichsbank (whose gold stock was, in general, greater than that of the Bank of England) seldom applied to the Bank of England when it wanted gold.

From other sources (burnt) I know that there were 4 great firms in London (Montagu still exists, perhaps the others do also exist still) which purchased and sold a great part of the gold coming from South Africa and other countries. To **them** applied whoever wanted gold.

We started from this point: What has the claim of **foreign** not bearers to gold to do with the Central Bank's policy? I affirmed: The possibility to prevent a **foreign** note bearer to get his notes converted into gold is practically and legally not given. In your book, you, too, do not assert such a possibility.

The German system as well as the French and the English and that of all other countries was bad and dishonest insofar as it granted to all creditors the claim to get precious metal when the claim became due. The creditors of bills of exchange - - to give an example - - where of much greater importance than the note holders. Economists until today did not conceive that it is possible to send those, who want gold or like gold, to the gold market (the word taken in the American sense, not in the sense of Kitson), and yet keep notes au pair with their nominal value (the latter expressed in weight of gold - - say, a sovereign of 113 grains of fine gold). They do not see that at the same hour, when the parity is not kept at the gold market, the public ceases to accept the notes but brings them to there, where they must be accepted au pair, primarily to the tax offices, to the railways, etc. (J.Z.: To whoever issued them and to his debtors, who will be under contractual obligation to accept them as well, at least up to the amount of their debts due then or in the near future. - J.Z., 8.4.03.)

Thereby the notes disappear from the market, together with their discount.

It is a very simple but a very effective mechanism; it presupposes only the liberty of the people to refuse paper money. This right provides the parity between gold and notes.

100 years ago that was quite well known. Today the best (known! - J.Z.) economists do not longer know it. Europe's future depends on restoring the old mechanism.

Replacement of German 1 DM notes by 1 DM coins. The government explained the advantage in this manner: If the government pays with a coin of zero intrinsic value, then it may book a "Muenz-Gewinn" (profit from coining) of the nominal value of the issued coins. I need not explain the government's error. (It would derive about the same profit from turning some ink and paper into 1DM notes. The printing might cost less but the notes would not last as long as the coins. - J.Z., 8.4.03.)

Arbuz. If you want more then I shall be pleased to send you more by Schwab.

Your letter to Alexander of 23. III. 51. I enclose the letter herewith. Many thanks!

You say: "Whether new money raises prices or not depends on the volume of saved wealth in the community."

(J.Z.: I would agree with him here, if he had meant with "saved wealth" the ready for sale and daily wanted consumer goods, for which more shop foundation currency could be issued by their owners without this local currency thereby depreciating. But he may have had rather capital savings in mind. - J.Z., 8.4.03.)

You know that I am an adherent of the old theory, that the effect of new money depends on its quality of being a forced currency **and of no other cause**.

(J.Z.: Whoever cannot give his "currency" a forced acceptance and compulsory value - and no one can be trusted with such a power! - must make it attractive and valuable for the potential acceptors by offering them immediately debt payment options and "covers" or "redemption funds" in form of daily wanted consumer goods and services. The greatest gold stock and redemption fund and the strictest redemption obligation in gold coins, does not provide an as valuable and always welcome "cover" and redemption fund for a currency. For instance, during WW I Sweden, at one stage, refused to accept gold coins in payment for its iron ore and wanted to be paid in food items, instead. The extreme case was demonstrated by king Midas of the legend: Everything he touched turned into gold. Obviously, he could not eat it. - J.Z., 26.5.03.)

The authors of the Four Bills held the opinion that private note-issuing banks should continue to issue notes until the limit was reached, where and when the free gold market begins to announce a discount. But note-issuing banks should never transgress this limit and even could not.

An issue carried only so far cannot raise prices, but a smaller issue **may** cause a deflation.

Czecho-Slovakian emigrants. I will write about this matter if I get the two Bulletins, for which I thank you beforehand.

Jevons on equalising the fluctuations of money value between debtor and creditor. His opinions are expressed in his stirring "Investigations in currency and finance."

Thank you for the 3 interesting clippings.

Very faithfully Yours - signed: U. v. Beckerath.

5. 4. 1951.

Dear Mr. Meulen,

on the 3rd of April I received by your kindness:

- 1.) "The Economist" of 17. III. 1951,
- 2.) "Truth" of 23. III. 1951,
- 3.) "The London News Letter" of 29. III. 1951,
- 4.) "Individualism" of April 1951,
- 5.) "National News-Letter of 22. and of 29. III. 1951,
- 6.) "Financia1 News Survey", 9. III. 1951,
- 7.) "World's Press News" of 15. XI. 1950,
- 8.) "The Quill", of February 1951,
- 9.) "FCI - Features and News from behind the Iron Curtain", 23. & 30. III. 1951,
- 10.) A letter from Josef Josten, the editor of 9.) from 26. III. 1951,

11.) Bulletin of the Swiss Bank Corporation, March 1951.

I thank you very much.

The Economist reports a speech of Mr. Cyril W. **Black**, chairman of the Temperance Permanent Building Society. Mr. Black said: "Shares and deposits ... can be realised at short notice and without fear or possibility of depreciation".

Here the chairman errs insofar as he does not distinguish depreciation by bad management and depreciation by the government's monetary policy. This policy depreciated the shares and all gilt-edged securities of England in the ratio of 77.5 : 248 [or more, if the real price, paid for gold, is considered.]

I regret very much that not **one** of England's Building Societies ever protested against the present forced currency. For a century the Building Societies and their financial principles were considered, by **real** economists, as promoters of a very considerable progress in banking theory and investment theory on one side and the most valuable factor in providing homes. In the year 1930 Sir Enoch Hill, of the Halifax B.S., estimated that about 1/4 of England's population was lodged in houses financed by the B. S.'s. Today, under that continually hanging Damocles-Sword of further devaluations, inflations, etc. the economist must **warn** the people against saving with BS's.

Scratchley, a mathematician wrote very valuable books on the Building Society Finance Principle and explained the possibility of extending it to other spheres of the economy. I had some of his writings and still possess his model rules for a Building Society, very pleasant to read. (Printed by the Institute of Actuaries.) It seems he is now forgotten. Pity - - more for England than for him.

"Truth". With pleasure I read that the State **Israel** by is considered by "Truth" as a Jewish Nazi State. But Machiavelli said, that a ruler, and may he be ever so honest, will always be led to that what today is called "Machiavellism", simply because serving the interest of one country leads continually to attacks on the interests of other countries. Insofar the Jewish government is excused. "Truth" complains justly about the bad treatment of the Arabs on Jewish territory. But one should not forget that for decades Jews were treated by the Arabs in the same way. The atrocities committed by both sides were not in the interests of either of them and they revealed a Nazi-Mentality on both sides. The best for the country would be an intelligent and - - so it seems - - cultivated and benevolent ruler as the king of Transjordan would conquer the whole of Palestine.

The London Newsletter. Your remark on Russia's - "hard currency" as a commercial weapon. Let us not forget that the **people** are still compelled to use the paper-ruble as currency and are strictly forbidden to own gold. In their external trade the Russians (the Soviet regime - J.Z.) always used gold as a basis, except when they had an opportunity to stipulate their debts in a soft currency.

Concerning England's missing gold: A free gold market replaces the greatest stock of gold. Example: Germany 1922 and 1923, when prices of many shop's were fixed in gold-**value** and paid in paper on the basis of the gold market's rates.

"Individualism". Complaints and no program and, nevertheless, interesting. Mr. **Benn** seems to play a great role there. Merchants are always bad economists and politicians, as observed already by old Adam Smith. (J.Z.: His wording does not make quite clear whether merchants are, **mostly**, bad economists as well as bad politicians or whether merchants, as well as politicians, are **mostly** bad economists. Further, he uses "always" which is an absolutist term and does unnecessarily exaggerate the situation. - J.Z., 8.4.03.)

National News-Letter. Very rightly King-Hall calls England the most vulnerable target in the world for A-Bomb attacks. What he and others do not see is that: If the rulers in Russia etc., would have an opportunity to **invest** in England, and this on a bold basis, tax free and on high interest, it would be a very good protection.

International Financial News Survey. You marked an interesting passage. The few lines announce a quite new monetary policy and, very probably, a devaluation in the USA and in England.

The percentage of gold now used in industry is not greater than it was before 1914.

That **Austria** will, in this year, and perhaps in this Spring, **coin gold**, is of great importance. Austria may become the **Tangier** of Europe.

The Czecho-Slovak papers are very interesting, but contain not a line of a **program**. What would the emigrants do, if they were the rulers? Obviously, they do not know it themselves. I hope to write in my next letters on this matter.

Very interesting the Bulletin of the Swiss Bank Corporation. For a very long time I was looking out for figures as contained in the report.

Swiss population in December 1950 = 4 696 000. (A little more than Berlin before the war.)

Notes in circulation = 4 382 600 000 Francs in February 1951.

That's about 1 000 Francs per caput.

1 \$ = 4.3728 Frs. If 1 \$ is taken as 1/35 ounce troy or - - 1 ounce = 31.1 gram - - 1000 Francs would be

$$\frac{100 \times 31.1}{35 \times 4.3728} = 203 \text{ grams gold.}$$

That seems a high amount. For Germany an amount of about 40 grams per caput was normal before 1914.

You remember that in our discussion on note emission the maximum amount of circulating notes in a country played a role. Your opinion has been that e.g. in England a much greater amount than presently would be possible and that the difference could be used to supply industry with capital with the help of note-issuing banks. The Swiss experience seems to confirm your opinion. But there are some items to be considered.

1.) Some time ago Rittershausen sent me a Swiss journal where the editor pointed out that a great part of the Swiss note amount was held by foreigners. That part is not known, but some bankers believe the greatest part of the outstanding notes have passed to foreign countries.

2.) I took here as relation of gold to paper the purchasing price of the USA-government = 35 : 1. While I am writing these lines, I get a letter from Switzerland, where, my friend reports, that there is no gold obtainable at the official price. What the free market price for gold is, that may now be difficult to decide, even for experts. (Example: On April 2nd the free market price of gold at Frankfurt was DM 7.80 - 8.50 per gram. [Report of "Die Neue Zeitung" of 3. IV. 51.] But the "Welt", of 3. IV. 51, reported no free market price for the 2. IV., although, and for months, it has reported that price regularly. Instead of a "free" price, it reports an "official" price [amtlicher Preis] of 5.03 buyer and 5.17 DM seller, pro gram. Obviously, there are influences at the Frankfurt gold market that, somehow, restrict its liberty.)

3.) The interest for investments, that are easily accessible to the public, is very low in Switzerland. To my knowledge the savings banks grant 2 %. If the interest rate were zero, then, of course, the Swiss would prefer notes to any investment of the usual type. If it would be high, as in Germany 25 years ago, when many savings banks granted 5 %, then many people, who are now keeping large amounts in their drawers, would bring the notes to the banks. **Then** (stressed by me - J.Z.) the note circulation would be as it was before 1914, when there was no great difference compared with Germany.

I think the low interest obtainable for easily accessible investments is the main factor which limits note circulation. Perhaps we may enter into details on this point. But, if I would be in the right, then an unlimited trust into note-issuing bankers, into politicians and in the future in general, would not be quite sufficient to provide a large note circulation, if the average interest is high.

With much pleasure I read the copy of the Shaw story which you were kind enough to send to me. It reminded me of a Russian book which I read many years ago (in translation - - of course). The author described a discussion between young revolutionaries and a "reactionary". The revolutionary "proved" that matrimony was nonsense and an effect of capitalist production. The reactionary changed the opinion of some of the young men at once when he showed them from, from the famous work of Brehm, "Tierleben" (animal life - J.Z.) that matrimony in the form of monogamy was wide-spread among animals, especially birds. The revolutionaries did not know that.

I think that, if a new social organisation solves the problem of employment and - - connected with a credit reform - - the problem of housing, then new forms of matrimony will arise. Very many women would today leave their husbands, if they would find employment and a lodging.

What new forms would arise?? I do not know.

Very faithfully Yours - signed: U. v. Beckerath.

7. IV. 1951. Your letter of 4. IV. 51., received today.

Dear Mr. Meulen,

Conscription it's an important matter and here, too, **experience** must be our guide. (J.Z.: No individual rights? - J.Z., 8.4.03.)

I reflected much on the matter and I think now that considering the element **duty** solves the seeming contradictions. The average conscript is convinced to fulfil a **duty** and looks upon the volunteer as a man who came to the colour before it was his duty. That may today be the case to a higher degree than in old times, home work being now hardly less important than fighting at the front. That a commander selects volunteers for a specially dangerous job, is not in contradiction to the aforesaid observation. Au fond **all** were morally obliged to apply for the job.

(J.Z.: What about the almost general experience that none of the warring governments was worth fighting for, nor did any of them pursue quite rightful war and peace aims, which would have made striving for them a duty. Nor were military organisation, weapons and warfare methods quite rightful. There may be a duty to serve in a quite rightful ideal militia for the protection of individual rights and liberties, but which army of the last 200 years represented such a force? Was serving in any of them really a duty, without numerous qualifications? - J.Z., 8.4.03.)

And really: often is found that **all** men do apply. The history of the English army presents very numerous examples. But if the commander asks for volunteers, then he demands also that the volunteer examines himself on whether he can do what the job requires. Example, from my own experience. (1915) (I belonged to the fortification battalion No. 38, first company, "Armierungs-Battalion".)

An infantry company was expected at midnight at a place which, the day before, was half destroyed by a bombardment. It was important to restore the trenches etc. before the men arrived. The work must be done within 2 hours. Only the strongest could be used. The commander asked for volunteers and got them at once. Some were rejected by the own comrades, who said: This time stay at home, boy, we do **this** work better. Another occasion: It was at the retreat of 1918. A Bavarian company had left a village, which was under fire. We had left it, too, but the medical supplies were forgotten in the hurry. "Volunteers to fetch the medical supplies?" asked the commander. It was a dangerous job. Two comrades, sick and pretty weak, at once applied. Indeed, they were the most fit for this job. If they were killed, the military loss would have been small and they knew it themselves. In the street of the village under fire, they found a Bavarian lieutenant, severely wounded. His own men had left him. The two Prussians dressed him as well as was possible and promised him to come back with the company's surgeon, and a tent square to carry him. We reported back to the commander. The surgeon was ordered and permission given to go back a second time, to the village under fire. We happily brought the Bavarian back.

So in military circumstances volunteers seem to be esteemed only if they fulfil a duty better than non-volunteers would fulfil it.

(J.Z.: I guess one has to distinguish the question of duty in the initial participation in a war and then the various kinds of duties that arise once one is, willy nilly, participating in one and it becomes a question of saving not only the only the own skin but also the lives of some of one's comrades, if one can and acting also towards enemy soldiers and civilians in as humane a way as possible, e.g. by discriminating warfare, by granting asked-for pardon, etc. The whole war might be wrongful, even on both sides, and, nevertheless, within it, from day to day, certain duties would arise. A primary duty would be to use every opportunity for a separate peace treaty with soldiers and

officers of the other side, under conditions that are quite just to both sides, and an alliance with them against the remaining war mongers on both sides. Territorial nationalists on both sides would consider such actions to be treasonable. But then it was never an objective duty to serve **their** aims. - 8.4.03.)

Kant expressed a similar view in his "Kritik der praktischen Vernunft". (Critique of Practical Reason. - J.Z.) So philosophy and common opinion seem to agree here.

China. China's transportation facilities were always in a very bad state. For centuries it happens every year that in one district there is famine, while in others there is abundance but without the technical possibility to carry food from the abundance to the famine district. "There may be a possibility to bring a million tons of grain rather to India than to the interior provinces, where the backs of coolies and animals are the only means of transportation. But what you say of the political motive of the million is certainly right. Mao - - a very cruel man - - cares no more for the hunger of Chinese than for that of Indians or any other people.

About the luxury in England my opinion is that a free market - - and this alone - - can decide what luxury is now economically possible in England and what not. Before England's economy was **planned** by the State, she was, at the end of all her wars, richer than before the war and able to pay more for luxuries.

(J.Z.: It is hardly a question for a country, a people or a government to decide. On the free market individuals decide on luxuries, that are within their own means, by themselves. Then it becomes only a question of not forcing involuntary taxpayers to finance luxuries for politicians and bureaucrats, e.g. in form of fancy buildings, offices, furniture, travelling, salaries, pensions, fringe benefits etc. If they are paid for voluntarily, by members of a voluntary community, which is only exterritorially autonomous, then this is quite another matter. They may spoil their parasites, gurus and "great leaders" as much as they like, at their expense, just like some sectarians and churches do. - J.Z., 8.4.03.)

From the fact, that the work spent for luxury may also be spent on ammunition etc. - manufacturing, is not to be at once derived that the present rulers (in all countries) are able to direct the work spent for luxuries to the things that seem to them to be more useful. Experience in war times shows that the luxuries made impossible for one class, is displayed by other classes, war profiteers etc.

City Press. It was not my intention to display acuteness. If you find logical or other faults in my criticism, then I would be obliged to you for pointing them out to me.

Alexander on rising prices. Certainly, you are right in supposing that political trouble and fear of war creates an additional demand for gold and so contributes to increase its price. To what extent? Nobody knows.

Dumping. If the shirt-maker's neighbour in the same street finds out means to produce shirts as cheap as the Japanese, all people would call it industrial progress and see clearly that here is no **dumping** practised. In the popular notion any dumping of industrial produces is connected - - as far as foreign competition comes into question - - with the notion of getting gold for the cheapened goods and **not** using the old in the country, where it was gained, as a means of payment.

If the Japanese competition will do no other harm to the English textile industry than to compel it to make shirts of a finer quality, but leaving with this change the sum of employment unaltered, then nobody speaks of **dumping**.

A money convertible into goods, where it is accepted, brings, within a short time, the industry of the country to a condition where this industry makes only goods in which it is superior to other industries. It cannot prevent other industries, which are not superior, to be brought to a standstill. All that has nothing to do with **dumping**.

Smedley. As long as men **demand** full employment, for the purpose of satisfying their wants as well as they can (that is: to get the money for that purpose), so long should full employment be an **aim**. Workers themselves are too ignorant to see and to use the right means, which would provide such a full employment. Thus they rightly apply to the educated classes. (Of course, they do so in vain.

"Und des Donners Wolken hangen (And the thunder clouds hang
"Schwer herab auf Ilion" - Schiller.) heavy over Ilion. - Schiller, in my translation. - J.Z.)

The problem of unemployment. The Marshall-Plan-Economists often overlook the distinction here in question. I refer to current literature.

Crises under a system of free economy. (Last passage of your letter.) We do agree, that crises under such a system will no longer be what they are today and that a free economy will find out means and ways to overcome them easily.

Whether Free Banking - - the expression used in the sense in which you used it in your book - - will be sufficient, will be taught by experience, our common teacher.

The freedom gained will enable our successors to fully use the experience they gain.

Concerning the readiness of people to bind themselves, when confronted with the uncertainty that is always present in a crisis, I learnt from the books on early English economy, quoted in my last letters, that in times of crises people and especially workers do accept any obligation if they hope to thereby prevent unemployment. (Truck system!!)

(J.Z.: Although there were many abuses, it was not altogether condemnable. Employers have no miraculous powers to turn produced goods into cash - for wages and other expenses. What they do have to offer is the produced goods. If they turned over shares in these to each of their employees, in case the goods are hard to sell, then the employer would merely try to spread the difficulty of selling the goods by turning his employees into salesmen. But even if an employer finds it hard to sell his products for cash, he can barter them for other products of other employers. And with these bartered goods he and they can stock truck-shops. Then he can somewhat pay his workers with assignment upon these truck shops. Psychologically it would have been better to organise the truck shop as a consumer coop, run by the workers themselves. They would have bartered, for their shop, for all the major consumer goods they need. And, finally, the goods warrants, redeemable only in their consumer coop, would have given them the idea to sell their own product in the general market for general shop foundation currency issued by associations of shops. Then the sales problem for the employer and for their own labour, would largely be solved. Alas, such development was usually prevented from occurring, because legal intervention was asked for in the earliest stages, rather than monetary freedom, with which the sales problem for products, services and labour would have disappeared. Naturally, the most primitive forms of the truck system were no good substitutes for a sound local or even country-wide currency. But the truck "payments" too place only when not enough of the "coin of the realm" was on hand. - J.Z., 8.4.03.)

New money and rising prices. **Roscher** says: There are 3 kinds of prices to be distinguished:

- 1.) The normal price at a really free market, one sufficiently provided with means of payment,
- 2.) the "emergency-price" produced by restrictions of the freedom of the market, by lack of currency or of other means of payment,
- 3.) prices higher than the normal price, e.g. by the issue of fiat money in a quantity which the economy would not accept at par if they were not forced currency.

I agree here fully with Roscher. If Roscher is in the right, then the effect of new money is this:

1.) If before the issue there was a shortage of currency and, in consequence, the price level was too low, the issue of fresh money raises the price level for the benefit of the economy,

2.) if the fresh money is not a forced currency and the issue is continued until the point is attained, where additional money would endanger parity, the "normal" price will be the result. Any further issue would not change prices, the latter expressed in precious metal, but it would produce a discount of the paper money.

3.) If the money is forced currency, then there is no limitation of the price level, except the case of a monetary revolution, where the people declines the fiat money although the laws prescribe its acceptance.

Economic history until now confirmed Roscher's standpoint.

You say: "... if I have only one sack (of potatoes), and cannot get more, I will raise prices."

(J.Z.: Most likely, then he would keep it for himself, his family and some friends! - J.Z., 9.4.03.)

If you possess a monopoly: certainly. Then you may raise the price for your potatoes even if no money circulated and your trade would be conducted by barter only.

Here the scarcity of a commodity is the economic cause of the rise of its price and the whole matter has nothing to do with fresh money.

In your letter to Alexander you spoke of **wealth** as a determining factor. I see now, that you meant "goods ready for sale". I did not take the word "wealth" in this meaning.

Let me add:

You say: "... you don't know how much money any country would accept."

In this passage you do not distinguish fiat money and other money.

Let me at first take the example where your 10 customers bring other money.

If you read in the morning, before opening your shop, that at the exchange an alternative pound note, locally issued, got a discount, compared with a sovereign, and read, too, that the exchange expects a greater discount tomorrow, because the known amount of this locally issued paper money seems to be too great, then it may well be, that you say to your 10 customers:

"I raise the potato-price because a great scarcity of potatoes exists since yesterday."

(J.Z.: Rather: The present value of your local currency pound notes is in doubt. It is no longer quoted at par. I refuse it altogether or accept it only at a discount. - J.Z., 9.4.03.)

"This increased price must be paid by you in sovereigns or in a paper money at par with sovereigns. I decline other paper money."

(J.Z.: Why should he not frankly say: Your money is no longer good enough. I demand payment in sovereigns or in paper money, which stands at par with sovereigns. Then my price is unchanged. Otherwise, if I accept your depreciated money at all, then only at a discount, which means a price increase, expressed in your depreciated money. - J.Z., 9.4.03.)

And to yourself you say: "I do not know how much money any country would accept, but the Exchange of my district does no longer accept my district's money at par, that's the trouble and for me it's authoritative."

If the money brought by your 10 customers is fiat money, your procedure will be different and you will act like all merchants do in the whole world, in cases like the one here considered.

At first you hide your potatoes. Then you assure your 10 customers that all potatoes are sold. But if one of your customers then says to you: "Let us talk reasonably about the matter: Let me have ten pounds of potatoes, and I will give you butter, much more than I would have given yesterday." Then your answer will be: "Well, come back this afternoon - - then you shall have your ten pounds of potatoes, and don't forget the butter."

Then the government introduces maximum prices and rations the potatoes. It also punishes the merchants that cease to sell potatoes or do so at prices higher than the controlled price.

Then it may be that you will continue to sell potatoes - as long as the peasants supply you.

The white blackbird at the Friedrich Wilhelm-Platz, which looked on me somewhat suspiciously during the last few days, is now confident as ever and accepts its bread without distrust.

All economists, except Benjamin R. Tucker, W. B. Greene and their circle (**perhaps** Proudhon may here be mentioned, too) overlooked:

Into every sale enter the following social factors and they influence the price and, thereby, the seller's and the buyer's share in the social product:

A.) The right of the people to decline paper money or - - on the other hand - - the suppression of this right.

B.) The right of everyone to replace the refused paper money by notes of the own issues and the right to offer them to others - or the suppression of this right.

There are other social factors of nearly the same importance and influencing every sale, but at the moment they are out of the limits of our discussion, e.g.: the right of choosing freely the measure of value.

(Mainly the right to choose freely the kind of government or society that one wants to belong to. This means, among other things, the right to reject all the territorial governments for oneself, i.e., those with a forced value and forced acceptance for their "services" and to make other arrangements for oneself and for like-minded people. Thus one would establish not only a private or cooperative alternative **payment** community but a **general** alternative community, based upon other political, economic and social principles and practices, but applying these only to the **voluntary members** of that community, wherever these may happen to live in a district, country or the world. - Full monetary and financial freedom [The latter including forms of voluntary taxation or subscription to wanted and used services only.] are just a part of that total panarchistic freedom, that could offer to each the government or non-governmental society of his or her dreams. PIOT, J.Z., 9.4.03.)

My impression is: You do not sympathise much with that whole theory of fiat money and other money and, at least, do not think it would be of decisive importance. I would very much regret such a heresy. Give it up and let me tell you, what the Holy Bishop **Remigius** told to King Clovis, when he received him into the only saving church:

"Brûlé ce que tu as adoré, adore ce que tu a brûlé, fier Sicambre!"

(Burn what you have adored and adore what your have burnt, fierce Sicamber! - In Meulen we had a monetary freedom or free banking advocate who ignored or underestimated some of the most important aspects of monetary freedom, just like e.g. the "Gold-bugs" do. - J.Z., 9.4.03.)

Very faithfully Yours - signed: U. v. Beckerath.

11. 4. 1951.

Dear Mr. Meulen,

with great pleasure I received yesterday the "Individualist", April-issue.

Most interesting was **Morgans'** contribution. It was, as far as I can ascertain it, the first immediate connection of the country's economy to the Individualist. Still a dozen of such friends and a contribution of each of them in every issue, and the Individualist gets a good chance to become the detonator of prescriptionism. (No government fears writing intellectuals, but writing employers - - that's another thing!)

Morgans demand "Our constitutional sound currency". Very good, but why not **begin** and simply price Morgans hoists in paper pounds as well as in sovereign?????

Is it permitted to transfer gold ingots? If it is permitted, why not publish: Morgans accept ingots, containing 113 grains fine gold for the value of a sovereign.

The ingot must be manufactured by a well known-firm, whose complete address is to be engraved, together with the date of manufacturing. Further must be engraved: weight, diameter and thickness of the ingot.

There is no reason not to manufacture it in the size of an old sovereign, provided, perhaps, that the new ingot should contain fine gold and not an alloy of copper.

Roscher says, that fine gold would give the same service in circulation as an alloy of gold. That copper improves the qualities of gold, insofar as it diminishes wear and tear, in an old superstition.

Such an innovation would be an enormous puff (push? advertisement? publicity? - J.Z.) for Morgans. Whole England would speak of it.

I am convinced that an advertisement of Morgans, with a passage concerning the 113 grains, would contribute much to increase the Individualist's circulation.

(J.Z.: After a while Morgans might itself issue mere copper coins, with the above details, but also numbered, and could declare on them, that in payment for what it has to offer, it would accept these coins as if they were gold sovereigns. That would be just extending the old tradition of using self-issued tokens, usually 1/2 penny to twopence in denominations, to copper tokens in sovereign denomination, but without trying to offer in them as much copper as would be worth one gold sovereign. The "readiness-to-accept-foundation" could be thus expressed in copper coins, although not as cheaply as it could, in corresponding paper certificates, obliging only Morgans. - Private coinage of gold coins and private goods and service token coins could become just the "thin edges of wedges" that would help to open the door for full monetary freedom. - J.Z., 9.4.03.)

The other demands of Morgans please me less. It has always been in the best English tradition to decline **generalities** and to replace them by concrete expressions.

"Sound common law." There is not **one** man in England, who does not agree here. But what kind of soundness is here meant? Is the regulation of the means of payment for wages an element of common law? If it is, Morgans should demand that private notes become again a means of payment for wages.

"No coercion". Very well, but the laws to be repudiated should be stated

The same with "Free enterprise and Trade". State the laws to be repudiated, so that Morgan's customers may know what his opinion is.

Morgan may take the Individualist's attitude as a model: You always demanded repeal of the act of 1844. That was clear and distinct.

You could have demanded: "sound currency". Nobody would have listened.

Very faithfully Yours - signed: U. v. Beckerath.

12. 4. 1951. Your post card of 9. 4. 51., received today.

Dear Mr. Meulen,

the Economist of 17. III. 51, the last I received by your kindness, contained the here-enclosed article on sales of Canadian wheat to Britain, obviously on a "bulk"-basis.

If you would be so kind as to return to me this article, after issuing the "Individualist" for June, I would be much obliged to you.

Interesting for me - - an Anti-Malthusian - - is, that nobody fears a **scarcity** of wheat, but all are concerned with the possibility that large quantities cannot be sold. That at the moment there is a war-boom has nothing to do with the Malthusian aspect of wheat supply.

The article on land distribution in **China** is interesting and very important. The article confirms **Dodd's** observations that in China, as nearly in the whole world, a very great part of the crop is produced with the help of tools not much better than those of 3 000 years ago, and that an enormous increase of output could be produced by supplying the peasants with such tools as are in general use in the more advanced countries.

The fact that 50 % of China's arable land is owned by 4 % of the population must be rightly interpreted. The productivity of these 50 % of the land is not lost for the 96 % of the people. The large land holdings are rented out, under an economic system much resembling the Italian "mezzadria" but leaving a much smaller share to the peasants than the mezzadria does. Insofar the land distribution requires an urgent reform.

It is to be regretted that the experiences of Italy with agrarian cooperatives are so little known outside Italy and - - as it seems - - quite unknown in China. I believe that the observations made in this economic sphere in Italy to be of the greatest importance, hardly less important than the observations made in countries where a free note issue was permitted, in Britain before 1844 and, on a larger scale, in the USA before 1863, not to forget the experiences of German note-issuing banks in the the 19th century.

I received "Heim & Scholle". The envelope was damaged. I hope that there are no printed matters lost. (The envelope contained only "Heim & Scholle".)

Concerning China I beg to refer to my letters of 28. 6. 1949 and of 9. 8. 1949.

Very faithfully yours - signed: U. v. Beckerath.

22. IV. 1951. Your letter of 18. IV. 51., received yesterday.

Dear Mr. Meulen,

German elections are conducted by Proportional Representation. I hope to send you a copy of the West-German election law. At the moment they seem all to be sold. A bookseller assured me that a new edition is being prepared.

Marcus Aurelius and his laws on debts. When during the last years people tried to bring fresh "hot money" to Swiss Banks and the Banks had no possibility to lend out the "hot money", they said to these people: "Als Depositen koennen wir Ihr Geld nicht annehmen, sondern nur als **Depot**." (We cannot accept your money as interest-bearing savings-deposits but merely for safe-keeping. - J.Z.) Hire a safe! The word "Depot" is in Toussaint-Langenscheidt's dictionary translated with "deposit".

Similar institutions as safes were certainly known in antiquity. Now I contend: Many regulations, quite good and logical for safes, were applied to deposits, the word taken in the sense of your letter. That the Corpus Juris is, on this point, really imperfect, **Zander** explained to me after having carefully studied this matter. The essence of the Corpus Juris regulations was taken over by modern legislation.

By the way: A still better system is general at French Banks, as Rittershausen found out personally in Paris. The rules of the Banks permit them to buy gilt-edged securities, first of all "rente francaise", when the Bank does not see other possibilities to invest the cash brought to it. The rules permit to hand over the gilt-edged securities to the public in the case of a run. Everyone, who has opened an account with the Bank must sign the rules and confirm his agreement. Now a run can do no harm. If the Bank is on notice, then the gilt-edged securities are handed over to the public.

Gold payments. The reason for accumulating gold at times as the present are - - that's my opinion - - quite rightly stated in the journals. **Private Persons** do, at such times, prefer some gold to other goods. When importers and exporters at such times do also buy gold, then they do it in their quality as private persons.

Unfavourable balance of trade. It is true that when demands of traders in foreign currency are added to it, there results a national balance. IN this way also a balance for Wimbledon may be drawn up. It is of **practical** importance?

Interest and note circulation. If interest is high then there may be several causes for this apart from a strong demand for loans. In Germany, in the years 1926 - 1928, the interest was high, inter alia, because the **yield** of fresh capital was high. These years were a time of very considerable technical improvements in the whole world and most of all (perhaps) in Germany and Austria. A debtor, who gains 30 % or more for himself, by applying fresh capital, will gladly grant 8 % (the usual interest in these years for industrial loans) to his creditor. This only by the way. The great amount of outstanding notes (per caput) in Switzerland and the low interest attainable to the man in the street, for investments in this country, are in my opinion, connected. Your arguments do not refute this conjecture. If your opinion differs, please inform me where I did not consider your arguments sufficiently.

Dumping. I asserted that under a system of irredeemable paper-currency, one which is not endowed with the usual privileges of a forced currency, even the cheapest imported goods cannot create unemployment anywhere without creating a corresponding amount of additional employment in other economical spheres than those of the cheap imported goods. I admit that the **people** (journalists, ministers and professors included) do not **see** that. We do agree that in the long run cheap goods do benefit a country under the rule of **every** currency system.

I assert, that under the said currency system they benefit the country already on the day when they are sold.

New money and rising prices. Here we disagree. If the currency is no fiat money and is issued to such an amount that a fresh issue would produce a discount at the market, and, nevertheless a banker (supposed to be the most honest man in the country) issues fresh notes, then his notes will suffer, almost at once, a discount. Notes at a discount are not accepted by the public. So fresh money - - under the supposed conditions - - cannot raise the prices, simply because it does not enter into circulation. It cannot express purchasing power.

That scarcity of goods - - potatoes or others - - raises the price of these goods I did not contest.

You say: "You raise an entirely fresh point when you assume that the paper money has depreciated." But I find in your letter of 4. IV., page 2, line 14, the passage:

"The question whether the money that those fresh customers bring has been created 'in excess of what the country's economy would accept if there were no forced currency' never enters my mind."

Well - - it entered **my** mind, and I think that the case must be taken into consideration if the discussion shall be complete.

Gold price system. You say: Under your Free Gold Price System you have no means of knowing whether the higher gold price for paper is due

- 1.) to increased demand for gold in some foreign country,
- 2.) reduced production of gold,
- 3.) Excessive paper issues.

Here you suppose as self-evident that the main means of circulation will be a paper money of the present type. But I suppose that standardised ingots in the shape of gold coins will circulate freely and that prices in the shops are permitted to be expressed in such standardised ingots. (They will be, if permitted. I refer to the experience of all peoples and times, also that with the silver standard, whose experiences can here be easily used, mutatis mutandis.)

If standardised gold ingots (say sovereigns) circulate, then the above 3 points are to be answered thus:

- 1.) You are right, but for the same reasons for which it was not interesting in the year 1913 whether some foreign country demanded more gold than before, it will now not be interesting for the domestic price of commodities.
- 2.) You are right, but for the same reasons for which it was not interesting in the year 1913 how much gold was produced (Which shopkeeper knew that?) it is now not interesting for the domestic price of commodities.
- 3.) If there was an excessive issue of paper money, then that paper money gets a discount at the market and I read it the next morning in all papers.

The behaviour of English Land Banks before or after 1844 does not refute Nos. 1 - 3.

Concerning the potato merchant: His foreign customers must bring him sovereigns or notes at par with sovereigns, not otherwise than domestic customers. If the merchant **must** sell, he gladly accepts foreign currency.

If you refute me, you shall get the white blackbird together with its young ones, which it will certainly produce during the next weeks.

Morgans advertisement. If I would see him personally, I would to him personally my esteem and my pleasure to have read such a nice advertisement. Vivat sequentes!

Law regarding the use of gold ingots as money. I think, that these laws are easily to be learnt from one of the great Banks. No less important than these laws would be those, which prescribe the present paper pound as a standard of value in which prices must be expressed. A permission to use sovereign as a means of payment would be of small economic value if it would not be permitted to use them as a standard of value. How do you think about an enquiry at the Stationery Office??? It is possible that there exists a collection of all relevant laws.

Gold as a currency. You permit it - - that's all I want.

Scarcity of wheat in India. Are there price regulations concerning wheat in India? If there are, then the scarcity is a small wonder.

In these days I got 4 volumes of the Histoire de la Révolution Française, by **Thiers**, in a German translation by Jordan, printed 1844. Price 10 Pfennig each volume. Some volumes are missing. Thiers is an excellent economist although he is not acquainted with what the German and the Austrian economists of the 19th century called "Steuerfundation" (tax foundation - J.Z.). Therefore he sees some facts not in the right light. But what he sees quite clearly is the effect of forced currency. Very nicely he points out, that forced currency inevitably has these consequences:

- 1.) Price laws.
- 2.) Disappearance of commodities from the market. Nobody sells except he, who **must** sell.
- 3.) General distress, hunger of the people, which demand beheading of "price sinners".

(Decades after Thiers, the protocols of the Tribunal Révolutionnaire were investigated. Very many of the executed were "price sinners". Violation of the "maximum laws" at the time of terreur (terror. Since Meulen was fluent in French and B. was also familiar with it, he often inserted French terms. My French is not good enough to translated all of them correctly. - J.Z., 26.5.03.) was only punished with forced labour in chains for 20 years. Therefore, the public accuser added an accusation of royalist beliefs and of sympathy with Pitt.)

- 4.) The whole economy is subjected to the tyranny of the government, which means, in practice, to ignorant and greedy officials.

Thiers explains how, in the last years of the Revolution, a monetary revolution occurred. Nobody accepted paper money. It was bought at the market by those, who had to pay taxes. Coins of precious metal suddenly appeared in great quantities. Old Livre-coins left their hiding-places, great quantities of Spanish and Italian currency were used.

Thank you for your information on Cole's "Payment of Wages."

I enclose here, with many thanks, the letter of Kimmitt of 15. IV. 51. I made a copy.

"Leuchtknoepfe" (Illuminated buttons - J.Z.) were in general use also during the second world war. Now they have disappeared completely. But I will look for addresses of former manufacturers and send you or have them send you six of them.

"Spiral theory" (Individualist, April issue.) I refer to my letter of 27. 11. 48, page 2 a.

