

London, 22 April, 1949

My dear von Beckerath

I hope much that you have been able to find a new post. Financial worry is a sad deterrent to thinking on comparatively academic subjects.

(J.Z.: From 1947 onwards B. was already entitled to an old age pension, but until the currency reform that would have had very little purchasing power and even afterwards. I believe that his pension came only to about 130 - 150 DM a month, which would not have left him much after paying normal rent. Luckily, he lived in rooms of a house owned by friend and so, probably, got a very favourable deal from his landlady, probably a former sweetheart, with whom and her sister he remained on friendly terms to the end, except during his last days, when they deprived him of his revolver, he had kept for the day when pain would become unbearable for him, the handgun that came close to putting an end to Hitler. - Our world is still of a kind that does not offer men like him sufficient financial sponsorship to allow them to work full time, in healthy conditions, on their main and self-chosen task. He does not have masses of fans, like the pop heroes have, although he offers the whole of mankind so much more, objectively. He, too, needed an Ideas Archive and Talent Centre - still not existing today. - J.Z., 9.5.03.)

Thank you for your letters. I am much interested in your proposals for dealing with German inflation. I must have time to think them over.

Yes - Greene said a lot of good things; but I doubt if they had not been said before him. So far as I know Bishop Berkeley preceded him in 1710 when he asked in "The Querist" many fundamental monetary questions. (I have not yet seen that text, either! - J.Z., 9.5.03.)

I will not enumerate his questions: you will find them quoted in "Free Banking" when you receive it. John Gray, in his "Lectures on "The Nature and Use of Money" (Edinburgh, 1848), developed James Mill's principle that production is the cause of demand. Gray pointed out that the compulsion to use gold in exchange contradicted this principle, since it compelled demand (the possession of gold) to be the sole cause of production. Gray proposed a sort of mutual bank system in which a bank should issue to the producer money equal to the value of the goods he had produced. When the goods were sold, the money should be paid by the buyer to the bank, which should then issue a delivery note to the producer, authorising him to deliver the goods. Any goods remaining unsold after a certain period must be bought by the producer at his original price. I have mentioned Gray in "Free Banking" on p. 196 et seq.

In your letter of April 14 you argue that in times of crisis the public would use your notes to buy goods. It seems to me, however, that you overlook the necessity of the shops to replenish their stores from the wholesalers. The main reason for the breakdown of trust in a crisis is the fear of general bankruptcy. Consider the 1929 crisis in New York. The cause was an epidemic of speculation. The ordinary public had bought shares in every sort of industry, and had greatly inflated the price of those shares. Then suddenly they began to fear that prices had become too high, and they began to sell. Prices fell, and a panic ensued, in which everybody tried to sell. Many were unable to meet their obligations, and there was widespread bankruptcy. It seems to me, that at such times, lending will be diminished. Even sound buyers will hold back, in the hope that prices will fall still further. Hence although your notes would be used to buy the goods in the shops, few fresh notes would be issued until mutual trust were re-established.

(J.Z.: He describes this crisis as if it had not also and mainly been a means of payment crisis, one of monetary despotism, with its numerous false banking practices, with all too many bank accounts being frozen and unavailable for turn-over credits. Precisely shop foundation money would have been able to pay wages for unemployed to employ them again. And their spending in the shops would have led to orders for new goods, and these new goods required additional workers. All the stocks of ready for sale goods and services, or a large enough part of them, could have been turned into short term loans for wage payments [gradually, not all at once!] and thereby the sale of these goods and services would have been assured. The money shortage could have been very rapidly turned into a quite sufficient currency supply. Normal production and consumption could have gone on. That would have also restored the capital market. Only on the capital market some speculative investors would have suffered great losses, while others, still able to pay, would have gained enormous bargains. So what? That would merely mean that titles to capital assets would largely have changed hands. Whether a factory, a worker works in, is owned by company A or B is of little interest to him. His continued job is, and that he is paid for it in a useful enough means of exchange. When the ownership changes this has usually little effect on his life. But when neither company A nor company B know any longer how to continue to achieve orders and sales and to assure

them, and to pay for all expenses, including profits, and thus keep the whole production machinery going, then the worker has good reasons to get worried - and to take up the study of the money question and of monetary and value standard alternatives. Like hell he will! Neither will the company directors. Both will rather scream for subsidies or handouts. It would not have meant that the businesses and factories and shops would have to close down because they could no longer sell enough. No business would have had to shut down, except those of e.g. some bad financial advisors and some bankers and brokers would no longer be trusted. On the contrary, the previous boom could have been extended into a still greater and permanent one, but unsound businesses and unsound business and banking practices would have been discontinued, as soon as possible, instead of being wrongfully supported with funds that should have been available for short-term turnover-credit [objectively they do not need any capital funds!] or that were wrongfully taken from taxpayers. The Central Banking system almost totally failed to supply sufficient and sound currency to keep normal production and sales going. It was itself all too much involved in flawed capital investments and speculations and based on the fallacies of "capital asset currency". The monetary freedom solution was not technically impossible. It was merely outlawed, also largely unknown and unappreciated. The vast majority of the monetary experiments, that did take place were very flawed. And the same flawed ideas on monetary matters still spook in most heads. Later, somewhere in "The Individualist", Meulen pointed out the existence of a list of about 150 different crisis theories, I believe in the "Zeitschrift fuer das gesamte Kreditwesen". I have never seen that list yet and it should be permanently published, together with all the pro and con of each of these theories, most of them ignoring most others, and with all the additional theories that have been advanced since then. The economists have not yet provided us with this service. They rather ride, each of them, or schools of them, their own crisis-theory hobby horse. No systematic scientific approach to the matter seems to exist, as far as I know. I do admit to very limited knowledge of economics! Only when this has been done, can one finally come to decide whether e.g., both of the above hinted at theories contains some truth and how much and to what extent they are still incomplete or flawed. - J.Z., 9.5.03.)

2.

In your letter of April 1 you recommend the greater use of options, or contract buying. This system is now extensively used among persons of credit, wholesalers and the larger shops. The ordinary wage-earner, however, has little credit, since he can provide little security that he will fulfil his contract to buy. I doubt if the system could be extended much among wage-earners.

(J.Z.: That's M.'s way of misunderstanding B.'s "order-system" for coming-up consumer requirements, to be paid for, at least by workers, usually in some form of currency or the other, when the time comes, not by credit. I have my own doubts on the system but would not call it an "options" system, rather a personal obligation or, as B. said, personal "commitment" system. Contracts are involved, as in every buying. But the decisive aspect here is the ordering in advance, of goods and services wanted in the future, in instalments, over a period, which would allow the providers to make sounder calculations on their possible and already contracted sales, instead of merely speculatively producing for the general market, without knowing whether and to what extent this market would actually buy the goods or services offered then. As I already hinted at, in notes to B.'s letters, a commitment to certain shops or shopping centres, to spend weekly or monthly a certain minimum amount there, could already be a pretty good substitute for an ordering system. Maybe employees would change their favourite and regular supplier, for a good fraction of their consumer spending, for the next 3 months to, say, even 3 years, occasionally or at every chance, changing over e.g., from Woolworths to Coles or vice versa. That would keep e.g. these stores even more on their toes. I suppose that several alternatives to this are possible. Use your own imagination. And insist upon full freedom of contract in this sphere, too. Naturally, as contractual favourite shopper, committed to a store or other supplier, you could negotiate e.g. a discount. - J.Z., 9.5.03.)

A German correspondent of mine, Dr. Fritz Winther, of Neckargemuend, sends me the enclosed cutting. In the penultimate paragraph you will notice that the writer says that lack of capital wherewith to set up in business is the main difficulty in setting up in business the refugees from the East. Does not this point to a need for long-date loans rather than for mere short accommodation?

(J.Z.: Possibly. But it does not have to be either - or. All credit spheres should be well supplied with their particular media, e.g., the short-term and turn-over credit sphere as well as the medium and long-term capital investment spheres. The mere that 4 or 5 of new business enterprises do go broke or that retailers have only an average life-span of 5 years, may also indicate that under present conditions they are unable to sell enough to stay in business, although they got the capital for their business enterprises and equipment etc. - If, under present sales conditions, even more enterprises got the capital for a start-up, this might merely lead to an even larger percentage of them would be going broke, because they cannot sell enough. This does not deny that something is also wrong with the

supply of medium and long term capital but merely, that there is another and very important factor that is also involved. Under an insufficient currency supply or when only one and an unsound currency is supplied, then every employer and employee is more or less in trouble, almost independently of his capital situation. Then even vast firms, amply supplied with their own capital and with capital on credit, can easily go bankrupt - and the banking system ends up with billions in bad debts to be written off. - J.Z., 9.5.03

Of course Germany's difficulty today is an exaggerated form of the world shortage of wealth.

(J.Z.: There is no shortage of wealth in the form of ready for sale goods and services. Take a walk through any shopping centre and really look at the abundance ready for sale there - to those supplied with suitable exchange media - and then ponder the conversion of this ready wealth into exchange media, by the owners, for the own benefit and that of their customers, who would just have to offer their goods, labour and services in exchange, mostly indirectly! - Nor is there a shortage of production capacities. They could, almost everywhere, be greatly expanded, if only the additional goods and services could be easily **sold**. That is not possible under the monetary despotism of centralised note-issue. There lies to the major difficulty, as B. pointed out again and again - and usually quite in vain. - The "Euro" is the preparation or *conditio sine qua non* for the greatest European economic crisis ever! - J.Z., 9.5.03.)

But there seems little doubt that if the lending of existing wealth could be performed more cheaply, and more flexibly by better competition among banks, Germany would greatly benefit.

Duty The search for pleasure does not consist only in the preference for greater pleasures, but also in the choice of the lesser pain. A man in whom the gregarious sense is well developed may well judge death to be a smaller pain than the pain which life offers him in the circumstances before him. Some men prefer a sudden death to a lingering illness. Surely the developed altruist may prefer death to causing pain to his fellow-men, or losing their respect. Please understand that I am Agnostic on the subject of hedonism. I cannot be certain why a man does any action; but just as I doubt if the Christian god exists, although I cannot deny his existence, so I suspect the hedonist view to be correct.

Your English is remarkably good. Just one small point. You often use "than" when you should use "then". "Then" is generally a translation of "dann"; but "than" is confined to comparative sentences, such as "better than", and is, I think, generally rendered by "als". Also you often use "any" when you should say "some". "Einige Maenner" is "some men"; but "any man" is "Irgend ein Mann".

I am glad that the warmer sun is coming to make your life a little more tolerable.

Sincerely yours - signed: Henry Meulen

1st May, 1949

My dear von Beckerath

Thank you for your letters. I am glad you received the books safely

I agree with your condemnation of index money. The main object of its promoters was, of course, the same as ours, namely to ensure that the supply of money be made equal to the demand. The chief point of difference between them and us is that they think the level of prices is the best test of the need for money. When prices fall, they will they will issue more money; when prices rise, they will issue less, or withdraw money by taxation. We think it is fatal to try to keep prices steady by these means. They assume that all fluctuations of prices have a monetary cause. This is certainly untrue. We think that the demand of credit-worthy borrowers, and the supply of capital, is the only true test of the need for money. And we reject the proposal to keep commodity prices steady. Prices should represent the relation of demand and supply.

My only difference with you on the subject of mutual banking is the question of which type of bank is the easiest to get started. We agree that the first thing to do is to convince people of the fundamental contention that the most important reform needed today is that the supply of money shall be adequate to the demand, and that they can get cheaper and safer loans under freedom than under restriction. Both you and I must eventually appeal to the man in the street, since he must accept and circulate our notes.

You will get the butcher, the baker and the tailor to organise a bank; and the willingness of the ordinary man to accept these notes will depend on his trust in these small shopkeepers.

I rather think, on the contrary, that he will have more trust in notes issued by the larger employers of labour. Shopkeepers will be more ready to accept these notes if they know that the issuer is ready to exchange them for either State notes, or notes issued by well-known banks. It is to the interest of the large employers to pay their wages and local purchases in their own notes. They need to form no organisation or arrangements with other employers or shop-keepers: all they need do is to issue the notes, relying on their reputation and willingness to redeem the notes. Later, some of these employers would give up their own business and become bankers.

(J.Z.: What will happen, to the notes of employers, when the local shopkeepers and their association say to themselves and to the public: Why should **we** accept the notes of the employers at all? Why should **we** trust them more than we trust ourselves as issuers? We will rather issue **our own shop foundation notes** and offer them to our suppliers, our employees and to wholesalers and factories that want to supply us. We are even ready to grant them short-term loans for wage payments, in our own means of payment. But, most of us, will simply refuse to accept notes of e.g. car dealers or farmers producing wheat for export, or of a local umbrella manufacturer, who supplies all of the country or local subcontracting firms, that produce some parts for other manufacturers, somewhere in the country or the world. We have only very limited use for their notes. But, almost all local people and almost all their employees could use **our** local currency very well and will find it locally much more acceptable than the notes of their employers, based mainly on trust, and not on ready-for-sale goods and services, that are in daily and local demand. Thus **our** notes do have the potential to become easily "current", i.e., a **local currency**, while most of their notes do not have this capacity, no matter how large their enterprise may be. They may be even firms that are known world-wide and trade world-wide. Thus they should issue, e.g., instead of trying to issue wage-payment means and local currency, **international clearing certificates**, based on the goods they supply world-wide, and sell them to importers, to pay imports with them, while the foreign exporters, receiving these clearing certificates, will directly or indirectly use them to pay for the exports of the firms that issued them. **Their sphere of circulation for their kind of exchange media is quite different from ours. To each his own!** - J.Z., 9.5.03.)

I agree with your opposition to the idea of low interest. The interest charged on loans should represent the state of demand and supply in loans. In this connection the old Scottish system of cash credits is interesting. The banker put an amount, say £1000, at the disposal of the borrower; but he charged interest only on that part of the loan which was actually being used by the borrower. This was an inducement to the borrower to repay as soon as possible.

2.

You quote your friend Dr. Unger as stating that he did not believe in trust as bank security. Well - if he had been so often deceived, he was justified in not trusting himself as a judge of character; but he was not justified in preventing other men from taking this risk. The early note-issuing banks did a good deal of this business. The main requirement is freedom for experiment. No rules can be laid down to decide when and how much one man may trust another.

(J.Z.: Can no man decide when and how much he can trust, e.g., any totalitarian system, compared with any democratic system or any quite free society? But he should have free choice of either - but only for himself! Are all note-issue banking system equally reliable and trustworthy or do they have different qualities and defects? Are there no flawed, absurd, wrongful and self-defeating rules or unnecessarily restrictive ones? No sound and rightful ones at all? No standard or model contracts to be offered? No clearly expressed options? No good business and management practices. No rules for issues and reflux? No rules for sound and unsound covers? All just trust and confidence? Hitler wanted that, too, of his followers and of his victims, in German and in the world. However good or bad the money and banking and credit or clearing system are, and their rules, even if they are altogether absent: freedom to experiment for all systems and their supporters, at their risk and expense! Panarchy in the monetary sphere as well. In this sphere, too, there will be no shortage of confidence tricksters. Death penalty for them, or life imprisonment? Why not rather take ordinary and common sense precautions? - J.Z., 9.5.03.)

Some of the old Scottish banks used the system of requiring two guarantors for a borrower without security. In other cases they were willing to dispense with guarantees. The matter should be one for arrangement between lender and borrower; and this is another argument against attempting to run a bank by a committee.

(J.Z.: There are some sound rules even for committee work and other work teams. If they are unknown or not practised, then all hell can and often will break loose. - J.Z., 9.5.03.)

Moratorium. On the whole I incline to the opinion that in the case of a national break-down of trust, such as

occurs at the outbreak of war, a moratorium is justified. Your shopkeepers might be unable to get their usual supplies. If they were given time, they might be able to get supplies elsewhere; but if they were made bankrupt when they were unable to take notes in exchange for goods, the whole organisation would break down.

(J.Z.: Hardly, if one of the rules for issues were: Only a fraction of the total ready for sale stock may at any time be issued in form of notes. Attempts to issue a higher percentage would, in normal times, lead to discounts and refusals. And in abnormal times the stores would have no reason to make large loans in their own notes, than they can immediately cover with their own goods and services. Again, M. did not check his premises sufficiently. He assumed that the shops would have issued notes for goods not yet supplied by their wholesalers. - J.Z. 9.5.03.)

Similarly, my banks would have in circulation a larger volume of their notes than their reserves of State or other notes. But many people would rush to convert these notes either into goods or State notes, and the action of quite a few people would destroy the whole organisation. I agree that the lesson would teach a good deal of currency theory; but we have stomachs that urgently need filling, and we cannot wait for the ideal system of banking.

(J.Z.: So, since we have to get somewhere, we try to drive there with flawed or no brakes or insufficient petrol and none obtainable on the way or with flat tyres? - J.Z., 9.5.03.)

I have thought over your proposals for meeting inflation. The need was too pressing for Germany to be able to wait until people had been convinced of the need for free banking. Your proposal therefore is reduced to that of exchanging existing currency for one of increased value, with the proviso (which is very important) that mortgages should be converted at prices equal to those on the date on which they were made. I suppose you would extend this privilege also to people who had put savings into banks, although this would involve a good deal of calculation. Also people who had bought securities might be similarly treated.

This would leave as victims only those people who had saved their money in stockings, and I see no way of avoiding injustice to them, and also to all people who bought fixed capital goods at high prices.

You do not say if you have been able to get another post. I am afraid this means that you have not yet succeeded. I earnestly hope I am wrong.

I will write to Sanyal.

Sincerely yours - signed: Henry Meulen

London, 5th May, 1949

My dear von Beckerath

Thank you for your letter of 25th April.

It is hard to discuss crises, since in the past they have sprung from such different causes. The 1929 USA crisis arose from over-speculation; but for us, and for Germany it came as a drain of gold and lack of buying by USA without over-speculation. All I wanted to point out was that a crisis involves a fear of bankruptcy, and this tends to make people prefer goods to money. Goods tend to rise in price (During a depression or deflation or credit restriction the **fall**! - J.Z.) and men tend to prefer barter. In a crisis the "mutual" shops will be rapidly sold out, and the wholesalers will be reluctant to sell their goods for money.

I do not think that the sole cause of the world shortage of wealth is the gold standard (distinguished from the gold basis). You must remember that we have destroyed a vast amount of wealth. (J.Z.: "We"? Neither M. nor B. nor I did!) We owe payment for this wealth, and we must produce more and consume less to repay it. Of course, however, I agree that we could repay quicker if free, banking on a gold basis were allowed. Since no country (not even USA) is today on a gold standard, the difficulty is not shortage of money, but rather, that the money is not lent to those who could use it productively. Even if the gold basis were allowed, agriculture would not be granted long-term credit freely so long as bank monopoly persists.

(J.Z.: One suspect statement after the other! - J.Z., 9.5.03.)

Duty. Your remarks are most interesting. Your wealth of classical examples remind me of Montaigne's style. A standard English dictionary, the "New English" (1932), defines duty as "That which is bound or ought to be paid, done or performed." Thus duty binds a man to do certain acts whether he thinks them desirable or not. This is the essence of slavery.

When Kant wants to describe acts which a man can do or not as he thinks fit, he should invent another word. But perhaps he means that a man should decide once and for all what acts he should do. I think this unwise. Acts should be decided according to circumstances. And what will decide his acts? Obviously his satisfaction.

Towards the end of your letter you write that an egoist will always prefer his personal interest to social interests. I wonder why you think this. Surely thousands of men would prefer to institute a change which would bring happiness to society rather than buy themselves a new house. The first course will gratify their altruist sense, and earn the respect of their fellow men. I certainly agree that pleasures are not capable of analysis; but that should not prevent us from calling them pleasures.

As I see it, primitive matter exhibits the two qualities of attraction and repulsion. One may hazard (but not assert) the idea that the attraction is the pleasure of matter and repulsion pain. I think that from these two qualities all life and morals are developed, and I see no place for a feeling of duty, defined as not being a pleasure.

2.

I rather think that the fundamental point of difference between us is your reluctance to call certain altruist acts "pleasure". You write that pride is the basis of duty. But is not pride a pleasure? I am inclined to think that the desire to be thought well of by a small or large group of people is a fundamental pleasure of nearly all men; and this is the oasis of pride - a pleasure in one's reputation. Robinson Crusoe may also be proud of himself in the absence of society; but he is a man, and gregarious, and I think his pride has a gregarious basis.

You write that "Selbstzufriedenheit" (self-satisfaction - J.Z.) is different from pleasure, and you instance the drinker of spirits. This is, of course, a common experience. I think the reason is that we so soon forget a desire when it is satisfied, and we think only of our present desires. The spirit drinker forgets his strong desire to drink after he has drunk, and he thinks only of the bad head he now has. He now thinks that the bad head outweighs the pleasure of drinking. He did not think so before he drank, although he may have been quite sure that he would get a bad head. I think that Selbstzufriedenheit is the gregarious pleasure in one's reputation. Of course it differs from the pleasure of drinking; but it is none the less a pleasure. You dislike using the same term for both. I think the classification a scientific advance. Wheat and oats are different; but it is useful in economics to call them both grain. 7 apples + 5 apples are certainly 12 apples to the arithmetician, although the fruiterer who sells the 7 apples at 1d. each, and the 5 at 1 1/2 d. each, may object if he is asked to sell the 12 for 1s.

You quote Darwin on acts of altruism done without reflection. But when one has long found pleasure in certain acts, one tends to do them without reflection.

Arithmetic is certainly derived from experience. We teach the operation of addition to children by showing them the result of adding two balls to two balls. Only when they have the difference between two and four balls firmly in their minds can they grasp that $2 + 2 = 4$.

Time and space are, I think, simply the conditions under which we perceive successive or simultaneous phenomena. There is nothing metaphysical about them.

Your experience over the purchase of the Darwin book is interesting. You will find many cases of prevision detailed in Camille Flammarion's book on the subject. Prevision does not "annihilate" time; it demonstrates foretelling, and its cause is still obscure.

I rejoice that the Berlin blockade is to be lifted. This will certainly make life easier for you. The result is a triumph for the Allied policy of restraint. A hot-headed government might so easily have started a war with Russia.

What is the meaning of "Konjunktur"?

Sincerely yours - signed: Henry Meulen

London, 30 May, 1949

Dear von Beckerath,

Thank you for your letters, the last dated May 16.

I should have replied sooner; but, alas, for the last week I have had a sharp recurrence of stomach trouble with another ulcer, and have not had energy to think. I am now better (without hospital treatment), the proof whereof is that I am writing you.

Thank you for the trouble you have gone to in defining "Konjunktur". The meaning seems vague; but I think I understand.

I tick the letters in the Economist to the writers of which I send copies of "The Individualist" and the pamphlet "Free Banking" - not because I agree with the views.

Many many years ago I bought in Parts six volumes of Montaigne in the original French. I am sending them to you. Medieval French is not hard to read. I already have both the Cotton and Florio English translations of Montaigne, which accounts for the fact that the edition which I send you is largely uncut.

You will notice from "Instead of a book" that Tucker thought highly of Bilgram's writings on money although Bilgram opposed free banking. I am adding a small copy of one of Bilgram's books which I hope will interest you.

Banking. During the XIXth century economists here ascribed every financial crisis to overproduction. In "Free Banking" I went to some trouble to analyse the different crises, and to point out that the economists had generally overlooked the effect of the Gold Standard and the 1844 Act in causing these crises. The trouble was that under the Gold Standard, as soon as a production revival caused prices to rise, foreigners sent in cheaper goods in exchange, not for goods, but for the legally-cheapened gold, which caused acute shortage here in the means of payment. But under Free Banking men would still be subject to occasional "herd-waves" of optimism. Some would over-produce, and prices would rise. The 1929 New York Stock Exchange boom is a good example of this herd optimism. It was a crisis of lack of confidence in commodity values, not of money shortage. At a certain point doubt seizes a few people that values have risen too high. You must have noticed sheep who all run together in one direction; when suddenly one sheep starts off in a different direction, and all the rest follow. The effect of this doubt among buyers is to stop the rise of prices. The others begin to think that a fall is imminent, and they postpone buying. If this movement proceeds, a crisis will arise which, it seems to me no free system can prevent, since freedom implies liberty to make mistakes. Your mutual shops would suffer with all other shops. But I think that under freedom such crises would be few.

(J.Z.: I rather hold, that there is no end to rationalisations, myths, imaginations, excuses, pretences and hypothesis constructions on events that people noticed, think to be important enough for their attention, but do not sufficiently comprehend. They feel the urge to try to explain them. Then they construct their more or less plausible hypotheses and, from them on, tend to adhere to them almost with fanaticism, ignoring other hypotheses, theories and contrary facts, just like a mother loves her child without reservations and tends to ignore most of its flaws. - J.Z., 10.5.03.)

In crises caused by monetary shortage, whilst I admit that the obligation of mutual shops to redeem their notes at par would support retail sale, the manufacturer needs raw material, he would not ordinarily be able to use mutual notes for this.

(J.Z.: Indeed, for trade in these another kind of "shop foundation money" is to be issued - by the providers of raw materials, namely, international clearing certificates, that are redeemed in the raw materials which they are ready and willing to supply to the world. Among international traders these will be as useful as are local shop currencies among local consumers, retailers and producers (for wage payments). B. never asserted that notes of e.g. local bakers, greengrocers, butchers and barbers and their combined issuing centres, are to be used as means of payment in international trade. Either M. never read B.'s books or he had forgotten all too much about them. For each sphere its optimal means of payment, competitively issued - and also discountable and refusable. The same for capital values and their certificates: shares, bonds, mortgage letters etc. - J.Z., 10.5.03.)

2.

You remark that since it is unlikely that people should be found in Germany to start private issue banks, mutual banks are the only alternative. I do not know why you think modern Germany so different from the England before 1844. I imagine that mutual trust is more highly organised in Germany today (or will be as soon as she has a settled government) (says an individualist anarchist! - J.Z.) than in England then. In England before 1844 new banks were constantly being started by business men of reputation beginning to issue their own notes in wages to their employees and in local purchases. It was to their interest to do this; and they did do it until they were stopped by law. This interest persists in Germany today.

(It did not! The ideas and practices of monetary freedom were largely forgotten and, if raised, not only M.'s but numerous other prejudices were raised against them, so that such ideas were generally not taken serious and thus not practised or proposed for practical experiments. There were only B. and Rittershausen advocating monetary freedom and R.'s freedom of expression was in this respect curbed through his academic positions. R. could freely write and publish on central banking and other banking legally permitted and insert some criticism and other ideas there, but he could not get anything published explicitly favouring free banking. His last chance for this passed when the 1948 currency reform came, just before he had got his manuscript into print, which was a revised version of his "Das andere System", of the thirties. I microfiched that manuscript many years later and I cannot remember even a single order for it from Germany or anywhere else! Apart from these two most important monetary freedom advocates in post-war Germany, I found only one monetary freedom article in Germany in the years after WW II, written 1949 and published in a German economics journal, overlooked by most later writers on monetary freedom. It was written by a friend of R., I forgot his name, but I reproduced his text and listed it in my still incomplete bibliography on free banking. Some other writers, e.g. Gerding, arose only after Klein and Hayek had

written on the subject in 1974-1976. By the way, once the free banking bibliography is complete, then it would be interesting, at least for the history of ideas, if all these titles were also ordered by year of appearance and by countries and languages. If this were done, and this list published, then I could, in this case, rapidly point out this other German author, of which I presently remember only the year of the relevant article. Also, the paucity of published literature of this kind in post-war Germany, would be made quite obvious. In this respect B. and R., were, in Germany, also for most of the rest of the world, for a long time, rather voices in the wilderness. Even today there may be no others who have as much explored the details and techniques of monetary freedom as these two did. Professor E. Milhaud, of Switzerland, had at least developed the theory of international clearing certificates in a special book, which I microfiched. Zander had left Germany in time to survive - but he seems to have left most of his monetary freedom interests behind as well and was more concerned with the other following catastrophic events in the world - and did not sufficiently trace them back, any longer, to monetary despotism. Likewise, for most other Jews the wrongs and catastrophes of pogroms, and mass extermination camps and the re-establishment of a territorial Jewish State, have driven out of their mind the memory of and awareness of the significance of the extent and frequency as well as duration of extraterritorial autonomy of some Jewish communities in some countries in the past and of the potential of such communities for the future, not only for Jews, if only they are no longer outlawed. Like even Meulen, the "free" banking advocate, came largely to think of free banking in terms of a forced and exclusive legal tender paper money and of a legislated "gold standard" and its impositions - with Meulen's variations, so Jewish people and all other religious, ethnic, ideological, reformist and revolutionary groups, have largely come to think only in terms of the wrongful and imposed territorial institutions and practices, rather than of the rightful and voluntaristic alternatives to them. The employer-employee relationship, so common today, has also induced all too many people to think only in terms of class warfare and labour legislation and jurisdiction, rather than in terms of the numerous self-management options. However, a revival of such ideas has taken place in recent decades - but, as in the monetary, panarchistic and peace research sphere, militia, self-defence, liberation-technology and revolution sphere, as well as that of human rights declarations, all the alternatives proposed and all the experiences with alternatives in the past and present, are not yet scientifically and systematically compiled, compared and published.

We haven't even bothered to compile and publish as yet a comprehensive libertarian encyclopaedia, bibliography, abstracts and review compilation or a single comprehensive libertarian library, which could be so easy and cheaply done on CD-ROMs, if many of the readers, writers, editors and publishers of these texts collaborated in using this medium. Furthermore, an international Ideas and Talent Archive for Libertarians has still not been set up. Thus most of the most important ideas, facts, opinions, experiments and talents in this sphere remain still widely unknown, even to those who would be most interested in them. And thus people like M. came to wrong conclusions like the above. - But then: Who knows, how many unpublished manuscripts on such important topics do still exist somewhere, often after their writers have long died, in the possession of heirs, who do not care about them? - J.Z., 10.5.03.)

Duty. I think Badcock's description of duty as slavery is to some extent justified by the fact that slavery implies that a man must do certain actions whether or not he wants to do them, or thinks them desirable. A duty cannot be brought before the court of reason. Duty leads to the performance of countless absurd actions. The really useful altruist actions would survive the abolition of the idea of duty, because they are based on the gregarious pleasure. Two old sayings come to mind: "The harm done by the good in the world has far outweighed that done by the evil." And: "None so cruel as he that is cruel on principle." The "good" act out of duty - the evil out of hedonism.

The fact that habits are continued unreflectingly does not prove that they were not started for good pleasure-seeking-seeking reasons (remember always that in the search for pleasure is to be included the avoidance of pain). All day long in imagination we see ourselves in certain circumstances, and we decide what we would do. If our character is settled enough, it is not surprising that when occasion arises we act almost automatically. And a very large part of our imaginings on such situations consists of "What would so-and-so say if he or she knew I had done this?" The desire for the good opinion of smaller or larger groups of people is, I think, much more widespread than the "Will to power" which has been so much talked up.

Agnosticism. If Schopenhauer thinks, he can absolutely prove a negative, I will cheerfully leave it to him; but I will have to be short of reading before I will read him. Karl Pearson demonstrated beautifully that nothing can be proved absolutely: our senses are fallible, and our knowledge limited. He points out that science is content with a high degree of probability. When A is followed by B in a sufficient number of cases and conditions, science says that A is the cause of B; although the capable scientist realises that there may be an unobserved X between A and B which is a more proximate cause of B. The probability that the addition of H₂ to O causes water is high; but the

probability the back of the moon is made of cheese - that is the only difference between the scientific value of the two contentions.

Your cases of the immorality of God will be countered by the Christian with a list of his blessings, and by the injunction that we cannot fathom the purposes of God. I am content to say that we cannot affirm that the universe is benevolently ruled until we can compare it with an unruled universe, which, since the word universe comprises the totality of things, is impossible.

Therefore, I am agnostic. But it seems to me that there is so little evidence that the universe has any regard for man's welfare that I think, although I cannot prove it, that the Christian assertion is nonsense.

Yet - it is nicely German, although quite inconsistent for me, to conclude by saying

"Gruess Gott"! - signed: Henry Meulen

(J.Z.: "Ja, wenn ich ihn sehe!" - Yes, if I see him! - is one of the standard atheist replies to such a greeting. - J.Z., 10.5.03.)

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Arithmetic. I rather think that this also is subject to the Pearson objection to absolute truth. That 2 apples added to 2 apples make 4 apples in subject to the fallibility of our senses. A drunk or hypnotised man seen two apples where the ordinary man sees one. When we withdraw the concrete illustration and say that $2 + 2 = 4$, we can prove it to the doubter only by reintroducing concrete objects, which again involves sense fallibility.

It is convenient to eliminate the concrete illustration, just as it is convenient to go further and represent numbers by algebraic symbols; but the fundamental proof rests always on concrete objects.

London, 9 June, 1949

My dear von Beckerath,

Thank you for your letters of 17 May and 2 June.

Your letters are a great pleasure to me. I count myself lucky to have found a man who is so keenly interested in both currency and philosophy - my two darling subjects - the combination in a man with so lucid a mind was almost too much to be hoped for.

I am glad to report that on Tuesday last my stomach made a dramatic recovery, and for two days I have been without pain. But please do not tempt me to talk of my illness. One's complaints are not a fit subject for civilised conversation.

You will remember the old joke: "He is the sort of man who, when you ask him how he is, tells you."

It was amusing to me to find in hospital, where fully half the men in my ward (a general - not a specialised ward) suffered from duodenal trouble, the first sympathetic audience I have ever found on duodenal trouble!

By the way, is it not interesting that for every woman duodenal case there are 20 or 30 men?

Your letter of 17 May is mostly concerned with Malthusianism. But you do not answer the point I raised in the note on population in the April "Individualist", in which I gave the output per worker in various countries.

You write that neither Malthus nor Darwin give examples of people suffering from food shortage on account of population. I am sending you a copy of the December 1945 "Individualist" in which a table is given.

I freely admit that the danger of war is the one argument for a large population which has weight.

(J.Z.: With a fully libertarian defence and liberation, revolution and military insurrection program, even a small libertarian society would not have to be afraid of a large and populous country, governed by a tyrant or dictator but could and would make that regime afraid of it and rightly so. Its mere example already, sufficiently publicised, could already lead to the overthrow of that regime and to the liberation of its subject. One should cease to think in terms of territorial statism and consistently explore the alternatives to it. - J.Z., 10.5.03.)

Banking. Do you not think that there are many firms in Germany who would issue their own notes in payment of wages and local purchases if they were allowed? It is to their interest. It is in this direction that I look for the establishment of fresh banks, rather than to individual clever men.

(J.Z.: How many people are there, who always and consistently pursue their most rational and rightful interests in any sphere of the social sciences and their practice? At least as thought-experiments or games? They rather hang on, tenaciously, just like M. did, to flawed ideas, myths, practices, customs, laws, judicial opinions and traditions, regardless of the high prices they have to pay for upholding them. Innovation is all too much monopolised by territorial governments and the result is no better than is to be expected from them. - However, if there were,

finally, full experimental freedom introduced, for all who are, for instance, somewhat or much in advance for their countrymen, while, at the same time, those who are with their views even behind the level of the majority of their countrymen were free to harm and wrong themselves within their own voluntary communities, and others remain free to adhere to their beloved status quo, **then and only then** could we expect to advance fast and almost everywhere, through the successful experiments that are, at first, only undertaken by a few, the pioneers, innovators and successful reformers and revolutionaries, practising their one-man-revolutions and reforms by joining or establishing corresponding volunteer communities or experiments, or practices of minority autonomy, that are, extritorially, quite autonomous and have **personal** constitutions, laws and jurisdictions for them. The masses would not rush into monetary freedom but a few would and outsiders and even the mass media would observe their efforts with at least some interest, and be it only with the curiosity of tourists or people who like a good laugh when they see something they did not expect to see. - Consider my growing encyclopaedia "On Panarchy", which attempts to promote a complete alternative to current politics, economics and social sphere systems, practices, beliefs and institutions. May the old kind of politics and its "scientific" literature become discarded as quite outdated and based on wrongful premises and conclusions, as soon as possible. Likewise, that of monetary despotism, the employer-employee relationship, that on defence, on war and peace, on jurisdiction, that on governmental bills of "rights" and one the "protection" of genuine human rights by territorial governments or their UN. - And how many governmental librarians and all too limited libraries and how much "library science" will we still need - once sufficient readers become aware that they, too, could become, quite extensively, publishers, editors, writers, commentators and contributors to numerous encyclopaedias, catalogues, surveys, bibliographies, abstracts and indexes, once they come to use the powerful, cheap, lasting and affordable media in their particular strengths? - The mass media and the Internet and its websites and e-mail are far from being our only and our most promising options. **With all the alternative media, in their strengths, and all other rightful options, including suitable alternative institutions, especially extritorial ones, we could rapidly advance towards liberty**, rather than vainly relying on too few conventional or widely accepted ones, which have already failed us for all too long. - Can you list genuine successes for territorial States, or many of them? I am not sorry but glad that I cannot find them, for I am not willing to pay their prices. Can you even list genuine and large-scale advances of enlightenment that can only be ascribed to the Internet? It, too, has still its technical limits, and those in the ways in which it is presently being used - or abused. - J.Z., 10.5.03.)

I note your remark that the Bali fishermen will sell his shark leather for Manchester notes which are accepted in 1000 shops in Manchester. This would already be quite a big mutual bank. Yet these notes would certainly be at a discount in Bali compared with notes convertible into gold. And at what price would a manufacturer in Solingen take mutual notes accepted only by minority of shops in Freiburg-Breisgau? You will of course reply (how like is all discussion to the pleasant anticipation and thrust of a game of chess!) that in times of crisis Solingen must choose between the mutual notes and no purchasers at all. Agreed. But a system designed to stand the stress of crisis may not be the best for peace times, just as the institutions of military society do not promote trade and prosperity as effectively as those of an industrial society.