Very faithfully Yours - signed: U. v. Beckerath

Copy

The London Newsletter, 2a, Copthall Court, Throgmorton Street, London, E. C. 2, Phone: Monarch 8978
Editor: V. R. Kimmitt. News Editor: Beryl Ansell. Sub-Editor: John Bannister.

15th April 1951.

Dear Mr. Meulen: Clifford Johnston's correspondence was most inconclusive. I find most of these people shirk answering the one question to which one wants an answer.

My own view would be that, for a time, there would be two pounds; the paper pound and the gold sovereign. Paper pounds would probably do well enough for buying those things which were produced entirely within the country. The gold sovereign would be the ideal coin for buying abroad or for exchanging for foreign coins.

I have a feeling that the relationship between the two, at the outset, would prove to be about four or five paper pounds to one gold sovereign. If you wanted your sovereigns in block form, then buy bar gold by all means.

I understand that a regards Greece, only things of real value like house property, cars, pianos etc. are priced in sovereigns; so, as you say, Greece virtually has two currencies. But then, she has only about seven million sovereigns.

We have lots of gold, enough to back the whole of our fiduciary issue almost.

I share your own horror of the gold bullion standard; yet it is to this standard that Alexander continually leans. I believe that we merely want in our currency something as a standard as the foot rule, its weight and substance guaranteed by the King. What use the nation makes of it, is the affair of the people and will vary according to the nature of trade.

However, as I have said before, y o u should be telling me !

Thank you for sending me the correspondence, which I now return to you.

Sincerely; V. R. Kimmitt, Editor.

Some remarks to **Kimmitt's** letter of 15 .4. 51.

1.) Kimmitt's view, that for a time **two** pounds would circulate, will prove right. History confirms his view. Before me is an excellent article of Ludwik Zielinski (a Polish name) in the Jahrbuecher fuer Nationaloekonomie und Statistik, III. Folge, 16. Band, Year 1898, pages 433 - 482 and 598 - 641. It would be worthwhile to translate it into English and to publish it. The article has the caption: "Der Rubel jetzt und vor 100 Jahren; Beitraege zur russischen Waehrungspolitik seit der Einfuehrung des Papiergeldes."

For many decades in Russia there circulated both, a paper-ruble and a ruble of precious metal. In the year 1895 a relation of 216 "credit-Rubles" to 100 gold-Rubles became legal. This relation was changed several times since the first depreciation of the paper-ruble. E.G., in the year 1827 the relation of paper to silver was 3.70 to 1. In 1830 = 3.65 : 1.

Die "Jahrbuecher fuer Nationaloekonomie und Statistik" are certainly to be found at many British libraries. At their time they were one of the best and most appreciated journals of the world.

2.) If the relation is fixed and the merchants think it will remain fixed, then the paper money will be used for buying imports no less than gold coins.

3.) The relation of 4 or 5 to 1, assumed by Kimmitt, will prove to be true.

4.) Greece possesses now per caput about 1 1/6 sovereigns. That may be more than she possessed some decades ago, the Drachmas converted into sovereigns.

5.) Fiduciary money is never **backed** by a governmental gold stock but by the readiness of the government to accept it for taxes. The "Kassenkurs" (Official exchange at the tax offices - J.Z.) - - as the German and the Austrian economists called it - - soon will be the general relation in the country.

7.) I learn with great regret that **Alexander** is an adherent of the gold bullion standard. But he must have changed his views. In his articles and those of his friends there are passages favourable to a gold circulation standard.

Signed: Bth. 22. 4. 1951.

28. 4. 1951.

Dear Mr. Meulen,

a friend of mine in Switzerland sends me the interesting: "Bericht Nr. 1/1951", Basil, March 1951, of the Schweizerischer Bankverein (Société de Banque Suisse, Swiss Bank Corporation), London-Branch = 99, Gresham Street, E.C. 2.)

Under the heading: "Veroeffentlichungen der Waehrungs- und Wirtschaftsabteilung der Bank fuer Internationalen Zahlungsausgleich, Basel", the report mentions inter alia:

Bestimmungen ueber die Kontrolle der auslaendischen Guthaben in den Vereinigten Staaten (in englischer Sprache), 5. Nachtrag, Dezember 1950, Preis 0,60 Frs., und 6. Nachtrag, Januar 1951, Preis 3.-- Francs. Preis der vollstaendigen Sammlung (urspruengliche Auggabe mit 6 Nachtraegen): 20 Francs. (Regulations on the control of foreign credits in the USA, ... with supplements and their prices. - J.Z.)

I think, that the International Bank of Basel will possess an agency in London, where not only the American prescriptions on foreign exchange and on transfer of domestic money to foreigners are sold but also all other regulations concerning any country in regular relations with the said Bank. If such an agency does not exist in London, then agency of the Swiss Bank Corporation in Gresham Street will be ready to procure prints. When reformers demand the restoration of the legislation of 1913, then they must know which of the now existing laws are to be repealed and must also know the text of these laws. The texts could be obtained from one of the said Banks.

Before me lies the German translation of "Frederic the Great" by Macaulay. M. says that under F. II 1/7th of the male population able to do military service, were constantly soldiers. At that time the country's production was certainly less than 1/10 - - per caput - - of England's today. And yet the army war maintained without debts of the State, without debasement of the currency and without an income tax, the word taken in a modern sense. English economists should study the old Prussian finance system before they affirm, that today an army of about 2 % of the population cannot be maintained without inflation, increase of the public debt and of taxation.

(J.Z.: One aspect, which B. did not take into consideration here was that the conscripts of Prussia were paid only about 13 Pfennige a day, at least according to one famous anecdote on F. talking to his veterans, i.e., almost nothing by modern standards, apart from their keep. Although English modern soldiers are not as well paid as American ones, I am sure that they are paid much more than the old Prussian soldiers were. - J.Z., 10.4.03.)

In a little book, which I bought for 10 Pfennig, "Ueber die biologischen Grundlagen der Erziehung", by Prof. Dr. Fritz Lenz, 1927, Is pointed out that the number of births increases with the **poverty** of those married. I do not reproduce the statistics here, because, probably, you possess better in ones in your library or can easily get them. But the fact is universal and acknowledged. Families, where, probably, never **one** member ever suffered **real** hunger, do die out, so that e.g., of the aristocracy that conquered England under William I **very** few families did **not** die out. (Some say that this process was already finished about 200 years after the conquest.)

Now Anti-Malthusians affirm: A large population (per square mile) possesses the tendency to increase, merely by its largeness, the wealth per caput, unless government measures, wars, revolutions, religions, restrictions of trade, etc. destroy the wealth or prevent its increase. The Increase of wealth (per head) decreases the fertility, although not at once to zero. But it can be expected that if wealth, in the average, is so high as it is now in those classes not increasing by natality, the population on earth will have attained its natural maximum. That Maximum was estimated in Germany to about 20 000 millions. Others estimated it at 6 000 millions. (The latter quite obviously too small.) The present population movement is nothing more than the tendency to attain the natural optimum.

Very faithfully Yours - signed: U. v. Beckerath.

30. 4. 1951. Your letter of 25. 4. 51., received today.

Dear Mr. Meulen,

Here enclosed I return your interesting correspondence with Kimmitt.

In your letter of 20.4.51 you say: "... it would be well to allow the free sale and purchase for foreign trade of cold ingots at their market price."

I think you will not prohibit people from using standardised ingots also as a means of payment in **internal** trade, provided the creditor or seller is ready to accept them and the debtor or buyer possesses such ingots and likes to use them as a means of payment.

By the way: The profound difference between foreign trade and internal trade, stated for centuries by governments, merchants, bankers and other nationalists, is a prejudice and there, where it is real, the prejudice is the true cause of that reality. The prejudice creates the protective duties, the export bonus, the slogans like "buy British", "buy German", etc. and the "regulations". A Free Trade movement, which takes itself serious, disperses by

its logic all national trade prejudices, together with their consequences, so as the sun's light disperses spectres of the night.

The old trade prejudices are founded in an old but perverse mentality: Rulers think that the Heaven was so wise as to make them rulers, had also and truly given them a claim to the whole world: other rulers, their subjects and all property. The resistance they find against the realisation of this claim must come from the devil. The rulers' subjects - - slaves for more than 100 000 years - - consider themselves as parts of their rulers. **Kant** said: The contrary is right. If one will suppose a just and wise power as the world's government, one is led to the conclusion, that this government entrusted to rulers the task of constituting an international government and this only for purposes that cannot be performed without a government.

(J.Z.: I deny that there are any such purposes for any territorial government. Name me one! - J.Z., 10.4.03.) History should record primarily those actions of a ruler which coincide with this task of a ruler. (J.Z.: Has it ever?) The others are not so important. (Kant: "Idee zu einer allgemeinen Gechichte in weltbuergerlicher Absicht", 1784.) Kant's view, transplanted into the economic sphere, means: The world's trade is the first element of consideration for an economist free of prejudices. The obstacles put by governments to a free world trade are artificial and prove only the ignorance as well as the greediness of the rulers (and, in most cases, of their subjects, too), and to remove such obstacles must be of the same benefit as repairing holes of a highway.

If Christians would take themselves serious and their religion (what they very seldom do), they would accept Free Trade as an element of their religion - - as Quakers really do (I read) - - for the idea of a wise and just providence really leads to this conclusion. **Kant**, who in his sphere overlooked nothing (J.Z.: He managed to overlook the possibility of volunteer communities and societies that are only extr territorially autonomous and his view of a free economy did not include full monetary freedom. - J.Z., 10.4.03.), said: But Atheists also must be Cosmopolitans. An impartial and logical investigation of man's nature - - of which **reason** is an essential element - - leads to the conclusion, that a Commonwealth (rather, a civilised and world-wide society, not including any territorial governments! - J.Z., 10.4.03.), including all men, is to be considered as the most valuable of all goods, more valuable than individual life (the value of which being zero for so many people). Quite new principles of leading everyone's individual life follow from this fundamental principle. ("Kritik der Urteilkraft", par. 83 & 84, published 1790.)

As theoretical as all that seems: For me personally it provides the formulae to solve the problems which we discuss, the monetary problems, the trade problems and the political problems, not excluding such intricate ones as the treatment of minor Indian people.

Another point: An apt terminology is most important. My opinion is: As long as English reformers - - Kimmitt, Alexander, Johnston, yourself - - do not constantly use expressions like "forced currency", "fiat money", "the right to decline paper money", and similar ones, which the English language, perhaps, furnishes, so long will the public hardly understand you and you will not succeed in getting the necessary attention.

Consider: The paper money which you propose differs from that of **all** English reformers of the last decades insofar as it is not proposed as a **Forced Currency**. Forced currency being the real basis of **all** our evils -

(J.Z.: Only if one includes here the "forced currency" of the existence and acceptance at their face value of **TERRITORIAL governments** as well! - J.Z., 10.4.03.),

- you are here really in a splendid isolation. But it seems that of all your readers Rittershausen and I are the only ones who do appreciate that element of freedom in your system, so as it must be appreciated.

Consider, too, that such a profound thinker, excellent mathematician and benevolent heart - - a real patriot, too - - as **Keynes**, depreciated his writings to nearly zero by not distinguishing money endowed with forced currency and other money. If the public **discovers** that fundamental fault of Keynes' system, then all his books will no more be read, for a long time, except by historians of the economics. And to such a thinker you are superior - - under one condition: That you represent your superiority in a manner that is **understood**.

Let me compare your money without a forced currency, the design of which you presented to your countrymen, to a diamond which a lover presents to his sweetheart, until now adorned only with worthless glass. If the lover does not explain to his sweetheart the superior qualities of the diamond, the lady will prefer the glass, probably

larger and of more lively colours. But if the man **cuts** all glass and all other matter with his diamond and displays to her its other appreciated qualities, she will appreciate it, too, and at last consider here glass beads etc. with contempt.

Kimmitt, Alexander and his collaborators take it as self-evident that England can have as many sovereigns as are required to meet all demands for payment purposes, to pay out all wages, rents and - - probably that's their opinion - - all taxes. That's a fundamental error. As **Lubbock** pointed out, 100 years ago, much more than 90 % of England's internal payments are **not** performed by cash. (Lubbock is still in high esteem among actuaries, who constantly use his formulae to subdivide intervals. He was also a very successful banker.) Today this percentage, very probably, is still higher than at the time of Lubbock. When in 1914 all governments introduced a forced currency, they did with the intention to fill out the gap necessarily produced by the disappearance of gold from circulation. They knew no other means and economists did not propose other means. That was the same in all countries.

This whole train of ideas is contained in a speech of the German President of the Reichsbank, Havenstein, delivered before the Currency Commission of 1908, to the applause of the whole Commission. (Very intelligent men among the members.) There anyone may look it up, who is interested.

The circulation of gold coins (standardised gold ingots, privately manufactured ones included) **must** be completed by a circulation of notes or standardised cheques, etc.

If this is granted, then it is also granted that the following situation will necessarily arise and must be met: When gold coins are permitted, it is unavoidable that shops - - not at once but certainly within less than 2 years - - will price their commodities in gold coins, fractions of gold coins or multiples of gold coins. Once that is done, shops will refuse - - if permitted to do so - - any notes and similar means of payment not quoted at par at the free gold market. They will, however, accept notes of the banker to whom they are indebted, if the banker has inserted a corresponding clause in his debt-contracts. They will also accept at par their own certificates, issued by themselves. (I know that you are not fond of such a banker's clause, although you said, on page 81 of "Free Banking": " ... local tradesmen themselves were frequently debtors to the bank and were therefore only too willing to accept the notes." I think, developing the willingness into an obligation will be quite natural. Your reasons for rejecting this obligation would interest me very much.)

From such conditions arises the necessity for bankers to keep their notes at par at the market, because the notes are not endowed with forced currency. ("At par" means here: A note of the nominal value of a gold pound is taken at the market as equivalent to a sovereign.) If **this** task is not successfully solved, then the whole system of free issue of private notes, cheques, etc., does inevitably break down.

I would like to see Kimmitt, Alexander and his eminent friends and yourself putting **this** problem into the centre of your further investigations.

Let me remark here, that German theorists (Adolf Wagner, Lorenz von Stein - - Austrian - - Michaelis and many others) always affirmed that a readiness to **redeem** the notes at any time will not be sufficient. The Four Bills fully recognised the necessity to keep standardised cheques always at par with gold coins, at the market.

The importance of a successful theoretical (and practical! - J.Z.) solution of the here pointed-out problem cannot be overestimated.

Do not say, that **trust** into the banker (the word trust used in the sense in which the English used it 1844) will be sufficient. History very often proved that this kind of trust is **not** sufficient. History proves that political fools and political knaves devalue notes, issued by the most trustworthy (J.Z.: Trustworthy? or merely "wrongly trusted"? - J.Z., 10.4.03.) bankers, within a few days, so that shops did no longer accept them.

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No English reformer tried to solve the following problem, arising an hour after the introduction of the reformed system:

What kind of means of payment shall a creditor be entitled to demand from his debtor?

Sovereigns? When sovereigns have disappeared from circulation, then even laws like the 12-tables-law of old Rome (entitling the creditors to cut the debtor into as many pieces as there were creditors - - in a case of insolvency) will not pump out sovereigns.

Notes? If the public **trusts** in the notes, then, in times of crises, it keeps all notes in the pockets. (J.Z.: As many notes as it can hold back rather than having to spend them. - J.Z., 10.4.03.)

Related to this problem is the other:

What kind of payment **must** a creditor accept, when sovereigns are scarce and for notes the right to refuse them is acknowledged?

I discussed the problem for several months, with **Zander**, certainly the only lawyer in the worlds who saw these problems. Concerning our solution: I will retain it until I learn your own.

Sir Robert **Peel** saw the problem, too, and declared:

"... the engagement to pay a pound means nothing and can mean nothing else than the promise to pay to the holder, when he demands it, that definite quantity of gold."

That is the standpoint of all people, all laws and all economists.

The very erroneous supposition is, that always a sufficient quantity of coined gold will be at the debtor's disposal.

In your letter to Kimmitt you speak of the **market price** of gold. Obviously, you mean a price expressed in paper money. You do not consider the wholly different situation if gold ingots (J.Z.: and all goods, services and other debts.) are priced in sovereigns and at the market practically are paid only by sovereigns or such means of payment which are always at par with sovereigns. That condition was given in nearly all countries before 1914.

(J.Z.: On this point neither B., nor Rittershausen nor Zander or anyone else ever got quite through to Meulen. I also tried it in vain, in my correspondence with him. He had a fixed idea on this since his book first appeared in 1917 and never deviated from it, to my knowledge. - Already Marx noted, in his early book on political economy, that those people, who always think only in terms of legal tender paper money, i.e., paper money with compulsory acceptance and compulsory value, will never fully realise the natural laws of money. - J.Z., 10.4.03.)

To successfully discuss the problems now arising it is necessary to have a word expressing a monetary condition, where prices are all expressed in sovereigns, fractions of sovereigns or multiples of them, but where maintaining the parity of notes, standardised cheques etc. with sovereigns is left to measures of their issuers, in other words, it is not a matter for legislation.

100 years ago the word "gold standard" designated such a state. Now the word is used in a very different sense. What new expression could be used?

Spiral theory. (Wage and price spiral - theory - J.Z.) From English, American and German statistics of the distribution of national income I learn that in these three countries **wages** and similar payments are 60 % of the whole national income. Let me, for simplicity of calculation, suppose, that the percentage share of labour, expressed in wages, is 50 %. Let me further suppose, that all wages in the country are suddenly doubled. Then prices - - if permitted to rise correspondingly - - will not double. They will rise to 150 % of their former level.

Let me further suppose, that wage earners are not content and say: This price increase must be compensated by further wage increases. If wage earners possess enough power, then they will get the wage level increased by 50 % in the average.

Then the employers, if they are free to raise their prices, will compensate for the increase in wages by increasing their prices to a level of 175 % of the original level.

If the wage-price-war continues, then there will follow an increase of prices to 187.5 % of the original level, then to 193,75. etc., until, after 4 or 5 adaptations the limit is attained, where price increases are not longer sensible and further wage increases are compensated for by improvements in labour- saving machinery, etc.

The general price level will be nearly doubled. Competition, progress of technique, etc. will, after some time, restore the original price level, although the wage level is maintained.

(J.Z.: The wage level will not be so increased if there is no corresponding increase in productivity. Nor can it be so increased if notes or credits for such expansions are not made available. Whoever demands more than a market

wage for his job will then lose his job, unless he is a public servant, living at the expense of taxpayers, or has union or labour law protection against dismissal. Then paying labourers beyond their productivity will simply drive employers into bankruptcy and thus their employees out of their jobs. Sometimes the skilled workers are then replaced by machinery, which is becoming affordable when compared with the higher wage rates or skilled labour is replaced by great division of labour among many people, each of them only very shortly trained to do a tiny fraction of the whole skilled job, again and again. Then the skilled tradesman has priced himself out of his potential market, unless, via compulsory licensing he has monopolised his kind of job, like plumbers, electricians, lawyers and doctors have done. - J.Z., 10.4.03.)

That's no fancy. **Nossig**, whose book burnt with my others in 1943, investigated the wages of **Basel** since about 1800. He found that the wages of postmen may be considered as typical. He found further, that expressed in precious metal the wages at the end of the century were about 7 times higher than they were 1800. But prices were, by and large, the same as 1800. (Confirmed by German statistics.) The higher wages were, in general, provided by improvements in technology. In every case Nossig's investigations proved that the feared price-wage-spiral does not exist in reality, and if it existed, then it could not be a "spiral without end".

The end is given by the facts that here the law of a geometrical series acts. Such a series possesses, in cases like the one here considered, an indefinite number of terms and yet its sum is a definitive value. (The old Greeks could have discovered the law of this series by reflecting, without prejudice, on the "paradox" of "Achilles and the turtle". But even today average people still think unconsciously: A series with an infinite number of terms **must** produce an infinite sum.)

What helps much to overcome the difficulties posed by rising wages is this: A great part of prices consists in that what in German is called "Absatz-Kosten" (sales costs - J.Z.), advertisements, agents, etc., to sell the commodity. Many commodities in warehouses and also in dispensaries require about 50% of their price for selling costs. This part is at once considerably reduced once the demand increases, which is the case when the income of many buyers increases.

Very faithfully yours - signed: U. v. Beckerath.

Annex to my letter of 30.4.1951.

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Extract from the article **Dumping** in the Encyclopaedia Britannica, last edition.

Dumping, term commonly used to describe the sale of goods for export at prices lower than those charged at the same time and under like circumstances to buyers in the country of manufacture. ...

In Great Britain the anti-dumping duty is chargeable subject to the following conditions:

- a.) That goods are being imported at a price below the cost of production. Cost of production within the meaning of this act is 95 % of the wholesale price charged at the works for consumption in the country of manufacture, subject to the deduction of any excise or similar taxes;
- b.) That similar goods can be profitably manufactured in the UK (not merely in Great Britain);
- c.) That by importation under a.) employment in industry in the UK is being or is likely to be seriously affected;
- d.) That the affected home industry is being carried on with reasonable efficiency and economy;
- e.) That the finishing industry which uses the goods in question as material is not too hard hit by a dumping duty. (The Act provides that a committee shall make a special report on the subject to be referred for 'consideration,' by the Board of Trade.);
- f.) That no dumping duty shall be levied which is at variance with any treaty with a foreign State.

30. 4. 1951. Bth.

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If the authors of these prescriptions would have known the fact, that the payment of imported goods by means of payment of domestic origin, enforces an export of exactly the same value as the value of the imported goods, they would have added a clause "g ", stating that prescriptions "a - e" are not to be applied to goods paid by means of payments of domestic origin. (Inter alia: bills of exchange, where the debtor does not promise to furnish foreign

exchange.) It seems that until now economists did not distinguish the effect of means of payment of domestic origin (e.g. in the case of England: Pound notes) and of other means of payment (e.g. dollars). The difference is the application of a very general principle, which I will not explain here.

Your statement in your letter of 27.4. 51: "... and will arouse resentment" is quite right. If the temporarily unemployed cries loudly enough, then he enforces the most crazy measures. Crying unemployed are more feared than invading armies.

You are also quite right when you say: " But one can hardly expect the people, who are unemployed to look at it in this way."

It should be the task of the educated classes to create possibilities for unemployed to get at once fresh employment - - say, the next day. This task is by no means impossible. But the so-called educated say: May the ignorant workers help themselves! And if you or I would tell from that in the year 1789 Paris had 200 000 unemployed and 600 000 inhabitants, the educated smile and answer: What a good historian you are!! And they think: What a blockhead!!!

(J.Z.: One of the consequences was about 300,000 murdered by the red terror, then about 300,000 murdered by the counter-terror, after the revolution and then about 3 million in the Napoleonic wars, which led to the rise of nationalism and its bloodshed for the next 200 years. The introduction of full monetary freedom, back in 1789, would have spared us most of the subsequent man-made disasters and mass murders. - But it is still almost impossible to interest some people in the close connection between mass unemployment and monetary despotism and full monetary freedom and full employment. - J.Z., 10.4.03.)

Very faithfully yours - signed: U. v. Beckerath.

1. 5. 1951. Your letter of 25./27. of April.

Dear Mr. Meulen,

the present **election laws** of Western Germany and of Berlin are seriously criticised. A union is formed to restore the election laws of before 1919, when each of the 397 wards ("Wahlkreise") elected a deputy by the majority principle. The injustice of the old system is generally acknowledged. But the fact that now, in practice, less than 1000 persons determine the candidates and the mass of the electors possess much less influence than before 1919, is considered as a greater evil. I think: the best system is still to be invented.

(J.Z.: Under panarchism an within his own volunteer community everyone could have the election system that he prefers or a system without any elections, if he prefers that. To prescribe the ideal election system for others is as impossible as to prescribe the ideal religion for them. All territorial election systems have their flaws. They can never satisfy the dissenting minorities and sometimes not even the majority of voters. - J.Z., 10.4.03.)

The now living generation feels the disadvantages of the present system and forgot those of the former. Therefore the former system will be restored (that's my opinion) in a few years.

From a passage in the Historia Augustana I conclude that in old Rome, at the time of the later emperors, there existed a kind of women parliament. Such an institution would be much better than the present parliaments mixed of women and men. (Stress by me. "New" ideas are often as old! - J.Z., 10.4.03.)

Money deposits. You see that in this respect Swiss Banks are superior to English ones.

Unfavourable balance of trade. You know, that for several centuries this expression meant a commercial state where the money claims of foreigners could not be compensated by commodity exports but had to be satisfied by that good which was promised in the bills of exchange: Precious metal.

You know also, that if there exists a law or an institution, etc., by which precious metal or a paper convertible into precious metal, is **not** used, then the term loses its significance.

That statistics from time to time reveal the fact that imported goods are **credited** and, therefore, more goods (for a time) are imported than exported, has nothing to do with the original sense of the expression "unfavourable balance of trade". You know, too, that the expression is still used, in its original meaning, by the man in the street and such ignorants as average editors and ministers. There is nobody, who teaches them, that they talk nonsense.

The "balance" is often identified with the "dollar gap". It reminds me of the story in the Arabian Nights, where a merchant says to a cobbler: Repair my shoes at once and demand what you like. The cobbler demanded a sack of **fleas**, 1/2 male, 1/2 female. In terms of Moderns the merchant would have been vis-à-vis an unfavourable balance of trade.

Gold payments. Why do private persons prefer gold???? Must I state it? The journals state it better than I do. I fully agree with them. (That is seldom the case.)

Kimmitt says very justly: Gold (he speaks of sovereigns) is foolproof, knaveproof and politician proof. He did not add (because everybody knows it): gold is also tax proof.

(J.Z.: Only on the black market. On the official market, with books and bank accounts open to tax inspectors, gold trades, at least in Australia, have been subjected to e.g. sales tax. Possibly, at present, a goods and services tax is also levied on such transactions. - J.Z., 10.4.03.)

Its purchasing power, although not constant, is more stable than that of any other good observed in this respect. If a man buys gilt-edged, say, savings certificates, and another buys for the same sum gold ingots, a year later the latter, **very** probably, will possess a greater quantity of purchasing power than the first, although the first gained interest and the latter not.

Interest and note circulation. Agreed! But circumstances must be extraordinary, where fresh capital promises a high yield, creditors offer capital and yet find no debtors.

New money and rising prices. I agree that in a state of freedom merchants will, very probably, find out the means of payment which are less vexatious than others, be it gold or another.

Concerning gold: Already **Senior** estimated that about 30 % of the yearly production were used for industrial purposes. S.'s successors estimated the share to about 40 %, and it seems that this estimate was still pretty true in 1914.

Now experts again estimate the share a 40 %. If they are right, the demands of industry for gold would, probably, affect the commercial value of gold no more than it did 1913. The **additional** demand by private persons, who desire to hoard, will, perhaps, be constant in the next years. If that would be true, this additional demand does not disturb the commercial value of gold. What disturbs are sudden and considerable variations.

Let me here add: If prices in shops are expressed in sovereigns, then, in times of unrest, gold **loses** purchasing power. If prices are expressed in paper currency at such times, it gets an additional purchasing power.

(J.Z.: This statement is not obvious to me. Generally, in a crisis prices will tend to go up. But sovereigns and gold denominated notes will also be hoarded and become short. So we have under gold pricing on the one side a price increasing effect and on the other hand a deflationary one. People fleeing into gold will drive up its value compared with other means of payment and that should give it a higher purchasing power, not a lower one. As for paper currency, and prices marked out in the paper currency: Goods prices will tend to increase, during the crisis but, at the same time, this money, too, will largely be hoarded [unless it is being rapidly inflated] and will this tend to press prices downwards, in a deflationary way, in the absence of monetary freedom. I wish he had provided examples, as he often did, or explained his conclusion here. - J.Z., 10.4.03.)

Your invariable unit system. I still think that adherents of that system should have all liberty required to use it to the utmost limits of technical, economic and monetary possibilities.

In every case the experiences gained will be most valuable.

How should the system be introduced in countries like Germany, Poland, Russia, Hungaria, Austria, Greece, etc., where the records of old gold prices are lost?

(I believe that could be settled fast through a free gold market for all currencies. - J.Z., 10.4.03.)

There is another difficulty, although not an insurmountable one: Gold prices for the same commodity are different even in great towns and a fortiori in great countries. From the Statistical Yearbook of Berlin, Nr. 33, printed 1916, I learn, that in the year 1912 the prices for rolls were in Berlin, per kilo

a) in districts with high prices and

b) in districts with low prices, as follows, expressed in Pfennig:

	Jan.	Feb.	March,	April,	May,	June,	July,	Aug.,	Sept,	Oct.,	Nov.,	Dec.
a) high:	60	60	60	60	60	60	60	60	60	65	60	60
b) low:	35	35	35	35	35	35	35	35	35	45	45	35

Already under Napoleon III a statistics for Paris taught that prices for a great number of articles were pretty different in the different arondissements. The same was stated later for some other towns, Berlin, too. In the year 1928 I would buy a new safety-razor and resolved to observe the price differences in various districts of Berlin. I found that the prices were highest (for the same qualities) in districts like Wedding, where the population consists mainly of workers. They were lower in stores in "elegant" quarters in Western Berlin. (J.Z.: I have no explanation for this. Have you? In a badly organised large store I once found the same kitchen knife in 3 different locations and at three different prices! That was before bar-codes were in common use. - J.Z., 10.4.03.)

Scarcity of wheat in India. Indian "baboo" (officials) never will admit that their incapacity has been the cause. But even real drought may be due to the incapacity or greediness of officials. If the baboos steal the money destined for irrigation plants, then drought is (in some cases! - J.Z.) unavoidable. And they do steal!

Concerning **Jevons** I beg to answer in one of my following letters.

Very faithfully Yours - signed: U. v. Beckerath.

3. 5. 1951. Your letter of 25/27. 4. 51.

Dear Mr. Meulen,

as far as I can remember, **Jevons**, in his dissertation: "A serious fall in the value of gold etc." tried to answer the question: What trouble is greater - - introduce new monetary laws to compensate the observed variations in the purchasing power of gold, or let things go on as they were going? His opinion was: The enacting of new laws would be the greater evil. He founded his opinion on the statement, that, all in all and for everybody, the new economic conditions were preferable to those some decades ago, and that the disadvantages of the class of creditors were much exaggerated. Whether his opinion was well enough founded I cannot decide, but certainly he was an economist not inferior in rank to any other. Therefore, the probability that he was in the right seems very great.

I do not remember that Jevons established **principles** in his dissertation, although he took as self-evident the old Roman "Minima non curat praetor". The price variations which he considered seemed to him to be such "minima". (I know that he did not use the Latin sentence.)

What Jevons in his dissertation did **not** investigate (as far as I remember) was: When is a degree of variation reached in the purchasing power of a currency, so that a just legislator must make allowance for this variation and prudent business men must take care of it in their contracts?

This question offers the greatest difficulties. Example: In the "Dawes-Agreements" on settling the German Reparation debts, the Germans succeeded to get a clause inserted that they could demand a conference to settle upon other sums if the general price level had changed by 10 % or more. Obviously, they considered such a variation as sensible and the experts of the other side acknowledged this standpoint.

At about the same time, the Reichsgericht (Supreme Court - J.Z.) had to decide, whether a creditor, to whom was repaid a debt in the year 1922, at its nominal value in notes, although it was contracted before 1914, was entitled to demand an additional payment. The Reichsgericht said: In the year 1922 the people, business men included, thought that the rise of prices was a **dearness**, and that therefore a sinking of prices could be hoped for, to about the level of 1914. This opinion of the people must be taken into consideration. The creditor here in question shared it, for he raised no objections at the moment of repayment. Thus the court must refuse the claim for an additional payment. I remember that this decision was considered as just by public opinion, although in the year 1922 the average price level was about 100 times that of the year 1914. But the said clause in the Dawes Acts was also considered as just.

Obviously, an astonishing contradiction is to be stated here (by experts as you and - - I dare say - - as I) caused by the complete ignorance of average people on monetary questions in general and, especially, price level questions.

To return to Jevons: When he stated, that the transfer of income from one class to another, as in the example he gave, impoverishes the community, although **seemingly** the sum of wealth is unchanged, and that mathematics offers means to estimate the degree of impoverishment, he was right.

He said nothing on the degree of price variation justifying an interference of legislation or private agreements. But - - if I remember well - - he did not decline (as far as the principle is concerned) the propositions of Scrope, Lowe and others to adjust debts to the price level.

So my impression is: Jevons' investigations are not **complete**, but there is no contradiction in the results he attained.

I think that still some decades (perhaps even centuries) will pass before the gap left by Jevons will be filled. Though (J.Z.: I had so far mostly changed his "though" into "although". But according to a dictionary I just consulted, both have the same meaning, so from now on I will leave his choice unchanged. - J. Z., 10.4.03.) there exists an immense literature on the adjustment of debts to the price level, science seems not yet much advanced. The methods of constructing price-index-numbers are very much improved, in first line by Irving Fisher's work: "The Making of Index Numbers". The disadvantage of the improvement is that average people do no longer understand the methods. On the other hand: The old but comprehensible methods (there are several, equal in value) led to quite different results for very long periods of time (say 20 years or more). Irving Fisher gives interesting examples.

A theory of the margin is not yet worked out. A method of applying the clauses at times as in 1923 is not known. In this year the situation (in Germany) would have been thus: Suppose a just method was applied by a reliable expert, and the expert communicated his result to both to the creditor and the debtor. Before both received the letters, the situation was already completely changed.

I think, Jevons was far from contending that gold must be for all times the best measure of value. His opinion was: At the time when he lived it was the least evil. The possibility of a sudden very large supply of gold, by new mines or by transformation of other metals, he considered as always given. That in such cases gold must be replaced by some other substance is clear and, certainly, was clear to Jevons.

May the future situation be as ever it may be: It will always be necessary to distinguish:
a.) the substance of the money unit in use for immediate **payments** and
b.) the variations of prices in respect to **deferred** payments.

The by far best clause until now invented seems to me to be that of Dr Ramin. The clause takes into consideration individual differences better than any other, and if the interest for such things would not be extinct in the whole world, I would say: Economists should try to develop the foundations laid by Dr. Ramin. At the present mental state of the scientific world, even the best solution now found and published would hardly get attention. (Except perhaps in Russia. Ladislaus von Bortkewitsch, himself a Russian, Professor at the University of Berlin, published 1925 or so a survey of Russian (modern) literature on index numbers and the theory of deferred payments. - - I forgot the name of the journal, which for more than 20 years has no longer appeared.

If both parties, creditor and debtor, do agree that all variations in the purchasing power of money shall be apportioned between them, an appointment of 1/2 : 1/2 may be best for its simplicity in a variation such as 1 %. But in variations such as in Germany, most other countries and, presently, in China, an apportionment of 50 : 50 would be **very** unjust. A scale, depending upon the degree of price variations should be worked out by the adherents of the apportionment principle.

Very faithfully Yours - signed: U. v. Beckerath.

9. 5. 1951. Your letter of 7. cr., received today.

Dear Mr. Meulen,

please excuse that I lost sight of the radio matter during the last weeks. I will try to get more information.

By the way: Radio has been one of the great misfortunes of my life. It would have been very different, if I would not have been compelled, for so many years, to hear the radio of my neighbours. Some books which I would, probably, have written, remained unwritten because of radio. Now my "radio condition" is much improved. Till (thank you very much!) Jan. 51 one of my neighbours, a lady called Boehmer, tortured me half to death with her radio. Now she has moved to another town. Her successors, two very agreeable ladies, mother and daughter, possess a radio too, but don't misuse it, so that I can write and sleep at any times.

(J.Z.: Did he try to acquire efficient ear plugs? As a shift-worker I needed them and found them very helpful. They reduced the noise level to about 1/3 to 1/4 and the rest was, mostly, bearable - of one was tired enough, as I usually was. But I remember once, before I used any of them, trying to sleep in daytime, after night shifts, with several radios blaring around me, in rooms around our room. That led to sleeplessness for 5 days and almost drove me around the bend. The problem was solved by moving to another address. The new room was next to a major road, its constant and almost even noise, with various noises almost cancelling each other out, was bearable by comparison. Moreover, it did not contain language fragments but, mainly, senseless noise. - J.Z., 10.4.03.)

Some years before the war I read in the "Temps" a very good article, where the author raised the question whether radio was a progress for **cultural** development. He denied it because of the constant noise which the radio listeners impose upon the thinking part of society must, at last, produce barbarism. I am inclined to believe that he was in the right and that, e.g., the quite obvious regress in economic thought, since the spread of radio listening is inter alia due to radio.

New for me is that Runge reports a proposal that people should send their radio subscriptions to whatever station pleases them most. The principle underlying this suggestion is, here we agree, very good. Perhaps Runge knows what steps have been taken to put it into law. I will write to him.

PR (Proportional Representation - J.Z.) in Germany. If a people is so little interested in the own affairs as the presently living German generation and so far from knowing what its own affairs **are**, the election system is not so important. **All** systems will **seem** bad under such conditions. Adherents of the "Wahlkreis"-System, where every "Wahlkreis", elects one deputy, say: this system produces a higher moral level of the parliament than the system technically based on rules given by D'Hondt or similar systems. I think that is true. Also think that the differences between the parties are not **s o** great as critics suppose. Example: Berlin. After the elections of December 1950 Berlin is not in the least otherwise governed than before. And the great errors of a generation are shared by all parties. In our case, the note monopoly, misunderstanding the role of Free Trade and the well-known associated errors. If I should here be right, that the differences between the parties are overestimated, that would be an argument for the "Wahlkreis"-System. (If!)

Gold ingots and the invariable unit. You know that I distrust all monetary systems based on laws, agreements and decisions of "experts", etc. At the present cultural and psychological state of humanity a system of pricing in units which average people understand and themselves believe to be the relative best, is an indispensable protection against politicians.

My opinion on your invariable unit system is, that all its adherents should have the same facilities as all others - - say, the adherents of the system of pricing in sovereigns. What I wish for is: that this system should be known to more people than it presently is.

It should also not only be based on a supposition enforced by tyrannical laws, but it should be extended to suppositions to be expected under a state of monetary liberty. A tyrannical law is that prices must be expressed in paper marks.

My impression is, that in your example of the German eagle, worth 40 marks, you mean paper marks. But if the present tyrannical monetary law is abolished, a short time afterwards nobody will price goods in paper money. Almost everybody will price them in gold, workers will demand gold wages, etc.

When, after the abolition of the present monetary laws, a man still accepts paper money, then he will do so under the condition that this paper money is a par, on the **market**, with the gold unit stated on the paper money. Any note **not** stating a value (like gold or silver) as nominal value (face value) would be refused by the public, at the present state of enlightenment, provided that the note is not a forced currency.

If I should be in error here and you did **not** mean 40 paper marks, please tell me.

Let me repeat here, that I consider the system of gold-pricing as the relatively least evil under the present conditions and, in any case, as a system which, quite unavoidably, will be introduced by the people themselves, if they get the opportunity to do so.

However, everything in the world can be improved and the gold-pricing system, too, can certainly be improved. The best test of attained improvement is **practice**, even if merely in a restricted sphere.

Therefore - - and here we agree - -

- 1.) full liberty for all to try their own systems at the own cost and risk,
- 2.) full liberty of propaganda for all to propose whatever system anyone himself thinks to be the best.

Only under these conditions - - and here we agree, too, I think - - can the relatively best system be realised.

Kimmitt, Alexander & Co. Though I will not yet give up all hope that these eminent gentleman, so far superior in economic thought to their countrymen, do **not** demand the old disastrous redemption system, based on dishonesty, because it promises to redeem **always**, though the amount of notes is normally larger than the amount of cash in the Bank's vaults, though - - to repeat it - - I will not give up the hope that they **decline** this evil system, you may be in the right, that in reality they demand, on the contrary, exactly **this** system. I await further publications.

(J.Z.: A 100 % gold redemption system with a 100 % gold cover would not be dishonest. Alas, its advocates, like Rothbard, are mostly blind to honest alternatives to it. Even merely a redemption system, with a fractional cover only, would not be dishonest, if it quite openly declared, that gold redemption would only take place to the extent of the gold stock available at any time and that for the rest this kind of redemption would either be postponed, by an option clause, or it would be substituted for, e.g., by the handing-over of corresponding capital securities, in which the Bank had invested. Moreover, the Bank could also point out which of its debtors would be contractually obliged to accept its notes as if they were gold coins. In other words, there are ways in which a fractional gold cover and redemption system can be honest, provided only no **full** metallic redemption at any time, upon demand, is promised to **every** note holder desiring this convertibility. Moreover, neither the 100 % reserve and redemption system, nor any honest form of a fractional metallic reserve system, should be granted an exclusive privilege for note issues. All honest forms would also have to be able to stand the competition from other systems, especially those which transferred the convertibility into precious metal to the free markets for them. - J.Z., 11.4.03.)

What these gentlemen till now - - it seems - - did not consider, is this: There are three ways to maintain the parity of notes, whose face value expresses a weight of precious metal (say, sovereign = 113 grains of fine gold) and the weight itself is clearly indicated:

- 1.) The well-known redemption system, invented by the devil, if he exists.
- 2.) The forced currency system, for the invention of which no devil is needed, ignorance and insolence of politicians being sufficient.
- 3.) The system of the "Four Bills", which leaves the maintaining of the parity to the credit policy of the issuers, or - - if the issuer grants no credits - - (like the German Reichsbank 1923/1924) to the issuing policy of the issuer.

No. 3 seems to be unknown to the said gentlemen.

(J.Z.: Under point 3 he should have mentioned that the issuing policy of a free issuer is not up to his discretion or whim. He is quite dependent upon the voluntary and continued acceptance of his issues by at least the local public or a considerable part of the local public, which, apart from the debtors of the issuer, is quite free to altogether refuse to accept his notes or is free to discount them. The own long-term and even short-term business interest of the issuer demands of him that he does his utmost to maintain the parity of his notes. He must cover them and assure their steady reflux or continuous demand for them - with all his ready for sale goods and services as well as by due debts owed to him. - J.Z., 11.4.03.)

Gold coins or standardised ingots as a currency. Important for our discussion is: You will not forbid their owners to offer them as a means of payment and will not forbid others to accept them as a means of payment. (Or as a value standard. - J.Z.) That's sufficient.

We agree, that the qualities of gold (and silver), to be knave-proof, foolproof and politician-proof, in the opinion of many people, will endow gold with properties which make it preferable to any paper money. They may err, but they shall have all liberty to err at their own cost and risk.

Note Clearing. A good systems and it should be used as far as possible. But circumstances may be created, where the system is not **knave**-proof. I think that we agree: No note holder should be compelled to trust the honesty of a clearing house organisation.

Though the clearing system, invented by the Nazis in the last war, has nothing to do with note clearing, let me remind you, that the Nazis called their confiscation of raw materials etc. in Romania, Greece etc.: "deferred clearing".

Discount of notes in relation to gold as a good reason to refuse the notes.

The "Four Bills" distinguished:

- a.) considerable discount and for long time, from
- b.) other discounts.

We agree: There shall be full liberty for note holders to ignore a discount, which seems dangerous to others, and, on the other hand, there shall be full liberty for note holders to realise their notes when a discount is observed, which they think themselves to be dangerous.

You know my opinion: If on the market a discount is observed of more than 5 % and for more than 2 days, then one can ask:

Why don't the bank's debtors use this opportunity to purchase the cheap notes and to repay their debts with these notes to the bank?

Further: Why don't note holders use the opportunity to buy a commodity priced at a shop with 1 sovereign, with a pound note?

I do admit: For many people such questions are not interesting or important. But for businessmen they are.

In every case - - and here we agree again - - the bank shall have full liberty to state all reasons for which it considers the observed discount as unimportant and others shall have full liberty to state their reasons for which they consider the discount to be important.

We do also agree: The situation is not the same:

- a.) in an economic sphere where prices, wages, etc. are expressed in gold,
- b.) in an economic sphere where they are expressed in paper money.

(You investigate only **this** sphere (b - J.Z.) and are, obviously, convinced that the shops will not price their commodities in gold, even if they do have the full liberty to do so and there exists a really free bullion market.)

Means of payment a creditor is entitled to demand from his debtor.

The question is a "hot iron" and cannot be answered simply.

You say: "Any media etc."

I answer: "And when such media are not in circulation at the time when the creditor demands them, then the creditor demands what German lawyers call an "impossible service" ("unmoegliche Leistung"). That concerns the **quality** of the means of payment.

Your addition: "... equal to the free gold value of the loan at the time the debt was contracted", concerns the **quantity**.

I do not object, as far as the principle is concerned, but the following points must be made clear:

- 1.) Shall there be a margin, and if there shall be a margin:
 - a.) for what amount shall it be?
 - b.) for what period shall it be applied?
- 2.) How is the free gold value of the loan to be determined, which it had, at the time the debt was contracted?
- 3.) How shall loans be treated that were paid out by means of payment which were at par with gold at the time

the debt was contracted?

Spiral theory. In my example I supposed, for the sake of simplicity, that the wage increase, the following increase of prices and the second wage increase, etc., etc., were all performed at so short intervals that other factors need not be taken into consideration. (I neglected to state that expressly.)

In practice - - and here you are right - - such a condition will not be realised.

But in the whole spiral theory only the mutual effects of wages on prices and of prices on wages are considered and, insofar, a refutation of that theory is important which shows: The arithmetical supposition of the theory is not given. That supposition is: The amount of the wage increase is, in %, the same as the amount of commodity price increase, though wages are only a part of commodity prices.

Parliament of women. I think that the advantages will be greater than the disadvantages. A women's parliament probably will discuss primarily the concerns of women and, in this way, relieve the men's parliament from such affairs.

Such a profound connoisseur of the human heart and of public affairs as **Aristophanes** recommends women parliaments and contends that at times of war a women's parliament would do more for peace than a men's parliament. If Aristophanes would here be in the right (and I think, he is) the institution he recommends would be justified.

(J.Z.: Neither a men's nor a women's parliament, nor one in which both are equally represented or one with any kind of mixture or proportion of both, should have a territorial monopoly to decide over the affairs of all women and men in a country. Others might prefer non-parliamentary political or societal organisations for themselves and thus all individuals should remain free to secede from any, even the best territorial organization, voting and representation systems and to arrange for their own, without having to change their residence or their job. The latter case presupposes, naturally, that they were not in a government job when they seceded from that government. Then, if they secede, they would, naturally, lose that job. On the other hand, they might gain a similar job in the government or society which they would establish or join. - J.Z., 11.4.03.)

Gold payments. In my letter of 3. IV. I spoke of **exporters**. To exporters - - I repeat it though I do think we agree here - - the means of payment are **prescribed** and, insofar, the trust or distrust of **exporters** cannot influence the value of gold. If an exporter will purchase gold he must (I wrote that) act as a **private** person. (I think, we agree here, too.)

What concerns the **physical** qualities of gold in relation to the commercial qualities, gold plays the same role as do all other kinds of goods. Their physical qualities remain unchanged, while their value changes daily, so that on one day they are bought at high prices and on another day they are sold for surprisingly low prices, a remark which you will not take as a new economic discovery.

(J.Z.: But it is precisely the physical quality of gold that remains unchanged while the physical quality of many other commodities changes with time, usually, apart from fine wines, rare books and famous artworks, depreciating rather than appreciating. However, even for goods of the same quality, their price, at different times and places, can vary greatly. For potatoes, at different times of the year, it can change by a factor of 1 : 20, according to Roscher. But in this instance not only quantities but also types and their qualities do change. - J.Z., 11.4.03.)

Purchasing power of gold in times of unrest. I confess that I did not express my opinion distinctly enough. Take as an example the Russian-Japanese war of 1904. The greatest part of commodities rose in prices, expressed in gold weight, as long as the war was going on. That means a loss of purchasing power of gold. The same was the case in all wars reported by history. These price rises were observed though, in times of war, the demand for metallic gold increases as well. (1904 in London less than in Asia.)

But I do admit that a prescription to use only paper money with forced currency as a means of payment may produce different phenomena.

Paper money with forced currency will not be used as exclusive currency (in the sense of **Greene**) for all eternity. The phenomena caused by forced currency cannot be considered as economic laws for communities where there is no forced currency.

Interest rate and note issue.

Here, too, is to distinguished a forced currency of notes and a free currency. In this case we discussed notes of a free currency. I cannot discover reasons for which an average man will prefer to keep 10,000 pounds in form of notes in his strong box when he can earn 500 pounds interest p.a. by buying trustworthy or gilt-edged securities. (J.Z.: Tax avoidance and cash discounts might provide him with greater returns. - J.Z., 11.4.03.)

But I admit that 10 % annual interest will, in most cases, not be a sufficient reason to exchange a single **one** pound note into a savings certificate of 1 pound. That is true - - I think - - whether the note-holder's resources are very limited or the contrary and whether the demand for loans is great or not.

The invariable unit. Consider that this system is known to very few persons. Though **Isokrates** wrote one of his best treatises at the age of 99, you will not quite deny the possibility, that in 30 years there **may** be subjective obstacles for you to give your system the last finish. Therefore: Publish **now** so many details, that the main questions that will arise are all answered. Give examples (with all details):

- 1.) for a usual bank loan of (say) 3 months,
- 2.) an agreement concerning the income of a manager of a great concern, also for his pension,
- 3.) a mortgage loan of 10 years or so. Etc.

A private application of the system will afford the most valuable experiences.

I saw these days some insurance men - - old acquaintances. They told me: Germany's industrial plant was surprisingly improved during he last 3 years. They observed that when the new plant was to be insured. They had to inspect the machines etc. and understand enough of the matter to observe the improvements. They could not say where the money came from to buy this equipment.

Perhaps you do not know that Dr. **Runge** saved my life in about the year 1942. The details were as follow:
He had married a woman, looking very nice, obviously very learned and whose profession had been to publish writings on art history. My impression was that R. had good luck to marry such a woman. **But** the woman was not only a devil, she was also a 200 % Nazi. The first R. and I did not know. The second R. knew, but he did not know, either, that she was **such** a Nazi.

We met at the Restaurant "Leipziger Hof", at that time not yet destroyed and a very good restaurant. There he would present me with his conquest. I congratulated him heartily. In the course of the discussion we spoke of Mussolini. I said: Since the time of Caesar no man has brought such a misery for Italy as M. Her eyes became like saucers. Then she got up and cried like a wounded lioness: That's not true, etc. and began to throw chairs at me and at other people, who had nothing to do with it. What should I have done? I simply fled and left the little screamer to her husband. She insisted - - as R. reported to me - - to go at once to the Gestapo to get me arrested. If she would have done so, I would certainly have been tortured to death in some concentration camp. But Runge calmed her at last, but saw, that she was mentally not quite normal. When the war was over, he got divorced. The mental disease of this lady was **very** wide-spread among the so-called educated classes of Germany at that time.

Very faithfully Yours - signed: U. v. Beckerath.

12. V. 1951

Dear Mr. Meulen,

by your kindness I received 2 days ago:

- 1.) **Truth** of 27. IV. 51,
- 2.) City Press of 13., 20., and 27. IV. 51,
- 3.) The London News-Letter, 5., 12. & 19. IV. 51,
- 4.) National New-Letter of 5., 12. & 26. IV. 51,
- 5.) "F. C. I" (Czechoslovakia), 27. 4. 51,
- 6.) Statesman and Nation, 21. IV. 51,
- 7.) International Financial News Survey, 16. II., 16. III. & 23. III,
- 8.) The Monthly Record, May 1951,

9.) Chamber of Commerce of the United States, Correspondence & pamphlet,

10.) Clippings:

- a.) The Economist, page 979, "Zwei Jahrhunderte Maria-Theresien-Thaler",
- b.) Times, 9. IV. 51, "Cost of Carpets",
- c.) Times, 9. IV. 51, "Strains in Germany", "Refugees", and "Indian Search for Food".

I thank you very much. How glad would German editors be to get such a lot of most valuable and interesting information. But I live here as a hermit and I am without connection to editors.

(J.Z.: By that time, I believe, most German editors received already more foreign papers than they could or wanted to handle. - But most German as well as foreign editors were certainly not interested in B.'s writings and ideas. Nor are they now. All the worse for their papers and for their readers. - J.Z., 11.4.03.)

There is a striking article in **Truth**: "The rainy day", about the finance of Trade Unions.

Working expenses in 1949 = L 7 945 000

"Other outgoings" 1 103 000

9 048 000

Total contributions from

members 15 885 000

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The percentage is very high but - - I think - - not much higher than in other countries. The percentage is about the same as it is with Industrial Insurance Companies (Life Insurance at very small sums, in 1913 five pounds or so). If the premium is collected weekly - - which the assured prefer - - the office expenses are about 60% of the premiums.

The actuary Francois of the Compagnie Belge d'Assurances Générales sur la vie, in a contribution to the Memoirs of the International Congress of Actuaries, in the year 1906 in Berlin (a very able man) estimated a percentage of 40 % as the best result possible if premiums were collected weekly. For trade unions a collection at weekly intervals is practically the only possibility.

From the article "Disraeli and the Asian Mystery" I learn that Disraeli, in his "Tancred", proposed to make Dehli the capital of the Empire. To his contemporaries that seemed crazy; but - - the author Christopher Hollis asks - - was Disraeli not, perhaps, in the right????

In the article "Better fed than ever", R. A. Piddington doubts whether England now really eats more than she ate (per caput) in 1938, as official statistics contend. In this case, I think that the official statistics are right. West Germany and West-Berlin do now eat - - per caput - - much less than they ate when all things were rationed. I myself eat less than 50 %, reckoned in Kilos, of what I ate in 1947, a year when I and most Germans continually went hungry. Refugees that I know personally have told me that some days after their flight their desire for food diminished surprisingly. Small wonder: In the East potatoes and bread were their primary food. Fat in any form was very scarce. In the West nothing is rationed and much less bread and potatoes are consumed than in the East and yet the **costs** of living are not essentially greater than the costs in the East. Practically, they are less, because in the East there exists a "black market" with high prices. (It is said, and I have reasons to believe it, that Russians and police officials are its primary suppliers. Russians are admirable merchants, much more intelligent than Jews. They are also honest. At Potsdam it was usual to pay the Russians in advance for flour etc. One could be sure to get the flour. (Please, don't publish that, it could cost some Russians their lives.)

(J.Z.: Well, over half a century later and under a somewhat more liberal regime they should finally be safe, if they are still alive at all. - J.Z., 11.4.03.)

Article on "The Personality of Shakespeare". I forgot the name of the Lady, who first contended that **Bacon** was the real author. I possess Bacon's "Essays". When I was young, I read his writings on heat and similar things. Now I can say, after having read both: If it is possible that Bacon wrote Hamlet, then it is possible that I am the author of Somerset Maugham's novels (which I admire) and Rilke (whom I do not like) wrote my little dissertation on the development of value ideas in insurance in the "Actuarie Tidskrift". (*) The author of the article, John Brophy, is one of the apparently few men who believe that Shakespeare was Shakespeare.

(J.Z.: The last 3 words are not in doubt. In doubt is only whether he or someone else wrote the sonnets and plays ascribed to him. Recently I read a plausible article that ascribed them to Christopher Marlowe, who, according to this article, faked his early murder, at 29, escaped to Italy and from there used Shakespeare as his front man for his further literary output. He did have the talent for such work.

(*) (J.Z.: Can anyone supply me with a photocopy of that article? I was not aware of its existence until now. - J.Z., 11. 4. 03.)

Concerning the article "Famine in India", I am not astonished that the author - - though, obviously, an able man - - does not comment upon the **true** reason. Credit in India is permitted only on a rupee basis. But intelligent creditors distrust in the rupee. Consequence: The peasant gets no chance to buy or replace modern agricultural plant. The greatest part of the crop is now produced with instruments probably less perfect than they were at the time of Buddha. Small wonder! The peasant is now confined either to tools that he can make himself or order from the village blacksmith, who may be paid in kind.

But "economists" say: "Whoever speaks of improvements of tools is clearly a Utopian. There are too many Indians in India - - **that** is the scientific explanation!!

City Press. "Monopolies in Japan bribe government". Ill paid officials are always bribed. Is there **one** example in history which proves the contrary?? (Czechoslovakia perhaps excepted!)

(J.Z.: Well-paid bureaucrats may be even more bribable. They also have more favours to dispense. Just compare the percentage of Police Commissioners and their Deputies that have been **caught** and convicted for such offences. The real percentage of corruption among them is naturally much higher still, since they are in excellent positions to arrange cover-ups. The most bribable men may be top politicians. The dispense favours either for cash or for votes, in numerous cases, up to the top men. - J.Z., 11.4.03.)

Officials, ill-paid for years and **not** corruptible do exist, so as from time to time calves are born with two heads and wounded sea snails are found.

Percival F. Adkins calls the invention of "summer time" a "diabolical" one. I think, he is quite right. My own experience with summer time shows that even adherents of it are more tired under the reign of "summer time" than in winter. (J.Z.: Has that effect been properly measured?)

Comdr. Hyde C. **Burton** demands the "complete review of the existing 24 000 Regulations "restricting the economic freedom which England enjoyed 1913. I do regret that he did not emphasise another very effective means, proposed by **Jefferson** (and Paine! - J.Z): To restrict the validity of laws to about 30 years and of regulations to a few years. Such a clause in the constitution - and the greatest part of the Regulations would be already removed.

(J.Z.: Alas, the legislators and bureaucrats have set up mass production facilities for more and more of them, so that their total number might even be increased even while "sunset" clauses are applied to laws as well as to regulations. We need also freedom for individuals and voluntary communities to opt out from under them - and their territorial institutions. - J.Z., 11.4.03.).

J. H. Clifford Johnston proposes, in "City Press" of 20. IV. 51, to transform wages into gold wages (by reducing their nominal value) and giving a legal claim to workers to receive their wages in gold coins. A **very** dangerous thing. England, at her best times, did not possess enough gold coins to pay out all wages and salaries in gold coins.

Gold **value** wages - - a good thing, provided that prices in shops are gold **value** prices.

Gold value debts paid out not in gold coins require a **gold market** where the prices of all kinds of local currency or currency=Ersatz are daily and at every hour quoted in relation to gold coins.

Only through the free gold market do other means of payment than gold coins become economically and psychologically possible, which are at par with their nominal gold weight value. - J.Z., 11.4.03).

The free gold market is the first requirement of a **real** gold standard, the latter word used in the sense of **1851**. (That means: a standard unaltered by repealing the Charter of the Bank of England.)

(J.Z.: I do not know what he means here, so I reproduced his last and bracketed sentence exactly. The charter of the Bank of England wasn't repealed in 1851 or even significantly changed, as far as I know. Precisely the repeal of the charters or laws establishing and maintaining any central bank would be required for establishing a really free gold market. Did he mean: A gold standard **restored by repealing** the charter of the Bank of England? Did he want to say: A standard that isn't changed as it was changed by the charter of the Bank of England? Or: An unaltered,

natural and free gold standard, achieved by the repeal of the charter of the Bank of England? Or: An unaltered standard: by repealing the Charter of the Bank of England? - J.Z., 11.4.03.)

Johnston and **all** others never considered this **problem**:

What may a creditor (here a worker) demand from his debtor (here an employer) **if** there is a partial or a country-wide money-crisis, as was so often observed in the passed centuries?????

It Johnston, Alexander and their friends are not interested in **this** problem, then their victory will be a "Pyrrhus-victory". At the first money crises - - theoretically impossible, but practically occurring - - the government again introduces a forced currency, and the history since 1914 repeats itself. Only, this time, a Trade-Union official will be appointed minister of finance, and the workers will joyfully accept the forced currency.

Please: do study the certificates, by which the employers in the New England States paid their workers during the money crisis of 1893, in the article by John DeWitt Warner, in "Sound Currency", a New York paper, years 1895 & 1896. ("The Currency Famine of 1893.")

(What means the passage in Johnston's article: "The 'sum of one pound' is still 3.554684 grammes of gold; a sum which the Bank of England has promised to pay on demand."?)

An old sovereign contained 7,988 grams standard gold (11/12 fine) and 7,322 grams fine gold. The old law prescribed, that from 40 pounds troy of standard gold there were to be coined 1896 sovereigns. Thus 1 sovereign contained in fine gold:

$$\frac{40 \times 5760 \text{ grains}}{1869} \times \frac{11}{12} = 113 + 1/623 \text{ grains.}$$

$$1 \text{ gram} = 15.432 \text{ } 356 \text{ } 39 \text{ grains.}$$

At page 8 of the issue of 20. IV. 51, you market the passage where Alexander recommends a **convertible** pound, to be used as means of payment vis-à-vis Italian sulphur producers. This seems to confirm your view that Alexander really demands the restoration of the old obligation for the Bank of England to redeem its notes at the nominal value. If he would have meant convertibility at the gold market, then he would have said it. So your old distrust is justified.

Convertibility at the nominal value on demand, or even with an option clause, is an impossible thing at the time of a crisis.

(J.Z.: Impossible only for fractionally covered notes. Not impossible if a bank issued only gold certificates 100% covered by gold coins. But that was rarely done and is mainly only the dream or utopia of some gold bugs. They would be harmless for others - as long as they do not legally impose their ideal upon all dissenters. - J.Z., 11.4.03.)

If introduced, then it is repealed in crisis times and replaced by a forced-currency. I bury a great hope.

There is now much talk in England about a **revaluation** of the pound. Alexander says in the issue of 27. IV.: Revaluation of the currency would be a simple matter of juggling.

Here Alexander errs. Revaluation is much worse than juggling. Revaluation means an additional burden laid on all debtors. The market value of the English currency can now be considered as the value of one ounce troy of fine gold = about 420 shillings.

The true amount can be estimated by the quotation of 1 sovereign at the Exchange of Alexandria and the quotation of the Egyptian Piastre at the Exchange of London.

Revaluation to the value of, say, 1913, would mean to restore the old relation of 1 ounce troy = 84.954 s.

All debtors must then expend five times the amount of labour etc., which they must expend if no revaluation would take place.

Physically possible would be, **perhaps** a revaluation to a gold value at the free gold market of 200 s. per ounce troy of fine gold. But history proves that in most cases debtors find means and ways to evade devaluations, the most simple being a bankruptcy or a legal "seisachtheia" (Moratorium? - J.Z.) as in Germany 1932 and in the USA in 1837.

(J.Z.: If the new pound is introduced non-coercively and non-exclusively, as a competing and optional value standard, and optional means of payment, i. e. one a debtor may offer, if he has it, but which a creditor may not

demand from a debtor when he does not have it, while leaving the old pound to its fate - and a relatively fast disappearance via the reflux through its tax foundation - and if the gold market is quite free and prices in shops, wage rates, pensions etc. can be quite freely expressed in gold weights, then the new "pound" might be given ANY convenient enough gold weight value between a milligram and a ton. But to get away from all the misconceptions on an abstract "pound" and its "value", the most simple way would be to reckon in plain weight units, like grams or ounces of gold, fractions or multiples of them, in the same way as, probably, the original "pound" may have just meant a pound weight of fine or standard silver.

The theory of revaluation and an excellent comparison with stabilisation can be found in a 1821 published book of Prof. Jacob. I think there exists an English translation. (Full name: Ludwig Heinrich von Jacob. You may look up the book at one of London's great libraries.) Jakob was an extraordinary man, well known at his time as an expert in money matters. His statistics were famous. He also wrote philosophical works. A reprint of his "Staatsfinanzwissenschaft" in the series "Reprints of scarce old tracts" would be worthwhile.

(J.Z.: B. mentioned him several times as the only author on currency reform, establishing sound value reckoning again, who proposed not coercive measures but merely allowed free market exchanges to achieve a smooth transition from an old and unsound standard to a new and sound one. I have never seen the book. Can any one supply me with a photocopy or a digitised version of it? How many wrongfully conducted "currency reforms" have happened since this book was written. Apparently all of its sound advice is still ignored by "modern" and "scientific" currency "policies" and "monetary reforms".

London News Letter. Three Issues and no word on the money question! What is the matter with Kimmitt????

National News-Letter. Issue of 12. IV. 51. From Prague is reported: Bribery has almost been wiped out". The importance of this news cannot be overestimated. Normally, bribery is what makes despotism supportable. (Somewhat bearable! - J.Z.) If the news from Prague is true, there would be a situation quite new in the world's history. On the other hand: if the difficulty to bribe would not only be due to excellent organisation, by which every one is watched, and if it would be due to the **character** of Czechs, then it may be expected that resistance begins **here**. Stephen King-Hall ascribes the incorruptibility of the Czech Communists to their organisation. **Perhaps** he is in the right. But Czech fanaticism goes very far and **may** go to incorruptibility. New Isms may raise here a new world power as was the case at the times of the Hussites.

In the issue of 26. IV. 51., St. King-Hall spoke of the **Stock Market**. He does not recommend stocks. Well - - but I see from his comments that the notion "depreciation of money" did not yet enter his mind. He, like 99 % of all Englishmen still considers the paper pound as the true measure of value, the movement at the stock market as a **boom** and does not see that the movement resembles very much that pending (? during? - J.Z.) the German inflation. (Stocks do at least somewhat rise nominally during an inflation, although not sufficiently in correspondence to it. But securities that can be nominally "paid" out with inflated paper money do even worse for their owners. - J.Z., 11.3.03.

F. C. I. So interesting it is: The Czech emigrants have, obviously, no **program** and never even thought of framing a program. All consider the things only from a "human" point of view, speak of the cruelties and such things, which lead to nothing.

New Statesman & Nation. You marked the article of Peter de Mendelsohn on **Bert Brecht**? I hope you know the letter that Brecht's **son** (living in London) wrote to his father. The article of de M. is the first **favourable** to Bert Brecht, and I am much surprised. If that, what de M. reports, is true, Brecht is a better man than I thought. After the reception of his Opera "The Trial of Lucullus" (Plutarch represents him as a noble character) by Pieck and Ulbricht, one is tempted to say to Brecht what **Lucio** said to **Claudio** ("Measure for Measure", act I, scene II, verse 175): "... thy head stands so tickle (fickle? - J.Z.) on thy shoulders that a milkmaid, if she be in love, may sigh it off."

Financial News Survey. Article: "West-German Credit Restrictions."

You say: "Surely some German papers will print a letter from you on these restrictions."

If I would write about the restrictions, I would demand the right for German employers to seek their credit without the help of the Bank Deutscher Laender, and if it must be by issuing their own purchasing certificates, accepted by the employers in their normal business as a means of payment, and, secondly, by issuing debentures on the basis which I described in my book on unemployment. That's impossible,

1.) Because the article would become **long**. German papers print only **short** articles,

2.) because no German "expert" shares my views (J.Z.: Except Rittershausen and one other German academic, who, in 1949, wrote and published a monetary freedom article. His name does not come to my mind at present. I believe that I mentioned him in my still all too incomplete free banking bibliography. Zander would have to be counted as an Englishman by then - and he was then no longer active for monetary freedom. Since then a few other German writers followed Hayek's 1975 lead. - J.Z., 11.4.03.),

3.) because the "Bank Deutscher Laender" is considered like the Holy Synedrium was considered by the ancient Jews. Nobody dares to attack this Bank seriously,

4.) because German employers are such an indifferent class, quite unable to think in other forms than the prescribed ones, so that the displeasure of this class would be still greater than that of this Central Bank itself,

5.) because only such an article would be accepted, which demands a little relief in credit restriction, but in general praises the ingenious policy of the Bank Deutscher Laender.

Whether there is a reform possible by other classes than the German employers, I do not know, but that employers (at least in Germany - - but my impression of the English is not better) are in every respect below the classes still dominated by them, is proven by the events.

(J.Z.: That does not agree with my experience. Employees were still more hung up on class warfare notions, trade unionist doctrines and myths, as well as statism, welfarism, controls, regulations, compulsory licensing, "protectionism" and the employer-employee relationship than were many at least of the smaller employers. - B. still spoke sometimes in terms of the anti-capitalist mentality, which wrongly glorified "proletarians", although they showed all too little knowledge of and interest in their free market options for economic self-liberation. - J.Z., 11.4.03.)

There is really only **one** group in Germany which takes itself serious and speaks about programs (they speak nonsense - - admitted - - but they talk about I): the bureaucrats of the Eastern sector (of Berlin - J.Z.) and the Eastern Zone (of Germany - J.Z.).

A paper - - daily, weekly, monthly - - propagating the nine monetary liberties - - could **perhaps** help. Perhaps it is too late.

In the issue of 16. III. 51 you marked a good passage:

"Idleness and inefficiency, corruption and unstable government, can be heavier drags on progress than lack of capital, and, indeed, are likely to be among the root causes of a lack of capital."

That is quite well said. The author forgot to add: And if the currency of the country is a paper currency of the present English, German or Russian type, neither capital supply nor good government nor activity, nor incorruptibility can help.

(J.Z.: One should give even the "devil" his due. Insufficiently liberating as the West German governmental regime has been, it hasn't managed to prevent all economic progress and rise in living standards. But, how much more of an "economic wonder" would we have seen under complete economic liberty - added to by complete political and social experimental freedom? - Whatever was achieved in post-war Germany was not due to its remaining territorial governmentalism but happened in spite of it. Honour is due rather to the limited remaining economic liberties, especially those of the "black market" or "underground economy" rather than to governmental legislation, regulations, institutions and "measures". Governmentalism has retarded progress in Germany - as well as everywhere else. If you want two good examples for this: Just study the activities of the postal monopoly in any country, and how governments waste manpower in their prison systems. - J.Z., 11. 4. 03.)

The author says: "The economic development of a country is primarily the responsibility of the country itself."

A **country** cannot be responsible. Only the thinking part of a country's population is responsible. Take India: There was only **one** really **thinking** part: the promoters of the cooperative movement among the peasants. They invited - - and that was decisive for India - - the leading men of England's cooperative movement to visit India and help them organise a movement. The English did and with the most surprising success. They mobilised moral values were still more important than the economic ones. So England's cooperative movement leaders are responsible for the movement created in India (about 30 years ago - - now forgotten), not less than the Indians themselves. Many of the young Indians, entering the new movement, were simply murdered by the rich Brahmans, especially the Zemindars. They taught the Indian peasants that every reform does **also** possess a **military** side. The fate of the Zemindars is easily to be foreseen.

(J.Z.: Alas, not only governments but also their victims are, for all too long, all too tolerant towards conditions that, objectively, are intolerable for people loving freedom, individual rights, peace, justice and progress. "For every tyrant a thousand ready slaves." - J.Z., 11.4.03.)

Issue of March 23, 1951. The Bank of Greece is still crazy enough to sell its good gold for bad Greek paper money. I would not be astonished if the "Greek" paper money were really printed at Moscow (they do possess excellent printing plants) and if the sovereigns are purchased by Moscow's agents.

Distribution of property in Egypt. A new Mohammed "the conqueror" with 10 000 men could subdue the whole East. You remember the Turkish Revolution of 1908. **One** battalion of Salonikki was, at last, sufficient to overthrow Abd ul Hamid, at that time, perhaps the richest man in the world and possessing the best organised political police. (Well equipped with torture instruments.) The regents of the present oriental States are much less formidable than was old Abd ul Hamid. It seems that the King of Transjordan is no exception. He understands nothing of economics.

"The Monthly Record". Ritchie Calder demands "mature man". He accepts a definition of **Chisholm**, Director General of the World Health Organisation, for "mature". Both err much. (Here I need not reproduce their definitions.)

A **mature** man is one knowing what his own affairs are and interested in the own affairs. Show me the man among the world's leaders, who is, in this sense, "mature".

Chamber of Commerce of the USA. Mr. Emerson P. Schmidt's letter of 26. III. 51 displeases me. He says inter alia:

The Founding Fathers, who were profound students of both human nature and politics, wrote in our Constitution: 'Congress shall have power to coin money, regulate the value thereof'.

At the time of the Founding Fathers the art to understand words in a sense directly opposite to the sense in which they are used in a given text, was not yet so developed as it is today. In the year 1787 **coining** meant manufacturing **coins**. It did not mean prohibiting coins.

Very remarkable is that section 8 of article I (No.5), does **not** even provide a **monopoly** to Congress for coining. "Tradesmen's tokens" at the time of the enactment of the Constitution were frequently used but not considered as **coins**, because nobody was obliged to accept them, except the issuer.

From the monetary history of the USA it is well known that a quantity of the Californian gold coins were produced by private manufacturers. (Roscher reports that many of these private coins were too light.)

"What is meant by regulating the value is to be seen from the complete text of Nr. 5:

"To coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures."

At the time of the Founding Fathers the **English money** was legal tender in all States. Not less frequently than English money were met Spanish coins and also French (coming from Louisiana).

The Dollar was created as late as 1792. Other **coins** continued for many years to be legal tender, too, according to the value relations fixed by Congress.

To **fix** the value did, obviously, not mean to **destroy** the value or a part of the value. **Fixing** meant simply creating a regulation for the courts for the (frequent) case that the parties did not agree upon whether a debt was paid when paid in other money than was contracted.

If after 1787 Congress would have dared to **debase** the value of the currency, it would have been the President's duty to arrest Congress and impeach it for high treason.

Emerson P. Schmidt continues: "Except a few anarchists, all good free enterprisers in this country have always recognised that money and banking were in a class by themselves and required special rules of the game."

The good free entrepreneurs certainly acknowledged that there is, for enterprising purposes, no practical difference between \$ 1000 in coin and \$ 1000 balance at a good bank, but not a single entrepreneur, good or bad, would have admitted that a law concerning the **coins** (there was no other **money** at the time, except the fiat money **not** issued by banks) and **banking** related to the same thing.

I need no repeat here the long history of the relations between **money** and **banknotes**, which in full reproduced in the monthly "Sound Currency", volumes 1895 & 1896, which I possessed. (Burnt.) Even 100 years after the enactment of the Constitution banknotes were not yet acknowledged as **legal tender**.

Good advocates of free enterprise were strongly convinced that a non-private banking system was dangerous to their **freedom**, so that Congress, when it (firstly 1863) "nationalised" note issuing, **formally** conserved the private shape.

(J.Z.: Even now there are schools of "thought", which assert that the Federal Reserve System is a quite **private** company, just because all their attention is upon those, who hold its shares and they ignore the special powers and monopolies which the laws has granted to it. The relevant paragraphs are almost buried in a thick volume dealing only with formalities of the organisation. But then our legislators are good in hiding special interest legislation in other legislation. Only yesterday I got an e-mail indicating that among the latest US \$ 80 billion, supposedly allocated for the War in Iraq, there are hidden about 20 billion dollars of grants to special interests, that are quite unrelated to the war. And these "great spenders" of our earnings - do get away with it and so do such things habitually. When I looked, years ago, for a complete set of the legislation on the powers of the Australian Reserve Bank, I found numerous clauses and amendments tucked away in large batches of other kinds of legislation, laborious to find and expensive to acquire, because one had to buy the whole batch, sometimes book sized, just to get another clause or short segment on the Reserve Bank! At least then there was no single volume offering all the relevant legislation. Intentionally or just the usual muddling along? Even absolute monarchism could, theoretically, be constituted like a private and profit-making company. But that would be almost irrelevant - compared with the **powers** granted to it. As a concession to public opinion, it would rather give itself the **appearance** of a constitutional monarchy. The Roman emperors **formally** preserved aspects of the Roman Republic, like the Senate, but that did not mean that the real power was not in the hands of these Caesars. The leaders almost always get away with fooling their subjects for a long time. Recently some even fought voluntarily for a Saddam Hussein, under all kinds of delusions. Hasn't the US Constitution, for a long time, granted rather absolutist powers, e.g., on war and peace questions, to its President, for the time being, all under the pretence that such powers would be aspects of a constitutional republic or democracy? - Is it otherwise in any of the territorial States now in existence? - Most people are still under the delusion that they possess **the** vote, while, in reality, they have no choice regarding **taxes, war & membership** in "their" political "association". Their "public servants" are so kind to decide all such matters for them. - No one is so enslaved as he, who imagines himself to be free. - J.Z., 12.4.03.)

The difference between private note-issuing and fiat money (creating legal tender) is by far not yet quite forgotten. (For practical purposes and the interests of those in power it is quite enough when the vast majority, even of "economists" have forgotten it. - The vast majority are daily taken in by the myths surrounding legal tender and central banking - and thus all of us and they have to put up with the disastrous consequences of monetary despotism, inevitable as long as it is continued. They deserve this system. But, do we, we few? - J.Z., 12.4.03.)

I return the correspondence the day when I post this letter.

Interpreter. At page 1 of the last issue it is said: "Every act and every event has thirteen major aspects". I regret that "The Interpreter" does not indicate them. It seems to be a dogma of a philosophy. (There are also not-false dogmata). (Truthful dogmas. - J.Z.)