(J.Z.: "Military society"? A contradiction in terms, unless one means, hereby, an ideal militia force, as I have described it in my first peace book. - In peace and during large and long wars - if there are still any under full freedom, which I deny - in boom times and during crises - the latter most likely disappearing entirely, for local exchanges and for international ones, for capital exchanges and for consumer goods exchanges, quite different means of exchange and, possibly, also value standards, are likely to be developed and used and prove themselves in practice. The small examples here chosen by B. should not be assumed to be the only possibilities for a genuinely free economy, but rather simple examples which, once understood, can then be sufficiently extended and multiplied. Naturally, all of them would have to prove themselves in world-wide and local free competition. And none of them will be generally suitable for more than their natural niche. For all rare exchange media and the ones which do go astray, we will have exchange offices, like in tourist centres, a money market and clearing centres, which will lead them back to their issuers. No one has to fully comprehend the automatic workings of a truly free market in order for this market to work pretty well, in spite of a few scoundrels being also active in it. Even international trade was, when somewhat free, largely carried out not by rare metal transfers but by clearing arrangements. But it was and is disturbed by creditors having the right to be paid in certain exclusive currencies. - J.Z., 10.5.03.)

Banking is a fine development of mutual trust. If that trust is lacking, we will turn to more primitive methods of exchange; but those

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methods are not to be recommended for a community wherein mutual trust is more developed.

(J.Z.: Rather, the "trust theory" prevented the development of banking to its full potential! In the absence of that "trust", we will proceed to more advanced methods of free banking! - J.Z., 9.5.03.)

Duty. What a remarkable story of the 300 Japanese who committed suicide! It seems incredible. Do you think Paul Morand a trustworthy writer? I think that one important ethical principle emerges from the rejection of the notion of absolute certainty, namely, an increase of toleration. I recall to you the famous words of Cromwell to his opponents in the House of Commons:

"I implore you, gentlemen, by the bowels of Christ, to believe in the possibility that you may be mistaken."

(J.Z.: Where are or were the bowels of Christ? Did this God or Son of God need any? The man, who, supposedly, could create thousands of loaves of bread out of thin air? However, as a call for tolerance Cromwell's expression was very timely but not sufficient. Nor did he himself practise tolerance widely enough or was he even aware of its full possibilities. If he had been, his civil and international wars would have ended very soon, to the satisfaction of all the different parties and movements. - J.Z., 10.5.03.)

Since you are so interested in philosophy, I send you a copy of a letter that I sent recently to our chief Rationalist journal "The Literary Guide". Also another on a similar subject to the "Freethought News".

I agree with you that the Allies should take a stronger line with regard to Russia. I do not think that Russia would risk war at present; and there is every hope that if the Western Powers can set up a really effective organisation to provide a permanent international force to prevent war, it will deter Russia from risking war in the future.

You must use a stronger envelope when you enclose so much. Your two last letters arrived burst at the side.

Sincerely yours - signed: Henry Meulen

4 June 1949

The Editor of
"The Literary Guide".

I am jealous of the fair name of Reason. Permit me therefore to remark that Mr. Marlow makes some doubtful points in his attack on reason in the course of his controversy with Professor Heath in the June Literary Guide. (*) He defines a metaphysical theory as one incapable of being proved by experience, and asserts that the inductive principle is such a theory. Now Hume demonstrated beautifully that our ideas of cause and effect spring from habit. If we have long noticed that A is followed by B, we eventually come to expect B when A appears. This expectation is certainly based on experience, and should hardly be called metaphysical. But now comes Bertrand Russell, and declares that induction is metaphysical in the above-mentioned sense because experience affords no proof that A will always be followed by B, or that we have examined all possible cases.

I think Bertrand Russell sometimes raises unnecessary difficulties; and this is one. There is no doubt that science today would accept the principle laid down by Karl Pearson in "The Grammar of Science" that the search for absolute proof is vain. Science is content with a high degree of probability. If A has been observed to follow B in a sufficient number of cases, and in sufficiently varying conditions, science then declares, not that A is an absolute cause of B, but that it is highly probable that B always follows A, and a scientific "law" is erected. In other words, science limits its assertion to the range of its experience, and no metaphysical assumption is made.

Henry Meulen

(*) (J.Z.: Only the unreasonable would attack reason! And even that he could not do without some reasoning, however flawed. Perhaps only the most unreasonable takes such arguments serious. - J.Z., 10.5.03.)

The Editor of "Freethought News"

(B. noted on it: June 1949?)

Sir,

I also hope that Mr. Throup's theory of the genesis of thought will be adequately discussed. Mr. Throup traces thought to the development of the sense of awareness in simple forms of living things. I would take the process further back and connect it with the qualities of attraction and repulsion exhibited by primitive matter. These qualities most probably represent awareness in some form. It is usual to call such reactions in "non-living" matter automatic. I submit that we have no grounds for such a distinction. We have no direct evidence of thought in any other beings beyond ourselves: we infer thought in others because of the similarity between their actions and our own. But mere dissimilarity of action is no proof of absence of thought. To trace thought back in this way to the qualities of attraction and repulsion in primitive matter, settles the long-discussed problem of the origin of life. If the theory is true, there remains no such thing as "dead" matter, and life becomes a universal quality. What we call the development of thought becomes simply the development of means of providing satisfaction for attraction, and of defence against, or avoidance of, repulsion.

Henry Meulen

Dear von Beckerath

London, 25 June, 1949

Thank you for your letters of the 11th and 12th June. I hope you have received the Montaigne by now. I have received all the letters you mention: the post seems quite good. I note that "American Section" is to be added to your address. I can't think how I got the idea that you were in the British Section.

Malthusianism. Your criticism is good. I have sent your table to the editor of the "New Generation", and will let you know his reply.

I think the expression "real income" means the goods that the income will buy before deduction of taxes etc. But there seems considerable difference in the estimates of different statisticians. In the Aug. 1948 issue of the "Individualist" I quoted Lewis Ord's figures. They are different in some respects, and he does not give his sources.

Colin Clarke is a statistician of considerable reputation here.

Your argument that the producer may receive very little after the payment of taxes etc. is a good criticism of the "New Generation's" statement that the Australians eat more than 200 lbs. of meat yearly, while the Japanese eat only 2 lbs. When I write to Kerr again, I will put your point to him. But of course it does not affect his argument from comparative real income if this excludes taxes. Furthermore your argument that scientific methods and land and banking reform could increase the food output, omits to notice that hitherto most scientific improvement has consisted in labour-saving methods. I believe the Chinese farmer still gets bigger crops per acre by hand labour than does the Westerner.

It is possible that improved methods may be invented; but meanwhile it seems important to point out that population is at present increasing faster than food production. I am inclined to doubt if 6/7ths of the fertile ground in China is not cultivated. China has so large a population and the poverty of farmers there is so great.

Banking. It may be that the notes of individual firms will not circulate unless there is a supervisory committee; only freedom for experiment can decide this point. But I would urge that

(1) Control by committees always slows down experiment and variation;
(2) the history of banking in England and Scotland shows that individual firms were able to circulate notes redeemable in gold on demand without such supervision.

The notes rarely fell to a discount locally in Scotland. They occasionally depreciated in relation to gold; but that was when England set up a sudden demand for gold.

On the question of the acceptability of Freiburg notes in Solingen, I cannot think that notes acceptable only in the Freiburg shop Mueller, or even in several Freiburg shops, will be accepted by a Solingen bank at only a 3 % discount. Here in Wimbledon there are, for instance, many grocers. Yet, for various

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reasons, we buy at one particular grocer. We would not like to take notes that compelled us to change our grocer. Hence people will find it hard to pass on such notes and I should think there will be unwillingness on the part of wholesalers to accept such notes in payment for their sales to the shop, unless they themselves deal with the shop - which is unlikely.

You will reply that the wholesaler can take the notes to a bank. But since the bank can find only a few people who will accept the notes, such notes will lack liquidity, and the bank will accept them only at a discount, which discount would discourage the wholesaler from accepting more of the notes.

It seems to me that you exaggerate the importance of the Rueckstrom (reflux - J.Z.) principle. Scotland got an adequate Rueckstrom of its notes without any regulations on the subject.

Convertibility into gold. It is not necessary for a country to have gold coins for the banker to be able to promise convertibility into gold. All that is necessary is that there should be a free market price for gold. People who want to convert their notes will then receive the gold value of their notes in whatever paper money and coin they are willing to accept. They will probably demand either State notes, or the notes of some well-known bank.

Letter to "Freethought News". You write that it is possible to consider the fundamental forces of matter as derived from "the vital forces of the universe". But whereas there is evidence of the forces of attraction and repulsion in matter, I have seen no plausible evidence of the existence of vital forces in the universe apart from matter. Whether the sum of events in the world is a revolving one or not does not seem to me to affect the argument that thought is developed from the forces of attraction and repulsion. This argument concerns the cause of the development - not its direction.

Enclosed is an amusing cutting from "Truth" on the subject of modern painting. Sir Alfred Munnings is the President of the Royal Academy, and at this year's Academy banquet he made a slashing attack on modernist painters.

My stomach is still improving.

Sincerely yours - signed: Henry Meulen

London 25 June, 1949

My dear von Beckerath,

I find that I omitted to thank you for your interesting criticism of the last "Individualist". I have extracted some of your notes for the next issue.

I have had correspondence with Kenneth de Courcy. He seems impervious to banking argument.

I have no belief in a tax-payers' strike as long as there is freedom of writing and speaking. The government has too strong a weapon in the confiscation of the strikers' property.

If Germany pays so much for the book education of her children, she is crazy. But then I have always felt that Germany looked on book education as other nations look on religion.

Kitson paid the market price for men with diplomas in languages. The remedy is not that he should pay more than the market price, but that men should not enter a profession where there is so much competition. They should have learnt engineering rather than languages.

Unless the State is foolish enough to insist on the fact of artificial insemination being inserted on the birth certificate, nobody need ever know how a child was conceived. The prejudice against "illegitimate" children is fast disappearing.

In 1913 people thought (see Bloch and Angell) that there would never be another major war. Hence international commercial trust was great, and the pound sterling was generally accepted. It is the disturbed political state of the modern world which causes men to insist on payment in their own currencies.

I do not believe that Chinese children learn to write Chinese as quickly as Europeans learn to write their languages. I suspect that few Chinese can write at all.

After spelling reform people will know that the sound of the word, not its spelling, gives the clue to its meaning, and most people will be able to dispense with a dictionary. The really useful old books will be republished in modern dress, just as France publishes Montaigne in modern French. Those who are interested in less useful books (or less popular books) - a small minority - can study the older language. They should not compel others to share their curiosity.

The real urge. I should say that the "displeasure produced by inactivity" is quite a modern disease. There is no sign of it in primitive people. Where the urge to activity is strong, they do something. Otherwise they just sit - and are happy.

I had some correspondence with our Post Office over sending newspapers to Berlin. They now tell me that newspapers are allowed to be sent only to the British Sector of Berlin. This is amusing, since for a long time I sent you papers without specifying the section, and you received them. Then I started addressing them wrongly to the British Section, and you received them. I think I had better omit the name of the section. I am sending you the "Economist" by this post. Tell me if you receive it (Issue of June 16).

Sincerely yours - signed: Henry Meulen

July 12, 1949

My dear von Beckerath

Thank you for your letter of the 29th June, enclosing letters of the 25., 27. and 26th. In the case of most of my correspondents I generally regret that I am not talking to them instead of writing - it would save a lot of time. In your case I am glad to be writing. I am a slow thinker, and although I have done a lot of lecturing and answering questions on banking, I am glad to be able to give myself time to consider your very fundamental criticisms.

I am glad you received the Montaigne safely. It would have been a real misfortune if the volumes had been pulped by the Russians to produce extra copies of Pravda.

I agree with you on the subject of interest. It has often been urged against me that even if Free Banking did result in lower interest rates, this would hardly produce the beneficial effects on industry for which I hope. I have always replied that a much more serious defect of the present system is that lack of competition between banks excludes all but the most valuable security from the benefits of cheap long-date loans; and that this exclusion hits precisely those smaller producers to whom we must look to increase and cheapen production. Nearly all our long-date loan business for small industry is forced by the law into the hands of money-lenders, where the rate may be anything between 20 and 40 %. And I suppose you would agree that this rate is a strong deterrent to industry. For short-term loans, or long-date loans on valuable security, our banks are more generous.

As I have often remarked in the Individualist, our banks' nervousness in regard to long-date loans was justified so long as we were on the gold standard, and were exposed to unforeseen drains of gold to foreign countries. Since 1931, however, it is mainly lack of competition which enables banks to continue to avoid the extra risk involved in long-date loans.

Ruecktrom. Yes - yes - I agree that a fundamental of sound banking is the due repayment of loans. But surely a bank can remain in business only so long as this Rueckstrom proceeds steadily, and it is to the banker's interest to see to this.

But I think that the business of different banks varies so much that it is unwise for either the State or local communities to lay down fixed rules. (*) If the banker finds it advantageous, he will be ready to publish details of his business. If some people are so nervous of banks that they want rules and more details, let them deal only with banks that provide these conditions; but they should not compel uniformity in all banks. You write that the public

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trusts in committees today, and therefore such committees should be encouraged. But my point is that committees are clumsy, and tend to prevent experiment. The same is true of State industry: people today tend to trust to State control and planning of industry. You do not therefore recommend nationalisation.

(*) (J.Z.: Far from it: He merely recommended abiding by sound economic rules for the issue and reflux of currencies, applied by private and competing bodies and publishing their sound practices sufficiently. - J.Z., 10.5.03.)

You write that the Solingen banks will find a way of sending Freiburg notes back to Freiburg, and will therefore accept Freiburg notes at par or at a very small discount.

But my point was that since the Freiburg notes may be acceptable only to the small minority of people in Freiburg who deal at the shops at which the notes are accepted, few Freiburg banks would be ready to take any large quantity of these notes. Hence Solingen banks would be unlikely to accept the notes at only a small discount. Bills of exchange are different. A bill is issued on the personal guarantee of the industrialist, and is accepted by a banker only if he approves the reputation of the depositor. Such a bill, issued in Freiburg, would generally be accepted in Solingen only if it were guaranteed either by a Solingen industrialist or by a Freiburg bank.

I have not recommended the use of gold coins because it is vexatious to business to have to use a token which is subject to almost daily fluctuations in value (from changes in the world bullion market). If notes are used, their value will change only with changes in local trust in the issuer, which changes will, one hopes, be relatively far fewer than changes in the market value of gold.

Malthus. I have not yet had a reply from Kerr (editor of the New Generation). Perhaps he will deal with your criticism in the next issue of his journal. As you remark, your figures of total area compared with arable area do not show what proportion of the total area is cultivable. You write that you know from the reports of travellers in China that the amount of land cultivated could be considerably increased. The reports I have seen are different. Both in China and Japan every square yard of cultivable land is said to be worked to the utmost advantage.

I agree with you that the extreme poverty of the farmer in both countries is largely due to bad government, and also to land monopoly and money scarcity. Yet I think it remains true that with agricultural science at its present stage, the population is increasing faster than the possibility of food supply. The burning of coffee and wheat which you mention occurred before the war, in the days when glut was always with us. Since the war there has been no serious glut of any food.

I can only honourably cry "Touché" at your keen thrust in quoting p. 342 of "Free Banking" at me. Yet - I must be allowed to say in my defence that the paragraph in question was not intended to deal with the question of over-population, but only with cheap labour. Cheap labour does not result only from

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over-population. (J.Z.: My scanner read this as "over-copulation". Even it can crack a joke!)

In Germany, for instance, before 1870 the whole population lived at a lower standard than the English, due mainly to our rapid progress in industrialisation during the 19th century.

(J.Z.: Also due to relatively free trade in England, while in Germany protectionism prevailed, until 1966 even between dozens of German small States. - J.Z., 10.5.03.)

Between 1860 and 1890 there were frequent complaints here that Germans came here and were willing to work for much lower wages than the Englishman. Germany was certainly not over-populated then: it was simply that England was a richer country. I think that this was also the main cause of Japanese emigration to Western America at the same period. By 1900 Germany's progress in industry had been so great that emigration from Germany had practically stopped, and immigration from Poland increased greatly. I rather think that today the need for food is so great that countries like Argentina, South Africa, Australia and Canada will find it advantageous to concentrate on farming rather than on manufacturing industry.

Education. You will remember that I conceded that it was useful for a child to learn the three R's (reading, writing and 'rithmetic). With a knowledge of these any child can, in these days of abundant libraries, teach itself if it wants to. I can honestly say that all the really useful things that I know today I taught myself.

Spelling reform. Agreed that age impairs memory. But if the spelling approximated more closely to the sound of the spoken word, there would not be so great a need of memory.

To return to Malthus. You quote the case of herrings, and I remember that a few months back herrings were made into manure. But this catch was quite exceptionally large, and I suppose the fishermen might well have judged that they could not sell them at any price for food. After all the salting of herrings, and packing them into barrels, takes considerable organisation, and in the present state of the world it might be hard to work up a fresh market for just one consignment. Free Banking would, of course, help much.

(J.Z.: Weren't freezers already invented then? Couldn't the fish products factories have introduced 2 extra shifts for a few days, at extra high wages? Couldn't fish shops have sold them very cheap, together with self-pickling kits?)

Couldn't the fishermen have done their catches in instalments, as required, by wireless in touch with their potential customers? Free enterprise often is not very enterprising! - J.Z., 10.5.03.)

Glad you like Truth. It hits hard at the Socialists. For myself, however, I much prefer the Economist. (J.Z.: Was there really that much truth to be found in either? - J.Z., 10.5.03?)

Sincerely yours - signed: Henry Meulen

My dear von Beckerath

London, 23 July, 1949

Thank you for your letters of the 2, 14, 15 and 16 July.

I note Dr. Friedensburger's remarks: "Fuer das humanistische Gymnasium"; but I cannot agree with him. When a man has tasted Western culture, and has liked it, he will defend it against an attempt to impose alien cultures by force, whether he has studied the classic and Christian origins of Western culture or not.

My school teacher friends here also assure me that nowadays children like to go to school. Personally I doubt if it applies to more than a small minority. If it applied to the majority, there would be no reason for compulsory school attendance laws all over the civilised world. Educationalists reply that parents are eager to cut short their children's education in order that the children may earn money or work. I do not think that more than a tiny proportion of parents are so lacking in parental feeling if they think that a child can benefit by more schooling - that is, presuming that the family is not faced with starvation.

Let school attendance be voluntary, and then let the people who are worried about the unsatisfied thirst for education establish libraries and evening schools for those children in whom the thirst arises in later years. If children forget their 3 R's after leavings school, it is a sure sign that money spent on their education was wasted: they are not interested in book knowledge.

I was a young Civil Servant, 19 years of age, just beginning to be interested in State Socialism, Tolstoy and Kropotkin, when Tucker's book fell into my hands. For the next ten years I spent nearly the whole of my leisure (and the whole of two summer holiday periods) in the British Museum Reading Room, reading everything on banking and currency that seemed useful. You and I had to do this reading in order to understand how the present mistakes in banking policy arose. But I think that some day the ordinary man will vote for Free Banking simply because it offers him a more attractive way of life than State Socialism - he will not trouble to read the 1844 debates on the Bank Charter Act.

Malthusianism. I fully agree with all you write about the part that Free Banking could play in increasing world production. The point on which we differ is as to whether, with agricultural science at its present or possible future development, population is not likely shortly to press hard on food supplies. I have met so many people who have lived in India, and there has, of course, been an enormous amount written in English on India; but I have never met one who did not remark on the terrible poverty of the average Indian farmer, due, they all say, to the very small size of the farm out of which he tries to earn a living. This is the crux of the matter.

2.

I, grant that the moneylender fattens on the farmer; but I am not quite sure how much Free Banking would prevent this. India suffers from periodical droughts and pestilences. The risk arising from these must raise the rate of interest in any system. And so long as these miserably poor people continue to have such large families, their farms must remain small. I am not aware that land monopoly is a serious evil in either India, China or Japan: I rather think that small ownership is the rule, the land being divided among the children at the father's death.

But I agree with your criticism of Kerr's tables of the comparative amount of meat eaten per head in the various countries, in so far as it applies to the East. I rather think, however, that France could not develop her African possessions for meat-producing without enormous expenditure in irrigation, and this is the chief reason why it is not done today. Free Banking would help; but the available capital is limited today, and the demands on capital are great. Neither you nor I know how long it will be before we are able to get Free Banking introduced. Would it not be better in the meantime to recommend these people to have smaller families?

And are you not unduly apprehensive about Russia's potential military strength? I think that a free people, trained in self-reliance (*), has enormous military advantages today over a slave population. You have surely not forgotten how Germany rolled up the vast Russian armies with one hand, whilst holding off the British and French with the other. Had it not been for American intervention, Germany would have subdued Russia.

(*) (J.Z.: "...free people trained in self-reliance"? Where are they? Does self-reliance need training or merely the right to be practised, i.e., freedom of action, rather than laws and regulations, licensing, controls, compulsion and public inspectors? - J.Z.)

Rueckstrom. It seems to me to place an unnecessary burden on the borrower to insist that he repay by notes from the same bank as made the loan. What is the reason for this condition on loans?

Freiburg notes. You reply that it will be necessary to organise several Freiburg issuers into a larger concern. This however, raises my former objection that it is harder to get many shops to unite to form a note-issuing business than for a local firm of repute to start issuing its own notes.

Bertrand Russell. I have often criticised him; but I should not accuse him of superficiality. I think he has a most subtle and acute mind. In 1940 I bought his "Inquiry into Meaning and Truth" as soon as it appeared. It deals with what we really mean when we use quite ordinary words such as dog or cat. But the argument is so subtle and condensed that at the end of every page had to go back and read it more carefully in order to grasp his meaning. Yet he is not metaphysical or slipshod. It is simply that every sentence is necessary for the building up of his argument, and unless one reads every sentence until one understands it thoroughly, one is lost. I was much occupied with banking discussion at the time, and after a few months I had to put the book down. At intervals of one or two years since I have taken it up again; but I see that I have still only read about a quarter of it. Yet I am interested in the subject.

Vegetarianism. I too became Vegetarian in my 19th year, and

3.

kept up the diet for 9 years. Then I gave it up on a doctor's advice because I was fast slipping into serious nervous trouble. My nerves became much better after I returned to meat, and I have never since suffered seriously from nerves. It was not that I did not get the right foods: I studied the question carefully. I think it is simply that meat is more digestible than the vegetarian substitutes and some people are so made that their stomachs cannot extract the nourishment from vegetarian foods, although chemically the nourishment is there. Contrary to the opinion of most meat-eaters, I should say that vegetarianism is more suitable for a peasant than for a sedentary head-worker. But I agree that a vegetarian diet is superior aesthetically, and I always liked the food.

Sincerely yours -signed: Henry Meulen

My dear von Beckerath

29 July, 1949

Thank you for your letter of the 20th. I am glad the parcel was welcome. Two of the three people in our household are now on diet, and we drink little tea and no coffee. Hence most of our ration is saved.

Three days ago I sent you "The New Generation" containing a long reply by Kerr to your letter. But I am afraid you will not get it for about a fortnight. Meanwhile he has sent me another copy. I enclose his reply. If you care to reply to him (about a column), and will send your reply to me, I will put it into shape and send it on to him. You might return the enclosed cutting to me.

It is fashionable here to put part of the blame for our trouble on the fall in US prices. But surely the less we pay for imports from US roughly balances the less we receive for our exports. The volume of goods exchanged should be about the same. If competition were really active here, we should be able to reduce the price of our exports by the amount saved on imports, and both parties would benefit by the fall in prices. But if US produces x goods for £1, whilst we expect £1 for (x - y) goods, either because we are lazier or less efficient than Americans, no amount of exchange control will stop the balance of trade turning against us. I am writing the "Economist" on the subject.

The same argument applies to devaluation. After devaluation, the extra money we must pay for imports should about balance the extra we receive for exports. The trouble lies rather in the circumstance that competition

is generally not active enough to spread the results of such changes quickly through the whole community. This is an argument for Free Banking, not for exchange control.

I want to get this letter away - so I will reply to your interesting letter later.

You ask why more revenue cannot be got from the rich. On incomes of about £50,000 per an. the tax is at present 19s. 6d. in the £, and the rise is gradual from about incomes of £ 2,000, which pays 9s. in the Pound. I think Sir Stafford argues that any further rise will simply destroy incentive.

Even if we paid for imports in pounds, it would not help us. The US exporter can use only dollars, and must change the pounds at some US bank. As the pound falls in value, he will ask more pounds, which will turn the exchanges against us as before. Before 1914 our exports, visible and invisible, roughly balanced our imports. This is the reason why there was no dollar scarcity then.

Sincerely yours - signed: Henry Meulen

The Editor of
"The Times".

8 August 1949

Sir,

in the course of a letter received today, Ulrich von Beckerath, a Berlin economist writes me as follows:

"Thank you for the cutting, from "The Times" of July 22nd, reporting the debate on Germany in the British Parliament.

What was not emphasised enough in the debate is the deep change in German opinion resulting from the dismantling of factories. Everywhere one hears: 'Oh, the British, there are very good people among them - remember the early days of the occupation, when British soldiers protected us against the Russians. But these British are of no influence. The influential people are the British industrialists. They fear German competition; and therefore they dismantle German factories. If they could, they would exterminate us. Our only hope of protection now is the Americans.'

I report only what I hear in trains, buses and shops. I wrote you some time back that in my opinion the best course, both for Germany and your country, would have been for Germany to have been given Dominion status within the British Commonwealth. Two years, even one year ago the idea would have been welcomed by very many Germans. Today the project is impossible, owing to the effect of dismantling."

I am, Sir, Faithfully yours
(Henry Meulen)

London, 11 Aug. 1949

My dear von Beckerath

Thank you for your letters of 18-29 July.

Malthusianism. I think you make a good case for giving Free Banking priority over Malthusianism as a reform. I shall be interested to see what Kerr has to say to your reply which I have forwarded to him. The arguments you give in your letters to me are stronger than those in your reply to Kerr; but I expect you were being diplomatic to him. I enclose a cutting from Boyd-Orr which supports you (please tell me it is noble of me to supply you with arguments against myself). Also I read somewhere this week that the French govt. has made a start on a very big scheme to bore for wells in the Northern Sahara. A French scientist declares that there is a practically inexhaustible lake beneath the Sahara. Furthermore in a radio debate on population here last night Professor Roy Harrod, Editor of "The Economic Journal", made the excellent point that labour employed in factories here can produce five times the value of the same labour employed on the land. If therefore we reduce our population, we will reduce factory and land labour equally, and will actually be poorer.

I would, however, point out that when Kerr says that the agricultural productivity per worker is far greater in thinly than in densely populated countries, he means productivity per man not per hour. If a man owns only so much land that he can cultivate it all in a week, he will obviously not produce as much as a man with more land.

I agree that it looks as though Colin Clark were wrong about the relative average incomes of Ireland and Norway.

Restriction of wheat planting in USA. I rather think that the inability of US to sell is due to the rest of the world not having enough to sell to her. We cannot sell to her because our labour (employers and wage-earners) demand a higher price than the US; and the continent generally has not yet recovered from war devastation. Still - I cordially agree that Free Banking and Free Trade are the remedies.

You did not reply to my little note on devaluation in my letter of 29.7. I grant that if the pound falls, our exports to US will be cheaper; but it is imports from US that we want, and these will be dearer. We cannot export today because our prices are too high. The remedy is to produce cheaper, which entails a certain austerity here, which we are not yet ready to face. It will not help this difficulty to pay in pounds. You write that in the old days a fall in the exchange value of the pound would have been followed in a few hours by an increase of exports, and the normal state was restored. No - the normal state was not restored if by "normal state" you mean the same level of prosperity as was the case before the pound fell. Where previously we exchanged X goods against X goods, we can, after the fall, get only X-Y goods for X goods. The trouble was that under the gold standard, unless the fall

2.

was rapidly followed by more production here, we lost gold, which stopped our production. The proper remedy was to allow prices to rise here. This discourages consumption and encourages production; which is precisely what is needed. Devaluation is only an indication of an unhealthy state; it does not remedy that state; the remedy must be increased production. You write (19.7) that gold currency does not come back, whereas paper must return home and buy goods. But paper will not be acceptable abroad unless the foreigner can get the right goods at the right price here.

(J.Z.: People fall too easily into the traps set by their own words, misconceptions, ideas, systems and world views and do not easily work themselves out of them again. Sometimes they get enchained in them for the rest of their lives and continue to love and uphold their flawed views at every occasion and against all sound criticism. An unreasonable love is involved for the children of the own brain. - J.Z., 10.5.03.)

Rueckstrom. I agree that if the bank gets due repayment of its loans, confidence in it will grow; but my point is that no rules are needed to induce a banker to insist on due repayment: his interest impels him to this course. And rules can only hinder the flexibility and variety of his loans.

(J.Z.: The basic economic law for ticket money is that the tickets must regularly and rapidly stream back to the issuer, to be redeemed in his performances. His performances must likewise be regular and sufficient and exert a demand for the tickets. Without that demand, sufficient and regular, the tickets will depreciate. The reflux should be as fast and regular as the issue and the amount of the reflux determines how many tickets can be issued and kept at par. Trust is irrelevant here. Readiness to accept the tickets is all-important and knowledge of that readiness. The goods and service offer must be all the time kept in balance with the monetary circulation or, rather oscillation. Continuous issues over a short time period and each only for a short term period on the one hand must have the corresponding continuous reflux over that period for the same amounts. Only sufficient reflux makes sufficient issues possible and can keep them acceptable not only at the issuer but among other local people. The reflux must be seen as a powerful and necessary DEMAND for the issued exchange media, a demand that gives them their value. - M. has still not realised the differences between short-term ticket or turn-over or clearing money and the issue and redemption of medium and long-term securities. With the latter two there is some of his "trust" involved. Naturally, all loans ought to be repaid. But within what time period and with what regularity is also very important here, not merely that some time in the future they will be repaid. That is not good enough to exert a sufficient demand for a currency, even if, after a medium or long-term it will be honestly redeemed. The in-between and quite necessary reflux is missing to keep up the value of a currency. Probably his notions of the need for and possibility to give them some kind of gold redemption, even if only at reduced gold weight values, prevented him from seriously looking on the need for and usefulness of a regular and sufficient Rueckstrom. Asset-"currency" hasn't got enough reflux. No shopkeeper is obliged or especially or sufficiently interested to accept these small bonds, shares, mortgages and other securities, instead of soundly based currencies they issued themselves and are obliged to accept. - J.Z., 10.5.03.)

Education. You write (25.7) that since children like other things more than school, school attendance must be compulsory. This contradicts the entire philosophy of freedom. A clever woman artist friend of mine used to say that the aim of education should be to give a child a love of knowledge.

A child cannot really be taught anything: it can only teach itself. Now it is only the exceptional child that has any interest in book-learning before adolescence. The effect of forcing book-learning on the average child before

adolescence is not only a waste of time and money, but it gives the child a deep, often unconscious, dislike of all getting of knowledge from books. My brother and I both liked music; but my father sent us when I was 10 and my brother 12 to learn piano, and he insisted on our practising every day. We both hated it; and as soon as we started to go out to work, we both gave up the piano. My brother never took it up again; but when I was 19 I fell in with a set of musical young men, and then taught myself piano, which has been a pleasure to me ever since. If children like going to school today, it is not, I think for the learning, but because they have more games, and learning is made interesting by stories and object lessons. It is the stories they like - not the learning. Actually they do not learn as much as we did. When my daughter had passed her Matriculation examination at 16, she did not know as much geography, arithmetic or history as I knew at 11; but I hated school. (J.Z.: I am closer to M.'s than B.'s views on school education, also on conscription and postal services. - J.Z., 10.5.03.)

Beatrice Webb. I heard her speak once or twice. As a woman she did not attract me - too dry.

King-Hall. I send him a copy of each issue of "The Individualist"; but it seems to have no effect in interesting him in Free Banking. I will write him, and try to get to talk to him.

I send you herewith a cutting of a letter by Lord Vansittart. - I think his opinion is shared by the majority of people here. For myself I think him wrong. Both we and Germany would profit more by allowing Germany to get on her feet as soon as possible. She should then be admitted to UNO; and UNO should see to it that there is no revival of militarism either in Germany or any other member state.

Sincerely yours - signed: Henry Meulen

(J.Z.: In other words, this individualist anarchist had faith in international statism! - J.Z., 29.5.03.)

31, Parkside Gardens, S. W. 19.
HM/ED

25th August 1949.

Ulrich von Beckerath Esq.

Dear von Beckerath,

Your letter of 4-13 Aug. Your ethic is very Christian: "Let Justice (with a capital J) prevail, though it kill me." You make me feel like an old man discussing with an impulsive youth. There will always be injustice. Long after men are enjoying all the benefits of Free Banking some young men will grow hot about other injustices; but most men will live comparatively happily without a thought for von Beckerath who sacrificed so much that they might live more comfortably. For myself, I look on my altruist pleasure as one among other pleasures. I am ready to pay a certain price to indulge it, as I am ready to pay for my other pleasures; but I will not willingly ruin myself to indulge my love for music, or my love for my fellow man. I will measure my brains against those of my fellowman, and devise a way of following my pleasure at the least cost to myself. "An inglorious life" you will say - I agree; but many glories are too highly-priced for me. There are thousands of things I love in this world, as well as the welfare of my fellow man, or his good opinion of me.

I am not sure about your definition of notes as clearing certificates. The latter arise when two parties clear debts between them. If I owe B £10 and he owes me £10, it were obviously foolish for us both to pay over £10 to the other. But a bank note loan is different. The note gives the borrower the right to consume goods produced by the community before the community has received goods produced by the borrower. Hence the note does actually give the borrower the right to raise loans from the public.

(J.Z.: Wrong on both points! Neither the community nor the shops are obliged to satisfy the owner of M.'s notes. If he granted his notes in long-term notes to others that is no business of theirs and of no concern or obligation for them, no more so than shares or mortgage letters would be that M. had issued as "notes", intended for circulation by him, based largely on "trust" towards him. He might be a nice guy and otherwise quite honest and sensible - but that would not give his notes a current value. And they would be quite right to distrust these notes and to reject them altogether, rather than merely discount them, unless they are interested in the fractional gold cover that he offers with them, immediately or some time in the future. - J.Z., 10.5.03.)

I agree that both the community and the borrower may have produced desirable goods; but neither is ready to give up his goods until he receives a ticket enabling him to buy what he wants. To sell his goods for such a note still

involves trust on his part, trust that he will actually get the goods he wants, and in the interval between selling and buying he is making a loan to the buyer of his goods.

You write that if a promise to redeem notes on demand cannot in every case be fulfilled, the promise is a swindle. Are you not too severe? A company may insure me against fire, although we both know that if all the buildings insured in this company are burned down together, the company may be unable to pay me.

2.

But our differences over the meaning of W. R. Greene's words are not of immediate importance. I am content to leave you to your opinion that Mutual Banking is easier to establish than what I call Free Banking. **I do not agree; but if we are both prepared to allow free experiment, the most suitable type will emerge.** (Bold type chosen by J.Z.)

Cooperation. I do not know a single woman among my friends who deals in a Cooperative store. They all say that either the goods are slightly dearer or the quality not so good. Nevertheless, there are many small towns in England, especially in the Midlands, where Cooperative stores have practically monopolised the retail trade. I think that the reason in that the dividends repaid to shoppers provide the women with pin-money over and above what their husbands allow them for housekeeping. (B. was mainly interested in productive coops, not consumer coops. - J.Z.)

Scarcity of dollars. I agree that there would be no scarcity if the exchanges were freed. The objection of the planners, however, to this course is that free exchanges would permit our importers to import here (un- - J.Z.) necessary goods, to the exclusion of necessities. The rich here would buy luxuries and the poor would lack necessities. I think that a free price system would, by stimulating production, remedy this quicker and more discriminatingly than can State control.

Unemployment. If we want to buy from abroad, we must be able to export. But if US produces more cheaply than we, our producers must accept less. This means lower wages and/or lower profits. Our wage-earners are however so strongly organised that they can threaten complete strikes. It is for this reason that I suggested that the only way out is to permit unemployment. You write that the effective check to extravagant wages is the impossibility for employers to pay such wages. You are then, in effect saying the same as I. If the employer cannot pay the wages asked, he cannot employ. Therefore there will be unemployment. Our government proposes to remedy this unemployment by large scale State works. (Public works. J.Z.) I think this would make the evil worse. Of course the best remedy is Free Banking; but since this is unlikely to be adopted, it is, I think, better to allow wages to be reduced by unemployment than to tax people further to undertake public works. Does this lessen your indignation with me?

3.

Don't believe what the "Reader's Digest" may say about the miserable standards of life (living - J.Z.) of our wage-earners. Our people are quite comfortable, even if not so comfortable as in USA. Just consider the amount our people spend annually on tobacco, alcohol and entertainment. The amount they spend on other luxuries (television, holidays, etc) is in proportion.

I sent a letter, of which I enclose a copy, both to the "Times" and the "Telegraph". Neither printed it. But the "Times" printed a letter from Gollancz covering practically the same ground. I commend to you this Atheist Jew who is an example to all Christians in spending so much time and energy in advocating forgiveness of your people who ill-treated his people so fiendishly.

(J.Z.: Those directly involved in these crimes should certainly not have been forgiven. But those who weren't shouldn't have been blamed in the first time! For instance, in my home-town, Berlin, about 5,000 Jews survived by being hidden by their friends, who shared their rations with them. - J.Z., 11.5.03.)

I live with my two sisters, 2 both older than I. The younger is dieting for cataract and rheumatism.

Sincerely yours - signed: Henry Meulen

enc.

P.S. I printed your note on the colour bar; but I do not altogether agree with it. I cannot forget the bad treatment of the Hereros in German South West Africa; nor the indignant protests of Germans against the "indignity" of the use of Senegalese as occupation troops - long before there were any complaints about raping etc. It is of course easy for

a nation that has no colonies, and is not up against a large coloured population, to see the inhumanity of a colour bar. But the problem is not too easy. Are you quite reconciled to general intermarriage? (*) I suppose it is inevitable but I cannot say I like it.

I am sending this letter by ordinary post, since ordinary communication appears to have been restored. Let me know when you receive it.

(*) (What does an individualist mean by "general intermarriage"? Does he assume it to be compulsory or optional for individuals? What doesn't he like about the individual option for everybody, even if he himself would not have adopted it or would not have wished it for his daughter or granddaughter? - J.Z., 11.5.03.)

London, 6 Sep. 1949

My dear von Beckerath,

Thank you for your letters dated 9-w2 Aug. Did you receive my letter in reply to yours of the 4-13 Aug.? I sent it by ordinary post, but I have not kept a record of the date when it was sent.

I am sending you under separate cover the last New Generation. You will see that Kerr has not printed your letter. If you care to send me an article embodying your chief objections to Malhusianism, I will print it in the Dec. Individualist (which goes to press on Nov. 6), unless Kerr prints your letter in the next New Generation. I will give you one page of the Individualist.

I note your suggestion that industry and agriculture should be turned into cooperative undertakings. We have many firms which practise profit-sharing. The results are varied. Some firms praise it; others have given it up. My main objection is that it is unfair to give the wage-earner a share of the profits unless he has subscribed to the firm as a shareholder, so that he shares the risk. And it will be more difficult to start new firms if the profits are lessened in this way. Furthermore, it is indiscriminating. Both good and bad workers share in the benefit. Altogether I would much prefer a system of private ownership under Free Banking.

(J.Z.: There are great differences between various forms of productive cooperatives and the one side and various forms of bonus or profit sharing systems on the other. These coops are also private and proprietarian enterprises, but with many proprietors, all of them working in the business. Then there are the various organisation development schemes or work coops or autonomous work groups or gang work systems and various leasing systems for productive capital, many of them within the best meaning of capitalism and free enterprise, proprietarianism and competition. It is absurd to equate all of them only with various profit sharing systems. - J.Z., 11.5.03.)

You may say that there is no hope of Free Banking before a Communist Revolution makes slaves of us all. This may be. But there are many societies here who are propagating cooperative industry. I prefer to spend my time urging Free Banking. Who knows? - it may catch on from one year to the next.

You quote from your friend Prof. Vierkandt that the extermination of life by the atomic comb may be an act of nature by which it corrects the blunder it committed by creating man.

Why do you suppose that "Nature" (say rather the universe) thinks at all? Is it conscious of the presence of man? Does it think the creation of man a blunder?

On the contrary I think man a most remarkably developed animal. I criticise some of his failings; but on the whole I like him well, and am not at all disposed to call his creation a blunder.

Sincerely yours - signed: Henry Meulen

London, 12 Sep. 1949

My dear von Beckerath,

It was kind of you to send me the note about Cassia with your letters of 28. Aug. - 7 Sep. I have passed it on to my sister. She is remarkably experimental, and has tried a great number of cures, orthodox and unorthodox. At present she is under a German Jewish doctor in Brighton who has treated her with radiant heat, diet and medicines. She is fairly optimistic about him.

Jews. Yes - I can well imagine that that Jews are not well disposed towards the Germans. It comes back to the doctrine of collective responsibility, and I am not satisfied with your refutation (refutation - J.Z.) of that doctrine. After all, Germans well knew that Hitler was bitterly anti-Semite long before he first stood for the Reichstag. (J.Z.: Was he actually ever elected into it as a representative? - J.Z., 11.5.03.) My Black Forest friends showed me a violently anti-Semite pamphlet by him when I was there in 1931. Yet he was elected. After he was elected he violently attacked the Jews (J.Z.: By proxy only, through his storm-troopers. He himself did not expose himself to such risks! - J.Z., 11.4.03.), and yet Germans supported him in increasing numbers.

(J.Z.: We do not have reliable voting records after he was installed in power. Even those in democracies like the US are often suspect. Public beatings, looting of Jewish shops, secret mass executions, concentration camps and mass extermination camps were not on his platform presented to voters. He engaged in such actions only after he was settled in power and he tried to keep these actions secret, so that even the Jews in the Warsaw Ghetto took a while to become convinced about the fate of those deported from there to the extermination camps. - J.Z., 11.5.03.).

Had enough Germans been outraged by his anti-Semitism they could have prevented his coming to power. History is full of records of great movements that sprung from small beginnings.

(J.Z.: Already during the last years of the Weimar republic there was no longer full freedom of speech, assembly, association and press. Both were largely suppressed by gangs of brown and red totalitarians. As soon as he was granted power by an all too flawed representative and presidential power system, these freedoms vanished completely. - J.Z., 11.5.03.)

"Consider the postage stamp, my son", says the Yankee character Josh Billings, "its virtue consists in sticking to one thing until it gets there."

A few thousand stood up for the Jews. If they had started earlier, and had emulated the postage stamp, they might have saved the Jews from the horrors of the camps.

(J.Z.: The first 300 000 inmates of the concentration camps were not Jews but other opponents of the Nazis. Those who survived their treatment there were mostly cowed for years afterwards. M. was unaware of the daily practice of totalitarian terror for every German who did not want to toe the Nazi line. - J.Z., 11.5.03.)

Anti-Semitism in any violent form is sternly repressed here. The Germans acquiesced in it, and I think they must all share the blame.

(J.Z.: Thus writes a radical individualist! "The" Germans never existed. Their 80 million were and still are all more or less flawed and responsible or irresponsible individuals. Obviously, M. did not hold B. individually responsible for the atrocities of the Nazis. - J.Z., 11. 5. 03.)

Dismantling. The next time that any German complains to you about dismantling, tell him that everybody in England, myself included, is quite certain that what punishment is being imposed on Germany for the terrific suffering that Hitler brought on Europe is a form of Christian brotherly love compared with what Hitler would have done to us, with the full approval, I am sure, of the majority of Germans, had he won the war.

(J.Z.: Are such matters ever submitted to a referendum, even in the best of democracies? - J.Z., 11.5.03.)

If the majority of our people had their way, Germany's punishment would be much harsher. But we happen to be guided by statesmen wiser than Hitler.

(J.Z.: Where they? They approved of bombing civilians, thus murdering about 3 1/2 million non-combatants, babies, women, sick and old people included - and that strengthened the will of Hitler's soldiers to fight for him, because they came to fear the extermination of all Germans, as envisioned by the Morgenthau Plan. The Allies did not destroy the furnaces, ball bearing plants etc. They did not engage in tyrannicide promotion. They did not support a military insurrection. They did not recognise a German government in exile or recognised and supported the German resistance and for all too long they tolerated Hitler building up his terror and military machine. They did not make ethical and rational separate peace offers to deserters from the German armed forces. Against all historical experiences with it, they insisted upon unconditional surrender and did not liberate those German POW's that wanted to be liberated and deserved to be. Thereby the strengthened Hitler's position, prolonged the war and got also on their side hundred-thousands of their soldiers quite unnecessarily killed. After the war they handed hundred-thousands of opponents of Stalin over to his "tender mercies". They did not act against Hitler in time, when they could and should have and only relatively few lives would have been lost then, on both sides, for their victory. In some respects they were almost as foolish, ignorant, prejudiced and brutal as Hitler.

After the war several books appeared which described how a regime like Hitler's could also have come to power in England. - J.Z., 11.5.03.)

As you know, I personally think that it was the European, or rather world slump, caused by the return to the gold standard, which caused Germans to turn in despair to Hitler.

(J.Z.: There was no return to "the gold standard", in M.'s meaning, after the German inflation of 1914-1923. Monetary despotism with its Central Banking remained. Only for a short time was the "Rentenmark" not legal tender or a fiat currency. The Reichsmark was, since 1909, the DM is still. - J.Z., 11.5.03.)

Nevertheless, I cannot easily forgive them for having turned to such a monster.

(J.Z.: The only ones who tried to execute him were Germans! The leader of the Allies rather sent their conscript armies against Hitler's conscript armies, for mutual bloodbaths. Great statesmen, indeed! - And then they built nuclear bombs: small, scientific, cheap mass extermination camp packages, and used them twice - and prepared ten-thousands more of them, obviously, not against despotic governments but against their victims. And for their tyrannicide attempt against Saddam Hussein, in Iraq, they sent, recently, an army of 200,000, hundreds of rockets and thousands of bombs - and still haven't managed to kill the bastard. They killed more Iraq civilians, conscripts and own soldiers, in "friendly fire" incidents and accidents than leaders of the Iraq dictatorships! Experts, indeed! - J.Z., 11.5.03.)

And I cannot forgive them at all (I am not in the least Christian!) for having allowed the bestial cruelties of the concentration camps.

(J.Z.: Did these depend upon permissions from all ordinary Germans? Where e.g. the brutalities in concentration camps of the Soviets of Red China or of the English government during the Boer War made dependent upon permission being granted by a referendum? Where the starvation blockades of whole countries submitted to referendum? In Iraq, before the second Golf War, they are supposed to have led to the death of 500,000 to 1 million innocent people. The Iraq government and its supporters remained well enough supplied. - J.Z., 11.5.03.)

Of course the majority of Germans are resentful. They would be just as resentful if we forgave them entirely. They would find much to hate in the knowledge that we are now more ready to lick our own wounds than to help them to lick theirs.

(Did he really imagine that he still spoke here as an individualist? - J.Z., 11.5.03.)

And, more fundamentally, they would be resentful just because they lost the war.

(J.Z.: Most of the decent and more enlightened Germans did not think that "they" lost the war but that the Nazis lost it while they themselves were somewhat liberated and personally saved. - J.Z., 11.5.03.)

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Most people are like that - even that very civilised nation, the French.

(Did their rule and wars in North Africa and in Vietnam show them as so much more civilised? Were they civilised towards French women who had affairs with German soldiers? Are their nuclear bombs more civilised than those of others? Was their fighting in WW I & II and their treatment of prisoners of war very civilised? - J.Z., 11.5.03.)

After 1870 what rankled in France was not so much the loss of Alsace-Lorraine, but the fact that she was beaten so quickly and decisively by Germany. This it was which gave rise to the "Revanche" feeling. The idea of revanche was gradually decaying as the generation of people who were alive in 1870 died out. It was a major calamity for Europe that this feeling had not disappeared before 1914. The majority of people resent punishment, however just. But this does not prove punishment to be unwise; it merely teaches that the power that punishes must be strong enough to protect itself against the resentment of the punished. It is an argument for a strong League of Nations - not for Christian forgiveness.

(J.Z.: Rather, one for the panarchistic liberation of everyone, so that no one, who was not a criminal with victims, will have cause to resent any punishment. Once they experience exterritorial autonomy for the governments and societies of their dreams - they will rather be grateful and joyful than resentful. But M. could not think himself through to that liberty, either. See his last letter. - J.Z., 11.5.03.)

Which brings me to your Christian ethic. However Kant may have interpreted the Roman "Fiat Justitia" (and I think that our ordinary translation of that saying is truer than Kant's), the essence of the Christian doctrine was that Christians should follow Christ's teaching, and leave the result to God. This of course was a logical result

of their belief that the world was coming to an end within their own lifetime. What did it matter if carrying out Christ's teaching (turn the other cheek, resist not evil, give all thou hast to the poor, etc.) caused misery and suffering in this world - it would all be redressed very shortly when Christ returned to judge this wicked world. Now you are ready to buy your altruist pleasure in attacking your intellectual enemies, not only at a very high price, but if needs be, at the cost of life itself. Admitted you do not leave the result to God; but I think that the idea of doing "Right", no matter what the results, is the basis of the Christian doctrine.

(Offhand, I cannot even think of a single Christian, now or in the past, who had comprehensive notions of what individual rights are and who was in favour of all of them. Can you? - J.Z., 11.5.03.)

And it is a bad doctrine. If everybody were strong enough to do what he thought (J.Z.: As if the "thinking" of the ignorant, foolish and prejudiced were here or equal value and consideration as that of the enlightened! - The old "chaos" objection to anarchism, in terms of this "individualist anarchist"! - J.Z., 11. 5. 03.) was right, even though it led to his death, living in society would be impossible, since society has no stronger deterrent to action that it thinks wrong than death. It seems also illogical to me to destroy the source of all my pleasures because I cannot satisfy one of them. "It is putting a very high value on one's opinions" said a Frenchman, "to be ready to die for them."

(J.Z.: Individual human rights are merely a matter of opinion - in the view of this individualist anarchist! - J.Z., 11.5.03.)

Of course if you deny that altruism is a pleasure like other pleasures, the bottom falls out of my argument. But you will find it hard to convince me. (J.Z.: That it was, indeed, on almost every significant point, no matter how wrong M. was on it. - J.Z., 11.5.03.)

Cooperation. I am ready to believe that the wages of managers in Russian cooperatives is (are - J.Z.) greater than that of many employers in capitalism. Russia is quite able to indulge in an uneconomic spending of public money, and watch unconcernedly the consequent wretched standard of living among ordinary people.

I do not believe, however, that any business that is run by a committee can, on the average, be as efficiently run, or with as much initiative and enterprise as that run by a private employer who makes his own decisions, and personally profits or loses according to the wisdom of those decisions. And I am surprised to read that you think that Free Banking should not be used by employers to exploit workers. Surely the great argument for Free Banking is that it is the best way possible to ensure that unduly high profits by any employers will be reduced to normal by

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competition; and that this competition, by increasing the demand for labour, will guard against unduly low wages. In England we now have full employment, and the danger is rather that the wage demands of organised workers will make it impossible for thousands of employers to remain in business. The workers' only hope (under our present ridiculous banking laws) for a bigger income is, not to become employers themselves, but to demand more and more wages.

The colour bar. Yes - I too would not prohibit intermarriage, or any other discrimination, except the flooding of other countries by the surplus population of countries that do not check their own population. But I cannot say that the idea of marriage between a negro and a white pleases me. I think that, apart from a few exceptional men, the average negro lacks concentration, and the capacity for continued effort. He also seems coarser-grained. This may be gradually eliminated; but it may be inborn.

By the way, do Germans pronounce the V in the Latin word "Veni" like the English F or the English V?

The Times recently published a useful set of economic definitions. I enclose it. You might return it to me at your convenience. It will not be so useful to you as to me, since Germans probably have their own definitions of these words.

Sincerely yours - signed: Henry Meulen

P.S. You put too much gum on your envelopes. In every letter that you send me the top sheet is stuck to the envelope, and tears when I extract the letter. Sometimes this sheet is unreadable.

27 Sept. 1949

My dear von Beckerath,

Thank you for your letters of 9-17 Sep. The inner envelope is quite effective.

I am glad you disapprove of A. K. Chesterton's article in "Truth". I have met him often: a sardonic, rather melodramatic man - picturesque, but hardly a deep thinker. I think he and "Truth" are doing a serious disservice in condemning all attempts to create some sort of a UNO. I have often tried, without success, to induce "Truth" to state an alternative. Their best proposal is an organisation of the strength of the Brit. Empire and the Dominions to stand against USA and USSR. But this involves ruinous competition in armaments, and leads to race suicide. On the other hand, both self-interest and altruism are served by some sort of UNO, and there is hope that way.

Yes - I received all your letters. It is, as ever, a great pleasure to read them.

Mutual Banking. Since you are so earnest on the point I have re-modelled the suggestion from your letter, and send it herewith. Amend it as you will, and return it to me, then I will try and find room for it in the December issue. It must, of course be short. Actually we have no unemployed, except in the lowest classes of labourers. On the contrary there is labour shortage.

The Observer article. A man must have the right to refuse to buy an article. You do not suggest that when he does so refuse, he shall be allowed to take the article for nothing. Why propose that a man who refuses to work for another shall be empowered to take over that other's business?

Nature's "blunders". I do not say that man is perfect. But I love many people in spite of their imperfections. Moreover, the courage of the individual ant or bee needs to be tempered by reflection. This summer has been so hot in London that my hive of bees has not been able to gather enough honey to last it through the winter. Yet, when I open the hive to feed the bees with sugar, the first bee emerging will sting me and kill herself, unless I wear veil and gloves.

English payments in sterling to US. I have written you before about this. I cannot see that it is important. If we want to import more from US than we can balance in exports, either US must stop exporting altogether, or she must accept sterling at a discount. In either case trade with her must be reduced.

Braddock. Yes - he is a fool - and yet he was elected M.P.

(J.Z.: Aren't they all? Only fools would vote fools - or clever men - into power. - J.Z., 29.5.03.)

Cataract. My sister says she regularly bathes her eyes with hot and cold water to stimulate them. She closes her eyes to bathe them; and she asks if you opened your eyes when you bathed them with cold water.

Collective responsibility. Yes - I cannot answer your questions. War is a mass hysteria, and I daresay that men will never settle these points of detail. (J.Z.: If it were a "mass hysteria", then why do men have to be forced into it with conscription and forced to contribute by taxation, forced currency and forced loans, compulsory delivery quotas and priced controls and forced labour? - J.Z., 12.5.03.)

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But if a community of ten men is faced with attack by another ten men, it is hardly likely to welcome two of its members who say that they do not want to fight. (Are they voluntary members? - J.Z., 12.5.03.) There is of course a lot to be said in favour of a volunteer as against a conscripted army; but, as Spencer demonstrated so impressively, war is the negation of individual liberty. You raise a difficult point in the case of the support of Hitler by the army. Nevertheless, we too have an army; but today it would be quite impossible (whatever it may be in the future) for one man to be allowed unquestioned power to order our army to do as he wishes. But Germans, by almost a majority, voluntarily gave Hitler that power.

(J.Z.: Even in democracies that power is presumed to be necessary and justified and not subjected to an election or referendum and hardly seriously questioned by anyone. - J.Z., 12.5.03.)

They were misled by his promises and his arguments against democracy, and I think his opponents were too busy fighting amongst themselves to unite against him. They are to blame for this.

(J.Z.: That is one of the many arguments for panarchism. Panarchism gives the opponents of dictatorships and tyrannies the opportunity and incentive to fight together against the authoritarians, while remaining tolerant towards each other, in spite of their differences, because they are no longer afraid of each other. - J.Z., 12.5.03.)

Ethics. For myself I am sure that no such man as the Christ of the New Testament ever existed. There is no saying of Christ that cannot be paralleled from earlier mythology. And most mythology is a dramatisation of the rising and setting of the sun moon and stars, and the procession of the seasons of the year. The Christian ethic is childish. and was adopted by an obscure tribe who believed that it did not matter what happened to them today so long as they carried out the wishes of a Messiah who, they believed, would return from Heaven within their own life-time to reward them for their fidelity. The Chinese and Islamic ethical systems are superior. I regard it as the crowning misfortune for the race that Constantine was led by his wife to make the doctrines of these ignorant Christians into the State church. If only he had adopted the ethics of Epicurus, how much misery we might have been spared!

Spencer. I have never agreed with Spencer's insistence on the right to ignore the State - that is, until the danger of war has disappeared. (J.Z.: In other words: He remained unaware how one could strengthen the own military might and weaken that of a wrongful enemy regime by recognising and practising this right and assuring the victims on the other side that its realisation would be among one's primary war and peace aims. He remained a conventional and superficial thinker on many subjects. - J.Z., 12.5.03.)

Cooperation. When I was in USSR in 1931, whilst a man was allowed to work for himself, he was not allowed to employ others. Has this been changed since?

The gold standard. Before 1914, when we were on a gold standard, with a circulation of sovereigns, international differences in the value of gold were so quickly levelled by the great Lombard Street bullion dealers and the action of the Bank Rate, that it was rarely profitable for ordinary people to collect sovereigns.

My health has suffered another setback. After 9 months treatment by the herbalist doctor, another ulcer formed and burst in my stomach last July. I then lost faith in the herbal cure. One of my friends then recommended me a doctor who had cured him and five of his friends. This doctor's theory is that as the stomach and other organs receive their nerve supply from the optic thalamus, weak stomachs may be due to weakness of the thalamus. He prepares tablets of sheep's thalamus and feeds it to his patients, in much the same way a thyroid gland is fed to thyroid patients. I started with him on Aug. 2 last; but he promises no improvement before about three months.

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I have been in bed mostly for a month, and am just beginning to improve a little. We shall see what happens. I have been so weak after this last loss of blood that it has been a pleasure to lie in bed. I read and write much, and write melodies to songs. I hope the next "Individualist" will show the benefit of my increased leisure. I do not want to bore you with my complaints; but I thought you might be interested in the medical theory. This doctor has been practising this treatment for about three years, and has not yet publishes it. He tells me he has had less than 5 % of failures. He does a lot of lecturing on the subject in England.

Sincerely yours - signed: Henry Meulen

4th Oct. 49

My dear von Beckerath

your letter of 30/9 received today. I have used a Kugelschreiber (ball point pen - J.Z.) (how practical the Germans are in their descriptions! We call these pens "Biro" pens by the name of the manufacturing firm - which conveys nothing) since I was in hospital last year. I hate the damned things - the absence of thicker down strokes takes half the character from the writing. But they are certainly convenient in bed. I did not know they were filled with powder.

Stupid of me to have written on the "Telegraph" cutting that I had written a note on it for the "Individualist". I should have said "to the Telegraph".

Your criticism, however, is precisely what Johnstone fears. We do not want to export to US except to get US goods. When our tourists take our currency abroad, it is equivalent to a gift of our goods to the foreigner. (J.Z.: If the tourists get nothing out of their tours then why do they go on them and spend in and for them??? - J.Z., 29.5.03.)

Yes - a list of gold prices of the items in the ordinary cost of living would be useful. Our papers sometimes publish the pound prices of the cost of living items. I will send you the next one I see.

Your Berlin comment on the Russian atom bomb explosion is amusing and shrewd. I have seen it said that the sound may have been due to an enormous rock-blasting operation in Siberia; but the official view is that Russia has the atom bomb.

This letter is written with a Biro-pen.

I will send you the "Times" report of the Parliamentary debate on devaluation. And I enclose herewith a copy of my letter on Johnstone to the "Telegraph".

Kind regards - signed: Henry Meulen

Wednesday 5th

I find I have destroyed my copy of my reply to Johnstone in the Telegraph.

Your flattery of my writing pleases, without convincing me. I like reading; and the fact that my Individualist comments are nearly all critical is just due to the fact that criticism is more interesting to the average reader. A shrewd old Scotsman who used to attend a small debating circle that we held, used to say "Never mind how many compliments a man pays you in his opening remarks; it is what he says after the word 'but' that matters."

I enclose a copy of the Scots Independent, to which I subscribe
(1) because it wants a decentralisation of government
(2) because the editor Gibson is a strong supporter of Free Banking.
He never mentions the subject, alas, in his paper - presumably because the Scots Nationalist movement is still small and he is afraid of destroying unity. On the first page he poses a question which you may care to answer. It is a nice point, and I am turning it over slowly in my mind. You might return the paper.

I have made the amendment you ask in the Mutual Banking note.

To return to your pleasant flattery. It reminds me of the famous correspondence between Nietzsche and Strindberg - in which they wrote to each other as the only people in Europe worth talking to. I think we are in the same boat in economics - and with better justification than Strindberg. The only really useful contribution that Nietzsche made to philosophy was, I think, his criticism of Christianity as a slave ethic - the exalting of submission on the part of a people that saw no possibility of revolt. The whole doctrine of the Superman is, I think, just nonsense.

Signed: HM

Sunday 9th Oct.

My dear von Beckerath

For many years an amusing saying has been current here:
"He bore other people's troubles with Christian fortitude".
And yet, although I read almost daily of unemployment in Western Berlin, I do not ask how your financial affairs are going on. Perhaps it is a relic of my radical twenties when I resented the enquiry into a man's financial position rather than into his thoughts. My Jewish friends are shameless in finding out after a few minute's talk what a man's financial position is. They justify their inquisitiveness by saying how important the subject is (*). I suppose it is - but not so important as his thoughts. Yet, when one has a live interest in a man's thought, and an emotional desire for its continuance, one cannot but be interested in how he maintains it.
(*) (J.Z.: I suppose that such customary talk must have provided many business and job opportunities for them, which was very important for them while they were systematically excluded from many jobs and business opportunities among e.g. "Christians", who were supposed to love even their enemies, and thus, although only a small minority, they had often to make their own, among themselves. Anyhow, I, too, would have preferred such talks to talks about weather, health, affairs at court, sports, gambling etc. - J. Z., 29.5.03.)

I presume you must have some private income - you could not otherwise remain unemployed for so long. I hope so.

I offer you in exchange the information that, since my retirement, I live on the results of invested savings, invested partly in house property - which is today a liability - not an asset, and partly in stocks and shares, which are more remunerative.

My Dr. Gerson has been trying his stomach treatment for only three years, which he thinks, and I agree, too short a period

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to determine the no. of cases of complete cure, without recurrences. He tells me, however, that less than 5 % of stomach ulcer cases fail to respond to his treatment. And he travels a lot in England, lecturing on his subject in hospitals and universities.

Christianity. Years ago the Rt. Hon. J. M. Robertson, M.P. (Parliamentary Sec. to the Board of Trade) whom I knew, and respected as a man with a really massive intellect, wrote a book called "Pagan Christs", in which he traced the sources in pre-Christian mythology of the sayings attributed to Christ. I have a copy, and will lend it to you, if you have the time and inclination to read it. For myself I do not much care in these days. But it is a constant regret to me that people who reject the authority of the bible, still esteem the Christian ethic, which I find quite childish, and not for a moment to be compared with the careful work of Spencer on the subject.

Unemployment. There is no unemployment here, in spite of the low standard of living, on account of the tremendous need to export in order to get food, principally wheat. On account of this full employment, our workers do not work so hard, especially in coal mining, which again reduces our standard of living. At the same time there is a great demand for consumer goods which cannot be satisfied because so much of our product is exported.

Collective responsibility.

I am much impressed by Tucker's arguments for non-invasive association. But if one country adopts it before others, that country will certainly be overwhelmed. (Were Switzerland and Sweden? - J.Z., 12.5.03.)

I spend my leisure today in Free Banking propaganda. If I were to go round canvassing for votes for Anti-Socialists in Parliament I might more strongly

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ensure that we do not get a totalitarian regime at the next election. Since I do not do this, I must accept responsibility for my neglect just as surely as I shall suffer if I do not repair my roof.

Similarly it was not enough for Germans to vote against Hitler: they should have seen to it that he was not elected. Since they did not, they are to blame.

(J.Z.: Had M. forgotten what Spencer wrote in the chapter mentioned below about voting and consent? - J.Z., 29.5.03.)

"Social Statics" and the right to ignore the State.

If in 1939 German soldiers had refused in any number to obey Hitler's order to march, I should have reached down from my shelf my copy of Spencer with tears in my eyes. On the contrary, all we saw were photographs of enormous Nazi meetings with banners and the sound of deep-throated "Sieg Heil's" over the wireless.

(J.Z.: Did M. know nothing about stage management, propaganda and censorship and the broadcasting monopoly in Germany? Was he by then still unaware that the Hitler regime had become a totalitarian and terrorist regime? - J.Z., 12.5.03.)

Bees. In a good honey year they store up in the hive against a bad year; but beekeepers rob them of this honey, and feed them with the cheaper sugar in the bad year. I believe this is responsible for a lot of disease among bees, and I invariably leave mine enough honey to sustain them through the winter.

There are too many examples of bees eating each other; except that the worker females kill off the male drones every season; also that the workers will kill robber bees from other hives that come to steal their honey.

The Observer article on strikes. Excellent - It was suggested here some time back that doctors strike if a general strike were called; but the doctors considered themselves morally bound to continue their services.

English payments in US sterling.

You write that if US are not content to accept our discounted sterling, they can keep their cotton. But, my dear man, we cannot afford to do without US wheat - we can get it from nowhere else. We have not enough goods to offer them to buy all that we would like from US.

I sent you yesterday the "Times" reports of our debate on devaluation. There is a lot of wearisome repetition (repetition - J.Z.); but you will get a tolerable idea of our situation.

Sincerely yours, signed: Henry Meulen

My dear von Beckerath,

18 October, 1949

Thank you for your letter of the 13th. You do not reply to Gibson's question; but in view of your analysis of the policy of the paper, I have deemed it good to send on your letter to him, with a covering letter from me, a copy of which I also enclose.

"The New Generation" has just arrived. Kerr has printed your letter without comment; but the policy of the paper appears to have stiffened, and Drysdale goes bald-headed for the notion that better distribution can help the problem. Hence you may care to make a further reply. If you care to send your reply to me, I will lick it into shape again.

Sincerely yours - signed: Henry Meulen

ED/HM

18 October, 1949

T. H. Gibson, Esq.

Dear Gibson,

In the Oct. number of the "Scots Independent" you pose the question: "Who pays the subsidy on devaluation for the exporter?" The reply is, I think, the importer, who will pass on the excess price to the consumer if he can.

I sent the number to von Beckerath in Berlin, who has a keen head for these problems, and drew his attention to your question. He now replies without mentioning your question; but he makes a critical analysis of your policy; and I cannot do better than forward his letter to you.

I had written him that although you were a generous supporter of this Association, and a keen upholder of Free Banking you never mentioned FB in "The Independent", and I presumed it was out of a desire not to imperil the unity of your movement.

Von Beckerath's reply is extremely a propos. Would you care to print an article from me on the Scottish heritage of Free Banking?, and I could advertise my book in the same manner.

Guy Aldred, of "The Word", a Left paper of 164 George Street, Glasgow C. 1, is printing shortly a pretty article of mine on "Individualist Anarchism", a long-delayed tribute to Benjamin R. Tucker, of Boston, USA.

Sincerely yours - signed: Henry Meulen

London, 20 October, 1949

Dear von Beckerath.

Thank you for your letters of the 14th and 15th.

But the whole objection to tourists taking currency abroad is that we do not get goods in return for their purchases. The tourists buy what they please abroad; but we do not get the food and raw material that we want. (J.Z.: Isn't the tourist an individual with personal rights, too, supposed to get what **he** wants and getting it, too? Perhaps his excess newspaper reading induced M. to adopt the attitude of the planner and controller? - J.Z., 29.5.03.)

Christianity. There must always be the difficulty of defining what exactly constitutes Christianity. I think the qualities that separate it from most of the ethical systems of the past is the doctrine contained in the Sermon on

the Mount. The doctrine of non-resistance to evil, and the exaltation of meekness. These doctrines certainly were not held by Cromwell, and the other Christians you mention, and in so far as they rejected them, they certainly would not be considered Christians by modern upholders of the cult. If Christ was the author of the Sermon on the Mount, he was no revolutionary.

I am glad you do not admire Rilke. His mysticism has always repelled me.

That a buyer should pay with the money of the seller. You do not deal with my repeated argument that the central problem for us the (is- J.Z.) that of trade deficits. We are not exporting enough to pay for essential imports. Whether Americans accept payment in our or their currency will not affect this problem.

I am much better. I have accepted an invitation to share a caravan on the salt marshes of Essex for a fortnight beginning next Saturday.

Sincerely yours - signed: Henry Meulen

(Marginal note, in handwriting follows. - J.Z.)

I am sending you an old copy of Liberty in which you will find an article by F. D. T. (Tandy) the author of "Voluntary Socialism" in which he condemns the cooperative element in Mutual Banking, and suggests that such banks will probably be better run by individuals. You might return the number. I have Tandy's small book. (I microfiched it in PEACE PLANS 968. - J.Z.)

31 Parkside Gardens, London, SW 19

26 Oct. 49

Dear von Beckerath

Thank you for your letter of 17th (This could also be 14th. This letter was hand-written! - J.Z.)
The plain fact is that the coal output per man hour has decreased since nationalisation, in spite of increased mechanization of the mines. It is generally agreed that this is due to
(1) increased absenteeism: there is so great a need of miners that the men do not fear dismissal;
(2) lower output per man hour; since the men do not fear dismissal, they do not work so hard.

Wheat. The trouble is that no country outside USA can supply it in the quantities we need, and it would take a good period of free banking to develop other sources.

I wrote to Gibson suggestion that the bonus accruing to our exporters to US after devaluation would have to be paid by either our importers of the higher priced American goods, or by our consumers, if the importers would pass the increase on.
He takes up this point in his reply. But I rejoined on the 23rd that no bonus would arise unless the exporters actually sold their goods, and our importers actually bought goods in return.
This argument seems to me water-tight. You will see that he deals with the Single Tax.
You might return his letter to me.

Sincerely yours - signed: Henry Meulen

7 November, 1949

Dear von Beckerath,

Thank you for your letters of 23, 28. & 29 Oct. I am glad you agree with my reply to Gibson. He has a good head: a was formerly Secretary to the gigantic Steel Federation, and he resigned because he did not approve of its monopolist tendencies. I cannot think why the problem of who pays the subsidy to exporters under devaluation worries him. He is printing an article of mine on "The Scottish heritage of Free Banking". The Scottish Nationalist movement is growing fast. If they would put Free Banking among their aims, it would be useful.

Christianity. I think I cannot do better than send you J. M. Robertson's book. Kindly return it at your convenience: I value it. But there is no hurry. I really think that the case against the historical existence of Christ - at all events the Christ described in the Gospels - is strong.

I am sending you also a copy of "The Word", an Anarchist Communist paper, to which, queerly enough, the Duke of Bedford contributes monthly notes on Douglas. His point of contact with the paper is his anti-war propaganda. He is really a remarkable Duke. He owns about six castles, and is generally dressed like an ordinary

mechanic. His wife divorced him some time back, on the grounds that he did not give her the life she had a right to expect. He was always reading, and objected to her expenditure on ordinary pleasures.

"The Word" prints an article of mine on "Individualist Anarchism". I expect Bedford will not like it.

I am also sending you a copy of "The Economic Digest", which contains several articles supporting your opinions on the food-producing capacities of various countries, and one article on profit-sharing in India which supports my criticism of profit-sharing.

F. D. Tandy. If your contention were true that in a cooperative the employee feels that he is his own employer, much of the case against State Socialism would fall to the ground. The Socialists have always argued that under Socialism the workers would give of their best because they would know that they are working for themselves. Of recent years our Coop. Wholesale Society has had serious trouble with its employees, who evidently look upon their employers just as does the employee of an outside firm.

Glad you liked "Liberty". I have about six more copies if you would like to see them. Yes - Tucker had a sharp pen, but he had a genial personality, and was much loved.

Sincerely yours - signed: Henry Meulen

10 Nov. 1949

Dear von Beckerath,

Thank you for your letter of the 4th Nov. I have looked up my letter of the 18th Oct. to which you refer, and I find it is the one in which I suggested that you reply to Drysdale's article. Do I take it that your letter is that reply? I am afraid it is much too long: they will not print so long a letter in criticism of their views.

I remember that years ago a Socialist paper to whom I sent an outline of the Free Banking position replied that their paper existed to propagate Socialism - not to spread opposition views. The doctrine is sound - with the qualification that a paper can spread its views among sensible people only if they think that it is giving a fair show to the opposition. One hears a lot of criticism of American journalism; but a friend tells me that no American paper could maintain its circulation unless whenever it printed an article advocating one policy, it also printed an article in criticism from the best exponent of the opposite view. Most European journalism is far below this standard. Would you like me to return your letter, or will you write me another shorter one?

Gibson writes me that he is much interested in the letter from you that I sent on to him. I will send you the copy of "The Scots Independent" in which he prints my article on "The Scottish heritage of Free Banking".

Aldred has sent me on a batch of pamphlets by him on different aspects of the revolutionary movement. I will send them on to you. You are probably more interested in these people than I. I have much respect for the Bakunins, the Herzens and the Kropotkins; but they were all Socialists, and I think their activities did much to land us in our present mess. What a lot of these fellows were Jews! A remarkable race. Whatever they do, they seem to do well. Yet - when I was in business I had considerable competition from Jews, and never feared it. I think they succeeded rather by hard work than any special ability. I found many of them made just as big mistakes as anybody else. I remember a Jewish friend of mine said many years ago that Anti-Semitism was mainly based on jealousy. The ordinary Jew started with nothing, and began to push a barrow round the streets. But he saved his money, and presently opened a shop. Then he got other shops, and presently became rich. If now (only? - J.Z.) he had continued to push his barrow round the street, we should never have heard of Anti-Semitism. There is something in this.

(J.Z.: Does any of the other self-made men continue with his original jobs??? - J.Z., 12.5.03.)

Yet, Anti-Semitism is also a heritage from the time when the Christians really believed that the Jews killed the son of God. Also I personally find that most Jews have a certain vulgar brazenness. They will trespass on your good nature until you object, when (then? - J.Z.) they do not defend themselves, but are full of apologies. Also, so many of them have vulgar tastes. (J.Z.: Do other people have no bad manners and bad tastes??? - J.Z., 12. 5. 03.) But doubtless both these qualities are the result of the centuries of oppression under which they have suffered. I really think that the history of Jewish oppression (oppression of Jews! - J.Z.) by the Christians is the blackest page of European history.

Sincerely yours - signed: Henry Meulen

Copy.

T. H. Gibson, "Highcroft", 57 Hamilton Ave., Pollokshields, Glasgow. S. 1.

20th October 1949

Dear Meulen,

many thanks for your letter of 18th (19th ? - J.Z.) with sent from Von Beckerath in Berlin which is interesting.

Cripps in the House of Commons on 27th September gave as one of the reasons for devaluing the pound "American and Canadian prices, which had risen more rapidly than ours after the war (my note we {enjoy??} larger increases in wages than USA ?? during the war) were then falling more rapidly than ours, and as a result the sterling area sales in these countries were falling off. (my note our prices too high) "At first we had hoped to reverse that tendency by a greater sales effort and a further increase in productivity and a reduction in costs (my note - in effect to bring about a decrease in our prices) But the July results were disappointing, and the evidence as to sales and forward orders at the end of August showed a continuing decline. The hopes of a revival of our export trade were not, therefore, being realised and meanwhile our reserves were being further dissipated" (column 10 Hansard 27/9/49.).

American and Canadian prices were falling, and people therefore would not pay our prices, and our sales were falling - a greater sales effort, productivity increase, and reductions in costs failed - therefore we had to bring down the price to them - that is the buyer - and the only thing left was to reduce the selling price by devaluing the pound. How then can the importer pay for the difference between the two prices - pre-devaluation price - and the devaluation price and how can he pass an increased price to the consumer who had previously failed to purchase at the price before the devaluation - - supposing got 100 Dollars for an article or its equivalent in sterling, I now only get 70 Dollars or its equivalent in sterling - - who pays me the 30 Dollars - - no one, my sterling received for the article is 30 % less - - even if I sell more I still receive for each unit 30 % less. I must reduce my costs somehow, or lose on the transaction. Who is making 30 % clear profit on the selling price of an article - - materials will cost more, or the same - - taxation remains the same. The only thing is wages.