Kant teaches, that there are 12 such aspects. I state them here in German and take them from Kant's "Prolegomena": (If you are really interested, then YOU should use a dictionary or a good English translation! - J.Z.)

Der Quantitaet nach: 1.) Einheit (das Mass), 2.) Vielheit (die Groesse), 3.) Allheit (das Ganze),

Der Qualitaet: 4.) Realitaet, 5.) Negation, 6.) Limitation,

Der Relation: 7.) Substanz, 8.) Ursache, 9.) Gemeinschaft,

Der Modalitaet: 10.) Moeglichkeit, 11.) Dasein, 12.) Notwendigkeit.

Kant says, that Aristotle proposed 10 "categories":

1.) Substantia, 2.) Qualitas, 3.) Quantitas, 4.) Relatio, 5.) Actio, 6.) Passio, 7.) Quando, 8.) Ubi, 9.) Situs, 10.) Habitus.

Later Aristotle found another five:

1.) Oppositum, 2.) Prius, 3.) Simul, 4.) Motus, 5.) Habere. (On the last one I am not sure, since a typo was corrected by hand, with flowing ink. - J.Z.)

It there has been a progress over Kant, that would be of great importance.

Kant promised to publish a work where the "Kategorien" would be better explained than in the. "Prolegomena" and in the "Kritik der reinen Vernunft". He died before he could keep his promise.

(The list of 13 categories can probably be found in the writings of Ralph Borsodi. But Borsodi's thinking, valuable as it is in many respects, was also flawed or incomplete when it came to e.g. money questions or panarchism. - J.Z., 12.4.03.)

The article of an anonymous writer concerning life insurance pleased me much. The author warns everybody against taking out a life insurance. He reports that, instead, he bought real estate in a little town for about 4000 "New Deal" Dollars (*) and for about the same amount stocks of several leading American Corporations. Then the author asks: "Where can I get gold coin?" He does not know, that Americans (E.P. Schmidt's good free enterprisers, too) are sent into prison if they possess gold coins worth more than \$ 100.

(*) (J.Z.: Thus he exposed himself to various local compulsory rates, whether he uses these "services" or not, also to land tax, and for the land and the shares to capital gains taxes. If one lives in company with powerful and less powerful robbers, in a mutual "plunderbund", one cannot get away without losses and injuries and suffering injustices. - How many life insurance contracts or superannuation contracts are now on a stable value bases and unregulated and untouched by the taxers? - J.Z., 12.4.03.)

"The Interpreter" - - like **all** others - - ascribes the "inflation" (he means dearness) to the "government" and does not become aware that it must be ascribed to the forced currency.

The Actions of a government, destruction of goods etc., produces a genuine **dearness**, that is a condition where the purchasing power of gold coins diminishes considerably. Inflation is a condition where prices rises if calculated in paper money, but remain stable (or nearly stable) if calculated in gold coins. Since the professors abolished the old meaning of inflation, the people do no longer possess words to express the notion of a "dearness", which disappears at once if prices are calculated in gold. (If here I should be in the wrong, please correct me.)

(J.Z.: The genuine "dearness", due to a real goods shortage, will be overcome as fast as possible, under free enterprise, free trade and free pricing, since it stimulates the production of more goods and services. - J.Z., 12.4.03.)

The Interpreter improves gradually. The authors, Lady Loomis included, sincerely seek truth.

The Scots Independent. Nothing on Scots **monetary** independence! For a long time I have buried this hope, too. A mere racial or territorial nationalism, a new irredentism will find the resistance of all **true** revolutionaries.

Hegel (died 1831 at Berlin from Cholera) contended that increasing or diminishing the **quality** of things would change their **qualities**, too. (Quantitaet schlaegt um in Qualitaet.) An assertion which **Marx** took over. If it should be true, I would not improve my letter's **quality** (already poor) by adding a ninth page.

24. 5. 1951. Your letter of 22. 5. 51, received today.

Dear Mr. Meulen,

Radio: I must confess - - much as I detest the radio of **others**, when I come to the family Bloess, who have a little house of their own, I do take pleasure in tuning-in the most distant places, try to understand the English and the French (mostly without success - - for me they speak too quickly) and often thinks what a wonderful invention it is - - per se - - and it could be for all, without the misuse by some regardless of their (involuntary - J.Z.) listeners. If I would live in my own house and be sure not to disturb somebody, I, too, would have been severe with myself to prevent the radio from encroaching on my time. Things being as they are, the thinking part of society is nearly paralysed by radio.

PR. Your hint concerning the publicity by speeches in Parliament is very important. I did not sufficiently appreciate it.

Payment to a creditor. The condition in which no (*) medium of exchange is available, is not so rare. In all crises (1932, 1931, 1909, 1907, 1893, etc.) it is the normal state.

(*) (J.Z.: They are not altogether lacking but for many people, including businessmen, they are in too short supply to allow them all their normal exchanges. - J.Z., 12.4.03.)

But I think it possible to design conditions that would fit all situations in such a crisis. I am not sure whether you can now spend the time to enter into the many details of the question.

For me it is of very great importance that in the year 1908 the Reichsbank-Praesident Havenstein demanded the legal tender quality for his notes, so that there might always be the possibility to satisfy creditors legally. From legal tender to forced currency (forced value - J.Z.) there is, regularly, only **one** step. What was true for Germany in 1908 has also been realised in many other countries, perhaps in **all** countries.

(J.Z.: I feel sure that Havenstein had not only in mind a lawyer's point of view on legal tender, namely, the desirability of determining with which kind of means of payment a debt could definitely be legally settled, not necessarily to the creditor's real satisfaction but merely from the legal point of view. In at least one part of the 1908 monetary conference discussions the need for legal tender was discussed for the financing of the next war. And then and there, these war planners had in mind not only "legal tender" as "compulsory acceptance" but also legal tender as giving "forced value" to their inflated notes. Naturally, they also suspended gold redemption at the beginning of the war. Now all three breaks were off for the unlimited "financing" of WW I through inflation and, thereby, for the complete destruction of the value of the "Reichsmark" paper money. - J.Z., 12.4.03.)

A margin in long term contracts. In Germany and in such contracts often the following clause was used: "The first 2 % in value difference must be born by the creditor."

In other cases the first percent was used as a margin.

The Four Bills, in a special case, demanded the first 5 %.

A sufficient theory of margins has not yet been worked out.

Gold price at Paris. It seems that such an important place as Paris has now become a really free market for gold. Thank you for the clipping from the "Times" of 15. May concerning **Moch's** proposal to launch a gold loan. The Times calls the proposal "unorthodox". But Moch has experience and logic on his side. The Civil War in the USA was financed by Chase, in the year 1863 or 1864 by a **gold loan**. Nobody trusted the paper dollar any longer. The loan was a full success, probably also because the interest was 6 % p.a. and it was tax-free.

Women and children. What you say in connection with the little story concerning lady Runge is certainly right. Here, too lies the limit of Malthusianism, even if the doctrine would be generally accepted as true. Emotion will conquer the doctrine.

What you say of the intellectual men, continually quarrelling with their wives, if these are intellectuals, too, is **very** true. I just read a little novelette written by **Gottfried Keller**, the great Swiss author, celebrated for nearly 100

years. "Das verlorene Lachen". It confirms completely your standpoint. Keller is appreciated as one of the very best psychologists.

Christian hymn. I possess a "Common Prayers" with added 638 hymns. The two lines cited seem not to be the first lines of the hymn. Please, tell me (occasionally) the first words.

Very faithfully Yours - signed: U. v. Beckerath.

(J.Z.: Here B. noted: "Verte!" [turn the page!]. Apparently, he had added some remark on the back of this letter. It seems that I have failed to copy that back page, unless it went somewhere astray. Only once did I have a photocopier at my [temporary] disposal, which automatically copied, if set to do so, both sides of a page. - J.Z., 13.4.03.)

25. 5. 1951. Clipping sent with your letter of 22. 5. 41.

Dear Mr. Meulen,

the clipping "open-air sculpture" is of great importance. That such mental abortions occur is unavoidable. But that such things can be exhibited, in a country like England and - - it seems so - - are admired by many, is very serious. Enquire in history: Always degenerations of such a type announce bloodshed, terrible cruelties, devastations and, more evil than that - - indifference of the people. We had the same in Germany before Hitler came. We then had also a poet, Christian Morgenstern, whose completely crazy (*) verses were known by heart by all intellectuals. (*) When I heard the first, I had the feeling of having suffered a severe loss or an accident and knew at once: It announce a revolution much more terrible than the French of 1792.

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(*) (J.Z.: I deny that all of them were completely crazy and that all of them were known by heart by all intellectuals. I used to like some of them myself - but never bothered to learn them by heart. Here are just some samples from "Stufen", 1920 edition:

43: "Ich kenne keine 'getrennten Gebiete'." (I know no 'separate territories'.)

104: (1906): "Ich habe eine furchtbare Vision: Wenn die Sozialisten zur Herrschaft gekommen sein werden, dann faengt das Blut ueberhaupt erst a n zu fließen." (I have a terrible vision: Once the socialists have come to power then the spilling of blood will really begin.)

107: "Fuer mich selbst begehre ich nicht viel, wenn ich aber Talente sehe, die ein grosses Volk in seiner Unwissenheit, Gleichgueltigkeit und Kleinlichkeit verkuemmern laesst, dann steigt mir der Zorn auf." (For myself I do not desire much. However, when I see talents which a great people leaves to wither away, in its ignorance, indifference and small-mindedness, then I do become angry.)

118: "Das Resignieren der heutigen Menschen ist bereits eine Gewohnheit geworden wie Essen, Trinken und Schlafen; ..." (The resignation of the man of today has already become a habit like eating, drinking and sleeping; ...)

122: "Ein wirklich eigener Gedanke aber ist immer noch so selten wie ein Goldstueck im Rinnstein." (A truly original thought is still as rare as is a gold coin in the gutter.)

128: "Wer die Grausamkeit der Natur und der Menschen einmal erkannt hat, der bemueht sich selbst in kleinen Dingen, wie dem Niedertreten des Grases, schonungsvoll zu sein." (Whoever has once recognise the cruelty of nature and of men, will endeavour to be considerate even in small things, like trampling upon the grass.)

132: "Dieses Verwerfen in Bausch und Bogen, dessen wir uns so oft schuldig machen, ist schrecklich. So wenn einer von Rousseau's Bekenntnissen sagt: das verlogene Zeug. ..." (This wholesale condemnation, which we are so often culpable of, is terrible. As, for instance, when someone says of Rousseau's Confessions: That mess of lies. ...)

133: "Man sollte nie auf irgendwen hinabsehen, der auf irgend einem Wege - - und sei es zehnmale ein wider Sitte und Gesetz verstossender - zur Freiheit strebt." (One should never look down upon anyone, who in any way - - and be it in a way ten times offending against custom and law - - strives towards freedom.)

150: (1911) "Von Hundert, die von 'Menge', von 'Herde' reden, gehoeren neunundneunzig selbst dazu." (Of 100 who speak of the mass and the herd, 99 do themselves belong to it.)

152: (1905): "Wir b r a u c h e n nicht so fort zu leben, wie wir gestern gelebt haben. Macht Euch nur von dieser Anschauung los und tausend Moeglichkeiten laden uns zu neuem Leben ein." (We n e e d not live like we lived yesterday. Merely free yourself of this opinion and thousand opportunities invite you to a new life.)

157: "Darin kann man Tolstoi unbedingt Recht geben: Was man Taugliches wird, wird man in der Regel trotz der Schule, nicht durch die Schule." (One can unconditionally agree with Tolstoi on this: Whatever qualities one might acquire, as a rule one gets them in spite of the school and not through the school.)

157: (1909): "Es ist der Schritt, der erobert. 'En maarche' - ist eines der schoensten Worte der Welt." (It is the step which conquers. 'En marche' - is one of the most beautiful words in the world.)

163: (1891, when he was 20): "Nicht da is man daheim, wo man seinen Wohnsitz hat, sondern wo man verstanden wird." (One isn't home where one resides but there, where one is understood.)

In short: Morgenstern was not quite as bad as B. here tried to present him. Indeed, I do also disagree with much of what he has said, in the few of his writings that I possess and have read. - J.Z., 13.4.03.
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The sculptures are also a symptom that the class, to whom the creators belong, has become unable to live and will soon disappear. It will be not a valid objection, that there is not better class to replace it.

(J.Z.: I assert that these kinds of "classes" exist much more in the imagination than in reality. - J.Z., 13.4.03.

"Crisis in West-Germany" by Susan Strange. Susan certainly never thought that the present system of payment in West-Germany and the prohibition of Free Issuing of notes **must** produce a deficit.

Moscow and the Peace. There seems to be a Mr. Pritt advocating the present Russian mentality so as it is represented in Russian (Soviet - J.Z.) papers. I doubt that the Russian mentality is **much** changed. I heard from a man, whom I trust and who knows the conditions in the Eastern Zone quite well, that he was present at a fair in an Eastern town. There were also booths where fortune-tellers and such people sold their prophecies, especially from cards. Germans seldom visited these booths, but Russians did and, more so, Russian ladies were constantly to be seen there and were **very** interested. So were Russians at the time of the Tsars and so they are today.

Most interesting the article about refugees. You say: "It would appear that no Germans are turned back." And I tell you, that the refugee reception commission in the Kuno Fischer-Strasse in Berlin does turn back Germans, **daily**. The article also says: "Against 54 113 accorded asylum last year, 83 280 were refused the coveted recognition."

I know that these rejected refugees are in the worst situation. They had to flee suddenly, perhaps without the chance to return to their homes. They arrive in Berlin without money and without a bag. They can prove nothing. (To the bureaucrats deciding upon their fate. - J.Z., 13.4.03.)

There is - - politically seen - - only one possibility: Accept every person, without any investigation, and provide him with employment. But here lies the rub. Our planners do not know how to provide employment. If everybody would be accepted, all "intellectuals", and 100 000's of other people would come to the West. A year later the East would be a corpse without a soul.

But the good housewives, who here decide the matter, are, of course, unable to take **such** views.

Very faithfully Yours - signed: U. v. Beckerath.

28. V. 1951.

Dear Mr. Meulen,

2 days ago I received by your kindness:

- 1.) "The Economist" of 5. 5. 51.k
- 2.) "City Press" of 4. 5. & 18. 5. 51,
- 3.) "National News-Letter" of 3. 5. 51,
- 4.) "The London Newsletter" of 29. 3.5 1951,
- 5.) "Economic Intelligence", March 1951,
- 6.) "The Free Trader", March-April 1951,

- 7.) "The Scots Independent", May 1951,
- 8.) "The Economic Digest", March & April 1951,
- 9.) "F.C.I. (Czech) of 18. 5. 51,
- 10.) "The Word" of May 1951,
- 11.) Dr. Otto Strasser, "Free Germany against Hitler",
- 12.) Bulletin, Swiss Bank Corporation, May 1951,
- 13.) "L'Unique", Nr. 55 & 56, 10. II. - 20. III. & 20. III. - 30. IV. 51,
- 14.) Clipping from "New Statesman & Nation", 5. V. 51, "Free Zone", (meaning Tangier).

I thank you very much.

The article "The budget not enough" in "Economist" displeases me. The constant confounding of "dearness" with "inflation" makes the explanations appear as illogical. The author demands the stopping of "inflation". If he would use the word in the sense of 1913, then he would be quite right.

Inflation, in the sense of 1913, presupposes always a forced currency and is always avoidable, simply by repealing the law which made the currency a fiat money.

But **dearness**, resulting from scarcity, is unavoidable in times of war.

The author does not take into consideration that dearness is the best and most simple means to increase production.

The effect of dearness was, in all wars before 1914, that England was richer at the end of the war than before.

The article also speaks of "interest". There are always many kinds of interest in a country, and the interest rate at which bills of exchange are bought by banks is not the most important kind though papers and public think the contrary.

In Germany the **real** rate of interest, which businessmen must pay to private creditors, is - - so I read in an English paper - - 10 % p.a. The interest rate of banks is much lower. But most (? many! - J.Z.) businessmen are excluded from bank credit.

(J.Z.: Those mainly interested in condemning, wholesale, all interest, do usually have no interest at all in the different forms and real causes of interest charges, as prices for scarce goods, which help to distribute them optimally, in the best interest of all involved. - J.Z., 13.4.03.)

More interesting is the article "Dangers to German Democracy". The author is well informed and his judgement is sound. What he says of the growing influence of Dr. Otto Strasser is true. Nevertheless, I would have Strasser come to Germany. Why? Here many people still believe that Strasser has a **program**. If he came here, everybody would see that he does **not** possess a program and even does not clearly see what he wants. Such a leader I wish for the Nationalists!

(During the 30-years-war, Wallenstein caught the Saxon Generalissimus Arnim, but released him soon, under easy and honourable terms. The emperor was very dissatisfied. Wallenstein wrote to him: Such an ox at the head of hostile armies saves your Majesty many thousands of soldiers.)

Much more dangerous than Strasser became the General Remer, and this since his party was forbidden. As long as he could speak publicly, it was clear to everybody, that he, too, possessed no real economic program.

(J.Z.: As if parties would only be elected into power if they had one. Those with "platforms" full of popular prejudices, myths and errors tend to be much more successful in elections, even quite "free" ones. - J.Z., 13.4.03.)

Now the adherents can say: He possesses a program, but it is so good that the government prohibited its discussion.

Remer thinks in **military** terms. He certainly knows what already **Gibbon** knew and said: 1/100 of a population if **armed** can control the unarmed rest if. Today 1/ 1000 is sufficient. The Nazis, before 1933, used thin & elastic steel rods as weapons (J.Z.: Also about 2 cm thick & 30 cm long rubber cylinders: "Gummiknueppel" with a flexible steel core. One of their slogans was: "We don't argue. We have "Gummiknueppel!" - J. Z., 13.4.03.) and dissolved most meetings of their adversaries. Nobody reflected upon the possibility to also use weapons in the defence of these meetings. All cried for the police.

The real aim of Remer is - - of course - - to get jobs for the numerous officers now getting assistance from the local employment offices or work as simple labourers. I knew a colonel working at the harbour at Hamburg. (He is now a high official at Frankfurt/M.) 100 out-of-work-officers are, of course, a much more dangerous political

power than are 10 000 of ignorant and indifferent workers of the average type. History proves, that ill-treated officers - - even when they are only a few thousand - - at last become the dominant group of the country.

Further: It should not be forgotten, that **Seeckt**, the commander in chief of the German army of 100 000 men, was always in close contact with the Russian High Command. (E.g., German pilots were trained in Russia, before there was again a German airforce. - J.Z., 13.4.03.) I am convinced that Remer, too, is in contact with and also financed by the Russians. That he writes against Bolshevism proves nothing. You know: Hitler profited from Stalin's attacks and Stalin from Hitler's. But their personal relations were not bad and Hitler prohibited all personal attacks against Stalin. Only attacks against his policy were permitted.

What could help would be a program to remove unemployment (J.Z.: See the "Berlin Program", which I microfiched in German & in English. - J.Z., 13.4.03.) a clear, intelligible program and a paper talking about the program at last once a month. Here lies the rub.

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City Press. In the issue of 4. V. is reported that a factory in a provincial town advertised, that women were wanted for evening work. 1000 women appeared and police were needed to control the crowd. How is that possible in a country where **full employment** is realised????????

You marked the article "Devisenzwangswirtschaft". An interesting article. I learn from it that the export of Pounds is still prohibited in England, except for very small sums, granted from time to time by the authorities. The article demonstrated that by the example of English travellers in Switzerland. The simple truth is, that pound notes spent in Switzerland **must** return to England and buy there anything for the account of a foreigner, in other words, induce an export. This simple truth is not yet comprehended by English officials, electors, professors and all average men.

In the report of the Marling Gold Mining Areas Ltd. no details are given on the number of workers employed. For many years now in **all** reports of gold mines this number is omitted. Twenty years ago it was always stated.

I read in City Press, that "Enemy action destroyed nearly 80,000 houses in London during the war." If the Nazis would have been able to **really** think in military terms, then they would have used the explosives to destroy high furnaces and nothing but high furnaces instead of destroying such a mass houses of civilians. If they had done this then they could, possibly, have won the war. This case reminds me of the bombardment of Paris in 1870. Moltke - - a **real** military leader - - proved, that if the quantity of shells ready for the bombardment would be used against one of the great forts and then to the enceinte, Paris could be taken by military action. He reminded, that the great fort "Mont Avron" was destroyed within 24 hours by a concentrated bombardment. But the others confounded cruelty with military energy and bombarded the city, without any military effect and arousing the indignation of the whole world.

I estimate that the number of houses destroyed in Berlin was about the same as at London. (J.Z.: If I remember the percentage correctly, in Berlin 52 % of all houses were destroyed. I doubt that London's destruction was as extensive. - J.Z., 13.4.03.)

In the issue of 18. V., in an article by Eggleston, a word of Mussolini is quoted: "Molti nemici, molto onore." "Viel Feind, viel Ehr" is a **German** proverb, some centuries old. Mussolini knew German. But, I suppose, that in **all** languages there are similar proverbs. (The more enemies, the greater the honour. - J.Z.)

Eggleston is an excellent economist. He would be perfect if he would turn his mind to the liberty of note issue. He does not see, that all arguments of his adversaries are based on a state of an artificially restricted quantity of the means of payment, and that his own supposition is unfounded. Free Trade alone (if it is expanded also into the monetary sphere! - J.Z., 13.4.03.) will provide the country and every sphere of it with a sufficient quantity of means of payment.

The still unwritten history of the **truck system** in all countries proves the impossibility to provide sufficient means of payment consisting of an "exclusive currency". (There exist at least one history on the English anti-truck legislation and one on the German. I believe I microfiched the latter but not yet the former, because it seemed to be still in print. - J.Z., 13.4.03.)

George Whitehead publishes an article "Equal pay is unjust". In Germany the slogan (also in the Eastern Zone) is: "Gleicher Lohn fuer gleiche Arbeit". (Equal pay for equal work.) That is a very different thing. If a woman, occupied in agricultural labour, produces 1000 Kilos potatoes of the same quality as a man, it certainly would be unjust to refuse her equal pay per quintal potatoes. In practice that would mean a smaller pay per labour hour. (J.Z. Only if her output per labour hour would be less in quality or quantity. So I can't follow B. here. - J.Z., 13.4.03.)

From Whitehead's article it seems that the T.U.C. demands equal pay per labour hour without regard to the quantity or quality produced in an hour.

Beaumarchais, in his "Figaro" gave a very noteworthy contribution to solve the question of female labour: A word of Marcelline, III. act, 10th scene. Of course, neither an economist nor a female writer nor anybody else paid attention to this hint. (Who will dig it up for me? - J.Z., 13.4.03.)

National News-Letter. Interesting article on "Jew and Arab". Jews insist on committing all national faults of other "nations", ill treatment of foreigners, currency fraud, suppression of Free Trade, etc. If Jews would do the contrary of all that, they would get such sympathy in the whole East, that the young men in the whole neighbourhood would voluntarily join the Jewish army (their feelings strengthened by the pay of a piece of gold every day), and a year later the Empire of old king David would be restored, and Damascus would again be a Jewish centre. But the Jews would rather die, man for man, than becoming in **this** way the first of all nations.

From Baghdad is reported, that its 100 000 Jews, certainly descendants of those brought into the country by Nebuchadnezzar, shall now be deported. If these Jews would have become the real aristocracy of Mesopotamia, by adopting the principles of a free economy, they would play a most honourable role there, would probably give a king to the country and the inhabitants would beg them daily: Please, bring **more** people of your excellent race into our country. We want economists, scientists, engineers, etc.

The alternative for all races is now: become **real** aristocrats or become chased out or murdered by the world's population, Nazis, other nationalists and such people. Jews do not understand that and prefer being tortured to death, for them less terrible than **such** a conversion. It seems that the English and Germans are no better.

The London News Letter. The article "Soviet victory" describes quite well the power which the Russians exercise in the whole world. (If the writer would live a few weeks in Germany, he would get convinced. that the Russian gold is already almighty here.) But the writer - - like all others - - confuses:

- 1.) The fact that the Russian currency is **proclaimed** to be on a gold standard,
- 2.) the fact that Russia really produces much gold at the Lena and at other places and spends it abroad,
- 3.) that Russia gets Dollars, as many as she likes, by her forced exportations (it was so since 1918) and also spends the Dollars very cleverly. (B. wrote: "with great ability". - J.Z.)

Russian gold is not **coined**. Russians are prohibited to possess gold. There is no gold market in Russia. There is no market at all in Russia (except the "black market"), and the government autocratically fixes the value, expressed in goods, of 1 rouble = 0.222168 grams pure gold. The rouble is a money of account to simplify the exploitation of Russian satellites in the way of "trade". The rouble is no "hard" currency, the word used in the sense in which papers and economists speak of "hard currency".

You remark, inter alia, in a note to the article: "Whereas to get gold, we have to export goods that we badly need at home."

1913 it was perfectly true, that to get gold from abroad, one must export, or another must export or have exported, whose balance could be bought and converted into gold at the market price. But today, if I err, please tell me: In what country are merchants or private persons permitted to pay English exporters in gold?

Economic Intelligence. You have read the article "Forty-cent Dollar". The article is written in the spirit of modern economics orthodoxy. One of its dogmas is: Never distinguish a decrease in purchasing power caused by scarcity from one caused by purely monetary influences. Call both "inflation" and you will be a good boy.

Scots Independent. The paper's present policy is the usual of people not engaging in logical economic thinking. If that policy (an "independent" Scotland, the word "independent" taken in their sense) should prove successful, Scotland would, a few weeks later, play the role of Western Germany: Constantly begging her greater neighbours to **buy** from her. There was a great hope - - ex.

Economic Digest. March. If the table of the **real** wages in Russia would be used in propaganda, it **could** create a subversive movement in Russia. The people who could, sleep and the others are without any influence - - lack of time, of money, of health, of opportunities, etc.

The difference between Gordey's numbers and those of the New York Times, may be - - I think - - easily explained. Example: Socks. Gordey states: 46 minutes = the price, expressed in labour, to be paid by a Russian worker. The New York Times says: 300 minutes. (A USA-worker pays 12 minutes.) Both will be in the right. The 46 minutes price probably refers to a "Sonderzuteilung" (special allocation- J.Z.), so as we had it often in war-times. A long row before the counter in the warehouse. In an hour the object of the "Sonderzuteilung" was sold out. Whoever still wanted these goods had to go to the black market, with its multiple prices. But the governmental index, of course, took the special price of the "Sonderzuteilung" as typical. (I read that in Russia the publication or the private calculating of index-numbers is prohibited.)

Gordey's numbers refer to Moscow alone. Capitals are always better treated by despots than are other towns or the villages.

Economic Digest, April issue. You marked the article: "Gold hoarding at \$ 42 an ounce." An interesting article. It confirms **Kant's** statement that average people take their moral etc. notions from the existing legislation.

(J.Z.: I think that it is precisely the other way around. Who bothers to read the details of the legislative avalanche? People have some living to do. They can't spend all their time reading law texts and are not paid to do so, either. Even all of the legislators to not really read all the laws they pass with their votes, although they are well paid for spending some of their time thus. A small fraction of them or of specialists drafts the bills and the rest then simply vote for the **title** of the law, often regardless of its contents and without discussion or without sufficient discussion, upon trust in the committee members or under party discipline. But the legislators are average men, too, with the usual popular prejudices and errors in their minds and the usual very limited interests - and they express them in their laws. To that extent we do have a "representative democracy". - J.Z., 13.4.03.)

- 1.) Paper money is for the author - - exactly as prescribed - - the normal measure of value. His unit is the paper dollar.
 - 2.) He believes - - being a loyal subject - - that 35 % per ounce are the official monetary gold price in the USA. He does not know or see, that 35 paper dollars are only the **purchase price**, not the price for which gold is **sold**, except in the few cases where foreign central banks are buyers. (Celebrated case of the Banque de France, which bought gold in Washington for \$ 35 an ounce and sold it at once in Paris for \$ 43. Even the Monetary Fund gentlemen in Washington became aware that there must be something wrong.)
 - 3.) Quite consistently the author speaks - - as do all others - - of **premium** prices. He should have spoken of **real** prices and of the blockhead-discount-price of \$ 35.
-

The author gives a hint that a further devaluation will be unavoidable. **Here** he is in the right. I expect it in the next months. A further **legal** devaluation would only confirm the **real** depreciation. (Which has already taken place. - J.Z.) The latter cannot be made ineffective by keeping to the official relation of paper money to gold, say, in laws, prescriptions and the treatment of defenceless creditors.

A union of lawyers, economists and men of practical business should frame a petition to Parliament, demanding the immediate repeal of all monetary laws enacted since 1914, and an amnesty for all persons and firms punished for violation of these laws, and, especially, demanding an act which permits a free gold market.

In the article: "Two thousand million dollars for African projects", it is stated:

1.) that Negro miners in the Belgian Congo earn 32 cents a day, while in Nigeria average workers get 15 cents a day. (**Not** stated is the fact, that there most employers are Negroes: The Negro is the Negro's worst enemy.) while in South Africa the government pays \$ 4.02 a week. The article - - of course - - demands "increase of production" to amend the position of the natives. The author forgets to say **how** the increased production can be bought by the natives with such wages. (The numbers were stated 1948.)

2.) that the cost of the planned meliorations would be 2 000 million dollars. **Not** said is that in the meantime all plans have been postponed, because the **market** to **sell** the extra production is not given.

F. C. I. (Czechoslovakia) Interesting news - also from Berlin, not reported in the German press - - but no reform proposals. But I learn that the Russian broadcasting station, operating in the Western Sector, shall be removed to the Eastern Sector. (Of Berlin. - J.Z.) It would be a great reform. Many people of the West, thinking it was a building belonging to the English, have disappeared there.

The Word says in an article on Rocker, that "Noske's Social Democratic policemen ... struck down Rosa Luxemburg and Karl Liebknecht." (1919) Everybody in Germany knows and here it was never contested, that the murderers were of a fascist officers' union and had nothing to do with Noske's policemen.

The **Duke of** Bedford is an extraordinary and respectable man. But he is no economist and, therefore, is no real help for the movement he intend to assist. What concerns his article: "Why not make disarmed Germany a buffer State?", I wished the Duke lived **one** week in West-Berlin. Then he would knows why not. (Because the "VoPo" [Volks-Polizei - People's Police - J.Z.] would occupy the country a few hours later.) (J.Z.: Then a possibility, not a certainty. Moreover, a short stay in a country is usually not as instructive. Often not even a life-long stay in it is. - J.Z., 13.4.03.)

Dr. Otto Strasser, "Free Germany against Hitler."
(J.Z.: If Germany had been really free, then Hitler would not have had a chance at all to gain power. - J.Z., 13.4.03.)
If you should become aware of what Strasser really wants, please tell me. I found only vague generalities. But many people like them. He will always find plenty of adherents, but, certainly, he will not play a role in real politics. The man has no program.
(J.Z.: Did Lenin, Stalin, Mussolini, Hitler, Mao etc. have one? Does any politician? It seems that under present conditions a man with a program would have it harder to gain influence than a man without one. - J.Z., 13.4.03.)

Bulletin of the Swiss Bank Corporation. These numbers are striking:

Net National Income in Switzerland: (1950)	
Income from labour	10 200 million Swiss Francs,
Income from undertaking	3 800
Net income from capital	<u>3 400</u>
	<u>17 400</u>

22 % of the national income are from capital. That's more - - it seems - - than in any other country. In the USA the percentage is 5 %, in Germany it was the same before the war, in England, too, 5 %.

One of the reasons may be that in Switzerland very much foreign capital is working, which in statistics is counted as domestic capital.

Interesting is also the report on the "popular initiative on the 14th and the 15th of April 1951. The Swiss people rejected the plan of the Gsell party and accepted that of the government. I regret that in no publication here to be obtained was the Swiss government's plan communicated.

In the article "Wanted" the author asks: "Can the world absorb enough from West-Germany?" My answer: Let the Germans pay for their imports with means of payment of German origin, and the foreigners will find out thousand possibilities to realise the received means of payment into German goods.

L'Unique. Most of the problems there discussed were much better discussed by **Benjamin R. Tucker** in his "Liberty". For a long time it has been my impression that the French intellectuals are there, where the Germans were 30 years ago and the Russians 60 years ago. Among my burnt manuscripts there was a little sketch on modern French and German novels of the time before 1914.

(J.Z.: Maybe even in our time of photocopy machines, microfilm, floppy disks, CDs and websites there would be a role for a manuscript centre, as fire, flood and bomb proof as it could be made, perhaps with duplicate or triplicate manuscript in different locations, that would systematically preserve manuscript and, for pay, provide copies of them, in affordable alternative media? Authors might be charged something for a safe deposit there. Otherwise, even now too many manuscripts might become lost through wars, other fires, careless heirs etc. While there would be many close to worthless manuscripts, there would also be some among them that were not published - precisely because they were ahead of their times and its prejudices, in the heads of editors, publishers and the reading public. Via a good catalog, abstracts, review collections and an alphabetical index it might successfully engage in on-demand publishing on alternative media, upon advance orders of a minimum number of copies - or have enough contacts with such publishing firms. - J.Z., 13.4.03.)

You marked the passage: "Les statistiques rélevant qu'il naît de nos jours beaucoup plus de jumeaux, de trijumeaux et de quadrijumeaux qu'autrefois." Is that true ?????? Schopenhauer reports from a book, now fully out of print, Schnurrer, Geschichte der Seuchen, that after the great mediaeval pests, which reduced Europe's population to about 1/2 (some say to 3/4), many more twins etc. were born than before. But I think that the statistics of that time are not reliable. The relative number of multiple births (Mehrlingsgeburten) to others is a very constant number.

Example: Prussia.

Mehrlingskinder among 1000 births in Prussia:

1871/75 = 24.7

1876/80 = 25.5

1881 = 24.5

1882 = 25.1

1883 = 25.2

1884 = 25.5

1885 = 25.2

1886 = 25.6

1887 = 25.3

1888 = 25.2

1889 = 25.7

1890 = 25.5

1891 = 25.3

Etc.

1907, towns = 24.7 rural = 26.3

1908 = 24.1 = 27.2

1909 = 24.4 = 26.6

1910 = 24.1 = 26.8

1911 = 24.7 = 27.1

1912 = 23.7 = 25.8 (Why were they consistently higher in the country? - J.Z., 13.4.03.)

Before the first World War a statistician, whose name I forgot, investigated the births in the family Bourbon during a period of about 1000 years. He found the relative number of twins etc. not different from those of modern times. I forgot how many hundreds of births he examined.

The differences in the Prussian statistics are greater than may be expected by pure chance and are, obviously, influenced by a cause. But what that cause may be - I have not the slightest notion. On the other hand, the unknown influence cannot be strong, as the above table reveals.

A strange influence of the sun spot period on mortality is stated in a memoir in the contribution to the International Congress for Hygiene and Demography of 1887: "Die Sonnenflecken und die Sterblichkeit der Menschen", by Dr. Vinc. Goehlert, Graz. What influences mortality, influences - - an empirical rule - - natality as well.

Clipping: "Free Zone". This article pleased me very much. I I now had ready money and better understood foreign languages, really, I would go to Tangier! Believe me: I would there be like a fish in the water.

I see, from the article, that at **Angola** gold costs \$ 30 an ounce and at Tangier it costs \$ 50 an ounce, and that difference was observed during the whole of the year 1950. **How** was such a difference possible, for as long a time????

Also: If at Paris the average price of an ounce was \$ 42 (article in Economic Digest), how is it possible, that gold in Tangier could be constantly sold for \$ 50????

But beside these things still to be explained, I am convinced that making money at Tangier is possible and easy. I would try to get into business with Russians, who - - believe it or not - are capitalists and possess enormous quantities of foreign exchange. Russians ever were and still are excellent merchants and are pretty honest, too. Many of them are **very** honest. (100 years ago, at Moscow, it was not the custom to demand from a merchant a receipt for paid sums. It was considered self-evident that the merchant would not demand to be paid twice.)

I will return your correspondence with the Chamber of Commerce at Washington in a few days.

Very faithfully Yours - signed: U. v. Beckerath.

8. 6. 1951.

Dear Mr. Meulen,

with great pleasure and many thanks I received yesterday:

- 1.) "Truth" of 11 May 1951,
 - 2.) "City Press" of 11 May, 25 May, 1 June 1951,
 - 3.) "National News Letter" of 10 May, 17 May, 24. May 1951,
 - 4.) A copy of OSO, World Community,
 - 5.) Correspondence with Mr. F. W. Smyth,
 - 6.) "Oxford Books of Economics",
 - 7.) Pages 351 & 352 of "International Monetary Fund",
 - 8.) Clippings from "Sunday Times",
 - a.) 27. 5. 51. "Mein Kampf", from Antony Terry,
 - b) 3. 6. 51, "Shifting the blame", by Rohan Butler.
-

You will have read **Syngman Rhee's** statement on British soldiers. It would be easy and useful - - for Korea most - - to replace him by a little sedition. But nothing will be done, for causes (the word "reason" is too good) which we both know. Did other papers than "Truth" report this news? It is excellent!

But what "Truth" says about the famine in India is not sufficient. Truth overlooks that currency laws like the Indians and "regulations" in other economical spheres, of the usual dirigist type, must produce famine in a country like India. In England similar prescriptions produce only poverty. However, another 10 years of continued dirigism and England will get her famine, too.

The short article in "Truth" - - President Truman & corruption - - is very impressive. Such an article raises the question: Is the present form of democracy - - based on the present form of elections - - still bearable? Dictatorship would not be the right means to restore honesty. But should friends of honesty remain as passive as they are?

Sunday Times and Observer now cost 7 1/2 paper-pence. Expressed in gold the papers never were so cheap. "Truth" should state that. Thinking in terms of paper money is a bad example set by an economist.

I hope you read the article "Alphabetical disorder". All reform propositions in England, in Germany and elsewhere suppose that people read by combining the letters so as school children do. But adults read by taking up the whole word, exactly as Chinese do with their written language. If this is admitted, every reform proposition based on the said false theory must be rejected that of G. B. Shaw, too.

Friends', Provident and Century Insurance report an interest rate got from the society's funds = L 5 - - 7s - - 9d, per cent. That's a very high interest rate for these times. It's a pity that the society does not report from what sources this percentage is won. (Shares? Real estate?)

City Press reports that American Army "scientists" are trying to produce a synthetic pepper. In Germany we had, during the war, plenty of synthetic pepper and my impression was: The pepper was good.