Your friend is taking it I am supporting Henry George's single tax - - that was not my article, but by Kinloch to show how a man of advanced went through the stages - - and one of them was the single tax one. Kinloch was in turn Liberal, then Labour, and then his further development was Scots Nationalist.

I am running a paper on behalf of a political party and must keep within its policy - it is published by the party and is its official organ. I am therefore rather limited in the views I can select. If however an article was received telling people what the old Scots banking system was, what it achieved, and how if we had a system based upon it would be of benefit, I could put it in - with an introduction that this was by the author of ... and should be interesting to our readers etc.

After all Lord Lovat has gone in for cattle ranching in the Highlands. Against all official opinion "romantic nonsense" etc. he has increased his herd in deer forests from 40 to 640, thus disproving every official and politicians. But as he states he has only put the clock back a 100 years, and returned to the rural economy that was in existence then. I do not say that if we returned to the simpler and earlier method of free banking as exercised by the scots banks in early days we would not have a better system. We now must have export credit schemes and so on - a most expensive business which as I know adds considerably to the cost.

So if you care I would be very pleased to accept an article but it should be from 1000 words to 1250 and certainly not more than 1500.

I do not know when I'll be in London but I expect it will be early November or so. As I am usually there four days, perhaps on your way home you could call in at Reform for teer(?) (a beer? - J.Z.) and we talk. I am very busy. Yours in haste

T. H. Gibson.

"The Scottish Heritage in Free Banking" would go well.

(J.Z.: The practical business men, editors, party men and publishers can, usually, only offer some short space for selected articles but have neither the time nor the interest nor the space nor the energy to enlighten themselves or others sufficiently. They can only offer muddled or flawed views - and are not accessible to others. Genuine enlightenment efforts will largely have to bypass them, as they will have to by-pass parliaments. The alternative, powerful, lasting and affordable media offer opportunities for such "by-pass operations". - J.Z., 12.5.03.)

Dear von Beckerath,

16 Nov. 1949

The "Times" this morning prints a letter of mine, a copy of which I enclose. This is the first letter they have printed on Free Banking, and I am much gratified.

I suggest that you write the Editor ("The Times", Printing House Square, London, E.C.4) pointing out the desirability of introducing Free Banking in Germany. It will take too long if you send the letter to me for remodelling.

Could you not get somebody in Berlin to look over the English and then send the letter direct?

Sincerely yours - signed: Henry Meulen

Green's letter, which I sent to a friend, was a plea for small ownership in farms, and for a scheme of State loans to such farms.

FREEDOM OF NOTE ISSUE

TO THE EDITOR OF THE TIMES (16. 11. 49)

Sir, - In connexion with Mr. J. D. F. Green's letter in your issue of to-day, it is interesting to note that cheap long-date loans were freely granted by the private banks in this country previous to the passing of the Bank Charter Act of 1844. Since that date the trend of banking policy has steadily been towards the confinement of long-date credit to holders of valuable security. There is no doubt that this policy was induced by the prohibition of freedom of note issue imposed by this Act. The Rt. Hon. James Wilson, the eminent founder of the *Economist*, and Bagehot both pointed out many years ago that the effect of the prohibition of freedom of note issue was to block the means by which fresh banks had previously been able to get established. Before the Act local men of repute frequently began to pay wages and make local purchases in their own notes. If the issue commanded confidence, it was extended, and the issuer then often relinquished his own business and became a banker. Nearly all our great banks were begun in this way before 1844. Since that date no bank of any importance has been founded in the United Kingdom.

It is now well established that the reason for the prohibition of freedom of note issue was to preserve the Gold Standard - not to check fraudulent note issues: there was very little criticism of the private banks on this score. The Gold Standard has now been abolished; and there is little likelihood of its reimposition. The time, therefore, seems opportune for consideration of the advisability of a return to freedom of note issue.

I am, Sir, yours faithfully, HENRY MEULEN, Honorary Secretary,

Personal Rights Association.

31, Parkside Gardens. S.W.19, Nov. 14.

(J.Z.: Most of those, who attempt to propagate ideas and spread enlightenment, seem to need first of all more enlightenment themselves. That they know, often, more than the politicians, bureaucrats and recognised experts is by far not yet good enough. They, themselves, too, have still, usually, too many spleens left in their heads - and defend them like their dearest possessions. - J.Z., 12.5.03.)

My dear von Beckerath

29 Nov. 1949

I duly received your letters dated between the 5th and 23rd Nov. Many thanks to you.

In your letter of the 5th you plead for liberty to the tourist to spend his money abroad as he will. But the point is that we need wheat from abroad. (J.Z.: The tourist, by his standards, needs his tour even more so! - J.Z., 29.5.03.) If our govt. would free the foreign exchanges, and allow our importers to buy where and what they wish,

I think these importers would find sufficient supplies of wheat, although the price of wheat might rise at first. But the govt. refuses to do this. Therefore it is compelled (J.Z.: It merely **feels** under compulsion, in its ignorance and prejudices! - J.Z., 12. 5. 03.) to control the expenditure of our slender stores of foreign currency by tourists.

Love and children. Yes - I agree with you. It has often been noticed that when the mother is economically able to look after her children, the illegitimate child is generally a better specimen than the legitimate. If people realised this, the term "bastard" might become a sign of admiration instead of contempt. I remember years ago in Paris hearing the end of an altercation between two "cochers". The one leaned back over his seat, and shouted to the other: "Bon jour, et mes compliments à Mademoiselle vot' Mère."

I went to our local library to look up Turgenev's "The new generation" which you mention; but I could not find it. Perhaps it is a short story, and is included in one of his volumes of short stories under another title. I took out a volume of his short stories entitled "Knock, knock", and much enjoyed it. In general I do not like the Russian novelists: they are too morbidly introspective (Tolstoy and Gogol excepted). But Turgenev is excellent - he has originality in his plots, and a sane outlook.

Your letter of 11 Nov. You quote Machiavelli that the real beginner of a war is not he who first attacks, but he who provokes the attack. In my twenties we often discussed this point. We concluded that the only satisfactory test of who is the aggressor is to condemn the nation that first moves its armed forces over its frontier in defiance of the League's wishes. Any other test involves endless discussion, and often injustice. A nervous nation will find a threat to peace in almost every action of the nation it fears - witness the relations between France and Germany today. On the other hand, of course, it is dangerous to allow a nation to pile up armaments until it may be stronger than the League. But we always laid down the rule that the armaments needed by each nation must be fixed beforehand, and not altered except by agreement. Again, the nation that attacks without warning has, of course, the advantage. But it seemed to us wiser to risk that danger than to allow the League to interfere in the internal politics of the member nations. I am fearful of the misuse of its armed force by the future UNO. After all, its armed force must be irresistible - that is its object. (J.Z.: When even individualist anarchists go no further in their thoughts on preventing war than this - then we have to expect further wars. - J.Z., 12.5.03.)

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Hence it can easily become the most effective engine of tyranny the world has ever known.

Social Statics. If all prisoners of war who declared that they were not voluntary soldiers were allowed freedom of movement, they might constitute a dangerous body in time of war - a sort of Trojan horse - and I doubt if any govt. would permit it. (J.Z.: Again, a judgement a priori, without bothering to check it against historical experience! - J.Z., 12.5.03.)

And really, I doubt if Russia has the atomic bomb secret. If she had it, she would hardly have waited for its explosion to announce the fact to the world. Possession of the bomb is too useful a bargaining weapon for that.

Your letter of Nov. 19. No - banking is certainly not understood here to mean the business of note issuing. In England a banker is a man who accepts deposits or uses his capital to make loans in cheques.

Your letter of Nov. 12. Yes, the Duke of Bedford is an advocate of the Douglas scheme. Aldred accepts his articles because the Duke is a tireless Pacifist who opposes conscription, and defends the conscientious objectors. I have sent you two days ago one or two of the Duke's pamphlets among the batch of Aldred pamphlets.

Christianity. I rather think that Christianity would have remained the doctrine of an obscure sect had not Constantine, on the urging of his wife, made it the State religion. Thereafter it offered enormous economic advantages to converts.

Cooperative Wholesale Soc. I admit the force of your argument that the CWS pays its employees a fixed wage, just like an ordinary capitalist firm. But if wages rose and fell with profits, it would cause a good deal of quarrelling among the workers. The energetic do not see why the lazy should benefit from increased production.

I will send you the old copies of "Liberty" that I have. You might return them at your convenience.

J. M. Robertson. I have just been able to buy his two volumes "History of Freethought" (down to the French Revolution) for 10s. 6d. They cost originally L2. 2s. 0; but the publishers are selling them off. They are fat volumes; but I am looking forward to reading them.

I am glad you like Aldred. For myself I am no great admirer of his thinking powers, and I think he lacks sane judgement. He has, however, certainly suffered for his beliefs, and such men are rare. If you have no objection, I will send on to him the two letters in which you write your admiration of him. It will encourage him.

I think Gibson will print my article in the next issue of the "Scots Independent". If so, I will send it you. Zander calls himself a Jew. But his wife looks quite Aryan, although she also is a Jewess. She has fair hair, keen blue eyes, fair ruddy complexion, and a keen mind.

I note your decision not to write further to the "New Generation" (now re-named "The Malthusian"). I have written them a letter embodying the criticism made by Sir John Russell at the recent meeting of the British Assoc. I think your point about what would have happened had certain

2.
nations restricted their populations in the past a good one. I hope to print it in a future issue of "The Individualist", combining with it your fears of the Russian increase in population.

I think you underestimate the part that trust plays in nearly all human relations. The efficiency of modern industrialism is possible only because of the growth of mutual trust. Division of labour itself implies trust that the seller of goods will be able to get the goods he requires. And all human agreements are liable to be broken by catastrophe and political disturbance.

There - this is a long letter for me. It would be six times as long if I dealt adequately with all the points you raise. But please be assured that I always read your letters with the greatest interest, and file them.

(J.Z.: Alas, not in his brain! And at last he burnt all his letters, under the delusion that he had already extracted their essence and expressed it in "The Individualist"! - Correspondence like this should be published and read by many. Then at least some of the readers would be somewhat enlightened by it. - J.Z., 12.5.03.)

Sincerely yours - signed: Henry Meulen

Dear von Beckerath,

30 Nov. 1949

Thank you for your letter of the 26th, received yesterday. I am glad you wrote to the "Times". Congratulations on your English. If the "Times" prints, I daresay they will alter some of the expressions which are a little foreign. If they print, I will send you a copy.

I note that you suggest that the British importer should pay in a note which he (J.Z.: or others, as British exporters - J.Z., 13.5.03.) guarantees to accept for goods. I hope the "Times" may discuss this point. For myself I still feel that the objections apply which I raised in our discussions on such notes issued, for instance, by a Freiburg importer. I think that with such a clause the German bank will either hesitate to change the note, or will charge a discount. But there - I suppose we must agree to differ on this point.

The data you suggest for establishing the existence of inflation are interesting. There is, however, the difficulty of fixing on a "normal" relation between gold and paper. This relation is influenced by a score of different circumstances, and it must be hard to decide which is the strongest factor. In 1926, for instance, we had but recently returned to the Gold Standard, and we were nervous about possible drains of gold abroad. This may have caused us to keep a bigger gold reserve than we would have before 1914.

(J.Z.: Here, too, he doubted the functionality of free market relationships and got stuck even in thinking about simple examples and aspects. Perhaps he read too many newspaper reports and took too many of their opinions serious and they gradually deteriorated his thinking on freedom subjects. - J.Z., 13.5.03.)

Christianity. You advance the life-like details of some of the Gospel stories as evidence for their truth. But most of the miracles related in the Gospels give similar details. Yet we now know that many of these miracles were simply copied from earlier myths. All over the world the phenomena of the rising and setting sun, and the

procession of the seasons and the stars have been dramatised; and the circumstantial details of the drama depend on the imagination of the writer. The custom of storytelling is very old; and there is nothing surprising in the ability of the teller to imagine life-like details. (J.Z.: Here, at least, M. has a point. - J.Z.)

You will note from Bedford's pamphlet (when you receive it) that he comments on the folly of a nation paying interest to the banks or other lenders for money for the national debt when the State might create its own money. This proposal has often been made here. There is a good deal to be said for allowing the State to create money for its expenses when those expenses have been authorised by Parliament. Yet there are several objections. I have not time to detail them now but I should be interested to have your opinion.

Sincerely yours - signed: Henry Meulen

(J.Z.: Alas, here, too, neither Bedford, as a Social Credit advocate, nor M. as an advocate of "free" banking saw clearly the extent and limits of a government's sound tax foundation money, to the extent that anything can be "sound" that is based upon compulsory taxation. Tax foundation money, can, even on a sound value standard, clear the government's spending against its tax take, both reckoned in e.g. gold weight units, without the government possessing any gold stock and promising to redeem its notes in them. With such notes it could even anticipate the tax take for the next few months. But with them it could not pay for more of the government debt than its interest and repayment debt for the next few months. If such tax foundation money has only to be accepted at par by the government itself, then its discount in a free market, against a sound value standard like a gold weight unit, in which it is also denominated, like tax "debts" to the government, and the right of people to refuse the acceptance of government money altogether, would set a definite limit to such government money issues, a limit which Social Credit people and M. never seriously considered. - J.Z., 13.5.03.)

Copy

HM/ED.

3 December, 1949

The Editor of "**Truth**"

Sir,

is not your criticism of Mr. Churchill's propaganda for European Union in effect a condemnation of democracy itself? In home politics we support a wide representation not because a committee-run government is more efficient than a dictatorship, but because only by representation can we reasonably sure that government will consider the interest of all classes.

(J.Z.: This presumes that "classes" exist and that true representation is possible for any territorial regime and that the "representatives" will consider the interests of all in that territory rather than their own interests. - J.Z., 13.5.03.)

The same reasoning applies to international politics. It may sound foolish to assert that Korean, Fijian, Dutch and other nationalities should have a voice in our (J.Z.: whose, exactly, if one does not insert wrongful and collectivist premises here? - J.Z., 13.5.03.) foreign policy; but this is the only safeguard (M.'s spelling. - J.Z.) yet devised against tyranny and exploitation by one nation, with the inevitable recourse (M.'s spelling. - J.Z.) to war. (J.Z.: "Nations" are imagined "ghosts" and cannot, therefore, actively influence events and exploit anyone. However, the coercive territorial institutions, established by the believers in these ghosts, do inevitably lead to wars, civil wars, revolutions, oppression and exploitation of dissenters. - J.Z., 13.5.03.)

In home politics we Individualists seek to protect ourselves against the evils of wide representation by insisting that, so far as possible the government's powers shall be confined to the enforcement of justice and the fulfilment of contracts.

(J.Z.: As an individualist anarchist M. should have known that governments have never been good in doing either. On the contrary. - J.Z., 13.5.03.)

Truth would be on firmer ground if, instead of criticising the principle of wide representation on the body controlling foreign policy (J.Z.: Should there be any "foreign policy" for territorial organizations? Do the latter have any justification? - J.Z., 13.5.03.) it set itself to determine the limits of interference by that body in the internal politics of its members. (J.Z.: In other words: This individualist anarchists wanted foreign governments to have a "free hand" for dealing with "their" subjects. That notion represents rather the non-thinking of average journalists and newspaper readers on "foreign affairs". When the insufficient enlightened try to enlighten other unenlightened people only more nonsense can result. - J.Z., 13.5.03.)

I am, Sir Faithfully yours

London, 17 December, 1949

Dear von Beckerath,

Thank you for your letter of the 11th. Glad you received the pamphlets. I wonder if you will like the pamphlets. Don't strain your eyes over them - they are not worth it. I am relieved that you have received the tea parcel. It was posted so long ago that I thought it must have gone astray. I think it is quite disgraceful of you to call up the poor ghosts of Kant and Schopenhauer to support you in your tea-bibbing, whilst I drink milk and water instead of the tea I love, and dandelion coffee instead of the fragrant beverage from Mokka.

Yesterday I sent you the remaining copies of "Liberty" that I promised. Also six copies of "Individualist Anarchism".

Here are a few cuttings that will interest you.

The Lucas plan of selling shares to the workers seems to me preferable to other forms of profit-sharing.

Boyd-Orr's figures will probably interest you.

The letter "News Values" was printed in the "Telegraph". Do you think any German paper would print such a letter (bearing in mind, of course, the perfectly ridiculous eulogies of Hitler that your press published during the war)?

The Christianity discussion has no end, and I will not continue it. I think Christianity is damned and dying; and I will waste no tears over it - neither will I tax my already over-taxed eyesight in reading the parts of the bible that you recommend. Economics and philosophy attract me much more.

The tea and coffee will, I suppose, ensure you a faintly riotous Christmas. Good appetite !

Sincerely yours - signed: Henry Meulen

(J.Z.: I reproduce here, first, another letter response, unsigned, no source mentioned, dated: 9/12. It may belong to another letter by M. - J.Z.)

* * *

MR. HENRY MEULEN writes to complain that I am urging a return to the gold standard. He says that if I do so I must reply to the standard objection raised by practically every professional economist that since a gold standard necessitates legal compulsion upon the Mint and the Bank of England to buy and sell gold at a fixed paper price, it throws our gold reserves open to and defenceless against any demand for gold from abroad, regardless of the need for gold at home as a basis of credit.

"When that gold has been drained away, the gold standard leaves only one method of recovering it: a rise in bank rate.

"This penalises industry here in order to give an incentive to the foreigner to return the gold to us."

The economists, says Mr. Meulen,

"have at length decided that it is more important to our well-being to preserve our home credit than to maintain fixity in the foreign exchanges - one cannot do both together."

Mr. Meulen apparently is under the impression that I have a hearty respect for the professional economist. I have not.

The great majority of them - like the late Lord Keynes and those who follow his views - have done immense harm to this country and, in due time, even the Americans will wonder what his teachings have done to them.

* * *

THE answer to Mr. Meulen is that there is no abnormal demand for gold from abroad if our goods are saleable, at world prices. It is the inability to sell goods at a price which the buyers are willing to pay that creates an abnormal demand for gold in payment for imports.

The raising of the bank rate has other effects than the attraction of money from abroad to secure the higher rate of interest. It helps to bring about the adjustments in our internal economy which will restore our competitive position. It is that adjustment that Mr. Meulen is afraid of.

But the fact is that if the wrong things are being made in too great a quantity at too high a price then someone has to stop making them. The trouble in this situation arises not in the process of making the adjustments but in the resistance to the process. It is that resistance that creates long-term unemployment.

We cannot maintain our basis of credit by refusing payment in gold or goods or by persisting in policies which undermine the exchange value of our currency.

* * *

WORKERS TO GET 15% ON SAVINGS - - SHARE BANK ESTABLISHED (Times, 8. 12.49)

Workers at a Birmingham factory queued last night to apply for membership of a workers' share bank, set up by their employers, Joseph Lucas, Limited, and associated companies, which will derive its income from 100,000 redeemable Preference shares issued for cash at par with Treasury approval.

The establishment of the bank was announced to the firm's 25,000 employees yesterday by the chairman, Sir Peter Bennett, M.P., who said that each year the company would declare in advance the rate of interest payable on deposits. For the first year, 1950, the rate would be 15 per cent. per annum. Only employees paid weekly or hourly will be allowed to join, and the number of depositors will at first be limited to 2,000. The maximum amount accepted from each will be £ 50.

Full details will be given to shareholders of the scheme - who originally approved it some years ago - at the company's annual meeting on December 22.

(Would over-all productivity be much increased if only 2000 among 25 000 employees could thus get an extra return of 7.5 pounds per annum? What do these managers comprehend about incentives? As a higher return on savings the offer was interesting, but not when these savings are limited to L 50! They were fiddling with trivia, instead of radically improving fundamentals. Mostly they are blind to fundamentals. - J.Z., 13.5.03.)

How Diet Improved

In his book "Feeding the People in War-time", Lord (then Sir John) Boyd wrote that the rate of increase in improvement of the feeding of the people had shown a great and continuing acceleration over the period 1914 to 1939, and particularly in the latter part.

(J.Z.: He talked about them as if they were farm animals to be fed, rather than people feeding themselves by working in a division of labour and free exchange process. He was part of the system to prevent that self-support. - J.Z., 13.5.03.)

This he substantiated by a table giving changes in the consumption per head of the principal foods. Taking the average for 1909-1913 as 100, the percentages for 1937-8 are as follows:

Eggs	229
Vegetables and fruit	172
Butter	157
Margarine and other fats	140
Cheese	133
Milk	112
Fish	111
Potatoes	107
Meat	103
Wheat and other cereals	89

The table speaks for itself. The fairly big fall in cereals reflects the ability of the poorer sections of the population to afford a more varied and expensive dietary in place of bread.

(J. C. Johnstone. Tel. 29. 11. 49.)

NEWS VALUES

From Maj.-Gen. J. W. SLATER - To the Editor of The Daily Telegraph

Sir - As Big Ben struck nine o'clock last Sunday evening the thought uppermost in everyone's mind was, "Has Princess Elizabeth arrived safely at Malta?" We got the news headlines in the following order:

1. Arthur Deakin and the unions.
2. Sir Stafford Cripps's speech.

3. The safe arrival of Princess Elizabeth at Malta.

Presumably items 1 and 2 (politics) were considered more important news than item 3 (the safe arrival of the Heir to the Throne).

Yours faithfully, Crowcombe. J. N. SLATER.

(When "minds" like this are in charge of thousands of soldiers, what else can one expect than more senseless slaughter? - J.Z., 13.5.03.)

My dear von Beckerath,

3 Jan. 1950

Thank you for your letters dated 23-27 Dec.

I found them most interesting, and agree in the main with your contentions. This may be dull for you; but it is comforting to me. I hope to print your proposals for dealing with Russian deserters and with refugees in the Feb. "Individualist".

What a pity you cannot issue a periodical journal - a German "Individualist". It should make most interesting reading, if only you could manage not to march too far ahead of the average German Individualist. Can't you find enough German sympathisers to finance it? Our journal costs about £12 per issue.

You rather misunderstood my question as to if any German editor would have printed the letter of which I sent you a cutting. I meant to ask if any German editor would print so foolish a letter. Frankly I doubt if more than a tiny minority of people here cared twopence whether the princess reached Malta safely or not.

Yes - I still doubt if USSR has the atom bomb.

If there is another edition of my book, why should I not use the expression "Banking"?

What you call "Cooperation" we should call "Piece-work". Employers here have been for years gradually standardising jobs so that they may be paid by the piece.

They have been opposed by the Trade Unions who fear that this is a device to make wage-earners compete in fast working; and that when the standard is established, it will be set up as a minimum. Still - the system obtains in many industries today.

(J.Z.: And it has nothing to do with the ownership of enterprises by the former employees and with forms of decentralised self-management. - First he mixed up productive coops with profit sharing, then with consumer coops and now with piece work! - J.Z., 13.5.03.)

Runge writes me that Germany formerly had a free note-issuing system, and he says you describe it in the "Annals of Collective Economy" No.1 Jan.- July 1934. pp. 93-6.

I have not this volume; and I suppose you have not a copy now. Can you tell me the name of any book wherein the system is described? I was under the impression that the small German States all suffered from much State control in the matter of note issues.

I am sending you a very interesting copy of "The Thinker's Digest", together with a few other papers.

Sincerely yours - signed: Henry Meulen

Dear von Beckerath,

11 Jan. 1950

Thank you for your letter of the 6th.

I beg you not to give up hope of issuing a journal. Although there are probably few supporters of Free Banking in Germany, there must be thousands of Individualists, and a really Individualist journal would make an appeal. The important thing is not to press the subject of banking too much in the beginning. Most people look upon banking as a minor commercial operation, of no importance to the social question. I first began writing notes for the "Individualist" in 1921, when Arnold Lupton was editor. Although I was just as convinced then as I am now of the fundamental importance of the banking question, I only very occasionally devoted notes to it. But eventually

Lupton was converted, and began to write and speak on the subject. Had he only lived, he might have done much, since he was rich. But he died in a few years, at the age of 84. And you talk of being old at 67!

Princess Elizabeth. Yes - I know Germany was very Monarchist. (My grandfather, on my father's side, still was one. But my father was early on transformed into an individualist anarchist. - J.Z., 13.5.03.) But that was 30 years ago. I remember how I laughed in Weimar in 1908, standing outside the royal castle watching a file of ten soldiers who popped out of a guardhouse, with a roll of drums, to present arms whenever anybody entered or left the castle, which occurred three times in the 15 minutes I was there. But I should have thought, that there was a strong Republican majority in Germany today.

Your English is excellent; and it has improved surprisingly since you have been writing to me.

Cooperation. I agree that piece-work can be combined with profit-sharing. But the "New Statesman" writes this week, regarding the Trade Unions: "They resent a situation in which the semi-skilled worker on piece-work way often earn more than the craftsman whose output cannot be measured - for example because he is on maintenance work, and not directly producing any commodity." I think the reduction in incentive to an employer who becomes a manager outweighs the added incentive to the worker. We do not expect a social revolution here. Although the employer may not get more than the manager of a cooperative, he has the incentive of the prospect of a fortune.

(J.Z.: Compare H. Dubreuil's "A Chance for Everybody", which I microfilmed not so long ago, after finally seeing a copy in a local bookstore, one that I could effectively photocopy. Previously I had only a very flawed and ancient photocopy. - J.Z., 13.5.03.)

Banking. Bankers should be free to make whatever innovations they please. This is the reason for our use of the term "Free Banking".

(J.Z.: Even if they go beyond the natural limits a really free market also sets for free banking? Should whim and error be here a substitute for reason and experience? Sufficient publicity will act largely as a preventative or stopping power for all too silly, absurd and flawed "innovations". - J.Z., 13.5.03.)

I will ring Williame & Norgate to find out if they still have copies of your book.

Sincerely yours - signed: Henry Meulen

Copy

Telephone: Wimbledon 0950
Personal Rights Association, Founded 1871
Hon. Secretary: Henry Meulen.

31, Parkside Gardens,
London, S.W. 19.

Prof. H. Rittershausen,

11. I. 1950.

Dear Prof. Rittershausen,

thank you for your card. I have duely noted your change of address in our file.

I have been trying for some time to induce von Beckerath to issue a German Individualist paper. He tells me that he was on the point of getting out such a paper just before the Hitler Regime; but that he abandoned the idea, and now cannot get the financial support. Can you not help him? He now has leisure, and is full of ideas. Such a journal would be invaluable if only he can be persuaded not to march too far ahead of German Individu-alist opinion.

I began writing notes for our "Individualist" in 1921 after I returned from the war. In the beginning I was careful not to write too much about banking, and only gradually did I bring the subject in. At present most of our members are content to read about the subject, although few of them accept it. For me the subject is second in importance only to the question of peace.

Let me know what you think.

Sincerely yours - signed: Henry Meulen.

(Henry Meulen)
The Editor of "Truth".

13 Jan. 1950.

Dear Sir,

I hasten to reply to Mr. A. P. Davis that in writing that Individualists advocate wide representation in home politics.

I meant Individualists generally - not the Society of Individualists.

Personally I think the vote should be granted only to such people as can pass a simple oral examination in the aims of the great political parties; but I should deplore any class or property test.

Likewise I deplore any nationality test for membership of UNO. The Attorney General recently criticised the principle under which small nations have an equal vote in UNO with the great nations. I equally think this principle foolish. But a just voting system for UNO is not easy to devise. It should be discussed.

(J.Z.: One might start by admitting only voluntary communities and excluding all territorial ones. Moreover, not governments should be represented there, but individuals. Nor should any majority have the right to infringe any individual rights. Anyhow, are there any rightful and necessary functions for any international government or federation? I would find, e.g., an international Free Trade Association, with voluntary individual members only, an International Clearing House, and an International Federation of Local Voluntary Militias for the Protection of Individual Human Rights somewhat useful, others some other international organisations - but all of them should be only extr territorially autonomous and should have only voluntary members. - J.Z., 13.5.03.)

Mr. Davis appears to disapprove of the entire principle of the surrender of national sovereignty involved in UNO. But if we abolish UNO, we must compete in the race for armaments.

(J.Z.: The arms race, between territorial governments, all of them wrongful as such, and even extending to mass murder devices, got even worse under the UNO! - J.Z., 13.5.03.)

With the present cost of lethal weapons, such competition would shortly swallow up our whole national income. Has Mr. Davis considered this?

I am, Sir, Faithfully yours (Henry Meulen).

(J.Z.: There is not such thing as a "national" income. The costs and threat of territorial organisation is even greater than that of arms races between the governments of territories and territorialist rule causes arms races in the first place. - Meulen was not in favour, either, of free competition between experimental and extr territorially autonomous volunteer communities. See their last letters on panarchism. - J.Z., 13.5.03.)

24 Jan. 1950

Dear von Beckerath,

Thank you for your letters of 10-14 Jan.

I wrote to Rittershausen and Runge suggesting that they help you to get out a German "Individualist". Runge replies hopefully, and thinks you would be an excellent editor. He is trying to found a German "Personal Rights Association". A very good idea.

Your remark about the Hamburg employer who employed only girls with a child is interesting. The human mind is endlessly ingenious and inventive if only it is allowed to be.

I note that you expect a violent revolution here. You do not say in what year the revolution will break out. I see no indication of it at present. One can hardly say that the 1917 Russian revolution was unexpected. Russia had been seething with discontent for half a century; and its constitution allowed no outlet for reform ideas. The same applies to the French revolution. I agree with Tucker that violent revolution is not advisable so long as there is freedom of speech and a free press. We have both to a very large degree.

You propose a "Citizen's tax" in order to confine voting to those who have an interest in politics. But such a tax would confine voting to the richer classes. I prefer an elementary viva voce exam. in politics. If local tribunals were set up, composed of members of all four parties, I think they could be run pretty smoothly. The people not interested in politico would not trouble to present themselves for examination. Hence the tribunals could afford to be pretty liberal.

(J.Z.: "Voting" on "public" affairs has numerous other flaws and is, basically, wrongful. Compare my several compilations of thoughts on voting. - J.Z., 13.5.05.)

The usual English translation of "Cours forcé" is "Legal tender", which means that the offer of such money constitutes a legal discharge of debt.

(J.Z.: Again, he does not distinguish between "compulsory acceptance" and "compulsory value". - J.Z., 13.5.03.)

Your questions for Parliamentary candidates are interesting. But first of all we must convince the electorate of the importance of monetary questions to the matter of social welfare. At present the electorate generally sees no more connection between the two than between the moon and green cheese. Of course, to ask such questions at election time is in itself good propaganda.

But I do not care to spend my time in listening to boring political lectures for the sake of putting one question at the end of the lecture - a question which will probably not

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be understood by the audience. Actually I dislike lectures altogether; I always prefer to read a man's book than to listen to his lecture. I can turn over the leaves of a book when it bores me; but I cannot turn off the lecturer.

(J.Z.: One can, e.g., on radio, tape, computer, TV and turn away from a lecturer and listen to another, instead, e.g. in an open air free speech centre, or simply dare to leave a lecture meeting if it becomes uninteresting for oneself. - J.Z., 13.5.03.)

I am glad you disapprove so strongly of "Die Nuwe Orde." I am sending you a cutting from today's "Telegraph" on Rommel. I agree with the writer. There has been too much tendency today in this country to hold Rommel up as a German "Sir Galahad" (a brave and pure knight of the ancient and perhaps mythical Saxon King Arthur's "Round Table"). There is attached an excellent letter by Sir Ernest Benn.

Your talk with a bookseller about a German "Individualist". Certainly a man who gets credit has an advantage over a man who confines his trading to his own savings. But if your friend was a poor man, who would give him credit to the extent of 100,000 M?

Yes - I have Raglan's book on "The Hero" - very interesting. I will lend it you if you care to read it - it is quite a small book.

I have subscribed to "L'Unique", and its fore-runner "L'En dehors" for the last 30 years. I met Armand in Paris in 1910. He was then a Kropotkinian Anarchist. Later he came across Tucker's book, and adopted Tucker's views. I agree with you that "L'Unique" contains a lot of windy nonsense about the individual soul; and I sometimes think he has a kink about sexual problems. But the paper occasionally has interesting articles; and I like Armand.

A friend recently returned from Berlin says that in Berlin one can buy almost anything today, at prices not much higher than in London; and one can get many things not obtainable in London. On the other hand I enclose a report, from today's "Telegraph" of a speech by Strachey in which he says that Berlin prices are much higher than ours. I dare say some Berlin prices are higher than ours; but now that Germany has returned to a comparatively free economy, I expect prices there to fall sooner than ours will. Germany's production is now 93 % of her 1938 level. Yet she is not able to export enough to pay for the food etc. that she imports. Presumably this is because she consumes most of her production at home to repair war devastation; but I should like to have your opinion.

Sincerely yours - signed: Henry Meulen

25 Jan. 1950

I was about to post this letter when I received your letter of the 21st. Our papers do not take so serious a view of the Russian road blockade as you. It is called "Another pin-prick by the Russians". We shall see. Meanwhile I am sending this letter by Air Mail.

Curiously enough I had just written a note for the "Individualist" showing how Germany would benefit today from free banking. I had always thought that beyond cotton, wool, petrol and colonial fruits Germany was comparatively self-supporting in food and raw material. Since her production is now 93% of her 1938 level, how comes it that she cannot afford to pay for her imports?

Yours H.M.

My dear von Beckerath,

30 Jan. 1950

I return to your letter of Jan. 15. I think it should always be pointed out that the financing of industry requires an adequate amount of savings to support the fresh credit until the goods from the fresh production come on the market; otherwise inflation must result. The virtue of the creation of money by the banks rather than by the State lies in the fact that a banker's resources roughly correspond with the community's savings, whereas the State has no such check.

It should always be borne in mind that new production involves buying raw material and food for the workers. Unless the community has enough surplus to support these purchases, inflation must result.

In the famous Guernsey Market Scheme we are given no details of prices before and after the issue of notes. Guernsey saved the interest on the loan; but it is possible that it lost an equal or greater sum by a rise of prices.

An issue of notes serves to mobilise the community's resources and canalise them towards the new industry; but it does not create those resources.

The Russian blockade seems to have been relaxed a little. Do you think it will be lifted?

Last week I attended the private Press Conference at which Mr. R. A. Butler outlined the policy of the Conservative Party. He said that they would meet possible unemployment by the control of finance. I questioned him as to the nature of that control. He replied that investment would be controlled, and also financial policy. The proposal somewhat resembles Runge's, except that they propose to lower insurance contributions during a slump, and raise them during a boom. If this does not suffice, they will vary taxation, and so time govt. spending that public works will be undertaken in slump periods. There was, of course, no opportunity for discussion. On the whole the proposal to vary insurance contributions seems to me superior to Runge's method, in that it occurs weekly, whereas his proposal to compel payment of a proportion of taxes in cash would operate only once or twice a year when taxes are paid. Of course both proposals suffer from the fact that the State has no certain data on which to base its decision when inflation or slump are present. Free Banking would be much more preferable; but there is as yet no sign of it being even discussed.

I am, however, in correspondence with one or two M.P.s on the subject.

(J.Z.: Sometimes, apparently, our memories are so bad that we cannot distinguish between one and two! - J.Z., 13.5.03.)

The general proposals of the Conservatives are almost indistinguishable from those of Labour - the same dreary list of State controls. The only hope is that Conservatives will reduce (J.Z.: **Promise** to reduce! They don't keep their promises any better than do other parties. - J.Z., 13.5.03.) govt. expenditure, whereas Labour seems likely to increase it.

Aldred is standing for Parliament, and has sent me the enclosed election address. I think he will lose his £150 deposit - an expensive bit of propaganda.

Sincerely yours - signed: Henry Meulen

Dear von Beckerath,

31 Jan. 1950

Your interesting letters keep my typewriter very busy. It is a good thing that I have leisure. If I were still in business, either that or the "Individualist" would suffer.

But I cannot refrain from pointing out, in reply to Prof. Niklas, that if Germany has so much surplus product, how comes it that she is unable to export enough to pay for her essential imports

Vaccination. I have been against it nearly all my life. I think the arguments against it, and indeed against inoculation generally, outweigh the benefits alleged to result from the operation. I took my daughter away from a very good school because they wanted her to be vaccinated during a smallpox scare. She was never vaccinated (or christened!) and is very healthy. Unfortunately she is now married to a doctor who insists on inoculation for smallpox, diphtheria, typhoid and the common cold; and her children are always ailing. The belief in vaccination in

face of the evidence is one of the strongest evidences of the innate conservatism of mankind. When Jenner started vaccination, he used to practise "arm-to-arm" vaccination, that is, he inoculated the healthy child with the pus from the sores of a child suffering with smallpox. This practice resulted in such an epidemic of syphilis and other beastly diseases that eventually Parliament had to pass a law forbidding it - there was no other way to stop the doctors from using this form of vaccination!

Yes - I have always thought the Labour insistence on full employment a foolish policy - there is full employment in every prison.
(Maybe in those of totalitarians, their forced labour camps, but not in those of "Welfare States", which "protect" consumers from the "cheap" labour of convicts. - J.Z., 13.5.03.)
Yet Mr. Churchill recently declared that Conservatives place full employment in the forefront of their policy. ("Full employment" is also the policy of slave owners, for their slaves. - J.Z., 13.5.03.)
This is, of course, merely a bait to catch the Labour vote. The ordinary working man fears unemployment more than anything else.
(J.Z.: But does not want to spend even a minute pondering upon the real causes of unemployment, far less the days to weeks that would be required. - J.Z., 13.5.03.)
How much Free Banking might say to this question!

Dr. Runge has translated into German an article of mine proposing Free Banking for Germany. He is optimistic of being able to induce a German editor to publish it.
(J.Z.: From what I have so far read of B.'s correspondence with R., R. suffered even more from fixed ideas than did M. But thus he forced B. to express himself at length on many important subjects and their aspects. - J.Z., 13.5.03.)

My health is sufficiently re-established that I have today applied for a military visa to enable me to visit Germany in March next.
(J.Z.: Was there any rational purpose in such visas, either way, for anyone? - J.Z., 13.5.03.)
I am taking my car to France (if I do not have a relapse), and will drive down to Grasse A/M to visit an old friend, with whom I will stay for a fortnight. I will then drive on to Mullheim/Baden, and to

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Heidelberg to see Runge. Then to Frankfurt where I hope to see Rittershausen, and then on to Berlin where I hope to meet you. If you would like to meet me at Heidelberg, we could drive on together! I should be there about the 16th of March.

I am sending you a copy of the "New Statesman" with some interesting articles from the Left point of view. There is a particularly interesting article on two poets who wrote an almost identical poem, although both assert that they had not before seen the other's poem. I think the most likely explanation is that one of them saw the other's poem, and forgot that he had seen it. I remember years ago that my brother-in-law, who came of a musical family in Paris related how his father came down one morning and announced that he had thought out a beautiful melody. He hummed it to his daughter, who wrote it out, and the family congratulated him. A few weeks later my brother-in-law returned from a business trip, and the new melody was played over to him. He immediately recognised it as a melody that an organ-grinder played under their window occasionally. And this proved to be true. In this case all the family had forgotten the origin of the melody.

I will write to Gibson about your coin catalogue. Has it no value for sale?

Sincerely yours - signed: Henry Meulen

Dear von Beckerath,

4th Feb. 1950

on applying for a military visa for Berlin, I was told that application would have to be made to the Russian authorities, and that there was so much delay in their replying that it would now be too late for me to get the visa by Mar. 1st.
(As much "liberated" were Germany and English people by then! - J.Z., 13.5.03.)
Unless therefore you can come and meet me at some place outside the Russian area, I am afraid I shall not be able to see you.

Yesterday I rang our Post Office to ask the air rate charge for printed matter to Berlin. They told me there was no air service to the continent of Europe, either for letters or printed matter. Letters were generally sent to Berlin by air, unless a boat were just available and no extra charge was made. I pointed out that four years ago they had told me that the extra charge for air mail letters to Berlin was 1-1/2 d., and that I had been sending about a letter a week ever since. They replied that I had paid too much! No offer to refund! What a service!

If all goes well, I shall start from London on Mar. 1st and spend about a fortnight at Le Rouret, near Grasse, A/M, and then drive on to Heidelberg, Frankfurt and home through Belgium.

Sincerely yours - signed: Henry Meulen

Dear von Beckerath,

8 Feb. 1950

Thank you for your letter of the 5th. I have now received the military visa for Germany, and have booked a passage for my car to Calais on Mar. 1st. I am sorry to learn that you are ill. If you cannot travel, we shall not be able to meet. But I will willingly pay the expenses of your journey and hotel accommodation if you can travel to any point outside the Russian zone.

(J.Z.: I believe B. was stuck in Berlin from 1945 to his death in 1969 and I do not know for how many years before that. - J.Z., 13.5.03.)

I think you will understand my English. Most English people speak too quickly to foreigners. I myself can hardly understand uneducated Americans. But you could speak in German, and I in English. I think we would understand each other.

The Morgen article was poor. I hate having to treat a serious subject briefly - one has to leave out many essential considerations. Runge has already asked me for a further article, and I have sent him one on Scottish banking history.

Lectures. I cannot lecture in German; and an English lecture would have little effect.

Paying for German imports. But Belgium exports more than enough to pay for her imports, although suffering from the same foreign exchange restrictions as Germany. The reason is, I think, that Belgium has more to export than Germany. Moreover, unless foreign trade is approximately balanced, it will not help Germany much to pay in bills of exchange. If the exchange goes against her, either she must pay in gold or foreign currency, or the value of her bills must sink proportionately. (J.Z.: Which would make it cheaper for foreigners to buy in Germany! - J.Z., 13.5.03.)

Inflation. Yes - the term is unfortunately often used here to indicate a mere general rise of prices, regardless of the cause. It would be better to confine it to a rise of prices caused by over-issue of money. Yet - a general rise of prices may occur if banks make more loans than the resources of the country can stand. If such loans were made in notes, the notes would not depreciate, except in relation to gold, because the banks would make no spectacular losses; and the ordinary people have little use for gold. You will remember that the Scottish option clause notes circulated at par although they were at a discount in relation to gold. I do not think that the remedy for this is to limit bank advances. High prices in themselves discourage consumption, and encourage production. If the trouble is frequent, debt contracts should contain a clause dividing between debtor and creditor any variation in the value of the credit medium. But such general over-issue by banks has been rare. It occurred in England in 1846 when the banks made too large loans to finance the building of railways.

Runge. I do not understand your objection. Runge's method would deprive banks of cash, and force them to restrict advances; and therefore prices would fall. The disadvantage

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of the scheme lies in its indiscrimination: it would hit all banks and all producers. It would be better to prohibit State creation of money, and allow free banking; but Runge's proposal is one to meet present conditions.

Gesell mentions the Woergl experiment. I believe Woergl used his method of progressive reduction of the value of notes. I have never agreed with Gesell, although he has a large following in U.S.A. He thought that monetary shortage sprang from the tendency to hoard currency. I think this an error.

It is interesting that the Conservative party here proposes to meet inflation by varying the contributions to unemployment insurance - which is very similar to Runge's scheme. I have sent a copy of the proposal to Runge, and he proposes to write to Mr. R. A. Butler, who is the brains behind the Conservative financial proposals.

I hope you will write me that you will be able to travel by the time I come to Germany - about the middle of March.

Your last letter was all burst open along the edges. But the contents were intact.
(Apparently, he sent him copies of letters, clippings and notes - all burnt by M.! - J.Z.)

Sincerely your - signed: Henry Meulen

16 Feb. 1950

Dear von Beckerath,

I am very sorry about your health, and I will not tempt you further to make the journey. If I can find some way to get into Berlin, I will visit you; but I am not hopeful.

Scots Ind. Yes - I agree. But Gibson has to keep the movement together, and must not take longer steps than the rest of the battalion. I have lost many readers of our journal through banking propaganda.

Weekly Register. Sagar was formerly a member of our Association, and has read the "Individualist" for many years. Some people are stolidly proof against our propaganda. But then, all the contributors to the paper are Catholics. Pepler, an old friend of mine, the Asst. Editor of the Register, wholly approves of free banking; but he is very ill with heart trouble. There seems to be something tragic about free banking propaganda!

Truth surprises me sometimes by its reactionary opinions. Collin Brooks, the Editor, told me some time back, in the course of a tel. conversation, that he is much interested in the "Individualist", and reads it regularly and carefully. Yet when I offered him quite an elementary article on free banking, he returned it, saying that it was too technical for his readers.

Zwangskurs. What is the precise difference between this and "Annahmezwang"? In the case of notes with cours forcé, you write that "Business men observe the influx of fresh notes." This brings me to a general criticism of your opinion on this subject. You do not reply to my criticism of this contention in my letter of Feb. 8. I wrote that a general rise of prices can occur if bankers make more loans (or at longer dates) than the resources of the country can stand. In such a case the banks would make no spectacular losses, and business men would expect an influx of fresh notes, and would not lose faith in the issuing bank.

I think the only reply is that the banks have an interest in not endangering their position by engaging themselves too deeply in loans. They have the continual test, obvious to them, of the volume of their loans in comparison with their deposits. The future is always to some extent uncertain, and a prudent bank will keep some margin of reserve against possible eventualities. But, and this was my point, the mere absence of cours forcé will not render such over-issues impossible. I think we should admit this.

I am glad to read your criticism of Keynes. A pamphlet on "The mistakes of Keynes" would be of real service to the free banking movement.

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Runge. Yes, of course, he proposes to increase the proportion of cash in tax payments only when prices are "too high". I have often written him to point out that the State has no exact data on which to base an assertion that prices are too high. It seems to me that R's proposal would work only if the State destroyed a portion of its paper money as it received it back in taxes. Yet - since the State uses the tax revenue to pay its expenses, it will have to create more notes if it destroys the old ones. The total effect will therefore be merely to slow down the process of inflation. But this must have its effect on prices.

The Party programmes. Yes - they are disappointing. About two years back Bevin admitted that unemployment during the last century was largely due to shortage of money. But for election purposes he copies the other Labour leaders in ascribing that unemployment to the absence of planning, and to "free" competition.

One of our members sends me a few papers, among them our Fascist journal "Union". Mosley seems to be copying Mussolini's "Corporative State". He receives "The Individualist"; but it seems to have no effect on him. It is amusing to find him urging proportional representation (the chief hope of the Fascists of getting some members into parliament), whilst at the same time he denies the fundamental principle of democracy - free election.

(J.Z.: Rather: Respect for individual rights, especially those of dissenting minorities. And this would require that "democrats" would give up territorialism, i.e., rule by "representative" minorities or by majorities, of all people in a whole territory. - J.Z., 13.5.03.)

I am sending you these papers. They are more diligently annotated by our member than any papers I have yet seen. His markings lose their weight through their frequency.

Ezra Pound, the author of the pamphlet on Money, is an American poet, whom I met here many years back. He moved to Italy, and became a great admirer of Mussolini. He was later prosecuted in USA for treason, but was judged insane. He did some magnificent translations from Provençal poetry.

It is interesting that we have a paper to advocate the claims of old-age pensioners.

The Peace paper may interest you through its advocacy of the abolition of conscription. The Liberal Party here makes the same claim. I think we would get a more, efficient army by voluntary methods.

I hope you will get well. It cannot be the food, since you eat so little, and are mainly vegetarian. Our govt. has recently discovered that the chemical bleaching agent that it has been putting into our bread for the last ten years produces convulsions in dogs. It therefore proposes to use a fresh bleacher which does not affect dogs. It says there is no evidence that the old bleacher affected human beings; but I am doubtful. At least one eminent doctor has ascribed the great increase in duodenal ulcers to this bleaching agent. And we have been eating it for ten years!

Sincerely yours - signed: Henry Meulen

The Editor of
"The City Press".

17 Feb. 1950

Dear Sir,

When I wrote that practically every professional economist today condemns the Gold Standards, you replied stoutly that you did not care two hoots for the professional economists. Yet I notice that your contributor Mr. Geo. Winder twice quotes Professor Lionel Robbins in defence of the Gold Standard. Professor Robbins is, however, a most lonely knight in his defence of that seductive blonde, the Gold Standard.

Still - let us leave professional economists and look at the facts. The fundamental objection to the Gold Standard is that whereas it leaves bullion dealers free to profit by moving gold to whatever country sets up a demand, it leaves only one method of getting the gold back, namely, a rise in the Bank Rate, which means that all our industry must be choked back in order to give bullion dealers the incentive to return the gold. Before the 1914 war we were the only country in the world to maintain a Gold Standard. During the period 1875-1900 our Bank Rate was altered 167 times, whilst Germany's rate was altered only 84 times, and France's 25. Professor Andreades states that the Bank of England was the only bank at which the range of fluctuations during the same year had on three occasions amounted to 5 1/2, 6 and 6 1/2 %.

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Elsewhere as a rule the fluctuations were 1 or 2 %.

It is estimated that the producing classes of this country lose between L 50.000 and L 200.000 per week from a rise of 1 % in the Bank Rate. Moreover, and perhaps more important, the inability to foresee a drain of gold under the Gold Standard compels banks to enact more valuable security as a base for long-date advances. This is a grave handicap on enterprise.

The 1929 depression was due to a demand for gold from U.S.A., a demand which the Gold Standard left Europe powerless to resist. The demand drained our gold reserves, and threatened to bring our entire credit system to the ground. Had we not been on the Gold Standard, we would have suffered only in a diminution of our exports to U.S.A.

Mr. Winder states that we did not deflate between the wars. Deflation here began already in August 1919, when Mr. Chamberlain complained of inflation.

In Nov. 1919 the Bank Rate was raised to 6 %, and to 7 % in April 1920, where it remained for a year. By the spring of 1921 prices were falling headlong, and unemployment spread through industry. Whereas for forty years unemployment had only once reached 10 1/2 %, in 1920 it sprung to 17 %.

And I must demur to your frequent assertion that the Gold Standard is a "free" system. The Gold Standard rests on legal compulsion upon the Mint and the Bank of England to buy and sell gold at a fixed paper price. If coffee were traded under the same conditions, would you call it a free coffee market?

Faithfully yours (Henry Meulen)

My dear von Beckerath,

28 Feb. 1950

Thank you for your letters of 9, 18, 21 and 22 Feb. I have been rather occupied with overhauling the car, and have not had leisure or peace of mind enough to digest your letter of the 18th properly. But I will put it in my bag, and take it with me for quieter reading. Meanwhile I write my present impressions of your argument.

Zwangskurs. Thank you for your lucid explanation. I think our expression "Legal tender" would be used both for Zwangskurs and Annahmezwang; but we have never had, I think, Annahmezwang for a currency of fluctuating value in gold. You will remember that a charge of "Incivism" was brought against Lord King for making a difference between gold and paper notes.

Inflation. I rather think that your principle that a banker cannot issue more notes than his debtors could issue (**accept!!!** J.Z.) is vague. What amount of notes could his debtors issue?

(J.Z.: ??? He could and should, by contract, **accept** the Bank's notes at least up to the amount of his due or soon due debt to the bank. - J.Z., 13.5.03.)

You write that the "natural" limit would be his ability to redeem his notes (or his banks! - J.Z.) by existing goods or services, or in satisfaction of debt.

But let me return again to our period of railway building (see P.115 et seq. of "Free Banking"). The railway companies borrowed freely from the local banks. But the companies would have been quite unable to redeem those notes for some years; yet the banks were so certain that when the railways got going, the loans would be duly repaid, that they engaged themselves deeply - too deeply - since prices rose, gold was drained abroad, and a crisis ensued. In a long-date loan the entrepreneurs must

(J.Z.: ??? That, too, should be voluntary and not done by "the community" but by individual or corporation etc. investors! - J.Z. 13.5.03.)

be supported by the community until they are able to market their goods. Now - what test has the community of its ability to support fresh production? This is one of the most thorny problems for a Socialist State, which must rely on production figures and estimates supplied by the State factory managers. Russia long ago found out how unreliable such figures can be.

(J.Z.: Here, once again, M. did not notice that B. did **not** propose, like M. did, **note** issue for medium or long-term investments, on trust and to finance the **capital costs** to produce **future goods**, but only note issues for turnover-credits, the promotion of immediate clearing of already produced goods, even goods that are already sold [at least from the producer to the wholesaler], a sale represented by a "real bill" or "sound commercial bill", which the issuing bank discounts with its fresh notes, with these notes also and immediately covered by ready for sale goods or services or labour or receipts for due debts in local shopping centres, among all the debtors of the issuing bank. **For all capital issues** B. like most other economists, proposed the issue of **suitable capital securities**, also suitably and gradually retired, like bonds or giving, like shares, ownership decision-making power over capital assets and all being transferable capital securities **in the capital market, not in the currency market.** J.Z., 13.5.03.)

I think that freedom offers a better test. Under freedom the private investor and the banker are the two sources of long-date loans. The private individual can invest only if he has savings; which indicate that he has abstained from consuming. Therefore when he invests there is little danger of inflation, since it is unlikely that many men will hoard vast savings, and then invest them all at the same time in quantities enough to cause inflation.

There remain the banks. And here I think the banker ordinarily has the test of the comparison between his deposits, cash and his loans. His deposits and cash are a rough indication of his customers' wealth.

(J.Z.: I certainly would not have trusted Meulen as a note-issuing banker, even after he had supposedly studied note issues, rather than capital security issues, for many decades. - Somewhere in his correspondence B. quoted someone as saying that the art of sound note issues consists in the ability to distinguish a real bill from a mortgage or capital loan. M. showed all too little of **that** ability. - J.Z., 13.5.03.)

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The banker is able to look ahead in a way that no other man can. He knows when his loans will be repaid, and he knows when his borrowers are likely to begin marketing their goods. He may well be able occasionally to make long-date-loans - he does it today, though not as often as circumstances warrant - and I think he should not be prevented.

(J.Z.: And what shall his acceptors do with his notes before his medium or long term loans become due, or even any of the instalment repayments? Eat the notes? What purchasing power do they have? M. never bothered to answer this "reflux" question properly, because he relied on "trust" and "good reputation" and on gold metal redemptionism, although only at a fluctuating value of gold, reckoned in his notes. By his arrangements no retail shop would be obliged to accept the notes of a Meulen bank and no service provider and no debtor would have to accept them, except the debtors of the M. bank, in the future, to the extent that all or parts of their debts to the Meulen bank would become due. The refusal or strong discount for M. notes would soon **prevent** M. to issue any more of them. Those who accepted a note from him might get it framed with the comment: I, too, was a fool once, and accepted such a note as "currency". At most it is "scrip" with which I can buy from the M. bank a part of the long-term loans or securities it invested in. Otherwise one would have to rely on his unreliable gold metal cover. - J.Z., 13.5.03.)

Of course, individual banks may make mistakes. In rare cases (our South Sea Bubble, and the US crises of 1907 & 1929) a lot of banks may be carried away by popular optimism. But the harm done by such collective optimism is both less and rarer than that which occurs under State planning. After all - the banker has always the sobering thought that the future is not wholly predictable; and this will make him cautious of engaging himself too far ahead.

(M. did not realise, that his proposal of lending fresh notes for medium and long-term capital loans did also constitute an extreme case of unfounded and all too popular optimism. - All his note issues not based on immediate "shop foundation" or its equivalents were incautiously engaging his kind of bank too far ahead. - J.Z., 13.5.03.)

You write that since loans are so small in comparison with production, loans are unlikely to affect prices. (J.Z.: I doubt that B. ever expressed himself as vaguely and inaccurately. Capital loans can be very large compared with current production. But short-term turn-over loans are small compared with large and long-term capital loans. Which type of loans did M. mean here, when he put words into B.'s mouth or letters, which cannot be found there, I am sure? M. did not state their kind. - J.Z., 13.5.03.)

Are you not overlooking the fact that a pound note may effect the exchange of hundreds of pounds' worth of goods?

(J.Z.: As long as each time it does turn over 1 Pound's worth of goods or services, it does thereby do good and does not do anybody any harm or wrong. But hundreds of traders are only obliged to accept the one pound note at par when they are debtors of its issuer! Thousands more are free to refuse it altogether or to discount it. But precisely because the hundreds of debtors are under great pressure to pay back their short term debts, soon [these debts being one of the foundations for the issue of notes] the pound note will sooner rather than later return to the bank in payment of one debt or the other. - If, in the meantime, it has helped to turn over dozens to hundreds of pounds worth of goods and services, all in 1 Pound transactions, who would have any right or reason to complain about these voluntary turnovers for mutual satisfaction? After all, that is what exchange media are for. And if dozens to hundreds accept a private and competitively issued 1 Pound note readily at par, for their exchanges, then, apparently, that note was soundly issued and had a sound reflux path. - J.Z., 13.5.03.)

Yes - I am familiar with the Jevons sunspot theory. I have never been impressed by it. I think a more plausible explanation of the periodicity of crises is given in my book where I trace the course of booms and slumps. It is a fact that during the 19th century every rise of prices, if it persisted long enough, caused a drain of gold in exchange for cheaper foreign goods. If the rise was due to trade activity and increased lending by banks, that trade

activity may have been due to sunspots; but it is simpler to suppose that after the slump, men are relieved to find prices rising a little, indicating a revival of demand, and that they hasten to supply that demand.

Option clause. When I wrote that these notes circulated at par, I meant at their face value. Shortly after their introduction all the Scottish banks marked their notes with the option clause in order to protect themselves against unforeseen demands for their gold. The banks in northern England also used the option clause; but I believe the practice never extended further south. The option clause notes would of course be accepted only at a discount by bullion dealers who wished to convert them into gold.

I duly received the Sotheby coin catalogue. Thank you. I will put it on my shelf.

There - that's enough. I've not yet finished packing, and I must be up at 5.0 tomorrow morning, since I have to be at Dover at 9.35 a.m. If I can find a means of flying into Berlin from somewhere, and if I still have money enough, I will see you. Letters will be sent on to me from home until the 16th Mar.

Yours - signed: Henry Meulen

(Another Nazi Law, applied long after the regime was, otherwise, destroyed. I copied the whole "Auszug aus der Reichsmeldeordnung vom 6. Januar 1938 Reichsgesetzblatt I S. 13) but here reproduced only 3 significant passages from this extract. - J.Z., 13.5.03.)

"Zur Meldung verpflichtet sind: " (Obliged to notify are: (all kinds of public accommodation facilities)

"Die beherbergten Personen sind binnen 24 Stunden nach ihrer Ankunft auf dem fuer Beherbergungsstaetten vorgeschriebenen Meldevordruck zu melden. ... (The hosted persons are to be reported within 24 hours after their arrival on the form prescribed for the accommodation providers.)

"Verweigert eine zu meldende Person die Ausfuellung des Meldescheines, die Angabe ihrer Personalien oder die Unterschrift, so hat der Wohnungsgeber unverzueglich die Meldebehoerde zu verstaendigen (par 17).

(If one of the persons to be reported refuses to fill out the report notice, the details on his person or his signature, then the accommodation provider has immediately to notify the responsible police office.) (Under the Nazi regime the Gestapo might then have arrived a few minutes later. - J.Z., 13.5.03.)

(M. filled out this "Meldeschein" fuer die "polizeiliche Meldebehoerde" on 22. March 1950, at the Pension Heltzel, Berlin-Friedenau, Kaiserallee 137 I. 83 0237. As birthday was noted: 15. Oct. 1882, as birthplace: London. - Did these two ever meet before or after? I do not know, but somehow doubt it. - J.Z.)

VIA AIR MAIL PAR AVION

with AMERICAN

AMERICAN AIRLINES, INC. AMERICAN OVERSEAS AIRLINES, INC. ... Friday 24. III. 50
Frankfurt

My dear von Beckerath

Here are the Marks I owe you. The extra is for the extra money you spent on my behalf.

It is kind of you to have given me so warm a welcome. I can only regret that you were bothered with an invalid, instead of an interesting companion.

But we will continue the discussion by letter as soon as I am back home.

Sincerely yours - signed: Henry Meulen

Enclosed 25 M

If everything goes well, I shall reach London on Mar. 31 st.

3 April, 1950

My dear von Beckerath,

Here I am, safely back, although I reached Calais with only 2s. 3d. of my fifty pounds. My stomach was only moderately good on the journey back; but with rest it is already improving.

Thank you for your letters, all duly received. I will read them more carefully, and reply when I have settled down a little.

It is kind of you to write that you enjoyed my visit. I am sure that I enjoyed it more than you, for I must have upset your settled routine. I apologise for not having given you notice of my coming; but I did not know until the last day if I could be allowed to fly.

On the return aeroplane journey the stewardess handed round postcards and notepaper to the passengers, and we were told that the Company would pay the postage. I used the notepaper and envelope to write to you, and enclosed 25 DM which you paid out for me.

I find that most of the cards did not arrive, and I am wondering if you got the letter. Would you write me? If you did not receive the letter, I must write to the Company.

I hope to see Zander shortly, and I will give him your message. I am sure he will be envious of me for having been able to see you.

With many thanks for your kindness to me during my brief stay. What a nuisance it was for you to have an invalid on your hands.

Sincerely yours - signed: Henry Meulen.

P.S.

I think I returned to Frankfurt on Friday the 24th Mar.; but I should be glad if you could verify this. I must be able to tell the Company what day I travelled.

Dear van Beckerath,

19 April, 1950

I have now read carefully through your letters. They are extraordinarily interesting, and I have made several extracts for use in future Individualists. Indeed I could fill a whole number with extracts if my editorial prudence did not lead me to satisfy readers with some comments on current topics. It is a thousand pities if you do not edit your own journal. I make an average annual deficit of £ 10 on the "Individualist". I am ready to subscribe £ 10 annually towards the cost of a German "Individualist" if you will edit it. Can you not get a few of your friends to do likewise?

Now for a few points of controversy. In your letter of Mar. 3 you write that my question

"What amount of notes can the debtors issue?"

can be easily answered: it is that amount which the debtors are able to convert into articles of day-to-day use, plus the amount they are obliged to accept for due debts.

I would point out that whether or not a man can sell his stock at a profit must always be speculative. Whilst a banker may make an advance against a man's stock, he is (or rather, was) generally guided rather by the borrower's character. A man of good character will generally find a way to pay his just debts, whereas a rogue will find a way of evading them. Therefore, should say that the community is wiser to trust a banker's judgment.

In the matter of the length of the loan again, I think the banker is the best judge. No fixed line can be drawn in a free system between short and long loans. The old bankers tended to be more liberal in loans to a man who was continually turning over the money in his business, because that meant that money was constantly coming into the bank; whereas a borrower who used the loan to clear a forest, for instance, would be able to make his first repayments only after some years, which might embarrass the banker.

Moreover a main test of the banker was the safety of the loan - it was the more risky loans that he left to the private investor. After all, the chief asset of a banker is his reputation as a prudent business man. If he made a bad loan, he lost not only the money but his reputation; whereas the private investor lost only his money.

(J.Z.: As usual, M. made no distinction between A) a loan of capital, the own and that invested with the banker and B) the loan of exchange media issued to promote turnover, and secured 1) by shop foundation offered by short term debtors of the bank and 2) for each batch of issued notes also by a short term IOU or bill of exchange that represents goods produced and already sold, to wholesalers and on their way to the retailers, in the discount business for these short-term securities, which constitutes the turn-over credit business of applying the sound "banking principle" of note-issuing banks. Just because historically and due to the metal redemptionism most banks did not clearly distinguish these two kinds of business, is no reason not to make these distinctions now for sound note-issuing banks, which keep their capital trade apart from their note-issue trade, unless they use for their capital trade 100 % covered gold certificates. To the extent that they own their gold hoard or that it is entrusted to them for medium or long terms, they can, naturally, also dispose of it in medium or long term notes with their gold certificates. [Currency principle for note issues.] For their turn-over credit notes [real bills or sound commercial bills, temporarily replaced by notes in convenient denominations] no gold cover is required and no gold redemption need be promised and, nevertheless, they can express gold weight values and can be so soundly issued and regularly taken back in payments of debts owed to the bank, so that these notes stay at par or close to par within their sphere. - J.Z., 29.5.03.)

In my letter of Feb. 26 I wrote "You write that since loans are so small in comparison with production, loans are unlikely to affect prices." (Where did B. write this??? - Was there no qualification to the first mentioning of loan in this sentence, like "note-issue loans", "turn-over-credit-loans" or real bill discount loans? -J.Z., 13.5.03.) Are you not overlooking the fact that a pound note may effect the exchange of hundreds of pounds' worth of goods?"

You reply that every sale - as far as its price influence is concerned - is balanced by the succeeding purchase. But

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monetary reformers have always remarked the snowball effect of a loan in times of slump. The banker lends £1 to A, who buys a saw from B, who buys boots from C, who buys a coat from D. etc. All these purchases tend to raise prices in times of slump, when the channels of exchange are glutted with goods that cannot find a purchaser. (J.Z.: They do not **raise** prices but **keep** them at the normal level, precisely because for **these** exchanges there **are** means of exchange available in the **assumed** case. Any economic sphere still sufficiently supplied with exchange media does not participate in the deflationary slump that exists elsewhere. - J.Z., 13.5.03.)

In your letter of Mar. 4 you question my statement of Feb. 16 that a general rise of prices can occur if bankers make more loans (or at longer dates) than the resources of the country can stand. You cite the case of a country in which all resources are destroyed by an earthquake, but yet is able to absorb any quantity of loans. I would reply that the devastated country in question has still two resources: unused land and unemployed labour. Therefore it quite rightly creates (??? receives! - J.Z.) loans to convert the two into capital. Yet although the long-term effect of using the loans in road-making and improvement of industrial plant must be a decrease of prices, the first effect of directing a great deal of labour away from the production of consumption goods must be to increase the prices of those goods.

(J.Z.: If only labour and land are left, then the prices of local consumer goods will not increase because there are none left. Consumer goods and capital goods investments - and their corresponding consumer goods to keep the producers of capital goods at work, fed and clothed, would also have to come from abroad. Goods cannot come from abroad and cannot be distributed to their final consumers until e.g. road and rail connections are restored. Both must be done. Under proper conditions, an abundant supply of consumer goods supplies and capital investments from abroad can be achieved, more than can be gained through foreign aid by governments or charity bodies. Should the supply of either, in the whole world, become considerably shorter as a result, then in the whole world prices for consumer goods and long term capital would correspondingly rise. Normally, the effect would hardly be noticed, under freedom, because it would be so widely distributed. Moreover, many goods are presently stored, expensively, because they cannot be easily sold. Butter, dried milk, wheat and cheese mountains! Often they could be offered very cheaply above the transport costs to where they are needed. - J.Z., 13.5.03.)

In your letter of Mar. 28 on the over-issue of notes for railway construction in 1846, you ask: Why did not the banks' debtors buy the depreciated notes and repay their debts? So far as the records show, there was no depreciation of notes - no diminution of trust in the issuing banks; the inflation was evidenced by an increase of prices and a drain of gold abroad, which compelled the Bank of England to raise its Bank Rate sharply.

Let us now turn to two points of deeper disagreement. You still write that trade between UK and US for instance, would be facilitated if US would accept payment in English pounds. I still cannot see that trade would be much helped by this measure. If we have imported £ 100 M of American goods, and have exported only L 50 M to, US, the pound sterling will fall in US.

(J.Z.: Which will be a great incentive to some to buy up, cheaply, the remaining L 50 there and use them for purchases in England!)

We will then be able to buy fewer American goods with the same amount of sterling.

(J.Z.: Indeed, a fallen English Pound against the US dollar would discourage imports into England and encourage exports from it, in a quite natural way. - J.Z., 13.5.03.)

Therefore there will arise a demand for US dollars in UK, and people will say "We cannot buy from US because we have no dollars."

(There is no "therefore" about it: 100 million pounds sterling paper money were spent in the USA and million pounds sterling will return from the US or elsewhere to pay for UK exports. Balance of trade and payment will be restored, both at market prices. The case proves the contrary of what M. concluded. And he called himself a Free Trader! - J.Z., 13.5.03.)

Whether US then accepts depreciated pound notes or par dollars seems to me unimportant. If we pay in depreciated pounds (J.Z.: B. had often enough described how they could be turned into stable value pounds, as far as their purchasing power in England was concerned. - J.Z., 13.5.03.), we are sending only the same amount as if we pay in the dollars we have received for our exports. If we try to buy more US goods before we have earned the dollars by our exports, the pound will depreciate further.

(J.Z.: A lower foreign exchange rate should be distinguished from a depreciation of the pounds in the home market, due e.g. to inflation. - J.Z., 13.5.03.)

When, at the close of my recent trip, I asked a hotelier in Dunkerque if he would accept English pound notes, I had the humiliating experience of being laughed at: "English pounds" he said, "Nobody wants them - we are being offered them all day long by sailors and tourists - they are going down and down." Wenn ich denke (when I think - J.Z.) that for a century a British note has been accepted all over the Continent unquestioningly at a par with gold! (J.Z.: High time that M. realized that the English pound had become a more and more worthless paper money, that it was no longer the value equivalent to a sovereign. Furthermore: Not he was laughed at but his government's paper money! - J.Z., 13.5.03.)

What is important is that traders

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should be allowed to buy abroad what and where they will, and make any credit arrangements that can be mutually agreed upon.

(J.Z.: Not only any **credit** arrangement but also any cash exchange medium and value standard arrangement. For either, apparently, the UK pound was no longer considered to be good enough, at least not at the official exchange rate. At the free market rate (and without other silly restrictions, like a limit of L 50 for tourists) - and if the L would not fall too fast, because of its further inflation, it would be found acceptable, at least via the mediation services of a bank or other money exchange office. - J.Z., 13.5.03.)

I have written your opinion to Rittershausen and have asked him what he thinks.

You still insist that a system wherein notes are issued by shops (**and** suitable local **shop associations!** - J.Z., 13.5.03.), redeemable only in their own goods, is superior to one in which notes are issued by banks or firms of repute, and are redeemable in gold or approved notes.

(J.Z.: **These shop associations would be local banks of issue and would be firms of repute** and they would offer the consumers what most consumers want, namely, consumer goods and services, not gold or "approved notes". If the consumers want the latter, then they could buy them on the gold market and currency market. - J.Z., 13.5.03.)

I talked this over with Rittershausen, and he agrees with me that my plan is

(1) more in line with banking tradition;

(2) easier to get going; and

(3) more flexible, i.e., more capable of extension with the needs of industry.

(J.Z.: I have not yet seen that agreement in R.'s own words. - Perhaps R. was still unaware of the flaws in M.'s note issue plan? - M. may have misunderstood R. has much as he usually misunderstood B. and, at least on one occasion, Dr. Walter Zander as well. - J.Z., 13.5.03.)

It may well be that after a revolution, when mutual trust is at a low point, mutual banks of your type may be easier to get going. But this is an example of a frequent phenomenon:

On a desert island men must make fire by rubbing two pieces of wood together; but this does not prove that wood-rubbing is a better method of getting fire than a box of matches, which can be produced only in an industrially developed community. A developed society uses many devices which cannot be used in more primitive societies. (J.Z.: Alas, M.'s banknote issue and reflux principles, his kind of gold redemptionism, and reliance for the value of fresh notes lent out on medium or long terms, on trust, confidence and good reputation, do certainly not represent developed good banking theory and practices and are closer to primitive and ancient methods - and to those of monetary despotism and its "managed" currencies, than are the shop foundation and debt and clearing foundation note issues of B.'s kinds of banks. - J.Z., 13.5.03.)

I hope to see Zander shortly, and I will give him your greetings and your letter. I am sending you a few papers together with a copy of the photograph I took of you in the Tempelhof Aerodrome. The photograph has been much admired by my friends.

(Alas, I don't possess a photograph of B., either as a young man or as an old man, of 70, when I met him first in 1952. Who can supply me with one? I once got one from E. Duewal, but it must have got lost with the parcel of books and photocopies in which it was enclosed. I offer A \$ 100 cash or 100 of my LMP microfiche for the first who supplies me with one! - J.Z., 13.5.03.)

I had to do without breakfast on the last two days of my trip because I had no foreign currency. This has never happened to me before. I got on board the boat at Calais with only 2s. 3d. worth of French money. On the boat I was, of course, able to use my English pounds again.

My stomach makes only slow progress. I think Rittershausen's doctor was right when he diagnosed my trouble as due, not to duodenal obstruction, but to bowel stoppage. I look back bitterly to the readiness of the specialists in St. Thomas's Hospital to take out my duodenum. I am having difficulty in establishing regular bowel action. The trouble is that I have to rely mainly on aperients which are generally harmful to the stomach. I would prefer to secure regular action by diet; but most of the foods that activate the bowels are indigestible. Still - I am improving.

Kind regards to you. I hope you are well, and not too much worried by all this talk of a Communist coup to seize Western Berlin.

Sincerely yours - signed: Henry Meulen

My dear von Beckerath,

1st May, 1950

Thank you for your letters of the 21-4th April, and for the packet of senna. I appreciate that when your own health gives you so much anxiety, you should yet find time to trouble about my lazy bowels. But senna is an ordinary purgative, and does not cure constipation. It just purges the bowels, whereas the "Ceadon" is supposed to strengthen the muscles that cause the peristaltic action of the bowels.

Beecham's Pills, invented by the millionaire father of our Sir Thomas Beecham, the conductor, are used in thousands of homes here. They consist principally of senna with an admixture of aloes, and a binding material. They are just an ordinary purgative; but they made a fortune for Beecham père.

The photograph that I took of you certainly does not flatter you; but the face is full of character, and the lighting of the face (purely accidental) is very interesting. But be not over-anxious. I think you will live many years yet. (J.Z.: Well, with many health, strength and sleep troubles and finally an operation, he made it to 1969. - J.Z.)

Let me turn now to your letter of the 23rd, in which you enumerate some points of difference between us.

(1b). I think your note bearers also give credit to the issuing banker, since the bearer has not yet received value for the note.

(J.Z.: What kind of credit, when this ticket money is at any time redeemable in consumer goods and services? The issuing shop or shop association has already received value in return when the note was issued. This note holder

has simple not yet collected e.g. the shop goods that the shop association wants to sell to him for his note. A shop keeper would rather do without this credit and get this turnover finalized, and become ready for the next turnover, with another profit margin. - J.Z., 13.5.03.

2b). I think it would be better for long-term credit to be issued by the banks so far as possible. I have set out the reasons for this opinion on pp. 230-235 of "Free Banking".

(J.Z.: And he still babbled about issuing currency notes for long term credits rather than capital securities, to be subscribed to with acceptable currency notes. - J.Z., 13.5.03.)

(4a). If the banker judges wisely, his resources will enable him to meet all his obligations, and no depreciation of his notes should result.

(J.Z.: With turnover credit notes of Shop Association Banks, the short term debt certificates of their debtors and their shop-foundation are the assets being mobilised or liquidified or monetized by the Bank. This issuing centre needs no other assets and capital. Short-term debt certificates not suitable e.g. for wage payments are temporarily replaced by those which are and are finally redeemed by these more current or acceptable notes. Bills of exchange are turned into banknotes and the banknotes redeem the bills of exchange, when these fall due. Not a single gold coins is required for this self-liquidating business. By their very nature such notes are unsuitable to directly, through their issuer, grant medium or long term loans with, although those who have saved such notes and want to invest them on medium or long term loans, can subscribe with them to such loans. - J.Z., 29.5.03.)

(5b). The public demand for notes is conditioned by public trust. If some people get more notes than they want, they will return them to the bank of issue; and if they get satisfaction there, their trust will be maintained, and no depreciation should occur.

(9a). The longer that notes remain in circulation, the more credit the banker can issue on a given cash reserve, and the cheaper he can make his loans.

(4). Yes, of course, I am perfectly willing that your system and mine should be put to the test, and let experience decide which is the best.