There are many articles in that paper to be discussed in more detail than I can do today. More and more City Press becomes a great hope. Some weeks ago my opinion was different, because Mr. Alexander, obviously, did not sufficiently clear up his ideas on the real essence of a gold standard. But now I think: peu à peu he will.

National News Letter. Good as always. - In one of my next letters I hope to write about it.

With much interest I read your correspondence with Rusel Jaque. If the English language for the two notions, expressed in Germany by:

1.) Gesetzmaessig (legal) (lawful - J.Z.)

2.) rechtmaessig (no English word - - rechtmaessig means inter alia, that honest people will be on the side of what is "rechtmaessig", also if there is no law prescribing it) (rightful - J.Z.)

possessed two distinct words, so as the German language does, Rusel Jaque would have answered better. His whole answer is a confusion of "gesetzmaessig" and "rechtmaessig". You did not confuse the notions because your feeling is trained by a decade-long meditation on the matter.

In one of my next letters I hope to write further on this correspondence.

Nyanatiloka at Ceylen, author of "The word of Buddha" is a Buddhist monk living (if he did not die) at Ceylon but of German origin. I possess some writings by him in German.

Buddha developed his religion. As a young man he was an adherent of the Sankya-Philosophy. Then he entered a period when he believed in personal souls, personal re-incarnation and the ego as a substance. In the last period of life he preached a religion resembling very much the philosophy of Kant and Schopenhauer and emancipated himself from the mentioned ideas. In the Holy Pali-texts all three doctrines are handed down and no editor separated them, so as Kant or Schopenhauer would have done.

F. W. **Smyth**. I confess, that he disappointed me. When he says that there is no essential difference between your Free Banking System and a Monopoly-System such as that of present England, I do not see where a fruitful discussion could begin. It is **not** so that the Bank of England "merely concentrates the transactions of all the banks."

But Mr. Smyth is in the right when he demands a quite clear and distinct definition of the notion **gold standard**. Smyth is also right when he says (not expressis verbis) that several gold standards are possible.

In your letter of 3. IV. 51, you gave your definition. But now Mr. Smyth does not know, whether you would say, that a country possessing no paper money, but pricing all commodities, wages etc. in terms of gold coins, is on a gold standard.

Further, he does not know, whether you would say: a country is on a gold standard if its creditors can legally claim gold coins from their debtors. That was the case in old Rome at the time of the emperors, especially of Constantine. That kind of gold standard is quite different from the others.

When Mr. Smyth says: "Our exports can never equal our imports. They have not done so for the last 100 years", I cannot agree with him. We discussed the theme often and you know my views. But it seems that the notions

"import" and "export" must be defined for the purpose of a discussion. Receipts are an important article in external trade. But average papers do not share this opinion. In one of my next letters I hope to say more of it.

I receive now regularly the Financial News Survey. You gave me a very good hint.

You sent me pages 351/352 with notes on the gold imports to the **Lebanon**. The Lebanon is one of the poorest countries in the world, and yet Lebanon imports so much gold. How is that economically possible??? The IMF does not explain the phenomenon. (L. might have acted as a middleman, on a commission-basis, between the people of different countries which had all imposed all too many restrictions upon the free gold market. - J.Z., 14.4.03.)

Mein Kampf. I am surprised to find my suspicions so quickly confirmed, that the general **Remer** obviously works together with the Russians. He is a very dangerous man - - active, interested in the own affairs and knows his public. (J.Z.: Here it does not seem to matter to B. that R., too, did not possess a program deserving the name. - J.Z., 14.4.03.)

I do agree with Rohan Butler. But what he calls "Teutonic tendency to pass the blame off upon foreigners etc." is the general tendency of nationalists in countries whose government was vanquished. I possessed a little collection of **French** defeat-literature published after 1870. It was quite the same.

Before I finished this letter, I received your kind letter of 22nd of June, together with a letter of Mrs. Forbes. I will answer as soon as possible. My health is still bad, but the main cause is sleeplessness. The supply with food is now much better in Berlin - - I think - - than in London, because most "regulations" are repealed. Counted in gold, all is surprisingly cheap. Effect of competition. (I think **too much** competition!!) (J.Z.: That impression can, I believe, be only obtained under conditions of monetary despotism, when too many small entrepreneurs struggle to make a living under these conditions. Then their failure rate is great, their turnover is relatively small and they have to charge a large margin in the attempt to live on it. Under full monetary freedom they might more efficiently merge or work in franchises or shopping-mall combinations, as they do already to a considerable extent now or set up efficient coops. The compulsory licensing system and other regulations have sometimes driven those, trying to set up an independent business, into all too few remaining relatively free niches. That was long the case with trucking firms in Australia and may still be the case in that industry and is probably still the case for small shops. - J.Z., 14.4.03._

Very faithfully Yours - signed: U. v. Beckerath.

11. 6. 1951.

Dear Mr. Meulen,

I confirm receipt of the **Individualist**, June-issue. Many thanks!

Let me remark on your article "Incentive":

1.) What you say in the passage: "... in ordinary the worker is paid a fixed wage etc." is quite true there, where the wage really is **fixed**.

A wage expressed in fiat money (paper money) cannot be said to be a **fixed** wage. With very few exceptions it is a wage (and **must** be) remaining nominally constant while prices increase. That ignorant workers and trade union leaders do not know that - - though there is now a hard experience of decades - - and, therefore, do not protest against fiat money wages, should not be a reason for **scientists** not to protest at every opportunity.

(J.Z.: Precisely the limping-behind of wage agreements, expressed in nominal paper money units, behind price increases due to inflation makes, seemingly, union intervention frequently necessary and the workers are often even glad when the new wages, after another "battle" by unionised workers, come to no more in purchasing power than

before the previous union-negotiated wage "agreement" - but, nominally, they are then much larger. If wages and salaries were determined not in depreciating paper money but e.g. in gold weight units and thus, automatically more would have to be paid for them in depreciating paper - while sound alternative exchange media remain suppressed, then union intervention and industrial action [which should rather be called "anti-industrial action"] would be much less frequently desired and happen. Under full monetary and financial freedom the trade unions, unless they take up their cooperative and partnership organisation options, would tend to die a not so slow death. I would say: Good riddance. Like politicians they have misled and exploited their subjects - or the consumers - all too much and for all too long. - J.Z., 14.4.03.)

2.) The class of entrepreneurs in England and in Germany (in other countries, too) is a degenerate class, without (sufficient - J.Z.) interest in (and ideas on - J.Z.) its own affairs, if these affairs do not belong immediately to their day-to-day business. It is unavoidable that such a class will disappear from the economic arena. A new class, ready and able to replace the entrepreneurs is not to be found. (J.Z.: Thus they are likely to fumble and stumble along in the future as well! - J.Z., 14.4.03.)

The existing classes: a.) the State bureaucracy, b.) the trade union bureaucracy, c.) the politicians, do possess a **little** more interest and a **little** more energy. (Do they? - J.Z., 14.4.03.) The difference is great enough to make the said replacement possible. Though the said classes are no economic classes, they will be those, who replace the old class of entrepreneurs. (Compare Burnham's work on the "managerial revolution". - J.Z.)

3.) What you say of the high **taxes** is quite right. If the degenerate class of entrepreneurs would demand publicly: Abolition of taxes laid on income destined to **provide employment**, then the high taxes would very soon disappear. I wrote that often to you. The degeneration of this class is clearly to be seen by the fact that not **one** entrepreneur demands this. It would be outside of his day-to-day business.

Your article **High Price**.

What you say is right. But, in every explanation on high prices one should distinguish between:

- a.) high prices, with the prices expressed in fiat paper money,
- b.) high prices expressed in gold (silver, etc.).

This distinction leads to a new kind of economic science. Expressed in gold, prices in England and in Germany are **low**. (Too low!)

(J.Z.: While open or secret gold hoards are for many the only option to escape inflation, taxation, confiscation and regulation, gold will be the target of refugee-capital, which ignores the loss in interest earnings and thus gold will gain an extra high value compared with fiat money. That extra value may make prices converted to gold prices appear low. Once a quite free gold market would be introduced and full monetary freedom, and with it sound and competing currencies, gold prices of goods might come back to normal, even more so once, in consequence, taxation and regulations are also greatly reduced. - J.Z., 14.4.03.)

Your article: Land ownership in Korea.

I do regret that you made a correction in your judgement of the situation. One acre is = 0.00404687 square kilometres. (Carl Hering, Ready reference tables.) Therefore, 600 000 acres = 2428 square kilometres. The county of Warwickshire = 2249 square kilometres. Such a small territory is of no importance for the conditions here to be considered.

Racial differences.

An excellent article. Your views are confirmed by an old book which I bought here for a few Pfennig: "Miscegenation", London, 1864. It is of American origin and printed during the Civil War. Perhaps that influenced a little the author's impartiality, as is usual with books printed in times of war. But the views displayed are confirmed by a book published by the former physician in ordinary of a Khedive of Egypt, in 1876, if I remember well. Dr. Stamm was an excellent man. He revealed to the people of Cairo the great truth, that pestilence and cholera are caused neither by witchcraft nor by a too good treatment of the infidels but by **dirt**, and that Allah was an enemy of dirt. The Khedive trusted in him and gave him plein pouvoir to improve the sanitary conditions of

his capital. Within a few years he had transformed the old pestilence cave into a climatic health resort, which Cairo still is.

Stamm had travelled in the whole world and knew all kinds of mixed races from the own experience. He was convinced, that mixed races were superior to others and that the future belonged to them. History confirmed his views insofar, as the old races, proud of their "purity", quite obviously are on the way to degenerate still below the state of apes. (J.Z.: ????) A few millions of years and Jonathan Swift's foreboding, that **horses** will use men as slaves, will be fulfilled, if not the **mixed** races will bring about a new period of development.

I send you the "Miscegenation" as printed matter. Present it to a friend.

(J.Z.: Anyhow, in practice, only more or less mixed "races" are left by now. According to the Encyclopaedia Britannica, 1959 edition, the last few members of a "pure" race, by all the usual racial characteristics, lived in the Andaman Islands. In other words, "nature", here specifically sex, is well on the way to abolish the supposed "problem" by individual and voluntary actions. - J.Z., 26.5.03.)

Your article "Inflation".

In this article **two** subjects are treated:

- 1.) high prices,
 - a.) expressed in gold coins,
 - b.) expressed in fiat money (paper pounds),
- 2.) the different effects of price variations in an economic state of bank monopoly, of creditors' claim to "exclusive currency", of providing means of payment in the first line by borrowing banks, prescription to banks to observe a relation between a gold "cover" and the amount of lent money, and such things.

It seems that Mr. G. L. Schwartz is insofar in the right, as the present English price level is **low**, expressed in terms of sovereigns, and it would also **seem** to be low, if merchants would be permitted to price their commodities in sovereigns. This kind of pricing is, obviously, considered by Mr. Schwartz - - of German origin, as it seems, judging by his name - - as a variety of gold standard, so as German economists usually consider the matter. Schwartz did not consider, that except the few persons following Alexander and Kimmitt, nobody in England is interested in **this** kind of gold standard.

But you, as so many English economists, refuse the name "gold standard" to all systems not providing an obligation of note issuing banks to convert at par and on demand or with short delay their notes into gold. So you and Schwartz spoke - - that's my impression - - of different things, he of prices, you of the act of 1844.

You know that I cannot agree that a country must introduce paper money before it can be on a gold standard.

Whether the details, enumerated at 2.) above are so necessary and if it would not be possible to abolish them and if they would not automatically disappear in a really free economy, that we discussed several times.

Your view is: They are so strongly fixed in English minds, that it is of no practical value to take into consideration a state where these details do not exist and are legally prescribed. Perhaps you are right. The fact that Alexander and Kimmitt do not find followers, a dozen people or less excluded, seems to confirm your standpoint.

Your article on the "Four Freedoms", page 30. What Roosevelt meant, but did not express distinctly, was certainly: Freedom of such kind of want as is caused by the dirigism of the Russian type.

(J.Z.: But not freedom of such kind of want as is caused by the dirigism of the "New Deal" that Roosevelt offered and enforced! - J.Z., 14.4.03.)

I do not understand enough English to judge whether the expression **absence** of the said kind of want could not have been more distinct. Freedom - - please correct me if I err - - means a moral possibility to do or to abstain from something.

Individualism in Switzerland.

You say: "... this inevitably restricted exports also ..."

Was it so inevitable????? If the Swiss would have said to the Americans: Now we introduce Free Trade. Import what you like. But we insist on paying for imported commodities by means of payment of Swiss origin, say Swiss notes. (Or bills of exchange, vouchers, etc.)

If the Swiss would do so, the whole import will assure an export exactly in the amount sufficient to pay for the import.

You say: Never will the Americans accept such conditions.

I say: Before the matter is **tried**, in this case really **offered**, one cannot contend it is impossible. And I say, too: If the Americans understand the Swiss offer, then they will say: With the greatest of pleasure and on **one** condition: Accept no other offer before you have heard **our** export price. (J.Z.: Expressed in whatever means of payment the Swiss would offer. - J.Z., 25.5.03.)

Swiss notes act - - as Zander pointed out, in a lecture delivered at the University of Geneva, about 15 years ago - - as if they were fixed to the issuing bank by a rubber band. The **must** return and soon. Other means of payment, like gold coins, dollars, etc., do not have this characteristic and possess no tendency to return.

(J.Z.: Not so soon and so obviously. - Therefore Prof. Edgard Milhaud and Ulrich von Beckerath proposed international and time-limited clearing certificates, redeemable in export goods, not in foreign exchange or gold, although they can also be freely traded for both. - J.Z., 14.4.03.)

The goose and the golden eggs.

Excellent! If the **Scots Independent** would produce only such articles, then the English would at last say: God, give the Scots their liberty, and then let them conquer England!

Profits.

It is here nearly as in the case of the gold standard. Both parties insist on the old terminology and the terminology is false. Profit means an income without labour and thereby exploiting labour. (Denied on both counts. - J.Z., 14.4.03. That applies only to extortions that are made possible by legalized monopolies. Without them good management has to earn its profits and that is such a difficult job that often losses result rather than profits. - J.Z., 26.5.03.)

Why do entrepreneurs not follow the Russian example, and style what is called "profit" in the West simply as:

- a.) reward for organisation labour and
- b.) reward for labour whose reward was delayed? (Interest.) "Individualist", June issue, page 26/27.)

Into these elements profit is to be dissolved. You are quite right state that by the new (and right) names it would become psychologically possible to distribute much more profits than in the West. (Pag. 27, line 2.)

Entrepreneurs are not interested. I know.

Can we compete with the USA?

Pay with means of payment of British origin and all competition - - the word taken in the present commercial sense - - ceases.

That policy may be applied to every country whose need for selling is greater than its need for buying, and exactly in this situation are the USA.

Making an honest women of profit.

The best answer would: Keep your Savings Certificate! The are based on **Fiat** money!!

Communism and poverty

What you say is not false. **But:**

There are two kinds of competition:

- 1.) Competition under the system of "exclusive currency". This system leads - - in the long run - - to reducing the people to the bare subsistence level, leaving a very great power to the possessors of "exclusive currency".

(Only in the extreme cases of its inflations and deflations. - J.Z., 14.4.03. - In the meantime, unreliable and insufficient as it is, with its aid also an enormous quantity of exchanges does take place and it hasn't prevented all progress, not even in living standards. However, much more could have been achieved, everywhere, with full monetary and financial freedom and this much more rapidly. - J.Z., 26.5.03.))

2.) Competition under the system of freedom to issue. This system reduces all incomes, greater than corresponds to the labour (including intellectual efforts - J.Z.) by which the incomes are earned to the amount that corresponds to that labour. It elevates all incomes lower than corresponds to the labour by which they are earned, to the amount of that labour.

This system attains what the bloodshed concentration-camp-system pretends to attain but never attained in even **one** case.

Modern economists never distinguish the two systems and are not interested in system No. 2. It seems that, excepting W. B. Greene and Benjamin R. Tucker, nobody saw that there is something to be distinguished.

You say: "Hence Individualists must study the problem of money and banking." Very good and right. But most individualists do not know **how to begin**. I would say to them: Take any of the usual textbooks. Then compare, line for line, the there developed system of "exclusive currency" with the system of liberty, the system of freely issuing means of payment, of freely choosing the measure of value. You will detect a new system of political economy.

Fresh allies.

"... the bad economic state of Britain after the Napoleonic wars to our institution of a gold standard."

Perhaps, you are in the right. **But:**

- 1.) Is here meant the practice to settle prices in sovereigns? or
- 2.) is here meant the right of creditors to claim sovereigns? or
- 3.) is here meant the obligation of note-issuing banks to redeem at par and on demand or with short delay their notes into precious metal? or
- 4.) is here meant that a silver standard would have worked better? Or Bimetallism? Or an index-standard as Scrope proposed it?

These are four quite different sides of the notion "gold standard". Before there are used expressions by which the reader knows, at first sight, what is meant, it is - - I think - - impossible that anyone will understand the other.

Vaccination.

Formerly I was inclined to the view that there may be circumstances where a government may be in the right to vaccinate a population. The people of Berlin, several times after 1945, have been vaccinated because the "experts" and the four governments thought, vaccination could prevent diseases. Now, under the influence of your articles, I share your opinion, that vaccination is based on ignorance and is a tyrannical misuse.

(J.Z.: While I am generally also opposed to compulsory vaccination, because those voluntarily vaccinated people, according to their opinion, should be effectively protected against diseases of the unvaccinated people, there is one case to which I haven't found a good reply. Young children, before they have built up natural immunities or before one can risk vaccinating them, are exposed to diseases carried by unvaccinated people. Perhaps there are practicable ways to keep these two groups apart, that I do not know as yet. But unless they are practised, there is a case for vaccinating all people against dangerous diseases which, otherwise, these children might catch. Maybe the opponents of vaccination have an answer to this aspect that I haven't heard of or read about as yet? - J.Z. 14. 4. 03.

Correspondence.

Young engineers. What do you propose to mend the situation?

The higher degree Civil Servant. If he in his life meditated only 5 minutes on the fact that paper money pensions, based on fiat money, **must** lead to the present state, he is excused. If not, not.

Notes from Berlin.

Certainly, I appreciate the honour to speak at such a tribune. Are there people who are interested???????????

Very faithfully Yours - signed: U. v. Beckerath.

1. 7. 1951. Your letter of 22. 6. 51.

Dear Mr. Meulen,

about 20 years ago I suffered a severe attack of influenza. I resolved to reject all help from physicians and to cure myself, if there was a possibility to be cured. For about three weeks I subsisted on bananas and hot lemon squash and, two or three times a week a little bread. I felt an aversion against all other kinds of victuals. I recovered completely. My state was very different from yours at your last attack. And yet it may be that confining oneself to bananas and abstaining from the usual beverages for some days, would also be of good effect in your case. Perhaps you will try it just for **one** day.

You belong to the 10 or 20 men England who cannot be replaced, while all others may be easily replaced and some with great profit for England. My fright was great when I heard that you had again had a bad fortnight.

Banking pamphlets. London seems not to be the right place to preserve such a treasure. It should be preserved at a place so distant from London, that there is some hope to get it spared from atomic bombs in times of war. I times of war it will not be possible to remove the pamphlets.

What you say of the worthlessness of so many pamphlets, except from a historian's standpoint, is certainly true. I got the same impression when I studied, long ago, the collection of the Prussian State Library, containing, primarily, German pamphlets and books.

More than 9/10 of the authors started from these false theories:

a.) Issuing notes is raising a **loan** from the public.

b.) Notes are an Ersatz (substitute - J.Z.) for metallic currency (gold or silver).

They did not consider:

If economic life really is - - and all agree that it is - - an exchange of labour, the medium to make the exchange technically possible, cannot be a **loan**.

Further: The exchange must be organised that it is possible also in the absence of precious metal, or in the case of scarcity of precious metal.

The medium to exchange the labour must fulfil this demand.

So considered, leads to the awareness that metallic currency is, economically, an Ersatz (a substitute) for notes, not vice versa.

But authors derive their ideas from observed facts and their generalisations, may the facts be ever so accidental and produced by ignorance or misuse of political power. In the case of England, the first issue of notes really was done with the help of a **loan** and, notes being an innovation at that time, notes **appeared** as an Ersatz (substitute). Very few critics (one of them John DeWitt Warner, whom you did not yet read) recognized the true nature of note issuing and were able emancipate their thinking from the accessory circumstances by which note issuing came into existence, historically.

Scotlands economic liberation. That the proposal of extending the act of 1826 to Scotland provoked there a real movement, protest meetings etc., is a **very** honourable fact for the Scottish people.

I know only one event of the same kind in history: The monetary revolution of five provinces in China when the Minister of Finance at Nanking declared an absolute monopoly for all kinds of standardised means of payment. A Congress of the five provinces resolved not to obey, to continue the note issuing customary in these provinces, but not to declare "national" independence. That occurred about 1932. (J.Z.: How many other promising movements were interrupted and destroyed by wars or direct government intervention or simply became forgotten? A complete history of monetary freedom struggles and experiments remains to be written. - J.Z., 14.4.03.

I know a third case, where monetary affairs produced a **people's** movement: The general strike of the workers of

Florence in 1876 (or so) against the forced currency of the notes. (I read it in an old volume of the *Economiste Francais*.)

(J.Z.: It is high time to compile a history of such monetary revolution or revolution attempt! - J.Z., 14.4.03.)

In all other cases the people merely demonstrated against high prices (so in Germany at the inflation time), but without considering that high prices were an effect of issuing paper money with forced currency in too great quantities, or - - as presently, were the natural consequence of a devaluation.

(J.Z.: Talking about it with some friends in Berlin, someone threw up the question: Was there ever a demonstration against legal tender and the monopoly of the central bank? Naturally, without much prior enlightenment efforts, a call for such a demonstration would be followed only by very few people. Anyhow, any sound monetary freedom experiment has at least to potential to provide much more publicity. - Actions speak louder than words, here, too. but it needs many words to arrive at a consensus on the preconditions, terms and actions for sound monetary freedom experiments. J.Z., 26.5.03.)

Scots, five generations ago, were interested in a fact which, in other countries, does not interest even the educated classes. That is astonishing. It agrees with the fact, ascertained some decades ago by a statistician, that the number of talented men, as a percentage of the people, were greatest among Scots and in second line among Jews.

(J.Z.: Later such statistics did also put the Japanese into the front ranks in this respect. A proper world-wide survey may not yet have been produced. It might turn out to be offensive to the many people who believe in the "myth of the chosen people" as applying particularly to their ethnic group. - J.Z., 14.4.03.)

Yet I presume that there are at least **two** races in Scotland, the one of high intellectual quality, the other silly and fanatic. **Buckle** got a softening of the brain by reading too many Scottish sermons of the 17th and the 19th century.

Clearing is an invention (J.Z.: Rather, re-invention. There are e.g., early Chinese and European medieval precedents. - J.Z., 14.4.03.) of simple employees of Banks at Edinburgh, which confirms the high intellect of the Scotch "intellectual" race.

Is there a possibility that the descendants of the old **Picts** are the less intellectual part of the people? (The name "Pelasgians" reminds a little of that of the Picts. Some think that the Pelasgians once were a great people, who conquered Europe, and that in Albania, the Basque Provinces, in Normandy and in Scotland their remnants are to be found.)

The present editor of the "Scots Independent" seems not to be interested in monetary affairs and, consequently, not in the pioneering work of Scotch bankers and authors in attempting to emancipate the world from metallic currency as an **exclusive currency** - - one of the greatest advances ever made.

Will you be so kind to send me your article of about 2000 words, after it is printed???

Payment to a creditor Well - - that was the general opinion and most people still share it, that the crises here to be considered were **credit** crises. But multiplying a false opinion does not change its quality.

You say: "there was generally enough medium of exchange for wages and ordinary purchase."

My impression, when I had the possibility to study the details of the crises, was different.

You may say: that the whole quantity of medium of exchange, if well distributed and not kept, by the actual possessors, from circulation, would have been sufficient to pay wages and make purchases as before the crisis.

Concerning the whole quantity you may, as far as paper money is concerned, rely on estimates of intelligent economists. But concerning the distribution and the willingness of people to spend money - no statistics can provide details.

Bacon - Shakespeare. If you say, you studied the matter and found that the man of Stratford, of whom we have so few scraps of historical information, was, probably, **not** the author, I gladly accept your opinion. Until now my opinion was: "Ex nihilo nihil fit" and that there is no scrap left by the man of Stratford does not prove much. Housewives are always looking for paper to light fires with and it may well have happened that, after Shakespeare's death, all papers he left were taken by the housewives of his neighbours. In a similar way disappeared the papers of **Dorguth**, an eminent Prussian lawyer, after his death, including all letters of Schopenhauer to Dorguth. The history of literature presents many such examples.

Revaluation. Most people think: Revaluation is simply the contrary of Devaluation and may be performed by a stroke of the pen, so as devaluation. Great error. Devaluation may be compared to dropping a stone from a high tower. That costs hardly any effort. But revaluation may be compared to carrying the stone back up to the top of the tower. That is a very different thing.

Average people confound the etymological side with the economical. Etymologically the difference is merely "de" and "re". Economically the difference may be represented by an example from the German inflation. When in Germany the whole amount of issued notes was 100 milliards, the normal amount being about 5 milliards, prices and wages were about 20-fold. Suppose, for the sake of simplicity of calculation, that they were, further, that at a circulation of 95 milliards they were 19-fold, at 90 milliards they were 18-fold, etc.

If the value of a labour hour before the inflation was 1 mark (then gold mark), the value of one labour hour, at an issue of 100 milliards, would have been 20 paper marks.

To withdraw 1 milliard would have required a taxation of 50 million of labour hours or about 2 labour hours per worker. The effect may have been that wages dropped to 19.80 marks an hour. The withdrawing of the next milliard, therefore, required $1000 : 19.80$ millions of labour hours. The withdrawing of the next milliard requires $1000 : 19.60$ millions. It is easy to be seen that the revaluation to the original amount of 5 milliards would have required:

$1000 (1/20 + 1/19.80 + 1/19.60 + 1/19.40 + \dots 1/1)$ millions, of labour hours.

The sum in the brackets being very nearly 12.5, one gets 12.5 milliards labour hours. The number of male and female workers at that time was about 25 millions, so that $12\,400 : 25 = 500$ labour hours per worker were wanted to revalue the 100 milliards to 5 milliards.

If it would be possible to extort from every worker an additional labour hour per work day, then, in about 17 months, the revaluation would be accomplished.

That concerns only the currency. But besides the currency all debts are to be revaluated.

The debts of a country like Germany may be estimated to at least one year's production. The production of a year was at that time estimated to come to at least 80 milliards of gold-mark. That would have been an amount of $80 \times 20 = 1\,600$ milliards in paper markets. If 100 milliards require 500 labour hours per worker, then 1600 milliards require $16 \times 500 = 8000$ labour hours. Together with the former 500 labour hours, that are 8500 labour hours (per worker).

One may correct this number by repeating the calculation with more exact elements and a greater number of elements, but the above number of 8500 labour hours per worker allows us to see that the at that time in Germany often demanded revaluation was economically impossible.

("Herunter mit den Preisen!" cried the workers. "Wir wollen nicht mehr zahlen als 1914!" (Down with the prices! We do not want to pay more than 1914! - J.Z.)

They did not become aware, that they demanded a revaluation like the one here sketched.)

(J.Z.: Nor were they mentally prepared for correspondingly lowered wages and the deflationary falling prices would have had many undesirable effects. - J.Z., 26.5.03.)

In England the numbers to be considered are very different. But the experience of revaluation after the Napoleonic wars should not be forgotten in England. (I believe there was a similar attempt in England after WW II. - J.Z.) The pound was devaluated to about 1/2 and was revaluated after 1814. A great part of debts were lost by bankruptcy, and **here** was probably the main cause of the misery in the years after 1814. The number of assisted poor (most unemployed) was a percentage as in our days in times of severe crises. And that for many years! The economists ascribed the phenomenon to the extension of machine work. (Do they deserve the term "economists"? - J.Z., 14.4.03.)

Bribery in Czecho-Slovakia. What I would say is this: If it were true that the Czechs are an honest people and that the difficulty to bribe a Czech results from his character and not from fear that the bribery may be detected, then this honesty will, one day, find means to resist the rascals that now oppress Czechoslovakia. An underground movement even will soon begin or has already begun. In the long run the honest conquers the rascal.

Herder says in his "Ideen zur Philosophy der Geschichte der Menschheit" (Ideas for the philosophy on the history of mankind), book 9, chapter 4:

"Man kann es als einen Grundsatz der Geschichte annehmen, dass kein Volk unterdrueckt wird, als das sich unterdruecken lassen will, das also der Sklaverei wert ist." (One can consider it as a principle of history that no people become suppressed than those who want to be suppressed, which means, that they deserve slavery. - J.Z.)

The mentality that Herder here means is different from honesty in the sense in which I used the word above. But there is an intimate connection between honesty and sense for independence. Hitler tried continually to win Czech intellectuals by offering them profitable jobs, money, etc. I heard that he was rarely successful and that the very people, whom he believed to have won over, cheated him most and were members of the underground movement.

Strasser. With many thanks I return hereby Mrs. Forbes' letter of May 25th 51. Strasser - - I think - - is a sincere nationalist. He known well that Germans now and, probably, forever will be a **minority** in the family of nations. (A **small** minority.) Therefore, I think it probable that he is now an adherent of the rights of minorities. And he, who sincerely advocates the rights of minorities can - - I think - - be styled a democrat in the modern sense of the word. The modern sense is not: a believer in majorities.

If Strasser would return to Germany, then he would, 2 or 3 years later, be the editor of a nationalist journal of 5000 subscribers or so and nobody would take him as a political power. There are so many people here presenting vague generalities as a program, and he would be one of them. The people are disgusted by these politicians. That is one of the reasons for which, to many of them, simple dictatorship seems more or less attractive.

It is astonishing that great powers like Canada and England do so obviously violate the rights of man and citizens, proclaimed by themselves as fundamental and do not let Strasser come to Germany.

(J.Z.: Not so astonishing when you consider their fear that he might be another crackpot, like Hitler, and rise to real power under conditions favourable for that purpose. They, too, do not know how to do away with mass unemployment, sales difficulties, inflations and the real causes of war. So, as a precaution, they rather restricted one man's freedom, at least as far as his residence and work in Germany was concerned. He did enjoy much freedom in Canada. If Strasser had been a consistent and explicit advocate of minority rights, then he would have clearly advocated their right to secession and to exterritorial autonomy or full experimental freedom for their volunteers. He did not and thus he remained part and parcel of the territorial war and dictatorship and crisis threat. - J.Z., 15.4.03.)

Mrs. Forbes - Strasser's sweetheart????? Her letters are better than Strasser's articles. Perhaps he will play a role in Germany if she comes with him.

Pounds spent in Switzerland. You are right and I consider:

- 1.) the great majority of people (able to reflect on such abstract things) believe today that to allow the free exchange of currencies is to allow Britons to buy in Switzerland what "the country" does not want, and
- 2.) to allow the Swiss to buy here things that "the country" wants to keep.

But:

- 1.) to let the great majority decide here is not better than to solve square roots by majority decisions of the people, who hardly know what a square root is.
- 2.) If England wants to keep certain commodities then they may publicly declare that the exportation of such and such commodities is prohibited.

(J.Z.: Like it was done by some governments regarding "national" art treasures. If there were a right to interfere with the overseas purchases of consumers - or those of their agents, the merchants - then there would also be a right to interfere with their internal purchases. In economics political borders are just a fiction that leads to non-economic and anti-economic actions among their believers. - J.Z., 15.4.03.)

Number of suicides. The **regularity** of these numbers is much greater than the regularity of meteorological phenomena, and nobody doubts that the latter obey a natural law. Even the priest, who organises prayers to improve the weather (so as in these weeks the English clergy begs the Jewish Jehovah to stop the rain) is not in doubt that meteorological phenomena are regulated by laws not less inexorable than Newton's gravitation laws. I am a Determinist.

Luminous buttons, used during the last war.

I asked at many stores; they are quite out of stock. A storekeeper told me: When the war was over, of course the manufacturing ceased. All those already manufactured lost their luminous power in less than three years, most of them in less than a year. Then they were worthless and the shopkeepers threw them out. Its impossible got a luminous button in Berlin. He advised me to buy illuminating paint, which is not very dear, and to paint with it buttons or other objects which shall be made luminous.

(I just received a mail order catalog in which such buttons are offered cheaply to mark e.g. garden paths for a few hours after sunset. - J.Z., 26.5.03.)

I enclose herewith your correspondence with the Chamber of Commerce of the United States. I keep the pamphlet. Many thanks.

As England is an ally of the USA, all measures restraining USA's financial power do immediately concern England. Therefore you would be entitled to write an article containing essentially the same to what you wrote in your correspondence with Emerson P. Schmidt.

One fault of the Americans is: They think that credit is a matter such as coal or herring, whose use can be directed. Credit is, essentially, the creditor's readiness to **wait**. Every direction normally diminishes that readiness.

Christian hymn. (Your letter of 22. 5. 51, last line.)

Count your blessings - - count them one by one, - And it will surprise you what the Lord has done.

These verses seem pretty literally translated. from a German Church song, which I had to learn when I was a boy, and which was composed by J. Neander (born 1680). It is well known to Protestants and begins with the verse: "Lobe den Herren, den maechtigen Koenig der Ehren". (Praise the Lord, the powerful King of honours. - J.Z.) As a boy I hated the learning of Church songs very much, because they seemed to me mere nonsense.

There was, e.g., the verse of the said song:

"Lobe den Herren, der deinen Stand sichtbar gesegnet,	(Praise the Lord, who has blessed your condition,
Der aus dem Himmel mit Stroemen der Liebe geregnet,	Who rains down from Heaven streams of love,
Denke daran,	Think of all that
Was der Allmaechtige kann,	What the Almighty can do,
Der dir mit Liebe begegnet.	Who encounters you with love. - J.Z.)

My youth was a very hard one, and I got beaten from all sides, most from my teachers in religion. I thought: It is quite impossible that the religion can be good, whose teachers thresh me so terribly. Then I applied to the Jehovah, for I felt myself to be quite innocent. Thus I played the role of the frog in Aesopus' fable, who adored a stone. In the song I read "who rains down from Heaven streams of love"! But I felt nothing of that, rather the very contrary. So I became the atheist which I remain still today.

Your correspondence with Mr. F. W. Smyth. Smyth criticises your remark on page 7 of "Free Banking". He should rather have said, openly, whether he demands, after the reformation of the English monetary legislation, the restoration of the Bank of England's obligation to redeem its notes with a fixed weight of gold. To **foreigners** Smyth will not grant the right to "take our gold at a fixed price". Very well and agreed. But if no foreigner demands it but an Englishman? Here Smyth is - - I think - - not quite clear, though he states: "to my mind the **fixing** of the paper price must be wrong."

You know that I am also a strong adversary of legally fixing an obligation for note issuers to redeem notes at a fixed weight of gold. I say: Without any such legal obligation a **free** gold market keeps the notes at par. (J.Z.: Rather, in the own interest and in that of his potential acceptors, the note issuer will do his very best to keep his notes at par on the gold market. The right of his potential acceptors to either accept his notes at par, to discount them or to altogether refuse them, will greatly "assist" the issuer in this endeavour. - J.Z., 15.4.03.)

If at the gold market a note of, say, L 1, does not buy 113 grains of fine gold, everybody refuses the notes, and the notes are then only used as a means of payment when debts to the note issuer are to be paid. **He** must accept the notes at par. Thus, gradually, the depreciated notes disappear from circulation.

Perhaps, one day, parity will be restored and the notes will again circulate at par. More probably is, that a few hours after the discount at the market some other note-issuer will fill the gap left by the refusal of the discounted notes.

I have sometimes explained the conditions, which must be fulfilled if notes at the gold market shall be continuously at par. The conditions require the readiness with which the note-issuer's debtors accept the notes at par in their usual business and also in the precautions taken by the note-issuer, so that notes do continually flow back to him. Such a system is quite independent of "trust" or distrust of the public towards the note-issuer, especially banks.

Very remarkable is Smyth's remark, in his letter of 1. 5. 51, page 2:

"... foreigners freely will take our paper, as long as we give it to them at its market value."

When I told you the same, your opinion was: foreigners will decline English paper money as a means of payment for imports to England. I think you have changed your opinion.

In your letter of 1. IV., line 5 from the bottom, you say:

"Foreigners reaped a great advantage from our adherence to the Gold Standard."

Would it not have been better to say here, quite distinctly:

"Foreigners reaped a great advantage from our law, which compelled the Bank of England to redeem at par and on demand its notes"??

Here everybody - - first of all Smyth - - sees that you do not attribute the disadvantage to the fact that **prices**, wages, etc. were expressed in gold. The practice to express prices in gold is for Smyth obviously a decisive detail of a gold standard, which coincides with the views held in Germany, quite generally until 1914 and by many still today.

In England the relation of prices to gold, as a detail of a gold standard, is neither admitted nor denied, it is simply not discussed. Such an eminent author as R. G. Hawtrey does neither deny nor admit gold prices of commodities etc. as a detail of a gold standard. I think, that here an author must say yes or no. He must distinctly refuse such a use or admit it or at least say: That is not important and it has nothing to do with the discussion of the gold standard. (If he dares to proclaim such an opinion.)

A further detail of a gold standard is the right of creditors to get gold coins (if they insist on gold coins) when debts fall due. But this detail is not essential, though a statesman of Sir Robert Peel's quality was of this opinion. (Quoted in Kitson's "Bankers' conspiracy", page 58. That this detail is **not** necessary is proven by the German Civil Law of 1900 (still in operation), whose paragraph 242 says:

"Der Schuldner ist verpflichtet, die Leistung so zu bewirken, wie Treu und Glauben mit Rücksicht auf die Verkehrssitte es erfordern." (Debtors must fulfil their obligations as fidelity and truthworthiness expect and must act in accordance with the customs of trading.)

Of gold in the case of debts nothing is said. But - - of course - - it is (or was) not prohibited to agree expressly upon gold coins as a means of payment. The latter came into use when the agrarian party tried to change the monetary laws and make silver a legal tender. (Double standard.) When this danger was over, the gold clause was rarely applied.