In your letter of the 21st April, you criticise my use of the term "Snowball effect". I think you have misunderstood the term. It means in English that a thing grown by geometrical progression, rather than arithmetical, that is that a £100 loan issued in time of slump, can vivify industry to a much greater extent than the original amount of the loan.

2.

Further on in the same letter, you return to the subject of paying American goods by British pounds. You say that it would suffice if we were to export goods to the amount of the £ 50 M deficit to the rest of the world. But this will not help our deficit with USA unless these other countries can pay us in dollars, or in currency that USA will accept at par.

No - of course I would prefer that English importers should be permitted freely to buy wherever they like and at whatever price they can arrange, whether in depreciated pounds or any other currency that USA will accept.

You think I overestimate the danger of a depreciation in English pounds - you think such depreciation would rarely exceed 2 or 3%. But the hotel proprietor in Dunkirk told me he thought I could get 800 fr. for an English pound - not more. Since the official rate was 997 to the £, this represents a depreciation of about 20 %, and I did not pursue the matter.

(J.Z.: He should have. Then he might have found out that the 997 official rate was a fictitious one, not the free market rate. The official rate was set above the market rate. The 800 fr. rate might have represented the free market rate. Naturally, deals at the official rate would cause difficulties, because the English pound has no legal tender value abroad. But seeing that monetary despotism prevailed also in France, the 800 francs rate might also have been an official French undervaluing of the English pound and over-valuing of the French franc.)

I met Pierre Ramus in London many years ago. He did not impress me. I remember him as an ordinary terrorist anarchist. (J.Z.: ??? - He was rather the conscientious objector type and served a prison sentence for it, while M. did his "military duty"! - and killed how many Germans in the process? - J.Z., 13.5.03.) And I don't think much of his twelve articles. (Wasn't that rather Gustav Landauer's 12 Articles? - J.Z.)

I have read the article you send me from the "Taegliche Rundschau" with interest, and have added a remark on it to one of my notes for the June "Individualist". I think a complete reply to the report lies in the unwillingness of USSR to allow delegations of Russian miners to see for themselves the "terrible" conditions of British and US miners. If the Russian mines were really so attractive, Russia would raise the Iron curtain at once, and send forth her workers to see the abominable conditions beyond the curtain - there could be no better propaganda for Communism.

I have succumbed to my vanity, and am printing your letter on "An invariable of unit of value" almost in full in the June number. But I am holding over some further extracts from your letters for future issues.

Kind regards to you
Sincerely yours - signed: Henry Meulen

3 May, 1950

Dear von Beckerath,

Thank you for your letter of the 26th April.

Greene is however, quite an unusual bird in that he proposes to retain the fixed paper price of gold, and to use gold as a permanent standard of value. Hence every issue of mutual paper must depreciate the value of gold and raise prices (see pp. 36-8 of "Mutual Banking" - Indian edition)

Your supposition would be correct only if he abandoned gold as a permanent standard of value.

(J.Z.: If M. & B. had lived to now and had continued corresponding on this, could B. have talked M. out of his misconceptions on this? I doubt it. - J.Z., 13.5.03.)

I cordially agree that the rise of prices which would result from a bank's issues in times of slump should not be called inflationary. I have maintained this point of view frequently in "Free Banking". Nevertheless, it does involve an increase of prices, whether the money be mutual notes or convertible notes. Under freedom there is an automatic check on over-issue by one particular bank, namely, the system of clearing. If one bank issues more notes than the other banks, the notes will be returned to the offending bank through the clearing house in the ordinary way, and, not being balanced by corresponding repayments, will cause a reduction of the offending bank's cash reserves.

I read Horn many years ago. He was a friend of Wesslau, co-author of "Free Trade in Capital" by Egmont Hake and Wesslau. I often talked with Wesslau, and have criticised his theory in "Free Banking". I think his system of Free Banking is vitiated by his insistence on the retention of the Gold Standard, and precisely because the rise of prices that would result from freedom of note issue would cause a drain of gold, and would compel the banks to curtail their issues.

I am glad to read that May Day passed off fairly peacefully in Berlin, and you will be able to consume your stocks of food in peace.

Sincerely yours - signed: Henry Meulen

London, 16 May, 1950

Dear von Beckerath,

Thank you for your letters of 29 Ap. and 3, 5, 6, 7 and 8th May - as full of interest as ever.

Regarding the danger of war with Russia, did you see the article in the March "Reader's Digest" in which the writer gives reasons why he does not expect war? It is worth reading.

I think that Greene is rather confused on the subject of the relation between mutual paper and specie.

On pp. 36/7 of "Mutual Banking" he writes that if the dollar rises in value, the bill of the Mutual Bank rises also, since it is receivable in lieu of a silver dollar. And further on:

"the value of mutual money is determined not by the demand and supply of mutual money, but by the demand and supply of the precious metals."

This would seem to mean that the mutual note is redeemable in a fixed weight of specie, since if the note were redeemable in a smaller weight of specie when the dollar rises, the note would not rise in value with the dollar.

You ask what limit I propose for the amount of notes that a banker may issue on a given cash reserve. I think no limit should be fixed. The banker should be guided by the use to which a proposed loan is to be put, by the amount of repayments he expects from other loans, and by general business prospects. A fixed limit would obstruct his judgment on these points, and would sometimes prevent him from making safe loans which might be of benefit to the community.

UNO. (Your letter of 7 May). I think that the sole function of UNO should be to diminish the danger of war between its members. It should not interfere in the economic or domestic affairs of its members. Wars arise between governments: the ordinary people cannot make war without some such organisation as the State. Hence UNO must deal with governments. If we must wait for ordinary people to stop war over the heads of their governments, we must wait a long time, and experience many more wars.

(J.Z.: Territorial governments are able to keep making war against each other precisely because the main victims, the people, on both sides, including the military slaves, are given no say and power on such matters and are coercively organized and exploited in a territorial way by their governments. Without these wrongs and abuses, it would not take most people a long time to conclude peace between them, on just terms. They would no longer have motives or financial powers for aggressive wars or for wars which governments call "defensive" or "liberating" ones. Even the targets for mass murder devices would disappear and whole populations could no longer be held collectively responsible for crimes of their rulers. Wars, if they would still occur at all, would be reduced to rightful police actions against real political criminals with victims. See my two books on the subject under www.exterritorial.info/ - J.Z., 29.5.03.)

You ask if my statement is true that before 1914 England was the only country in the world to maintain a Gold Standard. The statement is correct if the Gold Standard is defined as an obligation on the Mint to buy, and on the Central Bank to sell, gold to any extent at a fixed paper price on demand. France was on a gold and silver standard, and when the demand for gold threatened the base of her credit system, she reserved

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the right to redeem in silver such notes as were presented for conversion. In Germany, when the banks made too great demands for gold on the Reichsbank, an official from the Reichsbank would call on the offending banks and tell them that their demands were embarrassing the Reichsbank and had better stop. The banks generally obeyed. It was for this reason that Continental financiers liked to have a supply of English pounds, and that London became the financial centre of the world - simply because the holders of English pounds knew that they could infallibly get gold for these pounds from the Bank of England whenever they wanted it. On p. 180 of "Free Banking" I have detailed the cost to our industry of maintaining this "free" gold market.

The list that you send me of German banks of issue in 1976 is most interesting. Did no economist defend the private note issues? What were the arguments raised against private issues? Germany adopted a gold unit in 1872; but she did not at any time, I think, adopt a Gold Standard in the British sense, that is, she was never ready to sell gold freely at a fixed paper price. Therefore the arguments which Lord Overstone used here to support the prohibition of private note issues would not apply to Germany, and I am curious to know what arguments were used in Germany.

Thank you for all the copies of "Die Bruecke", duly received. It is interesting that I often find myself reading articles that I have already read in "The Times": they read so different in German that I think I have not read them before.

Going through Ghent on my way home I had trouble with the dynamotor of my car. I took it to a large garage in Ghent, and stood by the bench whilst a skilful young man dismantled it. I talked to him while he was working, and presently he said:

"You talk very good French - where did you learn it?" I replied that my father had sent me for three years to a school in which all the lessons were given in French. "Moreover" I added, I like languages - I have learnt and forgotten more languages than now know." He then said I suppose you have never looked at Esperanto."

"Why - that's strange" said I, "I learnt Esperanto when I was twenty; but have not read or spoken it for forty years." He then said that he, his wife and children spoke only Esperanto at home, and he continued the conversation in

very fluent Espo. After ten minutes I found myself speaking Espo. again with comparative ease - the vocabulary came back again from forgotten lumber rooms in my memory. The interesting point is that I put in about a year at studying Italian when I was about 28, and another year at Spanish when I was about 32. In both these languages I was able to make myself understood when I went on holidays to these countries; but today I can hardly read either of them, and to speak them would be out of the question. Yet in the case of Espo. I spent only one month studying it. I think that the reason I have not forgotten Espo. is that the grammar is so simple (it can be learnt in an hour), and the words are for the most part derived from English or French roots. It was making great progress down to 1914; but the war stopped the growth, and the second war almost killed it. But a good many international conferences today admit it as an optional language, and over here it taught in a number of schools.

Yours sincerely - signed: Henry Meulen

My dear von Beckerath,

6 June, 1950

Thank you for your letters of 6, 13, 19 & 26 May/

I have read with interest your letter to M. Picard. But I rather hope that in the next war there will be no neutrals.

(J.Z.: Rather, allow all individual citizens to declare themselves as neutrals, so that the present decision-makers for millions might have to fight it out among themselves, if they insist that there must be a war. Then they could no longer automatically fight through proxies, using their subjects as mere tools for their purposes. Letting peaceful citizens withdraw from warlike States (governments) and negotiate peace treaties and their own alliances could prevent many wars. That they could thereby also exempt themselves from war taxes would be an additional incentive. Moreover, they would then also be free to conclude separate peace treaties and continue Free Trade with the supposed "enemy". No one is obliged to follow any territorial government into any wrongful war and if that is realized, then a defensive war against such a government would no longer be necessary. Those so seceded could, obviously, no longer be held collectively responsible for the actions of the government they seceded from. However, new gurus and prophets and mis-leaders will arise and against them the local volunteer militias for the protection of individual rights could and should federate themselves internationally and mobilise themselves, should they decide that this would be necessary. Territorial governments should be altogether excluded from that sphere and all other significant spheres. 6000 years of their abuses should be considered as enough to disprove their kind of utopia. - J.Z., 14.5.03.)

It seems to me unfair that the smaller States should rely on the larger States to protect them against aggression -protection which is in any case very uncertain. Every State should contribute arms, men and money to UNO in proportion to its means. Then in the case of war all able-bodied men should take part according to their capacities. (J.Z.: So, this individualist anarchist and peace lover wanted to rely still on a territorial (world-wide) super-State, to achieve peace! - J.Z., 14.5.03.)

I am sending you another "Malthusian". You will note that the editor again quotes Colin Clark to the effect that Ireland is fourth in Europe in respect of real income per head. I would like to see Clark's figures checked by other statisticians. Still - it may well be that he is right - he has a considerable reputation, and is quoted without question. Given a just land system, it is obvious that if the population is halved, the acreage per head is doubled, and to this extent the Malthusian doctrine is justified.

Esperanto. Yes - the reformers certainly hindered the acceptance of Esperanto. Personally I think it was a pity that Esp. did not accept the "Ido" reforms when they were first advanced. It was not contended by Espists. that the Ido reforms were not an improvement; they argued only that Esp. was now accepted, and that there was no end to possible reforms. The Idists replied, justly I think, that at that date only a small fraction of the world accepted Esp., and that the Ido reforms would help the spread of the idea of an intl. language. In particular the abolition of accented letters, of the accusative, and the greater use of small words in Ido were great improvements.

(J.Z.: In one or the other reference work, from about 1900, I had read that by then there were over 100, possibly even over 200 artificial international languages. They all have their partisans, just like the "natural" languages, Latin and Pidgin, basic English and English have, as international languages. Have all of them been objectively evaluated? Will that evaluation come only through computerised translation programs comparing all of them, e.g.

by re-translation tests, or will automated computerised translations make a world language superfluous? Some of these programs offer not only translations of one language but of whole batches of them. - J.Z., 14.5.03.)

While we are on the subject of language, here is an enquiry that interests me. The English word "gift" means a present. It is derived from a similar word in old High German, Scandinavian, Danish and Icelandic. But the German word for gift is now Geschenk, and "gift" means poison. When and why did this change occur?

Thank you for the abundant details you give of the Free Banking controversy in Germany. The 100 Marks minimum for notes was certainly a serious hindrance to the spread of Free Banking. All experience shows that the chief demand for the notes of local banks is for wages and local purchases.

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For these purposes the denomination of the notes should be as low as is practically possible.

The "Times" has printed a short letter of mine against the Schuman plan. It is surprising to me that there is so little criticism of the plan here - it is welcomed both by the Right and Left. Evidently we are so afraid of German and Belgian competition that we jump at the chance of regulating the demand and supply of coal and steel. Actually I think Germany will suffer by accepting the plan. She is doing very well under the present system. If she joins the plan, she will undoubtedly be asked to raise her wages and increase her prices. I suggested to the "Times" that the danger of cartels under private enterprise could be better met by anti-cartel legislation, and by such banking reform as would encourage the establishment of fresh competing firms. The experience of USA with anti-monopoly legislation, while not 100 % successful, yet shows that monopoly can to some extent be discouraged by legislation. But of course the real answer to monopoly is free competition in the supply of capital to industry.

Sincerely yours - signed: Henry Meulen (Henry Meulen)

The Editor of
"The Malthusian".

4th July, 1950

Sir,

von Beckerath writes me from Berlin regarding the statement by Mr. A. S. Parkes in the May issue of "The Malthusian" to the effect that Malthusians believe that pressure of population is ultimately the chief cause of war. Von Beckerath writes: "Do you know of one war in the last 3000 years in which the chief cause was pressure of population?" I confess I do not. I know that Germany asserted that she needed "Lebensraum"; but does anybody outside Germany believe that this was the real cause of the two last wars?

I am, Sir, Faithfully yours

My dear von Beckerath,

4th July, 1950

Thank you for your letters of 9, 14, 16 & 17 June.
Your explanation of the derivation of "Gift" is most interesting, and seems plausible.

UNO. I have little faith in any union of working men to prevent war by refusing to fight. When a govt. proclaims that the country is fighting a defensive war, parades its men in uniform with bands playing, and says that the man who does not join is a coward, the great majority of men, of all classes, will rush to join, as witness the Socialists in Germany and England in 1914.

Chinese Marriage Law reform. But I think that any proposal of divorce by mutual consent, or at the demand of one party, should involve contribution by the husband towards the maintenance of children, and also to the wife if she has become unable to work.

Malthusianism. I think you make a good case for the priority in importance of Free Banking over Birth Control; but surely you would not advocate larger populations before Free Banking is established, except as a military measure.

Yes - Malthusians often assert that the pressure of population is the chief cause of war. F.R.S. is Fellow of the Royal Society, and is to me the finest degree given in England. It is not awarded as the result of examination, but only for original work of outstanding importance. I will write your criticism of Parkes to "The Malthusian".

Gold Standard. Yes I agree that we should have in English some word to describe systems in which gold is used without being convertible at a fixed paper price for a given weight of gold. But we invented the fixed paper price system, and called it the Gold Standard; and I think that economists should confine the term to this system.

Fugitives from the Eastern Zone. I wrote a letter to the "Times" on this subject; but it was not printed. I enclose a copy.

Capital in India. It is not clear to me why Hindoos should be content with 6 % p.a. on govt. loans if 5 % per month can be got on agricultural loans.

In my last packet of newspapers I sent you a copy of "Truth" containing a review of a book by E. Marshall Hardy on fishing. I meant to cut out this review and send it to a friend. If you have not destroyed the paper, I should be obliged if you would cut out and send me this review.

I hope your health is good. My stomach has greatly improved, and I am eating almost normally, and am putting on weight.

Sincerely yours - signed: Henry Meulen

HM/ED

The Editor of
"The Times".

23 June, 1950

Sir,

Will you allow me to draw attention to the plight of another class of refugees. A Berlin economist friend sends me a copy of a Berlin paper which reports that during last April 5660 refugees from East Germany crossed the border illegally to seek asylum in the West. Of these all but 1027 were sent back because their case was not thought urgent enough to balance the difficulties of housing and employment. The fate of these people when they return to the East can be imagined. It would be to the interest of the West, as well as a humane act, if the free nations would make a better effort to absorb these refugees into their economics: every one of them would be an enthusiastic propagandist against Communism.

I am, Sir, Faithfully yours

HM/ED

The Editors of "The Times".

13 July, 1950

Sir,

The long-standing contradiction in the world economic system is again illustrated in your interesting article on the mission of Mr. Menzies to London. Australia is short of coal and steel, although she has plenty of coal to mine, ample capacity to make the requisite steel, and an inflow of 200,000 settlers annually. She has the natural resources to produce cement, building materials and timber; but she must appeal to foreign nations for credit to enable her people to work.

Our Association has for years endeavoured to draw attention to the effect of banking restrictions in every country in the world in causing a world shortage of credit. Every country in the world has copied our example in setting up a central bank, & and severely curtailing the private banks' power to create credit by note issue.

(J.Z.: It does not "create" credit thereby but merely transforms existing credits which are in unsuitable form for circulation into credit certificates, that are suitable for at least local circulation and that bind only the issuer these certificates and the debtors of the discount business involved. Such notes may reckon in gold weight units and stand at par with them, on a free gold market - without being redeemable by the issuer in gold coins. - J.Z., 14.5.03.)

It is currently thought today that the main purpose of the prohibition of freedom of note issue by our 1944 Bank Charter Act was to protect us against wild issues of notes. This is an error,

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Reference to Parliamentary discussion during the passing of the Act show that few such accusations were brought against the banks of issue: the object of the Act was to maintain the Gold Standard.

(J.Z.: Rather: gold redemptionism by the issuer, upon demand, which is just **one** version of **several** different kinds of "gold standards". - J.Z., 14.5.03.)

It was common knowledge that the banks did not always follow the lead of the Bank of England in restricting credit when gold was flowing abroad.

(J.Z.: The gold was not automatically "flowing" abroad. This required first the legal right of creditors to demand payment in gold coins. That legal claim should never have been granted, neither to foreign nor to internal creditors. They should only have been granted the right to payment, in any acceptable means of exchange or clearing certificate up to the gold value of the debt agreed upon. For the settlement of such gold value debts not a single gold coin is required as a means of payment from the debtor. - J.Z., 14.5.03.)

When their supply of golden pounds or guineas ran short, they were able use their own notes to supply their customers' needs.

In the 1930 crisis we at long last learnt the lesson that an outflow of gold is not necessarily an evidence of sin at home. Under a Gold Standard our gold is at the mercy of any country that chooses to set up a demand for gold; and politicians and economists are now agreed that it is unwise to penalise home industry by a high Bank Rate in order to provide the bullion market with incentive to return gold to us.

Therefore we (A government law does not represent all people of a whole country. - J.Z., 14.5.03.) abolished the Gold Standard. (The worst of all the possible ones, without permitting the others! - J.Z. 14.5.03.) But it is not generally realised that with the abolition of the Gold Standard the main argument against freedom of note issue falls.

It was through their note issue, as Bagehot long ago pointed out, that all our great banks were able to get established before 1844. Their founders were manufacturers or merchants who began to make loans in their own notes to local borrowers, and if the issue commanded confidence (Often rather misplaced trust in the bank granting medium to long term loans in its notes, rather than merely discounting real bills. - J.Z., 14.5.03.) eventually relinquished their own business in favour of banking. Thin process maintained healthy (??? - Not to the extent that capital loans were granted straight with the issue of fresh notes! - J.Z., 14.5.03.) competition in banking; and it is noteworthy that no fresh bank of any importance has been established in the United Kingdom since 1844. The note

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issuing banks did great work in establishing industry in this country. Through their knowledge of local families, men and conditions they were able to lend safely, risking their own money on their own opinion.

(J.Z.: Correct, if they only lent out their own capital or capital entrusted to them for that purpose. That could also have been done with 100 % gold covered gold certificate notes of the bank. To the extent that they issued their fresh banknotes on medium and long term loans, not just in short loans to discount real bills, backed by already produced and sold goods, uncovered by their gold stocks and only hoped to be able to acquire gold coins for redemption purposes, if they should need them, they exposed all business to a great and unnecessary risk and made their kind of banking rather unsafe. They got away with this for long periods only because sound alternative exchange media to these flawed banknotes and to rare metal coins were lacking, being either not conceived yet or outlawed. - J.Z., 14.5.03.)

Great systems of railways, factories, mines and works of engineering stand today as the result of note issues (Rather: Capital investments from savings! Mere note issues could only have facilitated the current turnover business, not the construction of large capital values. - J.Z., 14.5.03) from local banks that have long since been swallowed up by amalgamation.

What was done here before 1844 can be done in Australia and every country of the world today. The men of energy are there; what is needed is the act of imagination to bring the two elements together - to enable men to pledge their future production to repay loans.

(J.Z.: That is a job for the capital market with its capital securities. Sound bank notes or private shop foundation currencies or clearing certificates can merely facilitate the current turnovers of already built, producing and selling factories, farms, etc. They cannot finance their real estate, buildings, machinery, raw materials, transport facilities etc. The markets for **both**, the production and transfer of turnover-currency as well as for savings and investments, and their capital securities should be quite free but not mixed up with each other. The capital market does also use turnover currency - but only for the relatively few purchases and sales of capital securities and their redemption. It should not be allowed to issue "asset currency", redeemable only in future goods, not immediately in shopping centres. A ticket money is not a capital asset. A capital security is not current enough to serve as currency in general circulation. Currency requires immediate redeemability in ready for sale consumer goods and services - including labour - that are in daily demand, not in some future goods and services, still to be provided and offered for sale some time in the future. - J.Z., 14.5.03.)

The private banker, who watches daily the proportion between his loans and his inflow from repayments and deposits, is in a position to adapt his loans nicely to the local resources. The granting of this credit depends on local knowledge on the part of the banker: a government is more likely to make losses than profits; and for the establishment of local banks freedom of note issue is a necessity.

A network of such local banks spread through a country could, in a surprisingly short time, render the country practically independent of credit assistance from abroad.

Moreover, and perhaps more important, it would foster local ownership of industry, and give the capable man a far more useful outlet for his energies than turning to politics to increase his wage as employee of a great combine.

I am, Sir, Faithfully yours

18 July, 1950

Dear von Beckerath,

Thank you for your letters of the 21st June, and 6 and 9 July, also for the copies of "Die Bruecke" and "Truth" which last I am returning to you. I think you need not send me "Die Brucke" in future unless it contains some article which you think I should read. The amount of periodical literature that I read nowadays floods over my head, and I rarely have time to read the books I want to read.

Your letter of 6/7. Evidently I did not send you the copy of "Truth" - I must have destroyed it. Thank you for the trouble you have taken. I did not find the letter to Zander which you say you enclosed. You need not bother to translate German for me: I can generally make it out with the aid of a dictionary.

Eastern fugitives. It is a pity the "Times" did not find room for my letter. I will try it to the "Telegraph". I sent a further letter to the "Times", of which I enclose a copy. They have not yet printed it, and I doubt if they will. Still - you will see that I am keeping up the fight.

(J.Z.: When B. used the term "fugitives", I usually changed it into "refugees". The former term means predominantly a fugitive from the law, implying, mostly, a rightful law. "Refugee" has come to mean much more: Someone trying to escape not e.g. lawful custody or prosecution, for a crime with victims, but, instead, and innocent person, trying to escape from tyrannical incarceration or prosecution. - J.Z., 14. 5. 03.)

Malthus. I cannot think it prudent to advocate larger populations on the chance that more free bankers will be born. USA has three times our population; but actually there are more free bankers here than in USA. I know of no free banker in USA. Labadie is propagandizing mutual banking from Detroit; but he has not, I think, the technical knowledge to make his propaganda convincing. Your quotation from Kleinschmidt's pamphlet on Japanese land rents is excellent. If I had had it before, I would have included it in my letter to the Malthusian.

Capital in India. You are probably right. This village lending can be done safely only by a man on the spot, who knows local people and conditions. If free banking were granted, there would arise all types of banks, from the most primitive (and risky) money lending, to the "high Finance" bank, and competition would gradually transfer the less risky lending to banks that would do it more cheaply.

The "Reader's Digest" for June had an interesting article on a Louisiana banker. I enclose it. I have written a note on it for the "Individualist". You might return the article at your convenience. It is evidence of what the banks could do, even under our present restricted system, if they had the will. Free Banking, by supplying a spur to their efforts with competition, would supplement the moral motive which inspires Mr. Castile. By the way, our pawnbrokers lend at 1/2 d. per 2 s. per month, which makes 25 % p.a. They run little risk; but of

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course they must warehouse the pledged articles.

Your letter of 7/7. Yes - it would be wise of the Americans to state publicly that they will not restore monopoly in land. But I shall be very surprised if Chiang Kai Shek joins Mao.

Yes - USSR certainly seems to have some competent scientists. Their heavy tanks, now being used in Korea, were doubtless designed by Germans. This is the most disturbing news I have had of Russian production for a long time. I have always thought that the corruption and lack of incentive in the USSR system would prevent them from turning out really first class machines.

"analysis". I have had a letter from Murray Rothbard, their financial contributor. I enclose it, together with a copy of my reply. Please return them both. I have not yet had a reply from him. If I get one, I will let you see it.

Your proposal that buyers should bind themselves to buy fixed amounts is interesting; but I doubt if many small purchasers would thus bind themselves, except in such staple commodities as bread and milk. I doubt if they would be willing to promise to consume fixed amounts at stated times, even if they were offered reduced prices.

"Plans". It would be a most useful paper. I wonder if Armand can give any news of the paper; but he is so old now that doubt if one could get a reply from him.

American destruction in Korea. Well - Germans have told me that they suffered more gladly our bombing of their towns because they hoped that it brought the destruction of Hitler's power closer. It is to be hoped that there are enough Anti-Communists in North Korea to spread similar feelings there. (J.Z.: Why should they feel sympathetic towards those who fail to bomb their tyrants but manage to mass murder his victims with bombs? - J.Z., 14.5.03.)

Rittershausen is coming to England at the end of this month to lecture for the Quakers in Bletchley. He will stay with me for a few nights.

I enclose a cutting from today's "Times" on the racial question. Much as I would like to see a reduction of racial barriers, I doubt if the Organisation is right in saying that the range of mental capacities in all races is much the same. I think the average negroe lacks the concentration of the white man. If there is anything in the theory that the face is an indicator of the mind, (and I think there is), the negro must differ from the white man. You might return the cutting.

Thank you also for the engravings. Very interesting. What trouble these old people took over this work.

Sincerely yours - signed: Henry Meulen

PERSONAL RIGHTS ASSOCIATION.

Founded: March 14-the 1871.

Object: "The maintenance and development of personal rights and liberties.

Organ: Personal rights, monthly Journal of Individualism - - presently changed to "The Individualist".

J. H. Levy, the founder of the Personal Rights Association, was connected with the "Individualist".

Henry Wilson, M.A., was Hon. Treasurer of the PRA in the early days. He was born August 1st 1831. He died Jan. 8th 1907.

Following the death of Henry Wilson, H. H. Levy became Editor of the "Individualist" (Charing Cross, London S. W.)

Henry Meulen joined the PRA about 1908, when Henry Lupton was editor of The Individualist.

Arnold Lupton was secretary from 1924 till his death, May 23rd, 1930. Henry Meulen succeeded Arnold Lupton as Secretary of the PRA in 1939.

(J.Z.: Was no one its secretary from May 1930 to 1939? - J.Z., 14.5.03.)

My dear von Beckerath,

3 Aug. 1950

My thanks for your letter of 22 July. I find your letters infinitely more interesting than Rothbard's. You really must issue a journal. I am willing to increase my contrition to £20 p.a., as long as I can.

If I do not mention all the points in your letters with which I agree, it is simply for lack of time. And I trust that you would rather I spent my time on the points of disagreement.

India. The question was the reason why the capitalist prefers 6 % in State bonds to 60 % on village lending. On reflection I think I exaggerated in saying that your explanation was "probably" true: I should have said that it was "possibly" true; since you do not explain why the capitalist does not lend his money rather to the local lender at, say, 15 %. It may be that the organisation is lacking. In civilised countries finance houses would be set up to do this lending, just as finance houses now lend to firms who do hire purchase business. Such finance houses pay better interest than can be got on State bonds, and their losses are extremely small.

The Golden Rule banker. I like much your criticism of the principle of offering loans without interest, and I hope to insert it in the October "Individualist". But I cannot agree with your condemnation of time deposits. Such deposits enable a bank to make a larger volume of loans; and many a depositor may be willing to make a time deposit, when he would not like to take up shares in a bank.

The Americans and the land question in Korea. Excellent.

Malthus. I rather think that my attitude is that Free Banking would enable a great increase in prosperity to the existing population, and would permit a great increase of population with equal or perhaps greater prosperity. But in the absence of Free Banking, it should be admitted that a bachelor can be more prosperous on a given income than a man with a family and that it is difficult to get capital to bring fresh areas under cultivation. Only the danger of war can justify an increased population in the absence of free Banking.

(That reminds me of a line in one of Kurt Tucholsky's poems, on WW I: "For the trenches, mother, for the trenches, you have born and brought up your son!" That may have often been the effect of the territorial system but it was hardly ever the intentions of the parents, perhaps some officer families excluded. Is there no case for bringing up more children when one can afford to support them until they can support themselves? These people do not take the bread out of other people's mouths but set them encouraging examples of productive lives. Even during WW I and WW II the world population did actually increase, not decrease. Without that waste in manpower and resources, under Free Banking and Free Trade, all could have lived at a much higher standard of living. It is also wrong to assert that winning a defensive war is mainly a question of manpower. Mongols, with a manpower of only about 1-2 millions conquered the Chinese Empire when it had a population of about 120 million. Even lesser numbers could lead not to the conquest but to the liberation of the world from territorial governments - if only they practised the freedom alternatives among them, completely and consistently. Then their example could become **very** infectious, even without any military struggle. - As an old revolutionary, B. knew that - but used the argument probably mainly as an "ad hominem" one towards M. - J.Z., 14.5.03.)

Russian tanks. Were scientists prohibited by the Allies from working in Germany? I thought it was rather that the dismantling of factories left no outlet in Germany for the work of research scientists.

Rothbard. I agree with you that over-issue by a single bank is impossible; but for a different reason. I think that it is extremely unlikely that a private individual or a shop-keeper would notice an over issue of notes. The first

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indication of over issue would come through the clearing house. A banker who has issued many more notes than he currently receives back in repayment of loans will have a deficit balance with the clearing house, which deficit he must make good either in gold or acceptable notes. If he cannot do this, the other banks will either refuse his notes, or accept them only at a discount. This will start the popular distrust of his notes. And of course if all the banks over issue together, as in our South Sea Bubble, or the American 1930 crisis, only free import of foreign goods will stop them.

(J.Z.: Where there US note-issuing banks outside the Federal Reserve System, over-issuing US dollars, in 1930? Or had the other banks, speculatively, over-extended credits, from short-term deposits, for long periods, in the expectation of a continuing boom of the economy and in share prices? What have unrestricted imports to do with either wrongful investments of short-term funds or with inflation? I can't follow M. there. - J.Z., 14.5.03.)

I like your criticism of Rothbard's statement that "It is part of the nature of man that he prefers an apple today to an apple a hundred years from now." But I would not go so far as to say that his principle is false. It depends on circumstances. Today capital is relatively scarce - mainly because the State prohibits the free conversion of wealth into capital.

(J.Z.: If the State merely prohibited private "coinage" or note issue upon every kind of capital wealth, except that consisting in immediately ready for sale consumer goods, and services (including labour), then this would, indeed, be a despotic prescription but not an inherently wrongful one, since it would merely prohibit the issue of unsound currency, not that of sound currency. Even the best intentions, the most sincerely believed convictions, that asset currencies would be sound currencies, could not prevent their depreciation. The outright refusal of all shop owners, service providers and labourers to accept such asset currency at all as "payment" for what they have to offer, and their insistence on being rather paid with suitable vouchers, by the owners and providers of ready for sale goods and services, would reveal, that the asset currencies have no sound immediate foundation but are merely speculative papers, issued in the hope for or expectation of future profits. Some people like to engage in such speculations and some do even make a good living from them and do good by helping many sound enterprises being established. But why should the general public provide the capital for these enterprises in this way, rather than through the capital market, if and to the extent that they have savings available for this purpose and do want to so invest them? Wealth in real form is already a capital, anyhow. And it can be turned into more liquid capital by converting it on the capital market either into some form of cash, provided by others, or into some form of transferable capital security certificate. But the direct conversion attempt of every kind of capital wealth into cash capital, by note issue, is a very unripe and self-defeating idea, which must lead to the disappointment of issuers and acceptors. Not everything that is valuable is valuable as cover and redemption fund for a currency. If it were, we would see banks issuing bank notes based upon the security of jewellery, paintings, statues and various collector's items, rare books etc. Special scrip and vouchers for such exchanges would be possible but not a general currency, not even a local one. - J.Z., 14.5. 03.)

Therefore most man prefer an apple today to an apple in the future; and most men are ready to pay interest to him who will give them an apple today against repayment of an apple in the future. Interest will decrease gradually under the conditions sketched on pp. 397-6 of "Free Banking". There are two pages of it, and I gratefully refer you to it, and save myself the trouble of writing it out.

Gold coins. You know well that I would not prohibit gold coins; but I am sure that it will be very difficult to keep gold coins out of the melting-pot when the price of gold rises.

I have just received your letter of July 28, and also the papers. Many thanks. I will reply to the letter when I have had time to consider it.

I think the Allies are unwise in not giving assistance to these refugees from the Eastern Districts. I suppose that housing is difficult, and also employment; but I should have thought that it would be wise of the Americans to devote a little of the Marshall Aid to this purpose. It is an important part of the war against Communism.

I am glad to report that my health is still improving under Dr. Zybelle's treatment, and I am putting on weight very steadily. It is a pity that my health did not improve before I met you. I could perhaps have made more intelligent replies to your questions.

Sincerely yours - signed: Henry Meulen

P.S. Among the papers I am sending you today are some copies of "Truth" containing correspondence of mine on the subject of an international police force. You might tear out these pages and return them to me as soon as you can, I think the correspondence is finished; but somebody may take it up again.

15 Aug. 1950

My dear von Beckerath,

Thank you for your letters of 28 & 31/7 and 1 & 2/6, also for the Zander pamphlet which I will read with interest.

I keenly regret your pessimism about your health. Every psychologist, from Christ to Coué, mentions the importance of optimism in health. Pessimism only increases ill-health. Food is getting better in Germany, and the political situation is not too bad. I earnestly hope that you may have many years of activity before you.

Rittershausen has been staying with me for the last four days, and we have both done too much talking, into late in the night. Today he goes on to Zander, where he is staying until the 18th. I have enjoyed his visit immensely. But it has delayed my reply to you, which I regret. However, he has now gone into the City, and I sit down to reply to your letters.

I am returning to you the "City Press" of July 14. I cannot share your enthusiasm for J. E. Holloway. I badly suspect that by "Honest money" he, like S. W. Alexander, means only a circulation of gold coins convertible internally into paper at a fixed price by weight - in a word, the Gold Standard that we had in the 19th century. Still, it is encouraging that both he and Alexander want to free the foreign exchanges.

In your comment on Rothbard's letter you quoted the instance of the old Roman Empire where prices, taxes and debts were fixed in gold coins. But Del Mar says that Rome had a double standard, gold and copper or bronze, and the government fixed the relation between them, changing it from time to time, although rarely. In that case fluctuations of gold would be measured in copper, and vice versa.

Malthus. The point which Malthusians constantly make is that the farmer in Australia gets so much more return from his labour than the Japanese. You reply that the Jap is exploited by the landlord, govt. and money-lender. But if the Australian has 100 times as much land as the Jap, I find it hard to believe that even if the Jap were not exploited, he would be as prosperous as the Australian. Machinery enables one man in Australia to get bigger returns than does hand labour in Japan, although the Jap, by putting in more labour, may get more out of an acre than does the Australian. Even if the Jap had cheap capital, he would not be able to get more land, and inferior land brought into cultivation must yield less than fertile land.

Phrenology. I am glad you are interested in this science. I am too, and I was for many years a member of 2. the Phrenological Society in London. J. M. Robertson was President for many years, and it is interesting to remember that Spencer was keenly interested in the subject. Most Scientists today regard phrenology as unsound, although all their objections that I have read so far have often been answered by phrenologists. In particular the doctors argued that trepanning operations on the skull show that the brain surface does not follow the bony structure of the inside of the skull. The phrenologists replied that this was because the brain contracted when the skull was opened. If the skull was frozen before it was opened, the brain exactly filled the bony cavity.

Voluntary militia. I think it is dangerous for a country to permit the creation of private armies. I agree with Tucker that so long as freedom of speech and press are allowed, there is no case for violent revolution. (Private armies =/= militias in Kant's, B.'s or my sense! - J.Z., 14.5.03.)

Gold production. (Your letter of 31/7). It is not clear to me why the substitution of money payments for payment in kind should cause a rise of prices unless money became more plentiful. When payment in money was introduced, it must have been arranged on the money value of the rent previously demanded - a rent of 20 bushels of corn would be changed to the money value of 20 bushels: the amount of gold or silver that 20 bushels would fetch. Prices would rise only when money became more plentiful, or corn scarce. You will remember that Jevons wrote in "Money", Chap. XXV, that between 1789 and 1809 gold fell 46% in value. Between 1809 and 1849 it rose by 145%; and between 1849 and 1875 it fell 20%. After then it rose owing to the adoption of gold currencies by

continental countries. How would you explain these fluctuations if not by changes in the supply and demand of the gold market?

Your argument that the export of corn to the North caused a rise of prices has more weight. I have not seen it mentioned before.