When at a place like Berlin or another great town the debtor paid by a "Verrechnungsscheck" (a cheque not to be redeemed in cash but only to be credited to the account of the possessor of the cheque - - not the same as the English "crossed cheque" - -) the creditor was not entitled to refuse such a means of payment if he was a merchant and possessed a bank account. In other words: he could not demand gold coins. It was not so - - as I was told - - in England, though in practice no creditor demanded gold when he got "local currency".

The paragraph 242 is a great and very important innovation and ended an error on an important detail of gold (or silver) standards, one several centuries old. The opinion of Sir Robert Peel was, before him and after him, generally considered to be self-evident.

What **you** will attain (and au fond all others will achieve, as soon as your attention is directed on the problem) is: The business of the country would be independent of its supply with gold. Here the German law (Par. 242 of the Civil Code - J.Z.) opens the way. (Great further improvements are still possible.) To introduce a fiat paper money is **not** the way, though this is generally believed.

Concerning the obligation of the **Mint** to buy gold and of the Bank of England to sell gold, the text of the relevant laws would interest me.

I was taught, that for the Mint there was only an obligation to **coin** gold ingots, which is not the same as **buying**. Is redeeming notes selling gold? The text of the laws would reveal it. Here in Berlin there is no longer a possibility to get the texts.

An obligation to **buy** gold ingots was only imposed upon the **Bank**, as I have read.

The passage of Smyth, in his letter of 1.4.51m which least pleased me, is:

"... I see no **practical** difference between your "Free Banking" and our present system."

The main difference, which you stated distinctly enough is:

If under your system in some economic sector arises a lack of currency - - say, of means of payment for wages - - then, in the same hour, a banker or another person issues the needed currency.

Under the present system, the business which would have been performed, if there would have been enough currency, simply remains undone, due wages are not paid out, etc., if the Bank of England thinks that a fresh issue of notes would be an over-issue.

Concerning the **cover** of the fresh currency, I understood your opinion thus:

It is good if the issuer possesses gold (gold coins????) to redeem the fresh currency. If he does not possess it and his customers or friends (shopkeepers, employers, workers) are ready to accept his notes, though they know, he is not able to redeem all notes at par and on demand, then let him issue. There should not be a legal obstacle.

Further displeased I was by the following passage in Smyth's letter:

"We must have gold, only because Gold happens to be the only measure of value, which is freely accepted all over the world."

Here Smyth confounds 2 fundamental things:

- 1.) gold as a measure of value,
- 2.) gold as a means of payment.

This passage is also in contradiction to the passage on page 2:

"... foreigners will freely take our paper, so long as we give it at its market value."

The latter view is right. But if it is right, then gold need not be the backing of the currency. And yet gold might be a measure of the currency's value.

To be distinguished is here:

- 1.) readiness to accept currency or bills of exchange by merchants in external trade,
- 2.) readiness to accept currency in retail business.

In No. 1 the means of payment are seldom **exactly** at par.

In No. 2 they are declined (if they are not a forced currency) when they are not at par.

Into No. 2 only seldom notes of high denominations will enter.

In No. 1 nothing enters but notes of high denominations and other means of payment of a high face value.

The difference between a note of 1 L and one of 1000 L is not only a difference of degree.

In your letter of 3. 4. 51 you say:

"I fully agree with you, that it would be preferable to permit the gold redemption price of paper to vary according to the fluctuations of a free gold market."

I do not see, that you agree. You speak of **redemption**.

He, obviously, means the quotation at the exchange. These are very different things.

I think, that if Smyth would be to judge your opinion

- a.) redemption of currency must be, but it must not be at par and on demand,
- b.) the public will accept, without hesitation, a currency which is not at par at the gold market.

The public accepts the currency at its gold market value.

Certainly, the public will not refuse such a currency, not even if the currency is not fiat money.

Smyth would say: If there is free issue of notes in small denominations and a pound note is accepted at the free gold market, on several succeeding days, only at the value of 19 gold shillings, then the public will refuse these notes, the shops will also decline them and those Bankers knowing the art to keep notes constantly at par will issue fresh currency. This currency will then replace the discounted currency within a few hours.

You and Smyth do not - - I think - - appreciate, sufficiently, the fact that, in order to evaluate paper currency, a daily turnover of 10 kilos of gold at the free gold market does practically the same service as a turnover of 1000 kilos. **Here** lies the never to be over-estimated value of a free gold market. Here small quantities do the same service as large ones. Therefore, the free gold market provides, practically, independence from the stock of gold in the country. Even if the quantity of gold in a country (say, England) has been diminished so much, by war, revolution and unforeseen events of other kinds, that the daily turnover at the gold market has dropped from 100 000 kilos to 10 kilos, still gold can be used as a measure of value. (Perhaps not if the turnover is reduced to 10 grams.)

You are so kind as to offer me tea, sugar, beef. Here victuals - - with very few exceptions - - are still cheap, so that even unemployed can buy them. Sugar, 1 German pound (=1.102 pounds avd.) costs 59 Pfennig. Collared herrings 10 Pfennig. Etc., and all can be freely bought. The general price level in Berlin is, perhaps, lower than in London. (Free market!!) I thank you **very** much!

Very faithfully yours - signed: U. v. Beckerath.

11. 7. 1951. Your letter of July 8, 1951, received today.

Dear Mr. Meulen,

your remedy - - slow and careful eating - - so simple it is (or, more exactly spoken, **seems** - - you are quite right - - it is of great trouble), -

(J.Z.: If I remember one such recommendation right then each bite should be chewed 32 times to get maximum value out of it while reducing the labours and difficulties of one's digestive system to the minimum. - J.Z., 15.4.03.)

- should be made known to a greater number of persons. One well stated **fact** convinces more people than the best founded theory - - a mentality which I am far from blaming. The thing is of very great importance. Perhaps the "Individualist" is not the right forum to speak about your - - age-old and yet nearly unknown - - remedy. But I think that your son-in-law, a physician, should write a little article and try to publish it. Your experience, purchased with so much pain and danger, should not be lost. I myself will not fail to communicate your experience to my friends, in the next letter I write to them.

Your change for the better was for me better news than would have been the news that Stalin died. The latter, too, would be very good news and, perhaps, for the world, it would mean about the same as the death of Attila at his time. His successors were average people and not respected, so that the great Hun Empire was soon dissolved.

What you say of the "benevolent creator" reminds me of two German philosophers:

- 1.) Leibniz (a man known in England only as one who stole the idea of infinitesimal calculus from Newton, but who, certainly, invented it independently from Newton),
- 2.) Schopenhauer.

Both say: Experience proves that every detail in our individual and social lives requires a **reform**, and also our own body cannot be considered as the last stage of development.

The same is to be said of our thinking, feeling and the whole rest of our mind.

(If both would have known **our** monetary mentality, then they would have said: **Here** is an exception.)

That tendency, to change things in a direction to eliminate more and more pain (B. wrote: "aches" - J.Z.) from the universe, must be considered as a universal one, may it be attributed to matter as a natural force or to something else.

That admitted, events that lead to a reform must be considered as beneficial, though they do not seem so at first sight.

A further reflection leads to the opinion that nature is unable to find another way to reforms than the way it actually went and goes. Insofar, this way, so painful it is, can be considered the **best** way.

This world, producing the events leading in the long run to a reform, can **insofar** be considered as the best world. Leibniz, living at a time when atheism inevitably brought its promoter to prison or the scaffold, was prudent enough to add: I call the being, which is the world's great reformer, **God** and contend: He created the best possible world and governs it in the best possible way.

The effect of this concession to ecclesiastical speech was one, which he had, probably, not expected: Average readers took his works as a defence of the Jewish Jehovah and even philosophers attacked him for this defence. Few people understood his real opinion.

It's a great misfortune when a philosopher, through the fanaticism of his contemporaries, is compelled to use a language not suitable to express his ideas. Few philosophers have the good luck to find adherents translating them into an intelligible language at times when it is permitted to use this language.

Spinoza was such a philosopher. It was soon discovered, that his "Deus" simply was a name for nature and that he had used this word to cheat the censors. When censorship discovered this, Spinoza was already dead and the theologians had to satisfy themselves with burning his books while they would gladly have burnt the man.

Kant said: That not **one** man in the world would live again so as he had lived, proves that life is without real value, considered from the standpoint of **pleasure**. It may get value and the whole of nature becomes valuable only by devoting life to reform in every sphere where a man has influence. There is no other way to bestow value on life. Insofar it may be said that devoting one's life to reform is the supreme duty of man. ("Kategorischer Imperativ".)

Experience proves - - he added - - that there is a natural tendency in man to collaborate with reforms. (J.Z.: I very rarely observed it. Most seem quite able and willing to abstain from joining any efforts and expenses in this direction. - J.Z., 15.4.03.)

If the evil, as well as the way to abolish it, are represented distinctly enough, then it may be that this natural tendency conquers all other tendencies, such as the desire to live in peace, wealth and safety. Kant gave examples from the history of the French Revolution.

(J.Z.: Nevertheless, even proposals to make this struggle relatively fast, cheap and effective, by a variety of genuinely cultural revolutionary steps, as I indicated them in my two books, and tried to demonstrate them with my Libertarian Microfiche Publishing pilot scheme and with my CD-ROM project, and with my attempt to push a genuine and special market for ideas and talents [PEACE PLANS 20 & 183], remained largely only voices in the wilderness. In other words, from my point of view, this "natural tendency in man" is not strong enough. But if it is not strong enough in all, then it is all the more important for those few, in whom it is strong, to organise themselves properly and establish the institutions and processes and make use of all the opportunities and remaining rights and liberties to make their own efforts more successful than they have been so far. Alas, even with these people I usually come to the wrong address! - J.Z., 15.4.03.)

I think that Kant's view is confirmed by the history of the Russian Nihilists. In people of the ruling class the tendency got a strength no less than the strongest sexual desire.

(J.Z.: If the reduction of pain in the world is the natural and ethical objective, then the pains occurred in trying to reform the world might be considered as adding, at least temporarily, if not for years or decades of struggles, to the total pain the world suffers under. But if only a few, the reformers, would have to suffer this pain and the majority would ultimately benefit from this painful effort of the few, then, according to utilitarianism, this would be the thing to do: The greatest good for the greatest numbers. In this way the dutiful Kantian reformer seems to meet also the requirements of utilitarianism, not only of his own ethics. This painful pursuit of what one considers to be the highest value, the highest duty, would appear to an outside observer as an altruistic act, but by the value standards of the reformer himself, it would be an egoistic act, one required by his self-respect, in which the ego would realize its own highest values more than it could in any other way. - J.Z., 15.4.03.)

The present form of democracy. Whether the proportional system of elections - - in its presently applied forms - - is a good system, I will not investigate here. In a book which I possess: "Das Wahlrecht", by O. Poensgen, Leipzig, Teubner, 1909, I read that the possible abuses of the proportional system may quite falsify the real opinion of the electors. I do here agree with **Tucker**: The best way is: limiting the power of parliaments by stating clearly the rights of minorities, and full liberty of opinion.

(J.Z.: The full rights of minorities include the right to secede and to practise full extraterritorial autonomy. Under this system any minority could have its own internal election system - or none. The power of any existing parliamentary or other government or society would then be confined to its remaining voluntary members and their voluntary contributions and voluntary other submission. Freedom of expression and information are by far not enough if they are not accompanied by this form of experimental freedom or freedom of action. See my ON PANARCHY subseries and www.panarchy.org and www.extraterritorial.info/. B. was an advocate of this radical liberty - but did not always speak up for it. Maybe he simply did not want to get into another fruitless written discussion with M. about this? Compare the end of their letter exchange. - J.Z., 15.4.03.)

Concerning the latter point: The English are now discovering what in other countries was found out long ago: The power of government to distribute the printing **paper** produced is not a less effective means to check freedom of expression and the exchange of opinions than is a severe censorship. In Germany (and, certainly, not only in Germany) the government went further: It restrains also the quantity of paper to write letters. Many stores - - in the Eastern sector of Berlin, as well as in the Western sectors - - simply get no paper. (B. often used envelopes to write upon and all kinds of other paper scraps and paper already used on one side. - J.Z. 27.5.03.)

Kant said: Liberty to express opinions and to exchange opinions is much more important than the actual form of government, though the latter is by no means an indifferent thing.

If I had the possibility to publish articles, I would propose to add to the celebrated **three powers** of Montesquieu (legislation, administration, jurisdiction) a fourth one: a power to preserve liberty of opinion, endowed with its own police and own finance. it would be similar to the old Roman institution of the Tribunes.

Political maturity. **Runge**, with whom I had a little correspondence on elections in the country Wuerttemberg-Baden, communicated to me that, in the average, 70 - 80 % of the electors do make use of their right to alter the election lists of the parties. At the last election for the Landtag, 75 % of the electors of Stuttgart altered the lists by the procedure called in German "panachieren" und "kumulieren". I think that such a fact proves that the electors emancipated themselves to a very high degree from the thinking in party programs and it proves, further, that electors seriously try to form their own opinions. I confess, that I was very glad to learn of these figures. I would have expected a few percent - - 2 or 3 %. But 75 % is a very astonishing percentage.

(J.Z.: I rather hold that they reveal their political immaturity by still thinking that such elections would give them significant voting or decision-making powers. - J.Z., 15.4.03.)

Though until now I considered the modern Germans as a people very far from political maturity, I must - - it seems - - change my opinion. The percentage is so high that, in connection with some other facts, I now consider the people of Wuerttemberg-Baden as no less politically cultured than any other in the world.

I am curious what numbers I would get from elections in New Zealand. I was inclined to believe New Zealand as leading in political and other culture.

(Perhaps one can get this impression only if one lives far enough away from it? - J.Z., 15.4.03.)

Spelling reform. In Germany the same reforms - - mutatis mutandis - - are proposed as in England and for the same reasons. A very able critic said some years ago: Why always judge a priori and why not **try** the thing? Let the most ardent reformers instruct a number of children and use **their** method of spelling? If, four years after the beginning of the instruction, the children are not any better able to read and to write than other children, normally instructed, then the new method must be considered as worthless. (I am convinced that it will be generally considered as worthless if an empirical method is used as a test.)

City Press. Will you really continue to use the word "gold standard" to express the prescription for note issuers to redeem the notes on demand or with a short delay and at par?

If you express your reform idea - shared by so many intelligent and able men (? - J.Z.) - - in a language which everybody understands at first hearing, then you will get an influence which you **cannot** get if you use a word, which is **now** also used to cover the idea to express **prices** etc. in terms of gold, and is used as well to cover the idea: Reopening the Mint and letting sovereigns freely circulate.

The Encyclopaedia Britannica, edition 1947, vol. 10, page 498, says, under the heading "Gold Standard":

"The Gold Standard is the monetary system in which the monetary unit is, or is kept at the value of, a fixed weight of gold."

Here nothing is said of the **means** by which the value of circulating paper is kept at par with gold, but **your** definition includes the means as the most essential detail. You can see that your definition is far from being **generally** accepted.

Gold imports to Lebanon. Yes - - hoarding, probably, is the real reason. But that such a poor country is able to **hoard** does puzzle me.

(J.Z.: Lebanese are, largely, traders. As such they do also facilitate the hoarding of members of other nations, especially if the governments of the others try to make hoarding difficult for them. - The traders in Tangier, too, traded largely with capital from all over the world, not just with their own capital or hoarded only the own limited capital. - J.Z., 15.4.03.)

Sleeplessness. I got confirmed what I knew for a long time: that your mind is a very well trained one. It reminds me of the French actress **Rachel** (whose very interesting memoirs I read; she was an ardent pacifist), who was able to sleep at any time, if she wanted to. My mind is less trained and I am not sure that I will get the training now, being nearly 70. I will try it.

(J.Z.: Did he ever sufficiently consider that being an ardent drinker of tea and coffee, even in the evening and late at night, had something to do with his difficulties in sleeping at night, afterwards? Moreover, his prolonged consumption of these drinks might have reset his personal time-clock. There are some who are almost immune to this effect of coffee and tea, but I believe he was not one of them (neither am I), and that he did not sufficiently observe the effects of this habit on his metabolic sleeping pattern. - J.Z., 15.4.03.)

Eggs in London. Un-rationed eggs = 9 paper pence = 1.8 old gold pence. I think that's the price of about 1913. In Berlin the highest price of an egg was 1911 = 15 Pfg., 1912 = 15 Pfg., 1913 = 12 Pfg. That corresponds nearly to 1.8 gold pence, a gold penny being very nearly 8 Gold-Pfennig.

Once you will no longer think in terms of the government's paper money but, instead, in honest old gold-money, you will give thanks to England's guardian angel, that he provided you with such **cheap** eggs. Guardian angels are bound by economic laws as well and you cannot expect such an angel to secure to you eggs more cheaply than he did in 1912. (Yes.)

Entrepreneurs a degenerate class. If professional economists do not protest against fiat money, they only do what they and the government, which pays them, think to be their **duty**. A government-paid official has the duty to defend the errors of his government. (Not all or even most economists are employed by the government! - J.Z.) But there is neither a duty nor a reasonable motive for entrepreneurs to advocate a policy, which must lead to their extermination. Entrepreneurs should see the latter. But - they drink beer, play cards and solve cross-word puzzles - - just like all others.

Miscegenation. I share your opinion that there are many observations demonstrating that the children of white men and black women are, in many respects, not so good as the whites. But it seems, that they are better than the black. Events at **Haiti** proved that mulattos resisted slavery with more energy than did Negroes. So, from the standpoint of coloured people, a mixed race is an improvement. More important seems: What can be prohibited are legal marriages, but the birth of the mulattos can hardly be prohibited. The history of the last decades gives the impression that the white race is less and less able to resist slavery. On the contrary: It invents new kinds of slavery. Mulattos seem not to be on the way of such a degeneration.

What concerns the **Boers** you know that the judgement of **Livingston** was unfavourable. It trusts more in Livingstone - though he was a pious Christian - - than in Africaner-writers altogether.

Your personal inclination seems to confirm the theory of Schopenhauer.

Can we compete with the USA?

Obviously, I did not write distinctly enough.

You say: "... the value of the pound in dollars must fall so long as we try to buy more from US than we sell."

If the American exporter possesses your pounds, he will either use the pounds himself, as a means of payment in England, or he will sell the pounds to people, who will or must pay to Englishmen.

Such a state, that you buy more than you sell **cannot** arise. How should it arise? By the system of liberty every export compels the foreigners to buy exactly as much, that the bought goods or services equal the preceding imports.

You are right, that my proposals do not affect the problems that **Crump** raised in his article in "Sunday Times". (Prices and Exports) Why do they not affect the problems???? Exactly because these problems would not exist under a state of liberty (and using the liberty) in payments.

Concerning the "Gold Standard": Attack it as much as you can. But if you say (to your **Englishmen**): "Prescription to redeem in the manner of 1913", you are understood as well as if you speak of the Gold Standard, and you are better understood by people who think, that expressing prices in terms of gold is, as well, a detail of the Gold Standard.

Revaluation. No - - to end the German inflation **no** revaluation of the monetary unit was necessary and there was also no such revaluation.

Pounds spent in Switzerland. So it is. Very sorry that it is so.

Christian hymn. Your father, certainly, was an excellent man. If there were born more such men, the world would be in another and better state.

The question, which your young friend asked, about 50 years ago, relating to God as a creator: "If God did not make the world, who did?", reminds me of the question of Napoleon to **Laplace**, when both considered the firmament. "Mai qui a fait tout ca?" asked Napoleon. Laplace's answer: I do not know. The most simple answer would have been: If God created lice, crocodiles and Genghiz Khan, then I am his enemy.

The best arguments ever written against Theism are those of Schopenhauer.

F. W. Smyth again. The greatest **trust** in the issuer is destroyed at the moment, when a pound does no longer buy 113 grains of fine gold. And even if all 7 archangels together issued notes and, at the **market** the notes do no longer buy 113 grains for 1 pound, the people will refuse the notes, although they may continue to adore the angels and **trust** them in all other matters. But concerning note issues they will certainly no longer trust them, except in the following case:

There are shopkeepers, obliged to accept the notes as if the paper Pounds were sovereigns. Then the people bring the notes to these shopkeepers, the shopkeepers bring the notes back to the angels, who must accept them as means of payment for the loans, granted to the shopkeepers, when the loans are repaid, and so the notes disappear from circulation.

Free will. "Individualist", December 1949, page 42.

If you were in Russia and would contend, that Stalin does not possess a 100 % free will, you would be executed a few hours later.

Further, You **feel**, that your will is free. Well, but you know that such a man as **Voltaire** felt the very contrary and expressed his feeling in strong terms. If you are patient enough: In his book "Le philosophe ignorant", chapter 13, and in the book "Le principe d'action" he teaches determinism.

Hume, also, in his "Essay on Liberty and Necessity" teaches determinism.

Priestley, too, in his book: "The Doctrine of Philosophical Necessity" teaches determinism.

Hobbes, Spinoza (in the last years of his short life), Lukianos, Walter Scott (St. Ronan's Well, vol. III, chapter 6, the last word's of a criminal woman, beginning with: "Go, and leave me to my fate, etc.")

I take the quotations from Schopenhauer's "Freiheit des Willens". (Free will. - J.Z.)

Kant and Schopenhauer explained a metaphysical theory, which would please you if you would know it. Both say: Freedom of will exists, but not in this world, where every phenomenon is a product of our senses, in other words, which is a brain phenomenon. But behind this world is the world of the things in themselves. In this world the metaphysical **character** is founded and here is freedom. So it is explained why men like Voltaire do not feel themselves responsible for the **actions** of their life. These actions were necessary. But they feel themselves responsible for the character, which produced the actions. So it is - - au fond - - with every man.

Individualist, issue of August 1950, page 31. **Taylor** knows (I am convinced) neither Kant nor Schopenhauer. More interesting for me is what you say of voluntary starvation, page 32. It corresponds to the view of Schopenhauer. Sch. says, that the original liberty of willing is in the whole world found in **one** act, that is, voluntarily chosen starvation. In his "Welt als Wille und Vorstellung", vol. I, page 513 of the Reclam edition, Sch. says:

"Vom gewoehnlichen Selbstmorde gaenzlich verschieden scheint eine besondere Art desselben zu sein, welche jedoch vielleicht noch nicht genugsam konstatiert ist. Es ist der aus dem hoechsten Grad der Askese freiwillig gewaehlte Hungertod, dessen Erscheinung jedoch immer von vieler religioeser Schwaermerei und sogar Superstition begleitet gewesen und dadurch undeutlich gemacht ist. Etc." (World as Will and Representation: Quite different from ordinary suicide seems to be a special kind of it, one which, perhaps, has not yet been sufficiently examined. It is the freely chosen death by starvation, out of the highest degree of asceticism. However, its appearance was always accompanied by much religious rapture and even superstition and was thereby made indistinct. Etc. - J.Z.)

The Medium of exchange cannot be a loan. In one of my next letters I hope to say more on the subject. (J.Z.: Not under free and optimal conditions. But, in form of coins or of an exclusive and forced currency, it often was and still is. - J.Z. 16.4.03. - A "ticket-money", when issued, is more like a receipt for a value received and it is accepted in payment for values soon to be received. - J.Z., 27.5.03.)

Very faithfully yours - signed: U. v. Beckerath.

12. 7. 1951. Your letter of 8. 7. 51.

Dear Mr. Meulen,

with much interest I read your communication, that the English **Mint** does not **buy** gold, but only **coins** gold. The Bank of England **buys** gold.

Medium of exchange and loans. I think one must distinguish:

- 1.) the act by which the medium of exchange is put into circulation and
- 2.) the true nature of the medium of exchange.

The act, frequently, in borrowing - - notes or coins - - but the true nature of the medium is not a loan. The true nature may **appear** in many forms, gold, notes, cattle, salt, slaves and cowries. All these appearances possess a common element: the true nature of the medium of exchange. An investigation of that true nature leads to the discovery of the best and simplest form by which it may **appear** in a given state of society.

Yesterday the hottest day of this year: 32 degree C. in the shade = 89.61 Fahrenheit. I begin to recover from winter.

(J.Z.: Would he have lived still longer and been still more productive, if he had lived in a hot climate? - What a world, in which a man like him does not even have his choice of location and climate! - As a young man he once planned to become a revolutionary in Indonesia, against the Dutch rule, probably inspired by Multatuli. Then, in the thirties, and also while trying to escape the Nazi regime, he almost made it to Persia. - It was his misfortune and my luck that he had to stay in Berlin. - J.Z., 16.4.03.)

Hawtrey, "Currency & Finance", contains an excellent chapter on assignats. The facts stated by Hawtrey may serve to complete your communications on assignats, pages 275/276 of Free Banking, for the next edition, if you like to complete them. **Very** few contemporary economists saw the deciding role of the forced currency of the assignats, but Hawtrey saw it. 100 years ago this role was better seen. **Thiers** and v. **Sybel** speak of that role as real experts. Thiers reports that the revolution abolished many taxes without replacing them by better ones. Practically, the government was for months without income. (From taxation or loans. - J.Z., 27.5.03.) The assignats lacked what the Austrians and the Germans in the 19th century called "Steuerfundation". (Tax foundation) The true nature of "Steuerfundation" was already fully conceived by Adam Smith: "The Wealth of Nations", chapter "Of Money", last but one paragraph, beginning with the words: "A prince, who should enact ..."

Hawtrey reports the very important fact that, some time before the assignats, there existed a forced paper currency in France, the notes of the "Caisse d'Escompte" (a forced currency since 1788.) (J.Z.: Also the forced currency nature that was forced upon John Law's monetary experiment, much against his will! - J.Z., 16.4.03.)

Hawtrey says: "The first Assignats were to a great extent discounted with the Caisse d'Escompte, and so formed the basis of issues of legal tender notes. (Every banker claims forced currency for his own notes. Necker was no exception.) (J.Z.: Almost every banker and almost every monetary reformer! - J.Z., 16.4.03.)

Hawtrey distrusts old reports on **prices** at the time of the assignats. (Page 248, note.) This distrust seems justified by the old experience that, if there are "official" prices, then, in reports of a country's government on prices, simply these official prices are mentioned. So it is still in the Eastern Zone of Germany.

(So it was, for many years, with the official Consumer Price Index, during my time, in Australia, where official prices for e.g. eggs, milk and bread were taken into its "calculations" in officially calculated lies. - J.Z., 6 .4. 03.)

There price index numbers are calculated on the basis of prescribed prices, not of really paid prices. (Adherents of **Gsell** know that well but draw no conclusions from it.)

Very faithfully yours - signed: U. v. Beckerath.

22. 7. 1951.

Dear Mr. Meulen,

by your kindness I received yesterday:

- 1.) City Press of 29. 6. & 6. 7. 51,
- 2.) Truth of 22. 5. & 6. 7. 51,
- 3.) The London Newsletter, July 1951,
- 4.) Individualism, July 1951,
- 5.) Economic Intelligence of June 1951,
- 6.) The Scots Independent, June 1951,
- 7.) The Word, July 1951,
- 8.) National News-Letter, 7.6., 14. 6., 21. 6., & 5. 7. 51.
- 9.) The Vaccination Inquirer and Health Review, May-June 1951,
- 10.) Justification of Anti-Vaccination Activities, without date,
- 11.) Cholera in Egypt, by M. Beddow-Bayley, 2.I. 1948,
- 12.) Immunisation against Diphtheria in America and Canada, by the same, May 31, 1940.
- 13.) A clipping from "Sunday Times" of 10. 6. 51, "Gold Prices and Costs", by Norman Crump,
- 14.) A clipping from "Sunday Times", "The Hungry World", by Sir E. John Russell, (10.6.51),
- 15.) A clipping from the "Economist" of 9. 6. 51, "Progress of Italian Land Reform",
- 16.) A clipping from the "Economist" of 23. 6. 51, "Two Kinds of Inflation",
- 17.) The New Statesman & Nation, a clipping from the issue of 30. 6. 51: "Books in General".

I thank you very much.

Today I cannot enter into the many **very** interesting details that these papers offer, but I hope to do so in my next letter in some days.

In the article „Books in General" I read:

"From Luther to Hitler the Germans have always wanted an iron framework of discipline to keep them in reasonable order; when they lose this, they go mad, as Nietzsche did, and it was only to be expected that the Germans would follow his example rather than his teaching."

The author, Mr. A. J. P. Taylor, should know that Nietzsche became a victim of the physicians. They prescribed him - - I heard - - Chloral Hydrate as an opiate, a medicine which acts rapidly but which produces, in the long run, a softening of the brain. It is also said that Nietzsche suffered as well of syphilis in the 3rd stage, when every attack on the brain is most dangerous. Taylor represents the thing so as if Nietzsche became crazy as a result of his own theories.

Concerning the "discipline" Mr. Taylor is prudent enough not to offer **examples**. In the first world war I had often an opportunity to observe the treatment of English soldiers (prisoners) by their officers. It was much more "disciplined", than was customary in the German army. Often the English soldiers were astonished about the "legère" manner in which German soldiers spoke to officers of the highest rank, in one case to Hindenburg himself, when he visited our part of the front. Probably you know better than I do, how cruel the treatment of English soldiers was about 100 years ago and much more cruel was the treatment of sailors. But to ascribe evil characteristics to people as members of a **nation** is always absurd, though the **public** likes to read such statements.

Very faithfully Yours - signed: U. v. Beckerath.

23. 7. 1951. Your letter of 19. cr., received today.

Dear Mr. Meulen,

I ordered today the "Arbus" and the "Intestinol" from Schwab in Munich. Please, do not speak of payment. They are **amply** paid for. The money value of the papers you were so kind to send to me, the postage (a very considerable amount - - I think - -) and the trouble you had, compensate many Arbus and I.'s.

Without any assistance from my side there was founded - - I learnt today - - by a number of unemployed in Berlin, a union with the aim (please do not fall from your seat) to issue standardised certificates which shall help the unemployed to mutually exchange their labour. My feeling was that of the Germanic warrior in Geibel's celebrated poem: "Der Tod des Tiberius"

"Er aber schaute kuehn ins Morgenrot (But he looked courageously into the rising dawn
"Und sah's wie einer Zukunft Vorhang wallen." And saw it like the future's curtain opening. - J. Z.)

When I explained to an unemployed lady, that such an issue would be against the Berlin monetary legislation, she said, very angrily: May be! But we Berliners are not slaves! Let them come on!!!

(J.Z.: That's the spirit! But it must persist, be accompanied by patience, willingness to learn and to show sufficient interest in the necessary details of a monetary revolution. Otherwise it will be too easily dispersed or amount only to a puff of wind. - B. got only a very small number of adherents out of that circle. All assumed that the whole matter was very simple and could be done very easily fast and quite safely, in spite of their remaining numerous errors and prejudices. - J.Z., 16.4.03.)

I was delighted and, on the spot, became a member of this "Sozialpolitische Arbeitsgemeinschaft". On Tuesday (24.7.) there will be a public meeting at a restaurant opposite the Labour Office (Domklausel), and a very well known actress (film), Hilde Koerber, will speak. (Unemployment is a major problem for actors, too. - J.Z.)

For more than 40 years I waited for such an event and now it occurs.
(J.Z.: Well, it turned into a disappointment, too, but from it resulted the reports of the "Berlin Society of 1952 to Fight the Causes of Unemployment", and its "Berlin Program", both a treasure chest of monetary freedom ideas, mainly those of Ulrich von Beckerath, most of them microfiched in my previous collection of his writings. - J.Z., 16.4.03.)

Please read "Instead of a Book", page 415, the last lines.

"Und die Kaempfenden reichen einander die Fackel zu" (And the fighters pass to each other the torch - J.Z.) is a celebrated passage in the first chapter of Plato's "Republic".

This Berlin!!! (B. remained to the end a rare mixture between an optimist, a realist and a pessimist. - J.Z., 16.4.03.)

"La ralsen tonne en son cratère,

"C'est l'éruption de la fin."

I hope to give a detailed answer to your letter in some days.

Today only an answer to your remarks on social reform.

You say: I object strongly to your dictum that life has value only if devoted to reform.

I can only answer: **My** life has no other value and that I felt it had only **this** value long before I had read Kant.

"And there are a thousand paths to happiness. . . ", - - no - - from my own experience I say: There is only **one** path to happiness, that of duty, the word taken in the sense of Kant.

"For a world in which everybody were trying to reform everybody else ..."

I (and Kant) will not prevent any frog to live in the mud to which he belongs. But if the frog tries to prevent us from organising life (our own lives) as we think fit, then the frog may experience surprises.

Very faithfully Yours - signed: U. v. Beckerath.

28. 7. 1951. Your letter of 19. 7. 51.

Dear Mr. Meulen,

you are right: a **benevolent** creator would surely have had the warm heart of an ordinary human parent.

The two notions

I.) benevolence and

II.) **creator** of the universe

are mere anthropomorphisms when applied to cosmology.

Aches are normally connected (in the feeling of the being that suffers them) with a tendency to mend the state which produced the aches.

Now, some philosophers say:

If one supposes, that the better - - which means, the more free from aches - condition, does correspond to a general cosmological tendency, and **if** one supposes, too, that the suffering of these aches or the fear of having to suffer from them, is the **only** way to attain the better state, **then** this world can or must be considered as the best possible.

This opinion is false if the supposition is false, and it must be admitted, that we are here in a sphere, where either proof or refutation are not possible.

Schopenhauer represented the here given possibility as a matter of discussion. I think, that Leibniz, too, meant his expression: "meilleur des mondes possibles" in the sense here indicated.

But at the time, when Leibniz lived, such an opinion, supposing only general tendencies, whose real nature is unknown, and not a Jewish Jehovah or a similar being, and supposing further only the possibility of a mending of cosmological affairs, and not a benevolence of the Jewish Jehovah, as the creator of the cosmos, such an opinion, I say, would have led the author to prison or the scaffold.

The effect was, that the philosophers of the 17th and the 18th century, in their writings, spoke much of "God" etc., but understood by that word something very different from the Jehovah - - Spinoza, by his "Deus", simply "nature", Leibniz - - I think - - by his "Dieu" the sum of the influences not to be considered as purely physical - - Kant, the power which leads men to revolt against ignorance, superstition, suppression and bad social conditions.

In most cases they succeeded in cheating the censors. In some cases they did not. When the truth was discovered in the case of Spinoza, the "delinquent" was already dead.

Concerning Kant: Many are still of the opinion that he was no atheist, because he had said: The non-existence of "God" cannot be proven, and at the passage, where he said it, the not very careful reader may believe that he meant a God of one of the many churches. The careful reader will notice the **joke**, for there are (believed to be - J.Z.) many things in the world whose non-existence cannot be proven.

Kant on worth of life.

Goethe, an optimistic man, said to his young friend Eckermann, that hardly 4 weeks in his long life were really **happy**.

Abd ur Rahman, Khalif of Cordova, one of the most successful men that ever lived, said in his memoirs, that he had 10 days of happiness in his life.

Today, I read, about Bismarck, also very successful, that he said: In my whole life I had perhaps 24 hours of happiness. My most happy moment was when I shot my first hare.

What you say of the pleasures of life, art, music, love, etc., is not false, but the question is: Are these pleasures worth the torments from which no life is exempt?

Kant says - - and many said it before Kant and after him - - that no man would agree to repeat his life so as it really was. An English author, whose name I forgot, added: There may be girls of less than 18, whose feeling is different. If **Nietzsche** said (his writings were "edited"! - J.Z.), that **he** would agree to repeat his life exactly as it was, second for second, he simply - - that is my opinion - - lied.

Power of Parliament. That **at the moment** few people (**very few**) share **Tucker's** view of the limitation of parliamentary powers, cannot be a reason, not to declare: Great Tucker's view is the solution - - and the only possible solution of the problem.

PR - - represented in Parliament - - not a bad idea! I did not think of that possibility.

But a **party** must publish a **program**.

(J.Z.: Even that would not be necessary - if it attempted to "lead" and mislead only its own voluntary followers and were, to that extent, no longer merely a part, trying to dominate other parts, territorially, but a whole, that would try to do its own things for or to itself, with or without a program deserving the name, under full extraterritorial autonomy. - J.Z., 16.4.03.)

Spelling reform. You speak of **burdening** the children with the task of learning two spellings. Children's memory is very good. When I was a boy, I saw in an encyclopaedia the **Armenian** alphabet. It pleased me much and I learnt it at once. I wrote my diary in Armenian letters and was sure that no one else could read it. Nearly at the same time, I found the Runic Alphabet. It pleased me, too, and I learnt it in an hour or so. I agreed with my friends to write our letters in runes, so that adults could not read them.

Try that: Let 5 of your acquaintances write down a text of 5 lines in phonetic script, and, if possible, let a Scotch, a man from Wales, an Irishman and an American be among the five. You probably will see what others saw, who made such tests on a larger scale: You will get 5 texts so different that every person will find difficulties in reading what the others wrote.

Eggs in London. Let the **income** of people be based on gold and the proportion of "have-nots" will at once be diminished.

Degeneracy of entrepreneurs. What you say of professional economists is right. But 100 years ago professional economists protested against fiat money and today they defend it. Here, quite obviously, a **degeneration** is to be observed.

(J.Z.: A degeneration of ideas and opinions that are tolerated, not necessarily of minds. There is as yet no completely truthful social science which systematically clears up this multitude of false ideas and opinions, nor are there enough special reference tools developed to speed up that process. - J.Z., 16.4.03.)

Concerning the entrepreneurs: At least in England and 100 years ago, they would have protested against a monetary system based on fiat paper money. Today they neither defend it nor do they protest, it's all the same to them. They say: Fiat money or other money: Let us have as much of it as possible. - - **We** are practical men! Is that no degeneracy???

(J.Z.: No! Just a flood of false ideas and opinions that is overwhelmingly large for the unaided individual. What can you do when you are confronted by e.g. 50 000 false ideas shared by almost everybody? They must assume that everybody else is mad or they are. So they rather swim with the stream. No one has the patience, strength and resources to systematically refute all of them - nor have those organised themselves for this purpose, who could do so, between them, easier than ever before, when fully using the alternative media options. - J.Z., 16.4.03.)

Competition with USA. I do not overlook the fact that the American exporter is not, generally, also an importer. I would add: In most cases he is not. **But:** Whether he sells his pounds to people willing to give him for his pounds what he demands, and whether the pounds are still sold several times in the same way: **one day** the pounds **must** return to England and there must buy something.

That the fluctuations of the pound notes cannot be great if

I.) the value (face value) of the notes is expressed in gold (sovereigns or so),

II.) prices in the shops are also expressed in gold (sovereigns or so),

is to be expected. The fact that prices are quoted in gold acts so as if the notes were convertible into gold - - an advantage of the pricing of notes and commodities in gold that is not yet discovered by average economists.

Concerning the British notes, used as a means of payment for imports from the USA to England, one must consider:

I.) The importers are **merchants**, intending to make profits and to avoid losses, and

II.) the traditional ways in which losses from currency can be avoided. For decades this tradition seems to have been best developed in the **hedging**-business of cotton spinners. I think that you know its details better than I do. Mutatis mutandis the hedging business is applied to other branches of the import and export business and details may be derived from the better text books on foreign exchange. The notes, in practice, will not leave England.

If prices and notes are both expressed in gold, the notes will not depreciate in terms of dollars. Losses in import business will not affect the quotation of notes.

That side of the **gold standard**, which was essential long before paper money was invented, that is, **pricing** in gold, is never considered in modern writings. "Unbegreiflich!" (Incomprehensible! - J.Z.)

Revaluation. A means for ending the inflation in Germany??? Long before I was born, a very great man, Jakob, professor in Halle, explained that means in his excellent book (year 1821): "Staatsfinanzwissenschaft". (Science of Public Finance. - J.Z.) I mentioned his method sometimes in our correspondence.

Circulation of option clause notes. The Edinburgh Courant of 1765 did not distinguish the different spheres of circulation. Also, it would be interesting to know the **amount** of the discount of option clause notes at that time. I think that the discount was always so small that it could be neglected in general business.

You say that **trust** suffices to ensure the circulation of option clause notes. Trust in economics is seldom causa prima, but, on the contrary, it is **caused**. The real cause is stated by the eminent author of "Free Banking" (how useful to have written such a book!), on page 81, where he says (what most economists overlooked):

"... moreover, the local tradesmen themselves were frequently debtors to the bank and were therefore only too willing to accept the notes."

You know that in my system, too, the credits of note issuers to local tradesmen play a deciding role and are the means to restore the discount of notes - - if ever it occurs - - simply because distrusting note bearers very soon bring their notes to merchants, who are willing (and even obliged) to accept the notes at par, may their market value be ever so low. The merchants use the notes to pay their debts to bankers and so the notes disappear from circulation, together with their discount. This disappearance causes a little (or great) deflation, and when this deflation is **felt**, then the banker is able to issue fresh notes. (Q.E.D.)

In a perfect paper currency system distrust produces the same beneficial effects as trust. If distrust arises, the sales increase - - that's all.

Free Will. You say: Your feeling clinches the matter for you. Did you, sufficiently, **analyse** your feelings?????

The feeling merely reveals that your will **exists** and that your actions are not determined by physical influences but by psychological (B. wrote here and elsewhere: "psychical". - J.Z.) ones: say, a **will**. Your feelings says also, that your will - will be and is determined by **motives**. What your feeling does not and cannot reveal is that: The manner in which your will is influenced by motives depends on the nature of your will. A part of that nature you know from experience, another part you do not yet know but will know it and a third part you never will know.

The **nature** of your will does not depend on your will. That nature does not change. And **insofar** your will is not free. Some men - - such as Voltaire - - **feel** that the nature of their will never changes and that was the reason that they said: "I feel that my will is not free."

Plato said: The nature of your will you selected yourself in the sphere of the things in themselves before your birth. (You remember the passage.) Insofar you are responsible - - not for the single acts of your life but for the character which produced the acts in connection with the motives.

Schopenhauer and Kant said: The opinion expressed by Plato in the way of a myth may also be expressed in terms of philosophy and, really, it can be demonstrated that Plato's opinion of the responsibility of every man for his own nature is not false. But here we are in the sphere of metaphysics and I feel not able to say, in a few words, what Kant and Schopenhauer (and several of their pupils) explained in voluminous books.

Causality in general. You are right: We have never in a single instance found out **why** A follows B. Kant praises David Hume as the first man to have that explained with quite clear and distinct words. Kant confesses that Hume's remark led him to the discovery of the subjective nature of causality.

But, we must distinguish:

I.) Our incapacity to discover in a single case, **why** A follows B.

II.) That fact and our conviction that the sequence is **determined**, though we do not know how.

There are many things in this world that are true, though we are not able to discover **why** they are true.

World of things in themselves. Take as example an electrical lamp of the usual type. We know, that it radiates not only the light which we do appreciate but also infrared rays and ultraviolet ones. Naturalists are convinced (and certainly they are right) that the lamp does also radiate electric, magnetic and some other rays. If we remember that multiplicity of rays, then we must say: What we see of the lamp is not the thing in itself. We see only that what appears to us, through the limited capacity of our senses. What is true of the lamp is true of every single object.

The notion of "things in themselves" was known to philosophers long before Kant and was, in Europe, firstly formed by the old Greeks. But in the 19th century it was discovered, that Indian philosophers of the time of Buddha were quite familiar with the notion of "things in themselves". Buddha used this example to make the matter clear: There are snakes not to be distinguished from rods - as long as the snake does not move. But if we cannot distinguish such different things as snakes and rods, then one cannot say that we do recognise things in themselves. We only get appearances. (Here B. wrote: "apparitions". - J.Z.)

When you say: "The sensations themselves are all that I perceive", you do agree quite with Buddha. When Buddha adds: Beside the sensations we get there exist very many things from which we get no sensations and aspects of partly known things, which we will never know, you will not differ. This sphere of things unknown and not to be known is the sphere of things in themselves.

True nature of medium of exchange. The true nature is a purchasing certificate. The existing notes etc. are degenerations. The buyer is always able to issue certificates on which he states: In my usual business I accept this certificate as cash.

Very faithfully Yours - signed: U. v. Beckerath.

29. 7. 51. My letter of yesterday.

Dear Mr. Meulen,

rereading my letter, I find that I did not express distinctly enough my standpoint. When I tried to understand the opinion of those philosophers, who meant: the way which development took can be considered as the way of least resistance, I should have added, that I myself think a quite different way to be the best. This different way seems to me to be an improvement of the intellectual powers of mankind and the constant demonstration, that the real interests of men do not require bad governments, rascals as rulers, wars and torture as stimulants of progress, in other words: by teaching and not by suffering.

It is also my opinion that, considering the real way, which development took, as the **best** way, is an unconscious remnant of the Jehova-veneration of our ancestors - - at least I suspect it to be in the case of some philosophers.

The question itself seems not of first importance. **Our** way lies before us and seems clear. The way of development before we lived is the matter of the dead.

That's the standpoint of an old atheist.

-

In some books the opinion is expressed that Christianity (B. here and several times previously wrote: "Christendom". - J.Z.) contributed much (some say: most) to progress. My opinion differs.

The defenders of Christianity say: Jesus Christ said to his adherents: A new commandment I give unto you, that you love one another etc.(St. John, 13, 34.) For a good part that commandment was **new** for the disciples and, obviously, confined to the religious order he had founded (and from which women were excluded, as an unprejudiced investigation shows).

Jesus Christ was not a man of peace or general love and knew how to hate. Matth. 10, 34: "Think not that I am come to send peace on earth: I came not to send peace but a sword."

A man, who had spoken such words, had much reason to tell his disciples that the word did not apply to **them**.

What Jesus Christ understood by "God" can no longer be found out. Matth. 11, 27 he said: "... neither knows any man the Father, save the son and he to whomsoever the Son will reveal him."

Maybe he did reveal his opinion to some disciples. (Certainly not to all and not to Peter, who continued to adore the Jewish Jehovah.)

What he revealed is not preserved. Therefore, such an important detail of Christianity, as the notion of God that Jesus Christ had, is no element of Church-Christendom, which, on the contrary, preserved the adoration of the Jehovah which Jesus Christ, obviously, considered as non-existing.

The abolition of Jewish (in reality heathen) ceremonies by Jesus Christ was a good thing and honours the man, who undertook such a dangerous reform. But this abolition was forgotten a short time after his death. The disciples retained the ceremonies and later the heathen adherents retained **their** ceremonies. Both are still elements of the Church Ceremonies. In some Catholic prayers can still be seen that, originally, they were directed to a heathen god, and that some priest simply changed the name of Osiris or whatever into Jesus Christ. Even the Jewish Sabbath-Superstition - - which he had quite abolished for his adherents - - was for a great part reintroduced by the Churches with the unimportant alteration, that the Sabbath was replaced by the first day of the week.

It was the first time in history - - say the defenders - - that general love was represented to men as a religious duty, and that was an immense progress. The defenders err.

Not sufficiently appreciated seems the fact that Jesus Christ attributed to **truth** the greatest value, moral and metaphysical.

The people of antiquity in general were liars. To get advantages by lies was not considered dishonourable. To break an oath seemed dangerous because it was believed that there existed gods revenging perjuries. But he, who possessed courage enough, or talismans, might break his oaths without losing much honour.

Plutarch reports of king Lysander of Sparta that, towards his Spartans, he boasted of his many perjuries.

The readiness of subjects to honour their rulers as **gods** was noted even by antique authors, e.g. by Tacitus.

An example is given in Acts 12, 22: "And the people gave a shout, saying, it is the voice of a god, and not of a man." (King Herod at Tyrus.) Of course, they were not such blockheads as to take people like Herod, Claudius or Nero for gods. But they felt not the least shame in producing such lies.

This mentality was socially impossible in the long run.

It seems that among the reformers Jesus Christ went farther than others. If passages like John 14, 17 and similar ones reported his words correctly, then for him the words "Truth" and "God" were the same things, though he distinguished truth, in his oriental manner of speaking from "the Father". His preserved utterances are not sufficient to make quite clear what he meant.

Astonishing is that Jesus did not reject fibs, as are necessary in social and familiar intercourse, which may be seen from John 7, 8. His demand to tell no lies was obviously restricted to important matters in religion, politics and social affairs.

From little traits, as in St. John 7, 8, I conclude that Jesus really lived, for stories of **this** kind are not invented.

Church Christianity did not follow the mentality of its founder. The churches accepted the old heathen institution of absolution of sins by priests. Every lie could be made good by a (in most cases little) sacrifice.

If men in the following centuries and today are less deceitful than men of antiquity, it is - - I think - - because Romans, Greeks, etc. were replaced by nations of warriors, and among warriors lies are normally considered contemptible. The warrior mentality united with the mentality of stoics and of Christians not bound by clergy mentality, peu à peu became general.

A great contrast to this is the development in churches, especially in the Catholic Church. Here became dominant the Jesuit mentality, that truth as well as lies must be subordinate to the interest of the church. The resemblance to the old Jewish clergy mentality is obvious.

That people in antiquity were generally liars and on a low moral level is explained in a very interesting manner by **Bastiat**. I cannot tell you the chapters because his works in my library were burnt. My opinion of the "poisoned antiquity", as he called it, is taken from Bastiat.

Very faithfully Yours - signed: U. v. Beckerath.

30. 7. 1951.

Dear Mr. Meulen,

the problems arisen in our correspondence:

I.) Do you prefer life to non-existence?

II.) If you had to choose

A.) non-existence,

B.) repeating your life, exactly as it has been with every detail in every moment and the same feeling connected with every situation,
what would you choose?

III.) In the case you would answer question II with: "I would prefer II A", would you accept from the hands of fate another life than that which you had lived until now, but without knowing what kind of life fate has ready for you?

IV.) Do you think it possible to augment the value of life by technical, political and social improvements?
If yes: What kind of improvements?

V.) Do you think it possible to improve conditions of life so that suicide will no longer occur?

seem worthy of being made an object of a questionnaire by the Gallup-Institute or a similar institute. If I would have connections to such an institute, then I would propose such a public opinion survey to the institute.

The results should be grouped, and groups should be at least:

- 1.) Nationality,
- 2.) Profession,
- 3.) Religion,
- 4.) Age (year of birth),
- 5.) Marital status,
- 6.) Children or not,
- 7.) Parents alive or not.

I think the public's participation would be great.

At intervals of 10 years or so this investigation should be repeated.

What is your opinion?

Very faithfully Yours - signed: U. v. Beckerath.

Dear Mr. Meulen,

yesterday I received by your kindness:

- 1.) 6 copies of the "Individualist", August-edition,
- 2.) "Truth" of 20. 7. & 27. 7. 51,
- 3.) "City Press" of 20. 7. & 27. 7. 51,
- 4.) "National News-Letter" of 19. 7. 51,
- 5.) "The London Newsletter" of August 51,
- 6.) "Individualism" of August 51,
- 7.) "The Malthusian", my old friend, of April 51, which - - as all other copies of "The Malthusian" - - raise in my mind the idea that a monthly "The Anti-Malthusian" must be a "good seller".
- 8.) "The Interpreter", of 1. 6., 15. 6. & 15. 7. 51,
- 9.) "The American Freeman", July 1951. (**Very** interesting!!)
- 10.) "L'Unique", Nr. 58, 15. Juin - 31. Juillet 51.

I thank you very much. I hope to say much about these papers in one of my next letters.

"Sozialpolitische Arbeitsgemeinschaft" (SPA), Berlin-Friedenau, Fehlerstrasse 10.

The meeting at 24. 7., at a restaurant, where a film-man proposed a new method of financing a film, was disappointing. He proposed a cooperative, whose shares should circulate in Berlin as gilt-edged, as good as money-Ersatz. The old idea of financing employment by a cooperative, but refuted by theory and practice more than 100 years ago.

More interesting was a colloquy in the lodging of an unemployed some days later. We were 9 men and a (very intelligent) woman. The unemployed was too poor to pay for electric light, which was therefore turned off by the power plant. But we had got 4 candles and were able to talk 4 hours at an illumination which was quite usual 100 years ago, when at that time unemployed in Berlin came together to talk about their affairs. If we would have had 5 candles, we probably would have talked for 5 hours.

We criticised the film-financing idea and most of the persons present saw well its impossibility. I delivered a little speech myself, by which I tried to explain the system of John DeWitt Warner ("Sound Currency", New York, volumes 1895 & 1896.) Suppose, I said, that the unemployed nurse among our members worked 20 hours at the household of the unemployed lawyer, our member. By the system of Warner the matter would be financed in this way:

The nurse gets from the "clearing house" (as they called it) 20 certificates of 1 DM each. The lawyer is debited with 20 DM + a little amount for working expenses of the Clearing House. The Clearing House says to him: You must pay to us, within 8 weeks, 20 DM + , paid in cash or in certificates.

Now the lawyer puts a poster on his door:

"Here certificates of the XYZ Clearing House are accepted."

So, for the amount of the issued certificates there is created a place where they **must** be accepted at their nominal value if given in payment.

If the certificates circulate with a little discount, there will be people, wanting advice in law suits, who secure the cheap certificates and pay the lawyer's bill with them at par.

That is the **scheme**.

The persons present understood the matter at once and the lady, too, was satisfied. (Some words by her reminded me of the sentence of the German poet and politician **Seume**, written 1807:

"Ob die Weiber so viel Vernunft haben als die Maenner, mag ich nicht entscheiden: aber sie haben gewiss nicht so viel Unvernunft." (Apokryphen) (Whether women have as much reason as men I cannot decide, but they do certainly not have as much unreasonableness. - J.Z., 16.4.03.)

The discussion shall be continued in a few days.

The scene would have been something for a painter. The little candle, 10 persons in the chamber, all unemployed for a long time, looking quite so, and the pale and under-nourished faces full of attention and, perhaps, a little fanaticism - - it was like a conspiracy in old times. But **our** intention was to make our discussions public, and not to conspire.

(The subsequent small groups, centring around B., for years, were so poor that they could not afford to hire a public hall and advertise their meetings. So they met in private flats, changing the venue between them, in small living rooms, crowded even by a few persons. - J.Z., 16.4.03.)

Some days ago I received from Dr. Schwarz, Frankfurt am Main, the amount of 60 DM by postal order. On the slip he had noted: "Im Auftrage von Herrn **Bonnaire**", a name which I had never heard. I said:

"Ich gaeb was drum, wenn ich nur wuesst, (I would give something, if only I knew
"Wer dieser Herr gewesen ist!" who was this gentleman! - J.Z.)

Neither did I know the name "Dr. Schwarz". What to do???? I resolved to write to him and ask him, what the money was about. Now I get the explanation in your letter. Dr. Schwarz will have been much astonished by my letter.

I thank your very much and state that the amount was a multiple of what I had paid to Schwab, Muenchen. But I remembered the old proverb:

"Wenn's Goldstuecke regnet muss man den Hut aufhalten", and bought on the same day paper for my typewriter. (When it rains gold pieces then one has to hold the hat open. - J.Z.)

I had written several times to Schwab and reminded him about the **Intestinol**. Today I see, that not Schwab but a firm **Henning** in Hamburg is the manufacturer. I wrote to Henning today and beg you to excuse my mistake.

Some work for my present crank, the SPA, leaves me not the time to write more, but I think that on Sunday I can do it.

True nature of medium of exchange. You are right.

I enclose my letters of 29. 7. and 30. 7. 51.

Very faithfully Yours - signed: U. v. Beckerath.

15. 8. 1951. Your letter of 11. 8. 51, received yesterday, & your letter of 6. 8. 51.

Dear Mr. Meulen,

I never had to pay extra postage on your packets of newspapers. Concerning the newspapers: The "Sozialpolitische Arbeitsgemeinschaft" (SPA), of which I am now a member, and whose founder, Mr. David, is a very active and intelligent man, created a "department": "Information of members and others on foreign papers" (a better name is still to be found) and here, probably, the treasures you sent me in such quantity and quality will be brought forth.

Quotation from Seume. You say: "Men are more prone to make generalisations than women (certainly in science), whose conversation is confined more to the particular, where fewer mistakes are likely to be made. (That is true and, perhaps, proves that women's 'Vernunft' [reasoning - J.Z.] is - - concerning generalisations - - inferior to that of men.) When women do indulge in generalisations, their 'Unvernunft' is generally greater than that of men." If "Unvernunft" were the logical and 100 % contrary of "Vernunft", you would be 100 % in the right. But the logical 100 % opposite of "Vernunft" is simply "Nicht-Vernunft" (non-reasoning), which is not identical with "Unvernunft". In English it is the same. The distinction between "kontradiktorisches Gegenteil" and "kontraeres Gegenteil" is now international. The "kontradiktorische Gegenteil" of A is simply "Non A". The "kontraeres Gegenteil" may be "B" or "C" or whatever else.

In generalisations women seem to show less "Vernunft" than men. (certainly in science, in other spheres I am not quite certain.) But "Unvernunft" - - if existing - - appears less in generalisations than in situations - - say - - if a dog, kept on a leash, constantly tries to run away, though it should know that it is impossible. You will understand what I mean. Seume - - I think - - had such situations in mind.

Your job in your garden. Your friends in particular and the world in general, do profit more from your writings than from your garden and insofar I wish an additional number of rainy afternoons to Parkside Gardens (not to England).

The 60 DM. You are great psychologist.

The group "Austausch" (exchange - J.Z.) had a conference some days ago. At the previous conference I was invited to state my ideas in a suitable form for a detailed discussion. It tried to do so and read before this conference the here enclosed drafts. They were accepted without propositions to modify them.

Example of the nurse and the lawyer. You are right insofar as the mechanism could hardly function if only a nurse and a lawyer were concerned.

Pagan Christs. It is an excellent book from which I frequently read. One of Robertson's conclusions is: More than 90 % of the Christian Churches' dogmas are of heathen origin. I agree. And yet it is true, what the Christians in the first centuries often reproached the heathens with: Not **one** heathen ever **died** for a heathen doctrine. (Gibbon - - whose works are burnt (in B.'s library - J.Z.) reports this.

Here is a fact, which requires explanation. To simply suppose "Unvernunft" would not be a sufficient explanation.

What you say of the contradiction:

- 1.) Christ recommends to forgiveness for one's enemies,
- 2.) He himself was far from doing so and applied blows to the priests sacrificing innocent animals to the Jewish Jehovah,
- 3.) That the Churches affirm: Christ will come to **judge** the world and the effect will be, for the evil-doers, far from forgiveness,

is all true.

No. 3 is a doctrine, which Jesus Christ himself did, certainly, not propose.

No. 1 was - - I think - - but I do so for good reasons - - a recommendation especially for his disciples, not for men in general.

To represent Christ by the symbol of a lamb is historically and psychologically quite unfounded - - I think.

Kant - - who praised Christ much - - was far from endorsing No. 1. He says ("Tugendlehre", par.12.):

"Werdet nicht der Menschen Knechte. - Lasst euer Recht nicht ungeahndet von andern mit Fuessen treten. -"
(Do not become the serfs of men. Do not let others trample upon your rights, unavenged. - J.Z.)

Economics and truth-telling. Spencer's view I did not know, but I must say that I very much sympathise with it. Probably, it is better founded than my own has been, that truth-telling took its origin from a warrior milieu. Historians, impartial and learned, as Gibbon was or David Hume, may here decide.

You know the doctrine of the old **Persian** religion: "Tell the truth and cultivate the art of archery."
On the other side, the history of the German race and especially that of warriors at the time of Attila and later, confirms your view.

Value of life and Gallup poll. I accept your opinion as a precious contribution to the problem and agree on most points, especially on what you say of the Gallup poll. I beg to revert to this matter in my following letters.

Your letter to the "Times" of 9. 8. 51. I think, that the letter will be printed. In one or my following letters I hope to say more about it and about the letter of Mr. Leslie Sheffield.

Tangerine Gold Certificates. (Clipping from the "Economist".) I do distrust now the gold quotations at Tangier. The quotation of sovereigns at Alexandria were **very** different from those of gold bars at Tangier. For some weeks

now, the "Financial Times", where the Alexandria quotations were regularly reported, does no longer publish them. Why not??????????

Your letter of 6. 8. 5.

Role of reformers. I agree with your sentence: "If the great majority of people were not conservative and placid, it would be impossible to have an orderly society." But I think: If there were no reformers - - good and bad - - constantly discussing the existing order, people would take this order as a natural law or - - if religious - - as an institution of the gods, as the whole antiquity did.

Cosmic method. Certainly: An **omnipotent** creator could have devised a better way, the word "omnipotent" taken in its vulgar sense. But if authors do **not** take the word in its vulgar sense, then I suspect them of being crypto-atheists (the word "atheist" taken in the sense in which the Churches take it) and that they used ecclesiastical terms only to deceive the censors. Spinoza, Leibniz and, **perhaps**, even Kant (who frequently uses the term "God") I think to have been crypto-atheists.

Kant on the value of life. In one of my following letters I hope to say still some words about it. Today my time is restricted. The Social Democratic Party has summoned its unemployed members to help doing service at the "Kreisbureau" (district office - J.Z.) during the "Eastern Welt-Fest-Spiele der Jugend". (World Festival of Youth - J.Z.) The young people come every night in crowds of thousands to the Western sectors (although barriers of stones, iron, etc. are in every street connecting the Eastern sector with the Western sectors) to get there something to eat and have the possibility of talking, un-watched, also to sleep. A service is organised by the SPD to receive the young people, distribute meals (gratis) and to offer them an opportunity to sleep in the Western schools. My service is from 5 o'clock this afternoon to 7 o'clock tomorrow.

To tell the truth: In spite of a great lack of organisation, the Welt-Jugend Festspiele in general seem to have been a great success for the Communists.

Power of Parliament and Tucker. No!!

Spelling reform. I don't think that English children are any less intelligent than children of any other nation. The **experiments** with spelling phonetically the average English of educated people seem not to have been encouraging.

Competition with the USA. See my following letter.

Revaluation. I explained **Jacob's** (a disciple of Kant) ingenious proposals in a former letter. I will try to explain them again in one of my following letters. Your friend Norman Wyld is refuted by your book, of whose many thousands of lines not a single line is superfluous.

If it were possible to put important ideas - - and may they be ever so clear - - on a postcard, all necessary reforms would already be executed.

(J.Z.: Only if there existed a proper Ideas Archive and Talent centre to order and make accessible all this information. The supposedly already existing "free market place for ideas" does not do most sound ideas, whether they are old or new, sufficient justice but, rather, supports popular prejudices, error and myths. - J.Z., 17.4.03.)

Circulation of option clause notes. I do admit, that if not a sufficient number of shops participate, then my system cannot function. Your other objections I cannot acknowledge. See my following letter!

Free Will. The Determinist can prove to you (and people such as Hume, Priestly, etc. did so) that your feeling to be free to choose, has, in reality, not this freedom as a subject but simply the fact that you possess a **will**.

Things in themselves. What you say is true but does not exhaust the problem.

I hope to write on the interesting clipping: "A six-year-plan for economic reintegration" in my following letter.

Very faithfully yours - signed: U. v. Beckerath.

16. 8. 1951. Your letters of 6. 8. 51 & 11. 8. 51.

Dear Mr. Meulen,

Concerning **Kant's** considerations on the value of life, it is necessary to agree on the meaning of "happiness". Such an eminent writer as **Thomas Morus**, in his "Utopia" says, that health in itself is already happiness and breathing a pleasure never to overestimated, so valuable is it. (Says Morus.) Much further goes Xavier de Maistre, in his novel "The leper of Aosta". Here de Maistre lets the leper say, that breathing is such a pleasure, that it outweighs the lack of health and even such a torment as sleeplessness, under which he suffered.

If Morus and de Maistre (It seems, I may add: yourself) were in the right, such opinions as those of Goethe, Abd ur Rahman and Bismarck were not only false but mere nonsense. If the opinions were false, the normal feeling of intelligent men must be that a man like Goethe might have had 4 weeks of such sorrow or aches or both, that in these 4 weeks they might have outweighed the pleasure. But Goethe said that, on the contrary, he had experienced no more than 4 weeks of **pure** happiness ("reines Glueck").

The addition "pure" seems important and it may be, that the contradictions disappear if one understands by happiness - - as Goethe did - - "reines Glueck". The passage is reported in Eckermann's Conversations with Goethe, in the last years of Goethe's life - - 3 volumes of 825 pages in Reclam's edition - - and at the moment I cannot find it. When I find it, I will report to you the whole passage.

The statements of Goethe. Abd ur Rahman and Bismarck were made when all three were in a quite calm condition of mind.

Goethe knew, that Eckermann had the intention to make a book of his conversations with him, and so had time and opportunity to prevent the passage of from being printed. He did not.

Abd ur Rahman wrote his statement in his memoirs, certainly he had revised the text several times. Bismarck reported the little story of the hare when he was an old man and his nature had become quite calm. Moreover, he was in the habit to say nothing that he did not like to be printed.

So I can say: It was not so - - as you think - - that these statements were made in moments of depression.

You ask, if I can honestly say, that I had so little happiness in my life as - - say - - Goethe. (4 weeks.) Measured by the scale of de Maistre I had much more. But considering the "happiness" so, that it might have been worth a repetition, I can say: Here I resemble one of the three mentioned persons.

I possess **Leopardi's** works in **Heyse's** (the poet's) excellent German translation. There exists also very good English translations. If you will read the very funny little dialogue "Malambruno and Farfarello" (5 pages) you will see what Leopardi understands by "happiness".

(J.Z.: B. always wrote as if long dead writers are still alive, as they are, in a way, through their writings. - J.Z., 17.4.03.)

(Malambruno to the demon Farfarello: Mach mich nur einen Augenblick gluecklich!

Farfarello: Das kann ich nicht ... Und wenn Beelzebub kaeme mit der ganzen Giudecca and allen

Hoellenschluenden, er koennte ebensowenig wie ich, weder dich noch irgendeinen anderen deines Geschlechts gluecklich machen.")

(Make me happy, at least for a moment! ... That I cannot do. Even the devil, with all his aids and threats, could not make you or any other human happy. - J.Z.)

But the **main** problem is another one: Are the great misfortunes, of which **no** life is exempt, to be considered so that they outweigh the happiness in the most happy life?

Another question, of the same importance, is: Are the great misfortunes to be considered as inevitably connected with the rest of life? My opinion is: They are.

You know that **Buddha** considered life as essentially worthless if **pleasure** would be the real element of worth in life. But Buddha added: The mental possibility to leave that life, not only an individual part of it, but life as a whole, can be for average men attained only in a state where social reform has done its work. Buddha enters into many details of high interest, so different from Christian mentality as possible. It's worth while to study all that in the "Cakkavatti-Sihanada-Suttanta", Collection Digha Nikaya. Modern Buddhist students are all surprised by the numerous similarities between Buddhism and Kant's philosophy. (Mostly in Germany, less in England, where Kant is nearly unknown.)

Concerning your acquaintance - - the lady, 60 years old - - her opinion is confirmed by that of Mrs. Professor Vierkandt, now 77 years old, one of the most remarkable and wisest as well as most intelligent women I ever met. She told me quite the same. But to get here full clarity, it would be necessary to repeat the colloquies in terms of philosophy. I think that another language is not sufficient to here achieve full mutual understanding.

Not quite related to our problem but yet not too far from it is a colloquy which I had yesterday in our watch-room (I wrote to you about it) with a young, very nice and educated woman. She was a mother of three children and said: The great misfortune of my life is that I am of an impatient nature and, in consequence, treat my children - - though I love them not less than other mothers would love theirs - - as I should not do. Often I resolved to treat them better - - in vain. Maybe, that my nervous system is violated by some bombs which exploded quite near me, maybe that the impatience is innate. But I am very unhappy, probably much more than the children. She was a beautiful woman of a gentle behaviour and looking mild and as having a very **patient** nature. We were three men listening to her, two workers among them, good and intelligent men. All accepted her "confessions" with sympathy and very much interest and said to her, that mending is regularly not far from self-knowledge and that she should consider her impatience as an injury caused by the war and remember that such injuries, in most cases, are healed by time. So her life might become as valuable as any other among our comrades.

I share your opinion on the possibility to get more information on this by a **Gallup Poll**. And yet: should it really be impossible to put the questions in a manner so that average people understand them????? Perhaps a stylist of your quality will find the right terms.

Very faithfully Yours - signed: U. v. Beckerath.

9. 9. 1951.

Dear Mr. Meulen,

yesterday I received by your kindness **Everybody's** of 1. 9. 51, with your letter to the editor, concerning Dividend Limitation. Every word you write is right. Unluckily, in England as well as in the rest of the world, dividends are considered as "unearned income" (B. wrote: "income without work". - J.Z.) As long as this mentality prevails, workers will consider measures to limit dividends as being economically useful and morally correct. If the classes here concerned would simply demand, that all income from employment-creating investments should be **freed** of taxes, then the mere discussion of that demand would, in the long run, change the present mentality. But 90 % of dividend earners are not interested in affairs beyond their household.

"Everybody's" is a nice paper and surprisingly cheap. 4 d a copy! Taking 1 L = 12 DM, 4 pence would be equal to 20 Pfennig. The average price of a paper of the rank of "Everybody's" is here 50 or 60 Pfennig.

Several letters of yours are not yet answered. The work in the "Sozialpolitische Arbeitsgemeinschaft" takes all my time. I must think of limiting this work. Some days ago they would make me one their managers. Of course, I refused.

In circles of the SPA (Sozialpolitische Arbeitsgemeinschaft) the problem of note issuing is much discussed. Most agree and I do agree, too, that if there are not enough shops accepting the notes at par, the issue would be what the Germans a "Schlag ins Wasser". (A hit into water. - J.Z.) (Your letter of 11. 8., page 1, par. 4, your letter of 6. 8., page 2, circulation of optional notes.)

Let me say a few words on the mentioned passage.

That's an old difference in our opinions:

You say: The promise to redeem the notes in precious metal, on demand, or in terms of the option clause, ensured their capacity to circulate.

I say: What ensured their capacity to circulate was first of all, and especially in the case of option notes, the fact that the notes had a purchasing power in a sufficient number of shops, and the notes had that purchasing power because a sufficient number of shopkeepers were debtors of the banks. Thus it was no burden for the shopkeepers to accept the notes to the amount of their debts, for they had the possibility to use the notes as means of payment against the bank in repaying their debts. Because there were so many debtors of the bank in that situation, even such people - - merchants and others - - accepted the notes, who were not debtors of the bank.

I estimate, that if in a community of 10 000 adult inhabitants 500 are **obliged** to accept notes of a note-issuing institute, then that would be sufficient to ensure the circulation of the notes in the whole community.

In old times in Germany, at least in some of its States, there existed paper money without forced currency but accepted like coin by the tax offices. This paper money had no other cover. Zander, in his pamphlet: "Ausweg aus dem Waehrungschaos" (Way Out of the Currency Chaos - J.Z.) quotes inter alia the example of old Wuerttemberg. I think that there were less than 5 % of the people who had to pay taxes at the same day. But, nevertheless, every day the notes were quoted at par.

The same is mutatis mutandis to be said of the railway money in Germany in the years 1923/1924. There were relatively few people intending to use the railway, but everybody took the railway money at par. (Zander, "Eisenbahngeld".) Also in this case: not redemption but acceptance at par is the only cover. (J.Z.: Well, while this is not redemption in precious metal, it is redemption in a wanted service or consumer good. - J.Z., 17.4.03.)

Rittershausen called the principle, by which the notes here got a par value, the "shop foundation" ("Laden-Foundation"), which seems to be a good expression.

You decline the principle in itself, though it is justified by a practice of many decades. Your standpoint is, too, that the principle "value by acceptance" would not have worked in Scotland if the banks would not have promised redeeming. My opinion is: it would have worked and really worked so that the promise to redeem au fond was superfluous.

The difference has often been discussed by us and the discussion was insofar useful as it produced full clearness on your and on my standpoint. But for me the matter is of great importance for the following reason:

Gold redemption may be good or not: For Germany and for most other countries it is practically impossible, though a **gold market** may be opened at any hour. "Laden-Foundation" (or, more theoretically expressed: "Schuldner-Foundation" [debt foundation - J.Z.]) is the only principle here practically possible to keep notes on par with gold.

Until now I was inclined to think that you were the real inventor of that principle and took the often quoted passage in your book, page 81, line 6 from the bottom, as a proof. I admired the passage highly and thought: the only man in England, who saw the **real** principle which gave the notes their gold value, and he saw it through the veil of the redemption promise.

Let me add, that I take the discovery of the said principle to be one of the most important advances in monetary theory, hardly less important than the invention of note issuing itself.

I read well that you wrote: "... local tradesmen were **frequently** debtors to the banks etc." and that you did not write that that all people, who accepted the notes were bank customers (which I did not affirm), what certainly was the case, so as you wrote it. But that seemed not important. The principle "value by acceptance at par" seemed to me to be quite clearly expressed.

And now you decline the honour (in my eyes it is a very great honour) to be the discoverer of the principle and reject it in most clear words. I must accept it and believe it.

It seems, that the first man who published the principle, with the necessary explanations, is Zander, if you will not be this man.

For the SPA only the "value by acceptance at par" - principle is possible. It may be (and here we do agree) that the whole action cannot be started on a sufficiently broad bases and, therefore, will remain without the expected effect. It is a bad consolation for me that in **this** case a redemption (or a promise to redeem) would also not help to start the note issue. **Small** note issuers are always restricted to the neighbourhood where they are known, may they promise to redeem or not. (Zander quotes the example of the barber shops in China (Fukien) paying the victuals, which the barber consumes, with notes in the shop in the same house and he gets the notes back, gradually, from the customers of the groceries shop, who are his customers, too. This system was prohibited in 1931 by the Minister of Finance, Wang. (J.Z.: Wang probably only wanted to increase his tax revenues. These notes, like barter exchanges, may usually have escaped being entered as cash receipts and thus escaped taxation on them, just like barter exchanges do. - J.Z., 17.4.03.)

You will have read of the latest phase of the "Cold War" at the frontiers of Berlin. I think the solution, expressed in the enclosed "Entwurf" (draft - J.Z.) will be possible. I try to get people ready to read the "Entwurf". I hatched it today. (J.Z.: I believe that it is not in my collection and M. burnt his papers! Has anybody got a copy? - J.Z., 17.4.03.)

Last Monday, the 3rd. Sept., I met a manager of a free-religious union I know. We had a little discussion on **Kant**, in which he strongly opposed my opinions. "Are you ready to defend your standpoint on Kant in my circle? he asked me. Next Thursday we have a session. Are you ready?? Of course I was ready, though there was little time to prepare the lecture, and I had much to do for the SPA the next days. But I started the lecture and choose as theme: "Kant's Philosophie als Grundlage einer Religion fuer das taegliche Leben". (Kant's Philosophy as the Basis for a Religion for Daily Life. - Alas, it wasn't tape-recorded, either! -J.Z.) Some listeners were impressed and we continued the discussion on the street for about two hours. (Did he keep any lecture notes? Will I still find them when I peruse his other correspondence? I hope so. - J.Z., 17.4.03.)

I have still much to write to you. But today I must finish.

Very faithfully Yours - signed: U. v. Beckerath.

12. 9. 1951. Your letter of 7. 9. 51, received 10. 9.51.

Dear Mr. Meulen,

at one o'clock in the morning I brought my letter of 9. 9. to the post (one minute from my house) where letters are fetched at this hour, and 7 hours later I received your letter.

You would think that in the "Sozialpolitische Arbeitsgemeinschaft" (SPA) hardly anybody will have the technical knowledge to appreciate or to criticise my proposals. I was agreeably disappointed. We are 10 men in the "Arbeitskreis" **Austausch** (Workshop Exchange), and I could state that **all** conceived the underlying theory completely. Their scruples were: The system is in opposition to the note monopoly of the Bank Deutscher Laender. Here they were right.

Pagan Christs. You are right: Muslims died in great numbers in Spain to defend their faith. But I spoke in my letter of 15. 8. of **heathens** and, especially, of the contemporaries of the first Christians. Also I expressed no doubt that some day that kind of religion (or anti-religion) which the English call Agnosticism, will have its martyrs as well as Christianity had. There are already remarkable examples and, probably, you know more than I.

In **old Greece** religious tolerance was, even in Athens, very moderate. I remember the case of Anaxagoras, friend of Perikles, who was fined 5 talents (which Perikles paid) for lack of religiousness. The trial of Sokrates is not forgotten. Roscher mentions others. And that was in the centre of enlightenment! I also think that the story of the Ephesian Artemis (Acts 19, 28) is true.

Your remark: "... it is open to question whether one serves one's ideas best by dying for them," is quite right. But I think that in the case of Christendom it is hardly doubtful that Christendom would have remained a small (and today forgotten) sect, if there would not have been so many men and women dying for that religion. But, if they would have foreseen the Inquisition and the religious wars of the religion for which they died, then, perhaps, they would have pondered the matter and would have proposed the system later invented by Mohammed, a most ingenious system: Remaining an Infidel costs one gold coin per nose and year!! Thus religious tolerance became an important source of income for the rulers and induced them to support religious tolerance. I am sure that the Caliphs and the Sultans got much more income by the rajah-tax than the kings in Spain by their Inquisition. But the opposition of the first Christians was not only of religious importance. It saved the world from caesarism. (J.Z.: Did it?)