(J.Z.: Many price changes depended not only on man-made catastrophes like wars and revolutions, or natural ones like bad harvests, but also on the transformation of a barter to a monetary economy - which is still not complete enough because the monetary economy is not free enough. Money is easier transportable than are goods and requires less transportation and conservation costs. It also offers a wider market for goods, thus increasing their market value. In payments in natura quality was often very low, e.g. in such tax payments, and the local barter value of e.g. a rich harvest was rather low. Thus the increase in prices, the wider the monetary economy spread. On the other hand, it also allowed the benefits of mass production and mass transport and thus made many goods cheaply available all over the world, e.g. grain, ball point pens, paper, electronic watches. And unsound money systems allowed deflations to occur. - J.Z., 14.5.03.)

Rittershausen is much more Anarchist than I thought. He is anxious to get a copy of "Instead of a Book", and I am writing to USA to try and get him a copy. He thinks that many Germans, particularly among the students in Universities, are moving towards the idea of freedom today, owing to their bad experience of govt. control during the war. I wish I could see the same tendency here; but I cannot. He has a vast knowledge of the course of prices, imports and exports in Germany, and I have been most carefully picking his brains. He mentioned some more remarkable cures by Dr. Zybell of Frankfurt. Could you not manage to go to see Dr. Zybell?

Sincerely yours - signed: Henry Meulen

16 August.

I received yesterday your letter of the 13th - it seems to have taken a remarkably short time on the journey. Thank you - also for the pages from "Truth".

I am glad you agree with my "Truth" letters. I thought you might not agree with my statement that probably the majority of men join the army in war-time because they do not want to be called cowards. My sister, to whom I read the letter, was indignant with me. The usual view is that men rush to join in order to defend their fatherland. I think this motive is generally present; but the primitive desire for the good opinion of their fellow-men is, I think, stronger; and this desire leads them to do anything that the country desires, whether fighting a war, killing Jews, or torturing the political opponents.

Rittershausen left yesterday, and is staying for a few days with Zander before returning to Germany on the 18th. I find talking on economics most exhausting - probably because it interests and excites me so much. But in talking one has to screw up one's mind quickly; whereas in written correspondence one can consider the question quietly. I think the latter more useful.

The "Times" yesterday has two interesting letters which I enclose. Also one from today's "Times". Lord Hinchinbrooke is surprisingly wrong. The only reason for UNO is that it substitutes the counting of heads for the breaking of them.

H.M.

My dear von Beckerath,

30 Aug. 1950

Thank you for your letters of 17, 18, 23 & 24 Aug. They are as interesting and provocative as ever.

Japan & Malthus. Your reply hardly meets my point. If Australian and Jap farmers had similar technical equipment, whilst each Australian had 100 times as much land as a Jap, the Australian would produce more than the Jap.

Voluntary militia. Alas my copy of the "Wealth of Nations" is not provided with an index; hence I cannot look up the remark which you quote. Frankly it surprises me. In this country we have had no private armies since

they were abolished by William the Conqueror; and I think most students would agree that we have benefitted enormously from their abolition.

(J.Z.: The people in arms, in ideal volunteer militias, are neither mercenaries and fortune hunters nor private armies of some lord or the other, who more or less owns them. Ideal militias would fight for their own rights and liberties, not for the interests of some lord or for whoever pays them to fight. Nor are they a mass levy of men, raised by a territorial State, although this kind of organization and mobilisation has been all too common. How can a freedom lover mix them up, just because they were often running under the same name? - 14.5.03.)

After all, progress towards the industrial state, as distinct from the military state, involves the settlement of disputes by law instead of by force. And that freedom of speech and press can be upheld otherwise than by force of arms is demonstrated by the refusal of our present Labour govt, to deny freedom of speech and press to our Fascist leader, Sir Oswald Mosley.

I doubt if the path to freedom lies through a legal recognition of the right to ignore the State. As I have often said, I do not think this right can be permitted so long as the danger of war persists. Progress must rather lie in the progressive abolition of laws found to obstruct culture and prosperity.

I am glad you agree with my "Truth" letters. I was afraid you might take the view that soldiers were mainly motivated by a high patriotism.

In your letter of 23.9 you suggest that the increase in hire purchase springs from a fear of further devaluation. I should rather say that the main cause is the general inability to bring oneself to save. The interest that hire-purchasers pay is very high. People who cannot save will always be at the mercy of those who can.

I am sending you a Greek pamphlet on "Money & Law". When I was 20 I could read the New Testament in Greek with comparative ease. Now I can hardly read the letters.

Fortunately the author sends me also a translation of two chapters. On the back of his enclosing letter, I have given a copy of my reply. You might return this sheet - there is no need to return the pamphlet. I am sending you also some more papers, and one or two cuttings which may interest you. It seems a big bundle of papers - if there are too many, you have only to tell me.

"The Malthusian" replies to your objection - a poor reply I think. The only modern instance he gives the only one that can be checked - is that of Germany, which all the world knows to be wrong. It is highly improbable that the ancient invasions were due to pressure of population: the motive was rather the plunder of rich lands.

Sincerely yours - signed: Henry Meulen

My dear von Beckerath

9 Sep. 1950

Thank you for your letters of 31.8, 2, 3, 6 & 9 Sep., and for the printed matter. I will return "L'Unique", together with other copies.

I read the article on corporal punishment; but did not think it worth a reply. The author says only that he prefers to do without corporal punishment, without giving reasons. There is no arguing with this.

I had already read the Lloyds Bank Review article, reprinted in "Die Bruecke". I receive the Review regularly.

Japan & Malthus. But the question between us is not the output per labour hour, but the production per head. Malthusians agree that the output per labour hour is greater in Japan than in Australia. If, however, the Jap farmer has to stop work after an hour because he has no more land, whereas the Australian, with 100 times as much land, can go on working, the production per head will be greater in Australia.

Your replies to the Malthusian instances of wars due to food shortage (*) are excellent. I will write them to Kerr. He certainly trespassed on ground that is peculiarly your own when he gave these instances from Roman times.

(*) (J.Z.: B.'s reply indicated precisely that there are no such instances. They are purely imagined and asserted. - J.Z., 30.5.03.)

Voluntary militia. We. are discussing different things. I understood you to advocate private voluntary

armies, created independently of the government. Of course we have had volunteer armies for a century or more; but they were originally intended as a sort of "Heimwehr" (home guard - J.Z.) against foreign invasion. They were encouraged, paid for, and to some extent controlled by the government. Certainly there was never any question of their being used against the government.

(J.Z.: Again, a complete misunderstanding of B.'s concept of local volunteer militias, quite autonomous but internationally federated, for but one purpose: the protection of individual rights, primarily against territorial governments. - J.Z., 30.5.03.)

I enclose a cutting from "The Times" on the fixed price of gold. Alas Mr. Havenga wants only a higher fixed price for gold - not that gold should be allowed to find its free market price.

(J.Z.: Gold does not need any permission from humans. But humans should be free to trade in gold. - J.Z., 30.5.03.)

I send also the Unesco Statement on Race. It is a pity that the Statement does not give the authorities for its assertions. The Darwin quotation does not assert that there are no inborn differences between races. It is significant that there were a number of Jews concerned in drafting the statement. The Jew is somewhat biased in his opposition to the idea of race differences, although I think that most of the present mental difference between Jew and Aryan are due to past environmental differences.

Greetings - signed: Henry Meulen

My dear von Beckerath,

17 Sep. 1950

Thank you for your letters of 10 & 11 Sep. I am sorry we have no printed statement of aims of the PRA. When people write me, I reply that we are Anti-Socialist, and that we propose Free Banking as the best means of combating Socialism; and I send them a few copies of our journal, together with my pamphlet "Free Banking". (J.Z.: Founded 1871 and still not a platform or program worked out in detail! - J.Z., 14.50.03.)

Dr. Zybell. I am continuing his treatment of carefully keeping my bowels open. I am really much better; but if I get worse, I shall certainly try and see him again.

The incident that you relate at the Zwangsversicherung (compulsory insurance - J.Z.) meeting is of frequent occurrence here. I have often urged in the "Individualist" that free speech is of such importance that whenever trouble is expected at a public meeting, police should attend, and should remove any interrupter when asked to do so by the chairman. A wise chairman would make but sparing use of such power.

Your conversation with the Communist girl reminds me that when I was in Russia with an Intourist party in 1931, I met in a train a 20-year old Jewess who spoke German. She asked what were the professions of the men of our party. I replied, and when I came to myself, I said I was a capitalist. Her eyes opened wide. "Then you employ workmen?" - "Yes", I said - a few." - Then came a typically Russian question: "And are your workers happy?" - I replied: "Why - yes; I think they are a good deal better off than your best-paid workers." - She said: "But how can they be happy if you take the results of their labour?" - I replied: "When I started this business, for the first three years I made a loss; but I paid full wages to my men during those years. I took the risk, and I think that I now have a right to the result." - "Yes", she replied, "but here we think it best that the State should take the risk." - "Ah", I replied, "we find that when we leave enterprise to the State, the State is generally afraid to take risk; and when it does, it generally wastes our money in stupid projects." - Later I saw her talking to other Russians, and frequently pointing to me. I expect I was little like the capitalist with a big stomach and a cigar that they had been led to expect.

Runge. I am still in correspondence with him; but I think we have now got to the one fundamental point where we differ. It is generally difficult to reduce a discussion to such a point, but it is satisfactory when done. I think your criticism is accurate and acute. If his State notes have not cours forc  , they will fall when issued to excess, which would negate his aim in demanding their use in payment of taxes. The State would be compelled gradually to increase taxation - which

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is simply what a large number of economists propose today as a means of keeping prices stable. But Runge hopes to keep prices stable without extra taxation - merely by ordering a proportion of taxes to be paid in "cash". When I object that this is merely a plan to reduce prices by making money scarce - deflation in fact, with all its disadvantages, he replies that by dividing money into "cash" and "cashless", he will avoid deflation. I reply that

when the banks run out of "cash", they will be obliged to pledge securities with the Central Bank, and this must reduce their ability to lend, whether they lend in cash or cashless money - it is in fact deflation. There the discussion stands at present.

Voluntary militia. But in a country where freedom of speech and press are the rule, no dictator would get into power without the free agreement of a majority. Hitler certainly got to power on a minority vote; but his was the largest minority in Germany. A system of Proportional Representation is the best method of preventing minority rule.

Japan & Malthus. I think every agricultural expert agrees that hand-worked land produces more than machine-worked land. But if one labourer has only one acre, whilst another has 100 acres, the second will produce more per head with machine aid, even though each acre produces less than if it were hand-worked.

I note your request to stop correspondence and printed matter in case of invasion; but I still doubt the probability of such an invasion. It would certainly involve Russia; and both-Russia and China need peace in order to produce enough to keep their subjects from revolution.

"Universal declaration of human rights". This was the title which UNO itself gave to the declaration. Insofar as UNO (including Russia) agreed on this declaration, the declaration was correctly described as a universal declaration.

(J.Z.: Did every adult human being subscribe to it? Or was it drafted by governments and trade union officials, and thus filled with their misconceptions and prejudices? Moreover, how valuable is a human rights declarations to which totalitarian regimes subscribe? Even the Red Chinese constitution was subjected to more public discussion than was this "universal" declaration of "human rights", which territorial governments imposed upon the world and which has very little in common with sound declarations of individual rights and liberties. - Compare the collection of private drafts of human rights codes in PEACE PLANS 589/590. - J.Z., 14.5.03.)

Kind regards to you - Sincerely signed: Henry Meulen

COPY

The Editor of "The Times"

13 Sep. 1950

Sir,

Our collaborator, Herr Ulrich von Beckerath, who is an eminent German economist, has sent me a letter which may interest your readers. I append a translation.

Faithfully yours - signed: Henry Meulen

(J.Z.: As far as I know, B. had no degree in economics or in any other university subject. He was a self-taught economist, mathematician, statistician and accountant, also consultant to German building and loan associations, spreading the better experiences of English and US societies of this kind. He also worked in banking and insurance. However his knowledge in several significant spheres exceeded that of most of those with some academic degrees. Nevertheless or partly because of it and because of the radical nature of his ideas, he was not "eminent" among other scholars, in their opinion. They hardly know of him, since he had only few of his articles published in widely recognized scholarly journals. To the general public and to the mass media he remained largely unknown and most German publishers would not touch his writings. - J.Z., 14.5.03.)

In the Times of Sep. 8, M. Camille Gutt, Manager of the International Monetary Fund, is reported as having said at Paris:

"Inflation, once it has crept into an economy, could be temporarily disguised by controls, but not indefinitely suppressed; and the disruption it causes destroys the balance of international payments, so that while import restrictions and exchange controls may conceal the situation for a while, it would ultimately force devaluation."

This statement contains several errors.

It is much to be regretted that modern economists tend to use the words "inflation" and "dearness" as synonyms. Inflation does not creep into an economy: Inflation is produced by increasing cours-forcé money to an amount which the economy would not accept without cours-forcé. Hence inflation is forced on an economy by law.

In the absence of cours-forcé a rise of prices would indicate genuine dearness, i.e., a rise in the demand for, or a reduction in the supply of goods.

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The effect of inflation cannot be disguised, either temporarily or indefinitely: it is seen immediately by the discount suffered by the over-issued notes in foreign markets.

Exchange control never conceals inflation; on the contrary, the very existence of controls reveals inflation.

Philosophy distinguishes between acts and effects. Devaluation is an act of the responsible government.

(J.Z.: Rather, an act of the government responsible for it, which makes it an irresponsible government, unless it is one of the few cases where the devaluation amounts merely to the reduction of the exchange rate of an over-valued currency down towards its free market rate. - J.Z., 14.5.03.)

Statesmen, however, tend to say that devaluation is forced upon them, i.e., caused, in order to evade responsibility for an act that is peculiarly their own.

(signed) Ulrich von Beckerath
Berlin-Friedenau,
Schmargendorferstr. 21, III

My dear von Beckerath,

23 Sep. 1950

Thank you for your letters of 12, 13 & 14 Sep.

Your letter of the 12th, criticising Camille Gutt, is too good to good to be buried in my file, and I accordingly condensed it and sent it to the "Times".

I enclose a copy. Alas - it was not printed. I daresay the Editor thought it too technical for his readers. (All of them the victims of governmentally controlled education or, rather, mis-education! - J.Z., 14.5.03.)

Perhaps he is right. You and I are so familiar with this subject that we tend to think the principles are clear and simple. Yet, for myself, I think your statement daylight clear compared with the enclosed article by the "Telegraph" City Editor. Alexander's propaganda for a return to the Gold Standard has had such little effect that Whitmore does not even mention it. If only Alexander could be induced to demand that the paper price for gold should be freed! I think this propaganda would have more success. After all, there is a free gold price (although illegal) in many countries today; whereas no country has returned to the British type of Gold Standard.

Malthusianism. You write that the Malthusians confuse production per head with the part of the product that is left to the head. I think you are a little severe. Kerr often gives figures of production per head. You write that if M. is right, the FB's are wrong. I cannot agree. Both are right; but they deal with different problems. Even if the Jap has only one acre of land, whilst the Australian has 100 acres, FreeTrade and Free Banking will enable both to exchange their products to better advantage. But since there are many Malthusians and few Free Bankers, I prefer to spend my time on the latter reform; and I agree with you that Free Banking would do more to increase the prosperity of the world than would restriction of population.

(J.Z.: We seem to have an over-population of Malthusians and hardly any population at all of Free Banking advocates! - J.Z., 13.5.03.)

But I still contend that even if the Jap received the whole return from his one acre of land, he would not be so prosperous as the Australian who gets the return of 100 acres.

There I think that the M. is right when he says that reforms of distribution cannot remove poverty so long as this inequality of land resources persists (poverty of course, being a relative term - the Jap is rich compared with the Arabs I have seen in Morocco). And the FB is right when he says that even if possession of land were equalised, poverty would persist until exploitation by moneylender, King and Church is abolished.

Sincerely yours - signed: Henry Meulen

My dear von Beckerath,

12 October, 1950

Thank you for your letters of 21, 22, 24, 28, 29 Sep., and 2 & 7 Oct. I trust your physical health is as good as your mental health seems to be.

Japan & Malthus. I don't think you really meet my point, which is that supposing that the Jap and the Australian were equally good farmers, each free from exploitation, and each owning the necessary mechanised equipment, if the Jap can get no more than 1 acre of land whilst the other has 100 acres, the latter will produce generally more per head. This seems to me obvious, and it is the basis of the Malthusian propaganda. Today there are other additional reasons why the Jap is poor; but I think you should admit that if all these other causes of poverty were removed in Japan, whilst the population increased, the Jap would still be poorer than the Australian. You then suggest that the countries of high population turn from agriculture to industry. But if no check is put upon population increase, and if the population of all the industrialised countries grow in the manner in which you suggest that that our population should have grown (640 millions in 1950), the price of food would soar to fantastic heights, while the price of manufactured products would fall. It is possible that we may be able to bring the vast deserts under cultivation, but I would like some greater assurance of this before I should advocate larger populations. I think you are on sound ground, however, when you urge the danger of any country seriously reducing its population whilst there is still danger of war. Mars, alas, is responsible for much of our trouble.

Payments abroad. You return to your contention that we should be allowed to pay Americans in sterling instead of dollars. The rate today is $L\ 1 = \$\ 2.79$. I cannot see how it would benefit us to exchange pounds for dollars in New York rather than in London. (*) American prices would be just as high for us by the one method as by the other; and Americans would not buy more from us if they sent us dollars for conversion in London instead of sterling bought with dollars in New York. The price of currencies is determined by the balance of trade, and so long as that balance is against us, we cannot improve matters by selling sterling in New York rather than in London.

(J.Z.: Another complete misunderstanding of what B. had proposed! - Freeing the exchange rates would achieve a purchasing power balance between England and the US, which cannot be achieved at the official, controlled and false exchange rates between dollars and pounds. If England would then have continued, with its lower productivity, then this would merely have meant that English people would have a lesser standard of living but it would not mean difficulties for it in exporting whatever it has to offer to the world, at world market prices. For its pounds England could then buy relatively little on the world market, while foreign merchants could buy the pound cheap - at its market value, and thereby cheaply [at competitive market prices] buy England's exports. No government official or economist would have to worry about the country-wide balance of trade or the balance of payments, for the whole of England - although the individual importers and exporters, like all other businessmen, would still have to worry about **their** balance sheets. They would do much better in this than they could under any government intervention, control, regulation and charges and subsidies. - J.Z., 14.5.03.) (*) B. never asserted that the location where free trade in foreign exchange would take place would be significant. That was just another one of M.'s misunderstandings. But that everywhere the currencies would be traded at their free exchange rate, that would be important. It would automatically tend to balance their average purchasing power at the free exchange rate between them, which would, naturally, still leave numerous bargains for each of them to be bought from the other. - J.Z., 30.5.03.)

Free Banking Calendar. I am afraid it would hardly sell enough copies to pay for its printing. (A short calendar, with 12 monthly sheets and with a few dozen free banking quotes could have been a more effective give-away than was Meulen's pamphlet on Free Banking. Moreover, because the quotes could be radical, unusual and thought-provoking, the calendar might serve more as a conversation piece among many people than the usual calendars. Much cheaper, in print, would be a one sheet calendar for the year, with 12 monthly FB quotes. By now, an elaborate calendar of this kind, with a long list of suitable quotes, could be offered on the Internet, for free downloading. It should, though, to be more popular, contain not only **serious** FB quotes but all the relevant **jokes** that we can find! E.g. the old Austrian one: "A government never goes bankrupt. Only its creditors do!" - Or the remark by M. Friedman: Only the government can turn two as valuable commodities like paper and ink and turn them into worthless scrap. - Both from memory, with the originals not presently on hand. - J.Z., 14.5.03.)

I have not received the copy of "Goldwaehrung und Immobilarkredit" which you say you are sending.

London Newsletter. I think Kimmitt is a scaremonger,

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pretending to all sorts of secret information from high places to support predictions which are in fact his own. The paper always irritates me.

J. H. Clifford Johnston. I don't understand his proposal either; and I don't think it worth while writing to him. I had long correspondence with him years ago. He is an obstinate defender of the Gold Standard (British style).

Wheat sales restriction in Canada. I think this was arrived at by agreement with the other wheat-producing countries. Farmers are always complaining about low prices for certain crops. Yet I notice that, one way or the other, they manage to do pretty well most years. The problem is more difficult when farmers, as in Canada, confine themselves to one crop. The remedy, it seems to me, is for them to diversify their crops.

Proposed declaration of war by us on Hitler in 1933. I think we all felt that it was not good for one country to interfere in the internal politics of another country. If the Germans chose Hitler, that was their affair. We did not expect him to make war: we believed his promises that he wanted only a prosperous and united Germany. (J.Z.: So did, all too many Germans. But they lived already under censorship. Other countries had their relatively free media, diplomatic connections and secret services and thus they should have been much better informed about the threat to world peace which the Hitler regime posed. - J.Z., 14.5.03.)

Napoleonic wars. Your figures of the use of machinery in England at that time are interesting. But when you say that our M 10 were "equal" to the French M 28, are you not overlooking the aid we got from continental allies?

Andrew Roth. He is well known here as an ardent Communist who is always finding doubtful excuses for Russia. (J.Z.: Excuses for Russians are relatively easy those for Soviets are extremely difficult to impossible. - J.Z., 14.5.03.)

His statements on Japan are striking; but I would like confirmation from some less biased source. Whenever he writes about Russia, he exaggerates equally in the other direction.

Were you not amused at the Americans lecturing Italy for having pushed deflation too far? Sig. Einaudi is a good old-fashioned economist, trained in the school of the 19th century British economists. If an unfavourable balance of trade causes depreciation of a country's currency, the remedy is to reduce prices by credit restriction! What foolishness this is. If country A cannot sell to country B because A's prices are too high, the remedy is not to restrict credit and make it more difficult to produce in A, but to encourage competition in production by cheaper credit facilities, and allow the prices of foreign goods to rise. People always imagine that more credit simply means more money and therefore higher prices. In this they confuse bank credit with an issue of govt. paper money with *cours forcé*. The essence of bank credit issue, however, is the need to repay the loan. Therefore, whilst there may be a temporary rise of prices, those prices must fall as soon as the goods produced through the agency of the fresh credit are put on the market.

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I have this week had two invitations to lecture on Free Banking - one from a branch of the Liberal Party; the other from a very old debating society in the City of London.

What do you know of Dr. Otto Strasser? I have had several letters from a Mrs. Barbara Forbes in Canada, who asks my help in getting permission for Strasser to return to Germany. He is at present in Canada; and the Canadian govt. refuses to allow him to leave the country. She insists that he is not a Nazi, and that Jewish influence is responsible for his exclusion from Germany. Collin Brooks, the editor of Truth, to whom I submitted the correspondence, thinks she is right and that Strasser is being unjustly kept out of Germany. The Allied authorities refused to allow him to return to Germany - not, I am sure, through Jewish influence, but because they thought he was at heart still a Nazi, and would stir up trouble in Germany. I am trying to find out if our govt. has refused him permission to enter England, and, if so, for what reason.

I am flying up to Edinburgh next week to spend a week with my married daughter. She is very bright in the head, and I enjoy her company.

How nice of you to remember my birthday. 68! And my father, very unwisely, always assured me that I would never live to the age of 21! When I was young, I got terrible colds every winter; but since I became 17, I hardly ever have had a cold. But then I believed him, and this was decidedly bad for me. Gertrude Stein says "Our bodies grow old; but our spirits are always the same." Do you agree? I think our spirits depend very largely on our bodily health. When I was in hospital, I felt an old man. But when I am well, my outlook is much the same as it was when I was 30.

I have just received your letters of the 29 Sep., and 8th Oct.

The Responsible Enterprise Assoc. often sends me printed matter. I don't think much of it. I will send you the next I receive.

Madame Roland on Liberty - excellent! I will file it.

Colin Clark. The Socialists have always regarded Communism as their ideal - Communism of the William Morris sort.

You regret that the idea of independent proprietorship is spreading. I do not. The liberty and dignity of the wage-earner depend on his ability to choose between several employers and start business for himself if he wants to. See pp. 29-33 and 351-60 of "Free Banking". In giving the number of working proprietors in France and Japan as nearly equal, Colin Clark wished to illustrate his point that no country in the world is so deeply sunk in capitalism as England. I am sure he recognises that other factors must affect the prosperity of individuals in those countries.

(I see in productive cooperators and autonomous work groups also independent private proprietors and independent entrepreneurs or contractors. The difference is more verbal than real. However, ideology plays also all too large a role for many "cooperators". - J.Z., 14.5.03.)

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Josiah Oldfield. I don't remember the solutions of Kant and Schopenhauer. For myself I should say that the hope to abolish evil is quite futile. Evil is the necessary antithesis of good. If evil is abolished, we lose the idea of good. Good exists only as the not-evil, just as the idea of light involves the idea of darkness. I did not print the whole of Oldfield's letter. He said that the scientific evidence is in favour of there being no sense of either pain, agony or fear in the consciousness of the victim that is about to be killed for food by another animal! It makes me wonder if he has ever looked at birds when a hawk is about, or at a rabbit when a stoat is after it. I remain convinced that Nature is unbelievably cruel.

Kind regards to you, Sincerely yours - signed: Henry Meulen

My dear von Beckerath,

15 October, 1950

I have now read with interest and care your article in the "Immobilienmarkt", and I am glad to have had the opportunity to consider your proposals.

The difference between your plan and mine (in the chapter "An invariable unit of value") is that whereas you will price goods in goldmarks, I propose that the value of gold be used to fix general prices on one particular day only, and that thereafter any change in the demand and supply conditions of gold shall be indicated in the paper price of gold, just as done in the case of all ordinary commodities.

The bullion market is disturbed by other influences as well as by changes in the cost of production of gold. Any country may on occasion set up an unusual demand for gold. Political unrest may lead to the hoarding of gold; there maybe a demand to establish fresh banking reserves; or if a country makes a large loan abroad, it may be cheaper to buy and export gold than to buy the currency of the country to which the loan is made. Now, when such an increased demand for gold occurs, the first result under your plan will be that holders of gold coins will sell them to bullion dealers at a premium.

The price of gold having thus risen. everybody will be compelled to raise the gold prices of commodities and services, that is, they will demand more paper for their gold price. In other words, they will be compelled to raise all prices, although the market for ordinary commodities may not have changed at all.

I do not think this is a serious drawback to your plan, since you will set up a free gold market, and the country will not therefore lose more gold than it can afford. Still, I think that my plan shields general prices from fluctuations in the bullion market, and is therefore to be preferred.

It may be objected that my plan will not reveal inflation as clearly or as quickly as your plan. This is true. Under my plan, inflation of paper by a single bank will show only when its notes pass through the Clearing House and fall to a discount at the other banks. General inflation, or, if State notes only are in circulation, State inflation, will be revealed only by comparison with the price of gold on the bullion market, or by the foreign exchanges. Yet, inflation will be, I think, a comparatively rare occurrence, whereas the necessity to change all prices under your plan will be more frequent.

I am going up to Edinburgh for a week next Wednesday; but I am arranging for letters to be forwarded.

Greetings - signed: Henry Meulen

(Handwritten postcard from Edinburgh, with picture of Edinburgh from Castle Walls.)

Edinburgh 23 Oct.

I think Edinburgh is one of the most beautiful cities I have seen in Europe - so dramatically set on several hills. This view is taken from the Castle Rock, which is crowned by Old Edinburgh Castle, and dominates the city. If only it had a better climate! How poor Chopin must have suffered here.

Yours - signed: Henry Meulen

1st November, 1950

My dear von Beckerath,

I returned from Edin. last week, and read your budget of letters in the plane. I return the envelope of your letters. You will see that it is not strong enough to take such thickness.

Your letter of 9/10. I cannot share your interest in the bible. Frankly I think the Old Testament a primitive account of the mythology of a primitive and blood-thirsty people, in which I am not interested.

12/10. I admire your industry in planning a constitution for Korea. The actions of Syngman Rhee, and also of the North Koreans, seem to indicate that they are unlikely to accept the Individualist Anarchist ideal which you sketch. Your plan in, however, very valuable, and I am filing it.

Although I am Secretary of a Personal Rights Assoc. I demur to your statement that every individual possesses rights which cannot be lost or suppressed. In my view no man or animal has inherent rights. Rights are something accorded to the individual by the community, and may be altered or suppressed as the community sees fit.

(J.Z.: That was Hitler's view, too, with him "representing" "his" "community". - J.Z., 14.5.03.)

It is our business to persuade the community to grant the utmost possible liberty to the individual.

(J.Z.: Can this be distinguished from individual human rights??? - J.Z., 30.5.03.)

I must think over an English word for a currency that is legal tender, but is without a fixed gold value. I agree, however, with somebody whom I quoted in "Free Banking" as saying that "Legal tender adds little virtue to a good currency, and is entirely vicious in the case of a bad one."

15/10. Alas - I have not seven young friends who believe in Free Banking - the only free bankers I know are a few elderly men, and a few young ones who are not enthusiastic enough to do much. If I could find seven eager young Free Bankers, we would make a great splash. In Aug. 1914, I, and another young man started a society in Hammersmith to oppose our country's entry into the war. We held open-air meetings, were often broken up, and were questioned by the police. But by 1917 it was a large organisation, and there were scores of similar societies in England. But that was nearly forty years ago, and I had then more energy.

(J.Z.: Until I read this, I had the impression that M. served in the English Army during WW I. - J.Z., 14.5.03. - According to other hints, he may have, later, but only served in England, not fighting in the trenches, e.g. in France. - J.Z., 30.5.03.)

16/10. L. Labadie receives "The Individualist" regularly, and sends us a subscription. He is a pretty active follower of Tucker. He is the son of Jo Labadie who used to contribute articles and verses to "Liberty".

Alas - I do not know the discussion between Bastiat and Proudhon on interest. In what book does it appear ?

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17/10. The interesting thing about my daughter Paula is that I never attempted to teach her either religion or Atheism; but merely replied to her questions. - When she was about 15, she went to church for a few weeks, but then gave it up.

The doctor she married (a very brilliant heart specialist - now lecturer in Edin. University) was an earnest Christian, and made their marriage conditional on her accepting Christianity. Poor Paula was in torture for about a year. She accepted the idea of The principle of good in the Universe (which I cannot), but not the idea of a personal God. When she eventually asked my advice, I said that if she really loved the man, she should accept Xtianity, on the grounds that philosophical principles are generally not so important to a woman as to a man: women's emotional life was more important to them than to men. She was much offended with me. Nevertheless, six months later she was duly baptised, and married him. They are, I think, very happy, although she is gradually slipping into Agnosticism (they have been married about nine years). He remains firmly Christian.

Dignity of the wage earner. You have a more idealist view than I. In my view, liberty and dignity are bound up with each other, and depend on the power of a man to tell any other man to go to the Devil. As a worker he can say this to his employer only if there is other work available for him. The committee of a cooperative can be just as tyrannical as any govt., since it has the same means as a govt. of getting majority support. I do not insist that business shall be run by men working for themselves. Under freedom the most economical type of business will prevail, whether it is run by one or 5000 men. But I am sure that the large combines of today are uneconomic, for reasons which I have set forth in "Free Banking." They survive only because they are protected from competition by unjust laws.

Malthus. I do not think we need discuss this further. In the main I think we agree.

Payments abroad. You write that if US goods are paid in our pounds, each hobnail imported into England compels an export of the exact value of the hobnail. I do not agree.

Suppose we pay £ 1 for the US hobnails, and send the exporter a £ 1 note. By the time he exchanges this note at his bank for dollars, the rate may have risen, and he will get the equivalent of 21s. When an American then wants to buy from us, he must pay 21s. for what he previously bought for 20s. In other words he is able only to buy less than the Brit. importer bought. The alteration in the rate of exchange will encourage our imports and discourage our exports. This will occur so long as importing and exporting are done by different sections of people, and are conducted in money. The money

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of a particular country will have a different value in particular foreign countries according as the balance of trade fluctuates.

Foreign interference in internal politics. I think it is a vicious principle. We wasted millions of pounds, and thousands of lives in the attempt to put the Bourbons back on the throne of revolutionary France. This sort of mutual interference leads to endless wars. I think that so long as a nation does not attack its neighbours, it should be allowed to arrange its internal affairs as it pleases. The argument that you use is advanced by every interfering person to meddle with his neighbour's private affairs.

Strasser. I am eager to hear further from you.

Value. The proposal to take the gold value of a house on a particular day as a standard for the future value of the house differs radically, of course, from my proposal to take the gold value of money at a particular time, and thereafter to register changes in the value of gold by changes in the money price of gold only. The manager of

'Woolworth would not need to know the 1914 price of his goods: the only difference to him would be that if he wanted to buy gold with his paper money, he would pay the present market price of gold.

I think that so long as the danger of war persists, and lessens mutual trust, so long the nations will keep larger stocks of gold than they otherwise would; and they will be unwilling to grant long credits to other nations. When the depreciation of a country's currency reaches a certain point, it may be cheaper for the country to pay in gold. When the political future of a nation is uncertain, its people will prefer gold to paper, and will set up a demand for gold.

For these and other reasons I think gold is likely to be in considerable demand, and may fluctuate considerably in price for many years to come.

Sincerely yours - signed: Henry Meulen

(I would not have had B.'s patience in continuing this "debate" with M.'s fixed ideas. - J.Z., 14.5.03.)

23 November, 1950

My dear von Beckerath,

Thank you for your letters of 19, 26, 28 & 29 Oct. and 10 Nov.

Gold coins. I am in correspondence with Kimmitt and Clifford Johnston on this subject. I will send you the correspondence when it is completed. The question whether gold coins should be in circulation or not depends, as you point out on the stability in the value of gold.

(J.Z.: "should be"? They should merely be **allowed** in circulation and people should be free to use them as they please, even M. in his kind of "free" bank. I would rather have the market judge the stability of gold coins for measuring prices than M. - J.Z., 14.5.03)

If this value were disturbed only by changes in the supply of gold from the mines, the value of gold would be much more stable than it is. If we had free banking everywhere, and there were little danger of war, the demand for gold would be much reduced, and its price would be much more stable. Until then, if you want gold coins in circulation (I do not see the necessity), their price should vary with the varying free market price of gold.

(J.Z.: What is unstable is usually the paper currency, with which M. tries to "measure" the value of gold. However, if these paper currencies are very unstable, then many more people than usual do flee into gold and that does give gold an extra value as a good security, compared with paper money cash. But it also indicates that people do then trust gold much more than paper money. And that this opinion is well founded would be indicated if retail shops were free to price their goods doubly: in gold weight units and in the government's paper money. Then the stability of the former and the instability of the latter would be rapidly obvious even to the dumbest. But for M. this has nothing to do with "the" gold standard. His thinking was conditioned by the practice of an exclusive and forced paper currency, and the talking about it in the newspapers, although he was supposed to oppose this monopoly money in his "Free Banking" book. - J.Z., 14.5.03.)

The duration of bank loans is determined largely by the operation of the Clearing House.

(J.Z.: Clearing can take place only between due debts. One cannot clear presently due debts against debts due in the medium or long term future. There is only a small time margin possible for debts very soon due. His fixed ideas of notes issued for long-term loans ruined all his thinking on money, credit and clearing. - J.Z., 14.5.03.)

If a bank grants longer date loans than the repayment of its loans will bear, it will lose cash in clearing operations. If it confines itself to unusually short-date loans, it will lose profit.

(J.Z.: Apparently, he simply classed normal turnover-credits as "unusually short-date loans", no matter how usual they were for **sound** note-issuing banks and ignored their profits from their discount practices. If these discounters were not irrationally addicted to gold redemptionism, then they could have earned these discount without having to possess any idle gold stocks, on which they would lose interest. - J.Z., 14.5.03.)

Therefore I think there will tend to be an average loan duration among banks.

It seems that a large part of Germany's difficulty today is that she has captured foreign trade by giving her customers longer credit than her competitors. Meanwhile she has continued importing raw material (and luxury goods) on a great scale, which has turned the balance of trade against her.

The differences of administration or conduct of particular banks was sharply watched by the other banks in Scotland before 1845. If a particular bank's notes were freely accepted by other banks, the notes rarely suffered discount.

I got Follin's "Paroles d'un voyant" on Zander's recommendation. About a couple of pages of my translations of Follin were printed in "The Individualist" of April 1935. I have found a few copies of this number, and enclose one. I was not editor then. "Prospice" (J. B. Wallis Chapman) was editor. I share your admiration of Follin's acute mind.

Strasser. I have not heard from Rittershausen on the subject. Meanwhile Mrs. Forbes is constantly pressing me to do something to get Strasser readmitted to Germany.

Russia. I do not think Russia (? - J.Z.) wants war at present; neither does China. Both are too busy trying to keep their (their? - J.Z.) people quiet by giving (giving? - J.Z.) them the bare necessities of existence, and they are likely to be so occupied for many years, seeing

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how slowly Communism can possibly increase prosperity (? - it rather prevents it! - J.Z.). But both are like the dog who meets another dog, and, although he does not want to fight, walks round with stiff legs, and growls, in order to deter the other dog from attacking him.

(J.Z.: As if the Soviets had not violently interfered with their cadres in dozens of trouble-spots in the world. They did not only bark and growl! They had whole armies in Eastern Europe. - J.Z., 14.5.03.)

Kimmitt is an isolationist, which is more dangerous today than nationalism. He opposes any United Nations Organisation and thinks we and the British Commonwealth should arm and make ourselves strong enough to fight any enemies. I have constantly objected that these people do not face the fact that, in the absence of a UNO, if one nation arms, all the others will arm. Hence competition in armaments. And in a few years we shall all have a miserably low standard of living; but we shall be armed to the teeth. I have been having much correspondence with "Truth" on this subject. I will enclose the correspondence with my next batch of papers. There is no need to return it.

I am glad to send you papers, as long as you are interested. If you read as much current German economic literature as I do English, I marvel that you can find time to read a foreign economic literature.

I did not know the Roman reproach that "Sardinians are bad slaves" - excellent.

India. The fact was that the movement for independence in India became so strong that we thought it better to yield with good grace and dignity, rather than start a long and exhausting war (as happened in Ireland). Moreover, our nation as a whole believes in self-government. When we gave India independence, Russia was not the menace that she is today. Still - I do not think Russia will try to conquer India by force. She is more likely to try to follow the tactics that she used in the Balkan states.