Concerning your quote from Anatole France I say: It may be that craziness of men becomes so great that certain natures cannot oppose (it? - J.Z.) in another way than by risking their lives. It's a natural process.

Norman Wyld's postcards. That a postcard, especially in the case you cite, is **not** sufficient, can be easily demonstrated: "redeemable" means - - if average people hear the word - - redeemable into coin. But today there are no coins ready for redemption purposes.

(J.Z.: This redemption actually presupposes a circulation for gold or silver coins. And this presupposes that goods and services are marked out in these coins. M. usually ignored these natural and essential aspects of a "gold standard" or a "silver standard". His monetary reform thinking was largely shaped by the model of the forced currency of the Bank of England and its excuses and rationalisations, while it still pretended to be able and ready to redeem its notes. He only imagined smaller and decentralised banks, but still on the same false and misleading model. He could hardly think in other terms, even when they were clearly described to him. - J.Z., 17.4.03.)

What will you use? Wire, as did the Chinese Imperial Army in the days of the Taiping Rebellion? The soldiers had refused the imperial paper money, and the emperor - - a wise though cruel man - - saw well the difference between a refusal by armed soldiers and of unarmed merchants. Wire proved to be a serviceable "Ersatz". It could be divided so that even cash copper coin value could be paid out.

In your case many people will ask: What the Bank does - - going to the gold market and exchanging notes for gold - - we could do ourselves and, probably, better than the Bank.

At the gold market only bars are sold, the normal weight being 400 grams - - it seems. That would be an obstacle to redeeming, whether the Bank goes to the gold market or members of the public.

In practice the binding of note value to the **market** price of gold means the abolition of "redeeming", the word taken in its popular and always used sense.

Entering into these deciding details requires **many** postcards. Not entering reduces the explanation to the space available on a post card.

Your garden. Thinkers like Goethe and Nietzsche are on your side. Both stated, repeatedly, that their best thoughts always came while they were in fresh air. Both distrusted ideas born at writing tables.

Your experience with insomnia is obviously valuable and the more so as the medicine is cheap and nearly always at hand. I will use it.

Determinism. You say - - quite rightly - - "... I feel that I could rise if I wished." Here **begins** the problem of Determinism. Make a little register of the cases in which you wish to rise (the bell of your house rings, a necessity arises to look at a book not at hand on your table, you wish to go to bed, because you suddenly feel tired, you suddenly get the brilliant idea to prepare a voyage to Berlin, etc.) and also a little register of cases which do **not** induce you to rise (a fly crawls on your typewriter, you house maid calls you for dinner, the third time, a dog barks in your vicinity, etc.) and you will get aware that your **wishing** is **determined** no less than a moon eclipse or the arrival of a locomotive at a station.

Coal shortages. Your communication came timely. Today I go to my coal monger and ask for winter coal. I do not think that the Labour Government will be discredited by a coal shortage. The government will say to the people: The Germans, those dogs, keep the coal for themselves, and the German government will say: The English take all our coal. Governing is so easy! The people are patient and ready to believe **everything** if a nationalist explanation **seems** possible. Your remark on imports of coal from America will hold good.

I get printed matters from the Russian revolutionary group "**Possev**" ("seed"), whose (Russian written) paper appears at Limburg an der Lahn. The London branch is: Tottenham Street No. 26, London W 1, Russian Book Shop of V. V. Baratchewsky.

The group declares its sympathy with (catholic) "Solidarism". I wrote to you on Solidarism when we dealt with the case of **Strasser**, who also contends to be a Solidarist.

I think that Solidarism is so empty of real merit that very few Russians can be won by it and only those, who do not completely understand it.

I expect with great pleasure your announced pamphlets. I share your favourable opinion on **Gall**, whom I consider to be a very great man. (His main book is burnt.)

Very faithfully Yours - signed: U. v. Beckerath.

3.)

I forgot to confirm the receipt of the clipping from City Press of 20. 8. 51.

That Alexander demands so strongly

- a.) a free gold-market,
 - b.) abolition of direct and indirect interest restrictions,
 - c.) abolition of the present way of wage adjustment,
 - d.) a flexible economy in general,
- places him far above "official" economists, Keynes not excluded.

I regret that he still insists on using the word "inflation" so as "Vulgaer-Oekonomisten" (to use an expression of Marx) use it, instead of using it in the sense of 1913.

(J.Z.: Not that it was clear enough to most people in 1913. If it had been, the "Great Inflation" would not have happened. - J.Z., 17.4.03.)

I regret, too, that he does not share your standpoint to extend economic freedom to note issuing (where the issuer does not promise more than he is able to keep) and that he does not, energetically enough, state his true opinion: Prices should be stated in units of gold weight and not in the units of the Bank of England notes.

But Alexander is a logically thinking man, which he proved on so many occasions - - and I think that he would change his mentality concerning "inflation", gold prices of goods in shops and freedom of issue (without forced currency of the notes) if he would be compelled to defend it in a discussion. (At least this would have had to be a very public one. - J.Z., 17.4.03.)

An interesting clipping. - - I thank you!

Bth.

Wage adjustment. The theory of statistics teaches, that the "extreme values" of a group of facts - - here observed wages - - the lowest wages and the highest wages - - are determined by statistical **laws** (natural, economic, or what may be the case), that determine, too, the distribution of the numerical values of the single facts, if arranged according to the numerical values.

(J.Z.: Only under ideal free market conditions. Certainly not when they are determined by coercive and legalised union privileges, by "self-determination" as by parliamentarians regarding their salaries and fringe benefits, at the expense of involuntary taxpayers or by company directors or managers, at the expense of the shareholders, sometimes even in secret deals, while the shareholders, like the taxpayers, get no say in the matter. - J.Z., 17.4.03.)

Therefore, the theory of statistics teaches to influence the "law" if the "extreme values" shall be influenced (How? - J.Z.), and not simply to suppress the extreme values by regulations, prescriptions, etc.

If this rule is not considered, the **law**, prevented from realising itself in a natural way, realises itself in another domain and, perhaps, in quite unexpected forms. In the wage sphere the right way **may** be an increase of efficiency of labour (many possibilities), it never should be a simple restriction. As Alexander quite justly says and you said long ago: The effect must be unemployment, not a higher wage for labour which really is not worth more than the observed low amount.

It is surprising that the same statistical laws hold good in so many spheres, in the wage sphere, in the sphere of roulette records, of the weight of new-born children or the height of recruits, of the amount of losses in fires, etc. Look at any good book on statistics, so numerous in Anglo-Saxon literature, you will be very pleased and - - I think - - get some new impression.

Quetelet, "Physique sociale", more than 100 years ago!!

Bth.

13.9.51

Dear Mr. Meulen,

You were so kind as to send me three years ago a leaflet "A national idea department" by P. Clavell Blount. In the paper "Berliner Spiegel", which appears as a supplement to the paper "Wirtschaft & Wissen", August 1951, page 1, is published the opening of an "Ideen-Zentrale" by the Deutscher Gewerkschaftsbund, Berlin W 30, Nuernberger Strasse 53/55. The aim is the same as that of Mr. Blount's National Ideas Department. Obviously, the two centres do not know one another.

There exists also an "Ideen-Archiv" at Gmunden, Austria, Gruenebergweg 2, whose founder (by the way, an old anarchist), Mr. Kurt Zube, I know personally since about 25 years. Zube prepares now a monthly in German, but with international tendencies.

Very faithfully Yours, signed : U. v. Beckerath.

(J.Z.: This note on three Ideas Archive attempts, as well as the hint that B. knew my father since about 1926, when my father was 21, suggests to me, once again, that B. was the real originator of the Ideas Archive project - but, as usual, he kept his own contribution in the background and rather gave activists the impression that they were acting only upon their own ideas or pointed out that historical precedents exist for his ideas. My father believed that he was stimulated into thinking of an Ideas Archive in 1939 by his contact with Gustav Grossman and his "success" courses and writings. - I learnt to know B. in 1952, when I was 19. - J.Z., 17.4.03.)

17. 9. 1951.

Dear Mr. Meulen,

Saturday (15.9.51) I received by your kindness:

1.) "Truth" of 31. 8. 51. Good criticism, as always, but I miss a **program** for resistance.

2.) "National News-Letter", No. 784, 785, 786, 788.

In No. 784 are interesting reports on the young Syrians, visitors of the Festival of the Word Youth at Berlin. I saw the fellows, looking very well, in splendid Arabian garments, grave, though young people; the Berlin children - - girls in the first line of course - - were enthusiastic, and always the Syrians were welcomed by the shout "Freundschaft", the slogan of this festival. All Syrians were surrounded by girls and boys, who invited them to write their names on post cards. They complied kindly. A Syrian beside me had no pencil. The girl (about 15), too, had none. He stretched out his hand, what in Syria may mean: "please, a pencil!" She took his hand and tickled his hand a little. I seldom saw a face **so** surprised! All laughed and at last he did the most prudent thing he could do and laughed with them.

The little Berliner did not know that if, in streets of Beirut or Damascus an Arab girl would have done the same, her parents would have repudiated her at once and sold her to the next brothel. On the other hand, the young Syrian learnt that Berliner girls, though enjoying all (? - many personal liberties. -J.Z.) freedom, perhaps are less accessible than the Syrian.

Stephen King-Hall says much impressive and true about defence preparations. He should now **see** that he speaks in vain, since more than a year. A man like him should now ask: What can one **do** under such circumstances???? He does **not** ask that. (Neither does B. say it, here. - J.Z.)

3.) London Newsletter of September 1951. Reports interesting matters, such as the visit of Kerensky. I learnt from the London Newsletter that the conference at Munich was sponsored by the American Government.

It seems that the Americans did not read the new **program** of the Kerensky-Group. That program contains **nothing** and is not worth the paper. But I wrote to you about it in my last letter. (Did he or did I miss a letter? Before he wrote about the Possev group and Solidarism. - J.Z., 17.4.03.)

Kimmitt warns his countrymen and says: "Germany is on the march". He does not say, **what to do**. I wrote to you that I, too, consider the situation as dangerous and, perhaps, I am more pessimistic than Mr. Kimmitt. Remember that there exists a great military party in Germany, feeling itself in a similar situation as Yorck did at Tauroggen in December 1812. (I say: they **feel**, I do not say: they are.) The emperor Alexander I. was prudent enough to sent **German** generals to Yorck, men as the celebrated Clausewitz. Be convinced: This time, also, the Russians will use **German** generals for similar purposes. I gave up all hope to interest anybody. The experience is very old: Average men like it much more to die by their own errors than to be saved by the understanding of others. (Or: by trying to understand others? - J.Z.)

4.) FCI. Very interesting. But a **program**??? Nothing of that kind!!! I would like to know what these people really think!!! (Nothing beyond their "program"! - J.Z.)

5.) The Malthusian, May-June issue. Now the Malthusian raises the question whether **Australia** is not on the way to overpopulation. Australia, which could easily nourish much more than 100 million inhabitants.

You still are a Malthusian, as I learn from your note to an article "Our ageing population". You write: "I think there is a case here for spreading birth control information among the poorer people. This is an urgent problem, and cannot wait for us to convert people to the monetary solution."

Here you suppose as self-evident:

I.) That it will be easier to convert people that are not yet Malthusians to Malthusianism. Reason?????

II.) That Malthusianism **is** a solution and will at least better the situation of **some** people.

I say, it will not better the situation of **one single** man.

The examples of old bachelors prove nothing. They are (or some of them are) well off, because other people were **not** practising Malthusians and so produced the children, whose labour nourishes these bachelors in their old days. Come to Berlin and study the numbers of the

a.) people working for those unable to work,

b.) people nourished by the work of others.

Every worker here must now supply another adult not working. The burden here is no theory.

(J.Z.: An ageing population would, naturally, worsen the situation rather than improve it. Thus the ageing people, in their own interests, should oppose Malthusianism and encourage rather than discourage a higher birth rate. - J.Z., 17.4.03.)

6.) "The Scots Independent", July 1951: "The Challenge of today", a surprisingly good article. Speaks of the autonomy movement in Germany and in Russia after the first world war and that it would have been possible to sustain it and so to prevent the two powers

1.) Hitler Germany,

2.) Soviet Russia,

from coming into existence.

The paper - - of course - - does not say, what could have been **done** (against the attitude of the British government at the time, obviously favouring centralism) by the English.

7.) The Word, August 1951. Your letter, page 113, to the editor, is the best of the issue.

The paper, devoted to revolution, should raise a discussion about the problem: How to **finance** a revolution - - in the first line in Russia? They are not interested but insist that they are revolutionaries.

When I read the article "White Australia" I remembered that Australia will, probably, get the receipt for her

- a.) Malthusianism,
- b.) Immigration policy.

If Australia would have accepted Chinese and Japanese, she could today be peopled by 150 million Asians, all, certainly, champions against Communism. Provided, of course, the economic order would not be "capitalistic", the word taken in its usual sense.

8.) Report of the Midland Bank (Review), August 1951. This article is really as important as you wrote. In my next letter I will say some words about it.

9.) "The Freeman", July 30, 1951. Here Roepke writes on "The malady of progressivism". Roepke is - - I derived it from other articles he published - - a Christian. Christians seldom see economic and social matters in the right light. At page 689 he subsumes communism under "progressive" ideologies (he is anti) and does not say: **why!** Communism is - - as the Eastern examples teach - - the very contrary of progressive, which I here certainly need not explain.

Sentences like:

"The "individualistic" philosophy is also objectionable insofar as it regards the individual as the unit for the policy of equalization, instead of the group to which he belongs," (page 689) **seem** to tell us something. They are quite void," (J.Z.: Yes, of individualism but not of egalitarianism and collectivism! - J.Z., 18.4.03.)

Behind them the connoisseur smells the doctrine of collective responsibility and the Catholic doctrine of "collegia" as the real unit of social life. That so many people **like** to read such social cocaine is most remarkable.

10.) "The Free Trader, August 1951. It says nothing about the fact, that really free trade in means of payments would, in a few days, produce that which average people understand by "restoring the equilibrium of the balance of trade". All articles are written as if the means of payment used in external trade would be gold coins. That is not expressed in clear words but is supposed as self-evident. Gold coins need not return if they leave the country -

(J.Z.: Immediately or very soon, but if pricing is based on gold coins and gold coins, with silver coins, are the exclusive exchange media, i.e., competing exchange media may not be freely issued then, by the "law of fluctuating gold quantities", they do sooner or later return, for their outflow produces then a degree of internal deflation, which makes the internal prices attractive to foreign buyers paying with gold coins. But all associated troubles can be avoided by freely competing and quite optional exchange media and value standards. - J.Z., 18.4.03.)

- but other means of payment **must** (J.Z.: Unless foreigners are mad enough to hoard them as "foreign exchange", as foreign central banks are likely to do for "hard" currencies, or private foreigners might do, because their own exclusive and forced currency is much worse - J.Z., 18.4.03.) and **must**, while returning, automatically finance the export wanted to pay for the previous import. Modern people will rather die than conceive this simple truth.

Professor Roepke contributed an article "European Economic Integration", full of generalities, not false, but meaning nothing.

Three weeks later, 9. X. 1951. (!!!)

These were weeks full of work, preparation of meetings, the attendance of meetings, conferences, so that at the time when I exercised my profession I was less occupied than now.

Some days ago, the "Sozialpolitische Arbeitsgemeinschaft" charged me with compiling "expert evidence" concerning the proposition to reduce labour hours in Berlin, so that 40 hours would be the maximum of permitted labour. This proposition was made by one of our members. It found - - of course - - much sympathy. I need not explain to you the nonsense of such a "remedy". But, for many decades, the workers in all countries of the world demand the reduction of labour hours, less for cultural or hygienic reasons (which I would understand - - you, too), but to diminish unemployment. I demanded in my "evidence", that the SPA should not back the said proposition and retain absolute neutrality in all questions which trade unions may claim as their domain.

Let me shortly continue to confirm the receipt of the papers on 15. 9. 51:

10.) "Individualism" of September 1951. All true, all interesting, but not treating the main object which an **individualist** paper should treat: Unemployment, the State and the money question in connection with both of them.

Sometimes I regret that Western citizens are not compelled to answer a question similar to the question by which applicants for membership of ci-devant club des Jacobins were tested:

"Qu'avez-vous fait pour être pendu si la contre-revolution remporte la victoire?"

Replace "contre-revolution" by "communism" and you get a good test question.

Individualism does not sufficiently take into consideration, that England has no more than 188 000 unemployed. That's an enormous success of the Labour Party, and I think this party will win also in these elections, though its majority will not increase.

My impression is that England uses now similar methods as Germany did, during here inflation-time. There is a great selling-off at the expense of the people. That may continue still for some years, but some day it **must** cease. That's my opinion - - I say - - but from no paper can I get **real** information on the true causes of the decline in unemployment.

(J.Z.: His impression is here not clear to me, either. I doubt that the Labour Party of the U.K. was then very much involved in selling off public assets to finance its spending sprees. - J.Z., 18.4.03.)

Some days ago a speaker attacked me at a meeting and contended that the miracle of full employment was to be achieved by the taxation of employers and the distributing of the money gained by this taxation to the workers. The fellow got much applause. It is true that the Labour Party government is much admired by Berlin workers and is considered as the model for a good government.

11.) "Race and Psychology", by Otto Klineberg. I agree with your opinion and am inclined to go still further and to say simply: a bad book. Its last sentence is: "The scientist knows of no relation between race and psychology."

Every traveller would refute Klineberg. Travellers know very well the immense psychological differences of races.

(J.Z.: Of "races" or "folkways", customs, traditions, beliefs? - J.Z., 18.4.03.)

The methods for selling whisky (B. spoke of "snap" for "Schnapps" or spirits - J.Z.) in Scotland and at Montevideo are **very** different. They are openly explained in the literature of marketing.

I hope to enter into discussing the passage marked by you on page 26.

12.) "Free Trader" No. 261, August, 1951. Again, the article "Economics of the Postal Rate" is good. The author should have mentioned, too, the opinion prevailing 100 years ago in America, that there **must** be a considerable postal deficit if the Post Office works with the greatest economic efficiency. Quite my opinion.

(J.Z.: Here I do very much disagree with B. Monopoly post offices have often worked for long periods at a loss even while charging much more than illegal and soon outlawed and prosecuted competitors charged. Lysander Spooner was such a competitor. But he and others [less involved in legally and juridically battling that monopoly], managed, between them, to force postage rates down. I believe strongly in competitive postal services and market pricing for its services, including letter rates, instead of charging a uniform price, in which those living close together in cities have to subsidise those living more or less isolated in the countryside. It happens only rarely and temporarily that a postal monopoly operates efficiently. Precisely then it needs no competition to be able to persist but needs competition still to keep it as efficient. - J.Z., 18.4.03.)

The other articles of the "Free Trader" give the impression, that the authors, in their hearts, are **not** Free Traders.

13.) "The Vaccination Inquirer", No. 811, Sept. - Oct. 1951. Interesting is the article on the progress of the anti-vaccination-movement in **India**. But, I am afraid, that here religious prejudices play a greater role than the insight in the worthlessness (or risks - J.Z.) of vaccination. (That has nothing to do with vaccination. For instance: "L'Unique" reports in its last edition that in **Gwalior** they burnt a widow and the police protected not the widow but those who burnt her, and that the Brahmans seem resolved to continue the old exercise, "suppressed" for 200 years by the British barbarians.)

14.) Pamphlet "Tariffs on Parade" by Deryck Abel. Not bad, but - - I think - - not impressive enough.

15.) Pamphlet: "These youngsters have fire in their bellies." I do not trust in young people in **such** matters. The Young know **nothing**. Young people conceive only **simple** ideas and the tariff idea possesses the immense

advantage of being extremely **simple**. The mere phrase "Buy British!" refutes for a youth (J.Z.: and for many old fools! - J.Z., 18.4.03.) all Free Trade theories. I would replace the phrase by:

Pay British and buy where you like.

16.) City Press of 17. 8., 24.8. and 31. 8. **Canada** reports one of the biggest wheat crops on record. But Malthusians will continue to "prove" that victuals are lacking. Even if the Canadians were to burn the whole crop, because of the impossibility to **sell** it, that would not in the least impress Malthusians. But the Germans are by no means better. A few days ago I read an article in which the author was satisfied by the improvement of the atomic bombs and welcomed the bombs as the most efficient means against overpopulation. On this point he was in the right. What is a means against population is a fortiori a means against overpopulation. I do hope that gentlemen like him will be the first victims. (J.Z.: And the only ones! - J.Z., 18.4.03.)

By the way: It is still my opinion that even under the present bad money system a considerably increase of the population, so that Prof. Cannan's "Optimal Population" will be nearly realised, would considerably improve the world's economic condition and the supply with food as well. At least I do have commercial experience on my side.

City Press reports in No. 6366 of 24. 8.51, that **Columbia** will introduce gold coins and that the coins are expected to circulate at four times their face value. If the shops are permitted to price their goods in terms of gold coins, then the coins will circulate, and the people will then speak of a **discount** of paper money. But if the shops are not permitted to do so, then the coins will **not** circulate but only be hoarded. (Or used, occasionally, on the black market. - J.Z.)

You read the advertisement of Ross Mumford & Co., where it is said, of the fuel crisis, that it clearly indicates a state of incompetence, etc. This fuel crisis reminds me of the fuel crisis in Germany at the inflation time. Then there was a disastrous lack of coal. But when, finally, the note printing press was brought to a standstill and prices were no longer prescribed, there was plenty of coal in every town of Germany.

In Berlin the coal dealers posted up a notice that for this winter the Senate permitted only 5 Zentner briquettes per household. (Coal briquettes are the main fuel in Berlin - - 90 % or more of all stoves can only be heated by them. [1 Zentner = 50 kilograms - 110 pounds av.])

(J.Z.: I wonder how much coal briquettes the households of the Senators actually consumed. I very much doubt that they were confined to this ration, in practice. - J.Z., 18.4.03.)

Financial Times reports that the new gold policy of the International Monetary Fund is, in circles of gold dealers, considered as the first step of a new devaluation. I think: F.T. to be right.

You read the very large advertisement of the **Cheap Food League**. What do these people demand??? Food **is** cheap - - when prices are expressed in terms of gold. It is still true, what Adam Smith said (not as a new insight) and what, later, Marx expressed thus:

If a commodity X requires 10 days of average work to produce it and an ounce of gold does also require 10 days to produce it, then there exists an irresistible tendency to sell, at last, the commodity X for an ounce of gold.

Food prices in Berlin confirm this old economic law. A paper mark is now worth pretty exactly 1/3 old gold mark, calculated by the prices of the free gold market at Frankfurt am Main. If one divides the present Berlin prices by 3, then one gets, not with mathematical exactness but, close enough, the prices of 1913, as recorded in the Berlin Statistical Year Book, of which I possess a copy.

Tomorrow you are 69 years old! My hearty congratulations! Remember **Kant**, who wrote his most revolutionary book, the "Streit der Fakultäten", when he was 74, and old Isokrates, the orator, who published a still famous speech (it was not held, only written) at the age of 98 or 99. I know both writings. Their style is excellent. If you take Isokrates as a model (and why not?) you will still edit the "Individualist" for 30 years, to its great advantage.

I hope to write next week.

31. X. 1951. Your letter of 28. X. 51, received 29. X. 51.

Dear Mr. Meulen,

a little contribution to the beginning war with Egypt.

My darling **Seume** published in the year 1792 a little book in Latin: *Arma veterum cum nostris comparata* and gave himself a German translation: "Ueber Bewaffnung in alter und neuer Zeit." Seume knew war from his own experience. He had fought on the side of the English in the War of the American Revolution and "helped the King of England lose his 13 provinces". He belonged to the army of Hessian soldiers which the Elector had sold to the English. I need not mention, that he did not fight voluntarily and used the first opportunity to regain his independence.

In this book Seume reminded of the numerous observations in all wars of the time after the abolition of cuirass and shields where a button, a watch, or a purse had prevented a bullet or a piece of a shell from hurting the soldier. Seume recommended the reintroduction of cuirass and shield. Seume was a **very** intelligent man. It would be worthwhile to translate his little book (45 pages) into English.

Seume does not mention that Gustav Adolf of Sweden armed his Swedish regiments with cuirass and little round shields. The effect is said to have been surprisingly good. The number of wounded was much reduced. During the 30-years war many soldiers, who were able to pay for a cuirass, obtained one, whether Catholics or others.

Jomini in his celebrated "Précis de l'art de la guerre", of which I possess a German translation, strongly recommends cuirasses, in article 13. The German editor, von Boguslawski (1881), adds that Jomini's idea was by no means ridiculous. He adds that the trouble would be to find a metal at the same time light and able to resist modern projectiles. Technology can now offer many such metals. (Or other materials in combination. Bullet-proof vests, flack-jackets etc.- J.Z., 20.4.03.)

Napoleon I., during the last years, wore a cuirass under his jacket, made of steel of best quality. It was quite light and resisted a pistol bullet fired at a distance of 1 foot. (J.Z.: He was not as much concerned about the lives of his soldiers. At Waterloo he even went back to the old squares of soldiers, standing up in close ranks in the open, being thus offered as targets, instead of seeking cover and advancing or defending spread-out, so that a single cannon ball, going through such a massed square, could kill up to 42 soldiers. Morale among his soldiers was already low. Up to one tenth of all recruits had already deserted and in this formation desertion or non-participation on the battlefield was made more difficult for his soldiers. So he took up the old tradition of handling more or less unwilling soldiers on the battlefield, regardless of how many additional soldiers he lost thereby. - J.Z., 20.4.03.)

I think a translation of this book by Seume would direct the general attention to the problem. It would have the consequence that, by way of trial, at first **one** regiment would be so equipped and, at last, great part of the army. Many thousands of lives of English soldiers would be spared.

(J.Z.: Judging merely by the images of American soldiers in the present and almost finished war in Iraq, showing them rather bulky, with full their equipment, I assume that almost all of them wore some form of bulky bullet and splinter-proof vests of composite materials under their camouflage uniforms, their arms and other equipment. - [That impression was confirmed by a later article. - J.Z., 27.5.03.] Riot police have certainly gone back to using shields and perhaps soldiers might also be able to use some lightweight shield behind which they could lie prone in firing positions before they had a chance to dig in. Suitably shaped and hollow, it might serve as their water bottle at the same time. - J.Z., 20.4.03.)

Elections. I would never have believed that the old glorious Liberal Party sunk to 710 934 voters. I think that if the party would take its courage in both hands and would become **really** liberal, would declare itself against all kinds of monopoly, beginning with that of the Old Lady in Threatneedle street, then this party could again become what it once was. Churchill is without an economic program.

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Christianity. I think you are right. But I think, too, that the old rascal Constantine made the Christians the ruling religious power because they had **proven**, by so many martyrs, to be, in general, a sect of people who believed themselves what they said.

(J.Z.: So much so, that in their prosecutions and civil war they murdered many more innocents than they ever supplied as martyrs to the Romans or, later, as victims to prosecution by other religions. I would like to see a comprehensive statistics on this. It might deliver figure like 50,000 martyred Christians as against 50 million people murdered by "Christians" because of their different Christian or other religious beliefs. - J.Z., 20.4.03.) Constantine **wanted** such a support. The other people took him as that what he was: A tyrant, a rascal.

Rome luxurious? Perhaps - - but it seems more probable that the by far greatest part of the people was excluded from luxury expect the panem et circenses of the Caesars. The provinces were poor.

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2.

Norman Wyld's postcards. Your example with the advocating of state banking on a postcard pleases me much.

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Determinism. You say: "But the point is that I feel, for instance, that I could get out of bed on any one of these considerations, or I could reject the lot and stay in bed."

No - - that is **not** the point!! That such a fooling exists, in every average man, and that the average man calls the feeling "freedom" is admitted by everyone, and - - of course - - by philosophers, too. But the real problem **begins** there. Is this feeling trustworthy??? And is the interpretation right?

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Malthusianism. Your father may have been in the right and the mentality of English children may be of such a kind that they are not inclined to sufficiently assist their parents when latter are old and in distress. Maybe - - I cannot prove the contrary - - but to tell the truth, I think English children are better than many people think.

In every case: By way of taxation the State compels the children to assist their old parents, indirectly, and the intervention of the State will not change the fact that 10 million children will easier assist 2 millions of parents than only 5 million children could.

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Unemployment in England. I think you are right insofar as rearmament plays a very great - - perhaps deciding - - part in conquering unemployment in England, Hitler used the same method, Stalin, too.

(J.Z.: Instead of arms, useful and wanted consumer goods could be produced. However, these are, under present conditions, not as easy to sell as are arms to governments, at the expense of the taxpayers. The monetary demand for arms is thus enforced. That for peaceful goods is not and it is, under monetary despotism not as naturally assured as it would be under monetary freedom, where consumer goods and services themselves can be transformed, by their providers, into purchasing power for these providers and, thus, also into purchasing power, in the hands of consumers, their customers, thus assuring their sales. - J.Z., 20.4.03.)

What you say of England's taxation seems well founded. I miss a book representing these things impartially and written by a real expert.

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The Post office. I am inclined to agree with the old view, that the Post must produce a deficit to produce all possible advantages for the community. (J.Z.: Advantage some at the expense of others? - J.Z., 20.4.03.) I think that it is nearly the same as with the administration of justice. In the 18th century mercantilists were of opinion that justice administration, too, must produce its cost. Therefore, the punishments were very high, and in suits the parties had to pay the real cost of the use of judges etc. The effect was very bad. Now, when justice costs much more than it yields, its real service is much greater and better.

(J.Z.: But, does the territorial State provide real justice in most cases and nothing but justice? Does it do so fast and certainly and as cheaply as possible to the taxpayers? I deny this on all points. Different forms of justice could and should be practised among the voluntary adherents of different justice systems and methods and at their expense. That would tend to cheapen and accelerate and assure the justice process much more than is presently the case. As for distributing court costs among those, who want to be protected in this way, voluntary insurance contract for

court costs could make the costs of justified suits quite bearable and this contract could exclude costs for silly or unjustified suits. Would any territorial government's justice system be able to stand free competition by those free to opt out from under it? I doubt it. However, as long as its faithful are willing to support it with their voluntary taxes - - they are welcome to it. Elsewhere B. advocated competitive arbitration arrangements. - J.Z., 20.4.03.)

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Young people. To represent to young people the results of our reflections, in a language, which the young understand, is of **very** great importance. Until now such a representation, in clear language, does not - - it seems - - exist. (Tucker is an honourable exception.) The young have to wait until they are as old as we are. Then they do understand, but then they lack the energy to act.

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Happiness. You are right. I neglected to give examples, though I myself detest general terms. There is - - already Buddha said it - - in the first line, sickness. The probability to remain healthy during one's whole life is, practically, zero. There are accidents. Nobody is entirely protected against accidents. When I worked at the celebrated factory of Thyssen at Muehlheim/Ruhr, there happened such terrible accidents that each would still today fully prove the truth of atheism. I must not give details here. They are simply too terrible. Life in society is impossible without being suppressed, offended and neglected by many. I contend, that everybody older than 30 has been in such a situation and would have ended his life, if he would have possessed more energy.

(Why undertake the final, worst and irreversible accident, right away - out of fear that some bad accident might happen to oneself in the future? Rather leave a legally valid will that under certain conditions one would be rather mercifully killed than artificially kept "alive". - J.Z., 20.4.03.)

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3.

The great regularity of misfortune statistics does not **prove** misfortunes to be unavoidable but makes them **very** probably. Quetelet, in his "Physique sociale", says much about it; but he trusts in social reform.

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Concerning the fact that no debtor (in old times) dared to refuse the acceptance of the notes of the banker, to whom he owed means of payments - - cash or notes - - it may be that I did not express myself distinctly enough. What you say is all true, but I dare say, that if a banker heard: Mr. Smith did not accept my notes at par, though he has not yet paid off his debt, the banker certainly would no longer grant him a loan.

I would not be surprised to find in old agreements on loans made in notes, an agreement that the debtor **must** accept at par his banker's notes. But it seems that the text of such old agreements is not preserved.

Adam Smith says in his chapter "Of Money":

"... merchants ... are thereby interested to promote the trade of those companies, by readily receiving their notes in all payments ..."

That seems to confirm more your view than mine, for there is a great difference between being interested and being obliged.

What concerns Wuerttemberg, the notes I described were State notes whose "cover" was their "tax-foundation" and nothing else.

Railway notes. In every case such notes should have a chance. The right of the public to refuse all kinds of paper money (in all States of Germany acknowledged as a fundamental right of the people, first by an Edictum of Frederic II. of Prussia - - 1766 or so - - also acknowledged by the "Bankgesetz" of 1875, abolished by the law of 1909 - - beginning of monetary slavery in Germany) will automatically wipe out all paper money whose economic right to exist is not given.

In the "New England States" of the USA monetary liberty led to the creation of several thousands of note issuing institutes before the Civil War. In some States there was one bank for about 2 000 inhabitants. Moreover, a great number of shops paid with their paper money, which they accepted at par when they sold victuals, clothing etc.

In Pennsylvania, where the relative number of banks was the smallest, there was still one bank for 40 000 inhabitants. Such a proportion would mean about 200 note issuing institutes for London!

Gold redemption. For many years we disagreed here, which I regret **very** much. You ask: Why is gold redemption impossible for Germany?"

Gold redemption is economically and psychologically impossible for these reasons:

1.) In Germany as well as in the rest of the whole world the law of supply and demand operates. That law includes: Any sudden demand which must be satisfied at any price (B. wrote: "a tout prix". - J.Z.), may bring the price of the demanded good to the tenfold or more of the level existing before that demand arose. The supply - - on the other hand - - may be estimated thus:

Practically the supply of gold is satisfied by the current production of the gold mines. That production amounts to no more than 200 000 ounces troy daily and, generally, is much smaller. If Germany gets the tenth part of that production it will be much. Probably Germany will get less. Take 20 000 ounces = 622 kilograms as normal daily

4.)

supply for Germany. If the supply of ten days is on the market, then this is - - I think - - much. The demand for gold is continuous and strong. One third of the production is taken up by the gold industry (finery, jewels, watches, photographic paper, chemical laboratories, etc.). (I thought that photographic paper & e-ray films required only silver. - J.Z., 20.4.03.) That was so at the times of Senior and the proportion is hardly changed today. If another third is taken by the hoarders then this is conservatively estimated.

Remains one third for other demands. If all these estimates are accepted, the quantity remaining for a demand exercised by gold-redemption **banks** is about $10 \times 20\,000 \times \frac{1}{3}$ ounces = 66 666.7 ounces (= a little more than 2000 kilograms.)

1 kg of fine gold had (coin laws of 1871 & 1924) the value of 2790 gold marks. 2000 kilograms are, consequently, worth 5 580 000 gold marks.

That is very much from the standpoint of a gold trader. I think that the quantity, daily at hand, for other purposes than gold industry and hoarding purposes, has been much less in Germany. But an amount at hand for redemption purposes of only 5 to 6 million gold marks, is very small. Germany wants a quantity of paper money - - if no gold coins circulate - - of at least 4 000 million gold marks. If at - - say - - 10 consecutive days only 2/1000 of the circulation are demanded at any price at the gold market, the price - - expressed in paper - - would at least be doubled. If the suddenly arisen demand ceases, then the former price will be restored.

Now Imagine: The note bearers shall have (as you propose) a **claim** to get their notes redeemed at the market price of gold, on demand or with a delay of one or two days. 2/1000 of the note bearers use that right and use it on 10 consecutive days. Will not the price of gold be at least doubled in these days?

The note bearers get the gold to which they are entitled. (Under M.'s system! - J.Z.) It is half or less of the quantity they had expected and, immediately after their claim is satisfied, the former condition of the gold market is restored. Do you think that the public will understand that? Will the public not say: **swindle!**!?!"

Do you think that such banks can do further business? Will not **all** note bearers now demand gold and will a real panic fail to arise????

(J.Z.: Assume that gold certificates are only issued by banks which would have, permanently, enough gold in their vaults to redeem all their notes fully into gold coins. In this case they would have to have at least about 4 000 million gold marks in gold coins to provide Germany with a normal circulation of exchange media. If only such note-issuing banks are permitted and all other note issues are outlawed, then, theoretically, and from that moment on, no other monetary exchanges could take place except some black market ones, until enough banks of issue have accumulated the 4 000 million gold marks in gold coins and have issued their gold deposit certificates for them. Or, in the meantime, only as many such certificates could be issued as notes, as these banks had managed to acquire gold coins, somehow - - and paying for them with what? These "idealists" should get into all the practical details that are involved. They systems will become tolerable only if they proceed tolerantly, i.e., if they permit all dissenters to use their monetary freedom in other ways. Gold or gold certificates as exclusive exchange media have still the defects of other exclusive currencies and the additional ones of a) high costs and b) inherently limited availability, while goods and services to be exchanged among growing populations can grow much faster than the total gold supply in the world. - J.Z., 20.4.03.)

II.) The public will ask: Why does the bank promise to **redeem**, when, in reality, the bank does the same what we could do ourselves, namely go to the gold market?! But what would hardly happen if **we** go to the gold market, will happen if the **banks** go to the gold market: The gold price rises enormously!! and that shall be no swindle????

How different is the system of the "Four Bills". There the public itself may go to the gold market, if it likes gold. If prices there rise very considerably, then the demand for gold ceases. The main reason for this cessation is: Prices in the shops are expressed in gold units (gold marks, guineas, etc. or fractions or multiples of them). Therefore, it is much more profitable for them to go to those shops which are obliged to accept the notes at par and give wanted commodities or services for them.

(J.Z.: Another aspect: People approaching the gold market will be aware that it deals not only with the limited stock of a bank of issue, that issues gold deposit certificates, but with all the gold in the world that is available on the market. This quantity is larger than any likely group of people seeking the exchange of their notes, standing at par or near par at the free gold market, into their nominal gold metal weight. Precisely because they will know that all the marketed gold in the world is thus at their disposal, to the extent that they do have notes expressing their value in gold weight units, they will rarely want to make such exchanges or undertake them only if they really do need the gold metal. - J.Z., 20.4.03.)

For years you refused to discuss the case when prices in the shops are expressed in gold units, although they were so expressed before 1931, the war time excluded.

In my next letter I must say some words about the last issue of the "Individualist", which pleased me very much.

Very faithfully Yours - signed: U. v. Beckerath.