Bastiat. That no member of parliament could become member of a ministry. Very good. In which of Bastiat's books does it appear?

Socialism. Unfortunately words tend to change their meaning among the masses of the people (notice how quickly the process is occurring in Russia today), and then the rest are obliged to use them in their fresh sense. For words are a form of currency, and live only when used in circulation. Socialism now means State Socialism.

Expropriation. The German Socialists were less diplomatic than the English. Our Conservatives protest against "Expropriation"; but our Socialists talk only about "Nationalisation".

Kind regards to you, Sincerely yours - signed: Henry Meulen

12 December, 1950

My dear von Beckerath,

Thank you for your letters of 24/5 Nov., and 6/7 Dec., and the copy of the "Berliner Stadtblatt".

I am very sorry about your coal difficulties. I am able to have a good fire in my study every day, and when I return to it after working in the garden in these bitter days, I realise how bad it must be for you to be without fire. The only remedy I know for chilblains is to put more fat in the diet, and to increase the blood circulation by exercise, either bodily, or walking.

Please excuse my delay in replying to your letters. I have not been well, and have lacked the energy. My trouble was due, I think, to my taking quinine, prescribed by my son-in-law on my recent visit to Edinburgh, for a small nervous trouble that I have. Although I gradually reduced the dose, it gave me a permanent headache, and my stomach became very bad. I have now left it off entirely for the last three days, and am already getting stronger, and my stomach better.

Thank you for the Bastiat reference. I must look the book up in the British Museum when I am that way again.

Payments abroad. You write that the American who pays the pound note in New York for 21s. will buy £1 worth of goods in England. True; but (1) since he has to pay 21s. for it, he will tend to reduce his purchases in England; (2) the result would be precisely the same if, as today, he exchanged his dollars for pounds in London.

Foreign interference in internal politics. Personally I think all dictatorships evil. But the example of Salazar in Portugal might lead others to a different opinion. I am certainly unwilling to use British force to depose Salazar. I remain convinced that the only safe method is to allow each country to choose its own form of government. (*) After all, Germany (*) chose Hitler because he was able to persuade a lot of people that it was bad for a country to be governed by party politicians. The people who voted for him in 1933 have, themselves to blame for Germany's misfortunes. (*) (J.Z.: Do countries have a vote? - Are the victims of crooks always to be blamed, and not the criminals? - J.Z., 30.5.03.)

Value. You criticise my statement that when the depreciation of a country's currency reaches a certain point, it may be cheaper for the country to pay in gold. Obviously, this applies only to a country on the gold standard. You write that you do not know of such a country. (??? - J.Z.) But this was a frequent cause of loss of gold and a high bank rate in England during last century. Germany, Hungary, Italy, etc.

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suffered depreciation of their currencies without losing gold simply because they were not on a gold standard (Brit. type).

Social order. Our trade unions have long demanded such consultations between workers and employers, and this is done in many factories. In practice the workers advise only on questions of working conditions: they do not interfere in questions of sales and production policies.

Free banking. The workers would notice little change in their buying habits: they would simply use local instead of B/E notes. In my book I proposed to take the paper value of gold on a particular day only because we had then a circulation of gold sovereigns. Today the system could be introduced at any time after the banks secured freedom of note issue. The banks would announce that they were prepared to redeem their notes in gold, if desired, at the current market price of bullion. But I think that few holders of these notes would want gold. If they distrusted the notes, they would probably be satisfied with redemption in the notes of some well-known bank.

The Malthusian & Pacifists. Several of our pacifists are opposed to the use of the atom bomb in any circumstances.

Mixed marriages. I personally know several cases where it has worked very well. Churchill married an American, and the marriage seems very happy. (M. seems to have considered English and Americans as different races, regardless of their skin colour! - J.Z., 15.5.03.)

India's independence. It depends on what you mean by independence. Certainly Indians can now choose their representatives in Parliament. We moved from Capitalism to Socialism only because of this right; and many people think they are better off under our Socialist government.

Purchase of gold. Before 1914 the British Mint was legally compelled to buy at a fixed paper price all gold offered to it. It paid in B/E notes. The only reason why I suggested that free banks might redeem their notes in gold was because we had then a circulation of gold sovereigns, and I judged that customers would have more confidence in the new notes if they were redeemable in gold. It may well be, as I wrote above, that today an offer of well-known notes in redemption would suffice.

You write that the variety of policies in different banks will lead to their notes being of different value. But in Scotland before 1645 there were hundreds of competing banks, each with its own policy; but this did not cause depreciation of their notes. The Clearing House was content if a bank was always able to redeem its notes, no matter by what policy it attained its end. As to whether goods should be priced in paper or gold-pounds, it should be said that if a free gold

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market results in a comparatively stable price for gold as you suggest, it will not matter which system is used. If, on the contrary, gold varies a good deal, I think it would be better for goods to be priced in paper pounds, because few people want gold if they have access to reliable notes.

(J.Z.: A big if. M. never seems to have taken into consideration, that gold weight prices in the shops might remain relatively stable, while the gold weight values of the various banks of his type would all tend to differ, with each of their paper pounds having a different discount against gold weight units, the more so, the more long-term loans would be granted with them. This would also lead to a wide-spread refusal of these kinds of paper money. The Scottish banks of issue of the past had all the same metallic value standard. None tried to introduce a paper pound as a value standard. - J.Z., 15.5.03.)

Russia. I think many people vastly exaggerate the fighting strength of Russia. A modern mechanised army is a most expensive engine of war; and I doubt if Russia has the wealth to spend as much on her army as we are doing - let alone USA.

(J.Z.: Did M. never see tables comparing e.g. the number of tanks, artillery, bombers, fighter planes etc.? Among the Western forces much of the money spent had to be spent on salaries to soldiers and officers. The Soviets could ignore their salary wishes of their military slaves. They had the strictest military discipline in the world. However, M. was right insofar as in the long run the Soviet's military hardware became too much of a burden for them. But at least part of it was used by their kind of guerrilla fighters, revolutionaries and terrorists all over the world. Why B. and M. persisted in speaking of Russia instead of the USSR or Soviet Union, I do not know. Russians did not even form a clear-cut majority in that empire, as far as I know, and they were also largely a captive people. The Soviet system was at most supported by about 30 % of the population, even after decades of misleading propaganda, which daily contrasted with their own experiences and many of the news which did get through from the West. - J.Z., 15.5.03.)

The Chinese successes in Korea are due for the most part to the mountainous nature of the country, which offers little scope for the use of machines.

(J.Z.: The successes of the Red Chinese regime were largely defeats for most of the Chinese people. Word smiths should be more careful in the use of their terms. - J.Z., 15.5.03.)

Thank you for the programme of the Deutsche Partei. It consists, as you remark, mainly of vague generalisations. But point 10 contains the declaration: "Sinnvolle Kreditmassnahmen sind durchzufuehren. Insbesondere muessen die durch die Arbeit neugeschaffenen Werte fortlaufend als Sicherung weiterer Arbeitsbeschaffungskredite ausgenutzt werden."

(Sensible credit measures are to be realized. Especially the new values created through labour are to be used to secure further credits to provide employment. - J.Z.)

This would appear to indicate that the D.P. has a grasp of the credit question which other parties seem to have missed. But then I always thought that Hitler saw the disadvantages of a gold standard more clearly than most of our statesmen.

(J.Z.: Here they upheld the fallacy, also shared by Mises followers, that new investment capital is required to overcome unemployment. - And Meulen shared some of Hitler's prejudices on "the" gold standard! - J.Z., 15.5.03.)

Kind regards to you, Sincerely yours - signed: Henry Meulen

HM/ED

15 December, 1950

The Editor of
"The City Press"

Dear Sir,

At least one of your readers would like to know if by "Freedom for the people to purchase gold you propose to return to the system obtaining here before "1914, namely, the legal compulsion to buy and sell gold at fixed paper price. I think your reply will interest a number of your readers.

Faithfully yours (Henry Meulen)

26 December, 1950

My dear von Beckerath,

Thank you for your letters of 9, 10 & 11 December. I hope you had a pleasant Christmas; and I earnestly hope you were warm enough - it was bitterly cold here. My sister and I were invited yesterday to dinner by my niece, who provided a deliciously roasted chicken - a somewhat rare delicacy here in these days. The last chicken I bought about three weeks ago (weight 3 lbs. when cleaned), cost 27s. 6d., as compared with about 8s. two years ago. I buy no more chicken. (B. noted in the margin: 1 L = 12.40 27 1/2 s = 17.05. - J.Z.)

Today I have spent a most pleasant day in my study, with a good fire, which gives me all the nice impressions of Christmas as I sit and stare into it. On my mantelpiece are some nice pieces of Schwarzwald Tannenbaum which Wendling sent me with a box of walnuts from his garden.

Yes - the Russian dictionary of fresh meanings is amusing. But it is also serious, since the Russians are ready to use stronger measures to enforce the official meaning than was the German government in 1878. And for myself I find that the word Socialism has become so attached to the theory of State Socialism that I prefer to call myself an Individualist. This of course exposes me to the accusation from Socialists that I am a defender of predatory Capitalism; but I think it is easier to meet this than I could the confusion arising from calling myself a Socialist.

Long-date loans. Of course a fifteen-year loan is an excessive period for a bank. I rather feel that the risk in a loan of so long a term can be undertaken best by private individuals who have special knowledge of the project and the persons concerned. Today, however, a large amount of business of shorter loans falls to private individuals, shareholders, etc., because the banker has no incentive to take risks. If competition between banks compelled them to take bigger risks (*), private individuals would also be compelled to invest their savings in bigger risks, and business enterprise would profit.

(J.Z.: In B.'s letters I usually replaced "long-date loans" by "long-term loans". (*) I don't see why competition would, necessarily, lead to taking greater risks in investments. At least among those investors, who are less concerned about speculative higher profits than the safety of their investments, the competition might go in the direction of taking less to no risks, as far as the latter is humanly possible. That our banking systems and large finance and share companies are quite capable under their "professional" management, or shall I say, "mismanagement" skills, to lose billions of their investor's money, they have by now demonstrated often enough. The banking system of M., with its launching of fresh bank notes, as if they were shares, is a very risky enterprise for the note holders, unless they would have managed to cover their notes at least fractionally with gold from the own capital. But then, if they had that much of their own capital, and were mainly interested in making long term notes, then I do not see the point at all of them issuing their notes, as if they could be a sound currency, rather than investing their own capital directly, on long-terms, like any finance company does. To raise more capital for that purpose, they might then issue shares. But with their main interest in making long-term productive loans, they should keep themselves altogether out of the note-issuing, or currency business and leave that to those companies,

businessmen or cooperatives who know enough about it, so that they can successfully compete in that sphere. - J.Z., 15.5.03.)

Your reference to your book on the subject of long-term credit sent me back again to the English translation of your (Milhaud's! It contains the first monetary freedom book by B. as well as other titles. - J.Z.) "Ending the Unemployment and Trade Crisis.", which I had not read for some years. The English is bad, but it is still easier for me to read than either French or German. It is extraordinarily interesting, and, having read your chapter on "Goods Warrants" I found myself reading the whole article.

The Milhaud proposal certainly deserves earnest consideration. We have already discussed the issue of shopkeepers' notes against goods. I think it easier for a bank to issue credit in notes, and for long-date credit to be made by individuals; but should this provision of credit prove insufficient to cover the demand, I would willingly support an experiment with the goods warrant scheme.

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Gold coins. Du lieber Gott! (My dear God! or: My God! - J.Z.) I have never heard even our monopoly banks ask a borrower what are his religious beliefs; and I think that such a noble sacrifice of profit for principle would be even rarer if there were more competing banks - even in Tennessee. After all, when a man pays out notes, nobody can say whether he got them through a bank loan or from a customer in payment for goods - which is a sad temptation for a religious banker. Furthermore, even if all the bankers should fear their God (or their God-fearing customers) so much as to refuse loans to an Atheist, he would still be able to buy by selling his goods for notes. I cannot see where he would get the gold coins you offer him except by selling goods or services.

Watenstedt. The matter has been raised in the British press. I think the dismantling of the factory has been stopped.

A happy New Year to you; and I much hope that your health will improve. I am going pretty well, in spite of having eaten many things of which the doctors disapprove during the last two days.

Sincerely yours - signed: Henry Meulen

31 December, 1950

My dear von Beckerath,

Thank you for your letter of the 23 December. It is kind of you to have taken so much trouble over Dr. Strasser's record. I have read it with much interest, and will send it to Mrs. Forbes as it stands. She understands German. I agree with you that he is not an important person; and I would allow him to return. - But you can imagine that the Allies fear his presence in Germany - any associate of Hitler is suspect - and his various changes make any change on his part possible in the future. Have you noticed that in the last Italian elections the Fascist vote increased considerably?

I must apologise for not having acknowledged in my last letter the receipt of your very interesting letter of 15/12. It got pushed under some papers on my table by the lady who cleans up my study.

Payments abroad. I am sorry if I appear obstinate on this subject. Let us suppose that the American sells 100 lbs. of hobnails to an English importer for L 1 - say \$ 3. On receiving the note he sells it to his bank, and gets only \$ 2.90. He will probably stop exporting to England. On the other hand, an American who wants to buy £ 1 worth of linen in England, finds that he pays only \$ 2.90 instead of \$3, and he will tend to buy more. The process will continue until the £ rises to the value of \$3 again. But my point is that this is precisely what happens today when we pay in dollars bought in London.

Our banks keep a store of dollars, and it makes no difference whether I buy dollars in London or in New York. The rate of exchange is regulated by the relative and respective volumes of dollars held in London and pounds in New York; and it is the rate of exchange which tends to control the volume and direction of trade between two countries. The "dollar shortage" in Europe means simply that Europe is importing from USA more than she exports.

Value. 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. When prices of commodities here rose higher than

those of our competitors, causing a fall in our exports and our exchange rate, foreigners did not reduce their exports to us, as one might have expected they would (seeing that we had no goods to give in return at an attractive price), but continued exporting, and took in exchange the one, commodity, gold, which the law did not allow to rise in price.

Purchase of gold. I Have looked up your letter of May 19. The law ran that the Mint must buy all gold offered to it, at a price of £ 3.17.9 per ounce, and charge 1 1/2 d. per ounce for minting it into sovereigns - so the gold was sold at

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£ 3.17.10 1/2 per ounce in sovereigns or paper pounds. Unless the buyer of gold wished to export it, there was not much point in demanding sovereigns instead of paper.

Free Banking.

(b). If there is a general run on banks, involving well-known banks as well, free banking breaks down owing to destruction of mutual trust. But in the past such crises were mainly caused by the operation of the Gold Standard.

(c). The advisability of using gold coins as exchange medium depends on the stability in the free price of gold. You think the price will be stable if governments do not interfere with it; I think its price will always fluctuate so long as the danger of war and political upheaval persist.

The nations demand gold in settlement of trade balances only because they do not trust other countries enough to allow them long-date credits. (Germany is forced to do it now because she cannot sell enough on short credit).

I propose a paper exchange medium, not because I want to conserve as much of the old system as possible, but because I think it is the easiest form to use - this accounts for its appearance historically. If a country has no gold to be used as bank reserves, it should use the notes of the most trusted bank as cash reserves; and the trusted bank should keep a gold reserve for foreign trade.

Foreign interference. Mao says that the Chinese troops in Korea are volunteers; but I doubt it. I instanced the case of Salazar only because you urged that a dictator is bound, sooner or later, to become aggressive, and should therefore be attacked as soon as he assumes power.

India. In a free system the voters can get reasonable guarantees that their candidate does not at that time propose a dictatorship. If, having been elected, he then proposes to become a dictator, Parliament can prevent him, provided that Parliament has the support of the majority of voters. Hitler proposed a dictatorship before he was elected, and the voters knew it. (??? - J.Z.) And surely an elector in India who can choose his own ("own"? With one vote among thousands or tenthousands? - J.Z.) representative is more independent than one who is governed by a foreign country, and has no voice in his government. (What voice has one vote with one minister, far less with all of them or with the Prime Minister? - J.Z., 15.5.03.)

Gold in US. What makes you think that the store of gold in Fort Knox is owned by Jews? (B. had described the views of some Nazis! - J.Z.)

Sincerely yours - signed: Henry Meulen

My dear von Beckerath,

4 January, 1951

Thank you for your letter of 29 Dec., and for your New Year wish. One is as young as one's spirit (*); and my optimism is regard to the possibility of a third world war would seem to make me about 30 years old. Anyhow, today I bought shares in one of our big chain stores which had sunk in price from 30s. to 25s. on account of the bad news from Korea.

(*) (J.Z.: Alas, only one's spirit is as young as one's spirit, or, mostly, seems to age more slowly than one's body. - J.Z., 15.5.03.)

Only 43 degrees in your room! And I feel cold in my study when the thermometer falls below 60! We had a deep fall of snow here (about 9 inches) on Sunday, and it shows no sign of melting yet. Like my sensible bees, I stay in my hole, and go out only to post letters or buy food.

Long-date loans & gold coins. I wrote on both these subjects in my letter of Dec. 31. I will await your reply to that letter.

Thank you for your enclosure on the 1947 German currency proposals. I am always afraid that the "Individualist" is already too severely technical for its readers, most of whom are just ordinary Individualists, with no special interest in money questions. Therefore I hesitate to print your contribution.
(J.Z.: Why didn't he seriously try to turn as many of them as humanly possible into extraordinary or at least much improved individualists? But then a mere 12 pages, every 2 months, cannot achieve much. Nor can appeals to people who will read only as few pages on liberty every year. - J.Z., 15.5.03.)

On a point of philosophy: instead of writing: "Every individual has the right", and "No govt. has the right", would it not be better to say: "Every individual should have the right", and "No govt. should have the right"?
In a free democracy rights are given by the electorate to its govt., and the govt. decides on the enjoyment of certain rights by the people. It seems to me wrong to say that every individual has the right to issue paper money, when, in fact, nowhere in the world has he this right.
(J.Z.: Not only the communist anarchists are often their own worst enemies! - J.Z., 15.5.03.)

I am sending you a copy of "The Interpreter" which confirms your remarks (Oct. "Individualist") on the land system in Korea. I have written a note on this subject for the next "Individualist".

Sincerely yours - signed: Henry Meulen

My dear von Beckerath,

10 January, 1951

Thank you for your letter of 2 Jan.

Payments abroad. The point of our discussion was: Is it better that London should pay for American exports in pounds or dollars. Surely you are mistaken in saying that a country cannot import more than it exports except it be given longer credits. As I wrote before, our banks keep a store of dollars, and US banks a store of pounds. When US finds that its store of pounds is larger than US importers from UK require, under freedom it will offer to buy pounds only for fewer dollars.
This is what we mean when we say that the exchange with US is going against us; and it has nothing to do with long term credit. Moreover, whether pounds are exchanged for dollars in London or New York will not affect the course of the exchange.

By the way, your English is so good; but you constantly use "pretend" where we would say "contend".
"To pretend" in English means "Sich ausgeben fuer" or "heucheln".

Gold coins. Do you not admit that the price of gold is today affected by fear of war or political upheaval? I admit that, even with this disadvantage, gold is still a better standard for long-term debt contracts than the paper money issued and controlled by govts.; but I think the many changes in the value of gold caused by the disturbed state of the world render it unfit for minting into coins.
(J.Z.: M. seemed to be unable to realize that the "changes" in the "price" of gold that he had in mind, were really reductions in the value of depreciated or doubted paper monies, expressed in their gold weight equivalents. He kept thinking in terms of exclusive and forced paper currencies, in spite of the above admission. - J.Z., 15.5.03.)

Gold in Fort Knox. I apologise - I overlooked the colon at the end of the par. on p. 4. of your letter of 10 Dec. beginning "Very Widespread was also the opinion", and I accordingly thought the par. referred to the previous, not the following par.

Chickens. I suppose you grow, inside Germany all the chickens you want, whereas we have to import. But I daresay your prices were higher before Christmas than after.

Free Banking. No - I should call any system "free" so long as it is not made compulsory by law or other duress.
I have said before that in times of war and crisis many delicate commercial operations become impossible, and the community must then fall back upon more primitive methods - even to barter.
Hence I cannot agree that because your system may be better for a time of crisis, it is therefore better for normal times.
(J.Z.: Just because it can stand up even in a time of crisis does not mean that it is a more primitive form of money. - J.Z., 15.5.03.)

Moreover, even your system must be affected by the general deterioration in mutual trust during a crisis. Admitted that holders of notes will not suffer: they will simply change their notes for goods in the shops. But the shopkeeper will not find it so entry to replenish their stocks. In times of crisis everybody prefers goods to money.

(J.Z.: Those, who expect that they might have to flee, would prefer cash to goods. Anyhow, even during a crisis some goods, services and labour are sold, even for inflated or deflated money, although the turnover might be largely confined to life's necessities. - J.Z., 15.5.03.)

Hence I should expect that

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manufacturers would raise their prices to those who offered them.

(J.Z.: That's hardly news. But they might at the same time raise their paper money prices while they reduce the gold weight prices, which means that for gold coins and for their own goods warrants, expressing gold weight values, their goods would become cheaper, perhaps because they might want to accumulate a small gold hoard as an emergency fund. - J.Z., 25.5.03.)

The 1844 Act was of course, often suspended before 1914; but only when the drain of gold was so serious that it threatened the gold supports of our home credit. Such crises were usually short and sharp. Great numbers of bankruptcies occurred, and the low prices turned the flow of gold back to us.

You ask if I know of one example of sovereigns being sold from 1860 to 1910. You have chosen a period of peace, when there was no major political crisis affecting public confidence in the safety of the country. Earlier in the century, however, during the Napoleonic wars, there were many cases of guineas being sold at 2s. to 2s. 6d. premium, although it was illegal to do so. When the price of gold rose from £3.17.6 an ounce to L 4. 10. 0., guineas were melted into bullion. By 1812 gold had risen to £5.10.0; and the govt. itself paid its troops in Guernsey with guineas at the rate of 23s. each. The crises of 1857, 1866 and 1890 were too short for the price of gold to rise much. Moreover it should be remembered that it has always been an offence here to melt coins into bullion. I take it that you would not agree with such a law; hence variations in the price of gold would show themselves more rapidly in the volume of gold coins in circulation. It is noteworthy that during the last war, when sovereigns had long been withdrawn from circulations, jewellers here were offering to buy sovereigns at 38s. to 50s. Presumably they were not prosecuted because the coins no longer had official currency. I still keep a couple of sovereigns as souvenirs.

I think the reason why settlement of trade balances is made in gold, or rather, used to be, is that when a country's currency falls abroad to a certain point, it is cheaper to send gold, if the gold can be got at a fixed paper price. If gold were not sent, the value of the paper would fall still further, which would have the same effect of reducing imports and encouraging exports as if the country had lost its gold. I do not think the habit springs from the law empowering creditors to demand gold. After all, there is no such law in international payments. It is simply that political relations are so uncertain that creditors are not inclined to give long credits abroad.

Commodities offered to Germany. Yes - international trade is in a ridiculous muddle. We keep out fruit, in order that our growers may get a higher price; but we get no bacon because our govt. refuses to pay the high price demanded by Denmark. Still - I should have thought that Germany is worse off than we because her foreign trade balance is much less favourable.

India. You write: "Must I point out the reasons for which I believe that every single Indian was much more independent under the Pax Britannica than he is today?"

I reply: Must I repeat to you the old political maxim that the best govt. in the world is no substitute for self-govt.?" I think India suffered a lot of disadvantages under British rule, mainly political, in that

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Britain held all the executive posts, and enforced a colour bar. India doubtless suffers different evils today; but I am not so pessimistic as you regarding the ability of parliamentary govt. to remedy these abuses - or at any rate, I will not risk a dictatorship for the sake of a quicker remedy.

Autre chose. I am sending you a particularly good number of our English humorous paper "Punch". English humour is very different from either French, German or American. Forgive me if I say that I generally find German Humour rather childish. For 7 years I sent "Punch" to a German friend of my youth who emigrated to California.

I was stupefied when he at length wrote me "I do not know why you send me "Punch" - I can see no humour in it. But I am sending you the American "Life", which think really funny." I read through "Life", and hardly got a single laugh out of it. It seemed to me to be modelled on German humour - so many of the jokes were about people slipping down or being knocked on the head by something, with many stars dancing above their heads. Of course, when I speak of German humour, I am thinking of the days of "Kladderadatsch" and "Simplicissimus" - it may be different today - I have not seen a German humorous paper for years.

Sincerely yours - signed: Henry Meulen

Dear von Beckerath,

18 January, 1951

Thank you for your letters of Jan. 4, 9 and 13th.

Like the pastor's wife in Ibsen's "Brand" I am more concerned with your bodily difficulties than with the small disagreements I may have with your "soul". There are at least two months of cold weather ahead. Have you no electric power laid on, for use of an electric fire? Or paraffin for an oil stove? It is dreadful to be constantly cold. I ordered coal five weeks ago, and have not yet received it. My coal merchant tells me that there is at least a month's delay in executing orders! But I have gone round the garden sawing off branches from trees wherever possible. A wood fire in a small grate wants a lot of attention; but since I sit next to it, and my thinking goes only in spasms, I manage to look after it quite satisfactorily. Also we have the vast Wimbledon Common at our gate, and I sometimes carry in a great branch that has blown off a tree - and the sawing is good exercise. But I rarely open the window of my study in winter. Like the peasant, I spend some hours every day walking on the Common, or working in the garden; and when I come in, I like above all to be warm. An old friend told me that all his life he had been a devotee of fresh air, and slept with an open window winter and summer. He and his wife always had bad colds every winter. Then one winter he closed his bedroom window at night, and they had no colds. He continued this practice, and has hardly ever suffered from colds since. It is possible that we town-dwellers have developed an immunity to foul air, just as the Jews in the Middle Ages developed immunity to the foul conditions in the Ghettos.

We have a pretty house and garden here, and a glorious common with woods, hills and valleys just outside the door. If you care to come over at any time, we will gladly give you bed and board.

And now to your letters.

Gold coins. In my letter of Nov. 23 I wrote that the question of the relative desirability of a gold or paper exchange medium depends on the stability in the value of gold. I think you exaggerate that stability. In the "Economist" of Jan. 13, it is reported, for instance, that the free gold price in Beirut was \$ 38.5 in the early part of last month, whereas it is now over \$ 44 per ounce. You write that the prices of all commodities are affected by unrest. But I think 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.

Ordinary commodities tend to fluctuate in price only when the actual demand or supply of particular commodities changes. For instance, although the free price of gold has risen nearly 16 % in a month, the prices of most commodities here have risen only 1 or 2 % in the same time. And in a time of strong foreign demand, your ingots would also disappear from circulation.

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Long-date loans. We have been over these points before. I think that the length of a bank's loans depends on

(1) the size of the bank's resources;

(2) the character of the borrower and of the business to be financed;

(3) future outlook of trade and politics.

Hence I cannot lay down a definite limit and say that all issues beyond this limit are overissues. In my letter of Dec. 26 I stated my opinion on the future of long-date loans. I don't think I have anything to add to this.

Payments abroad (your letter of Jan. 13). I cannot see that your statement of the point of our discussion is different from mine of Jan. 10. No, I do not say, directly or indirectly, that there are enough dollars available to English importers. If there were, we should not, as today, have to curtail our dollar purchases. You think that trade would be easier if US would accept pounds, and London would accept dollars. I have pointed out that US does accept

pounds; but that when she gets more than she wants, she takes them only at a discount. You now write that if US exporters are not content with pounds, they may keep their commodities. Surely it is better for US to continue exporting, but to accept pounds only at a discount.

Free banking. You write that in the crisis of 1932 German wholesalers were willing to grant long credits to shops. All I can say is that in every one of our crises last century, the rise in our bank rate was designed to stop merchants from borrowing for purchases from manufacturers. If our manufacturers had been disposed to grant credits to merchants, the whole purpose of the 1844 Act would have been frustrated. The aim of that Act was to restrict credit in order to prevent merchants from buying. This forced manufacturers to reduce prices, and encouraged foreigners to buy here, and thus turn the streams of gold back to this country. The reason why manufacturers are chary about granting long-date credits in time of crisis is that, at such times there are many bankruptcies, and nobody knows who may be the next victim. Hence there is a reduction of mutual trust, and whatever exchange ensues must be on more primitive lines.

I admit that a bank of my type cannot be started without capital, although that capital need not be in gold: it can be in notes, or the notes of well-known banks. The reason for this is that the trust required for the circulation of notes is more easily created by a wealthy man of good reputation than by an unknown man. I think that people will accept your shop-keeper notes only if they cannot get notes of my type.

In England, before 1814 the issuing banks always issued notes for wage payments.

Balance of trade. No - I am not on such a lonely pinnacle.

I have not denied that, taking the world altogether, the sum of exports roughly equals the sum of imports. What I say is that one country may import more from another country than it exports; its currency then depreciates abroad, and we say it has an unfavourable balance of trade with that country. I think Hume

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was a better philosopher than he was economist. Practically all our crises in the 19th century were due to the impact of trade on our "Free" gold market (what about "forced currency" for *cours forcé*?). Drains of gold were due either to high prices here (and hence increased imports), or big loans to foreign countries.

You now write that if gold is not sent to balance adverse trade, it is natural that the value of the paper currency will fall abroad. But you have previously written that countries sent gold only because of laws empowering creditors to demand gold.

Commodities offered to Germany. I think you will find that the value of the German Mark abroad falls in proportion as the balance of trade goes against Germany. Foreigners may be ready to grant the same credits as before; but they get better prices than before. Hence Germany tends gradually to stop importing.

India. I think you exaggerate the defects of the Indian democratic system. It is no worse than our own system, except that the Indians are more illiterate. This they can remedy themselves under freedom. What objection have you against the Indian parliamentary system that does not apply equally to parliamentary election anywhere?

Executive posts. The number of British officials does not matter: It is their power that matters. The differences between Untouchables and Brahmins is a religious one, and can hardly be remedied by political methods. But under British rule the colour bar was applied to all Indians, whether cultured or not, and was deeply resented.

Human rights. If a human being has inborn rights, why has a sheep none? We kill and eat a sheep, regardless of its "rights". And if a sheep has no rights, at what point of evolution between the sheep and man, and how, did the human "right" appear?

Sincerely yours - signed: Henry Meulen

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Dear von Beckerath,

Thank you for your letters of 13, 14, 15 & 20 Jan. I hope to make extracts from the first three for the April "Individualist".

Discount rate in W. Germany. I agree with you on the small importance of a small rise in the interest rate on loans to industry. In the case of loans to merchants, however, even a small rise is grave; and I would refer you to pp. 160-5 of "Free Banking".

Coal mines. I have a note on this subject in the Feb. "Individualist", to which I invite your consideration when you receive that number.

Gold coins. I am afraid I do not understand the difference you make between Zwangskurs-Geld and Zwangskurs. (cours forcé money and cours forcé - J.Z.) No money has inherent forced currency, hence cours-forcé cannot be a quality of the money itself. If, however, a man is forced to accept a note, that note has forced currency, and there seems no point in distinguishing between a single note and a quantity of notes. Moreover, whether the paper has forced currency or not, gold will be preferred to paper in times of political unrest just because it is a commodity and not a paper promise.

Part 1 on p.3 of your letter of 20.1. I agree to 1.) and 2.): the actions of a Bank with a max. paper issue in times of drain of gold. But if the demand for gold is big enough, paper will still fall in terms of gold, even without a max. legal issue. I admit that a high paper price for gold will tempt gold out of hoards; but the amount that is so tempted depends on the violence of the current political unrest, or on the difference in the paper price of gold.

Long-date loans. Yes - I daresay there is a theoretical upper limit. But my point is that such a limit depends on the unpredictable circumstances described in my letter of 18.1, and no limit can therefore be laid down as a general rule for all advances.

Payments abroad. But US does accept pounds today: pounds are bought and sold in New York, just as dollars are bought and sold in London. The question between us is whether all pounds should be bought by US in New York, instead of partly in London.

Free Banking. Notes of less value than L 1 were prohibited in Scotland in 1765, and in England in 1775. In 1779 notes of less value than £ 5 were prohibited in England; but in Scotland the L 1 note was permitted. In 1797 £ 1 notes were again allowed in England, and were not prohibited again until 1826.

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I do not know if 1801 (instanced by Mallock) was a period of especially low wages - it was, of course, shortly after the severe crisis of 1797 - but in his book "The Scotch Banker" (1825) Attwood says: "Except in Lancashire and Middlesex nearly the whole of the weekly wages of labour are now paid country (*) one pound bank notes." (*) (Meaning: "country-bank" - J.Z.)

As to the aim of the 1844 Act, see my quotation from Lord Overtone on p. 123 of "Free Banking."

Balance of trade. You write that no foreign creditor can claim German notes as a means of payment. But I take it that the reason for this restriction is the same as for the similar restriction here, namely, the adverse balance of trade. Your govt., like ours, wants to confine imports to those deemed "essential."

India. I should be surprised if all but 200,000 people in India desire the restoration of Brit. rule. You must remember that the Indian Congress, which demanded independence, had the support of an enormous section of Indian opinion. And I think that the improved status of the Untouchables was due to Gandhi rather than to the British. Caste was a religious question in India, and the British were rightly averse to meddling with it.

Human rights. If you agree that rights are not inherent, but are granted by society, there is no difference between us. But if you think a sheep has rights, why not a carrot? The Indian botanist, Bose, showed that all plants suffer from injury, and are excited by stimulants in the same way as animal organisms, only the reaction is much slower in plants than in animals. He proved it by plant photographs taken at intervals.

Your Danish butter story. Yes - it seems fantastic. But the same thing happens here. We cannot buy abroad many English goods that are sold cheaper there than here, simply because the govt. will not allow us to take enough English money out of the country, or buy foreign currency here. I am surprised that the Danish govt. does not do the same: it seems foolish for the govt. to encourage exports at specially low prices, and then allow its nationals to buy them abroad with Danish money.

Among the papers I am sending, you are two copies of the "Interpreter". One has a long article on money by the editor, a woman. It seems to me typically womanly. She urges many types of monetary reform, some of them contradictory - anything "to get something done". Riegel's article is better; but his own "Valun" scheme is a most complicated business. I have his book, if you would like to see it. Still - I find the "Interpreter" interesting.

Sincerely yours - signed: Henry Meulen

HM/ED

The Secretary,
Engineering Industries Association,
9 Seymour Street
W. 1

29 January, 1951

Dear Sir,

I have been much interested in the report in today's "Times" of the concerns felt in your Association at the shortage of liquid resources in small-sized engineering firms.

Our Association has long urged that the provision of cheap long-date credit to the smaller firms is essential for the prevention of monopoly, the promotion of production, and the provision of an avenue for the capable wage-earner to raise himself to the position of employer. We have drawn attention to the effect of the Bank Charter Act of 1844 in preventing this development of banking.

I enclose a pamphlet on this subject, together with a copy of the last issue of the journal of our Association.

I should be interested to read any comment you may care to make on this subject.

Faithfully yours

THE TIMES, MONDAY JANUARY 29, 1951

ENGINEERING FIRMS' DIFFICULTIES - SHORTAGE OF CAPITAL

The Engineering Industries Association finds that concern is caused by the shortage of liquid resources in small and medium-sized engineering firms. The latter find difficulty in financing the inflated price of raw materials, so that debts are piling up and extension of credit is a process like a snowball. Many firms are endeavouring to carry on with a limited bank overdraft which does not allow adequate scope.

The association suggests that Government departments, local authorities, and the nationalized industries should settle their accounts more promptly, while the Inland Revenue authorities might adopt a more lenient course in collecting taxes. Big contractors might grant more extended credit to sub-contractors. Policy of the Capital Issues Committee should be more flexible.

It is emphasized that the need for Government economies with a view to the possibility of reducing taxation on industrial profits has never been more urgent. Productivity of the engineering industry must not be hampered when its responsibilities in relation to rearmament and exports are greater than ever before.

5 Feb. 1951

My dear von Beckerath,

Today I came across a quotation from our English poet John Keats which I had not seen before:-

It is a flaw
In happiness to see beyond our bourn.,
It forces us in summer skies to mourn.,
It spoils the singing of the nightingale.

Thinking too far ahead can easily become a disease with the intellectual. Therefore, although there may be clouds over Korea, and fears in Europe, and we get only 8d. worth of meat a week, I sit down after tea before a nice fire, with the file of your letters in one hand, and your latest letter in the other, and feel perfectly happy. We used to say that there was no fun in playing tennis against a man who could not return your service. There is equally no fun in discussing with a man who cannot meet your arguments chest on. This does not apply to you. Hence my pleasure.

Human rights. The usual standpoint is that men possess certain rights; and of course the philosophical objection at once arises: what precisely are these rights, and how did they arise? Human life has undoubtedly evolved from chemical atoms; and if these atoms have no rights, at what stage of evolution were human rights developed, and how? You do not evade this question by asserting that the rights of the object reside in the mind of the subject. If I say that a fire has warmth, I certainly mean that it is I who feel the warmth, not the fire. But I can make this statement because others can verify it.

When, however, you say that a man has rights, and I reply: what are these rights; how and when did they arise? you can give no reply beyond that all normal men see them. But in the Middle Ages the same reply would have been made to anybody who doubted the existence of God. The fact was that nobody saw God - they simply believed the doctrine because it had been taught them. Today most sensible people deny the existence of the Christian God. I should say that you are confusing your sympathy with men with the existence of a certain quality (rights) in them. If you should say: "I like men, and I am ready to help them", thousands will agree with you; but not if you say "They have certain rights". I agree that a man who thinks he has inherent rights may fight for them more fiercely than he who thinks only that it is foolish of men not to grant each other certain privileges. All I can say is that I think the latter position philosophically sound, and the former unsound; and that we must make the best we can of life without the unsound doctrine. It is quite certain that the man who believes that God is always watching him will live a more Christian life than he who doubts this. You would not, however, on these grounds recommend a belief in God.

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Gold coins. Apparently you agree that "forced currency" is not an inherent quality of money. If so, I still do not understand why you want a difference made between Zwangskurs and Zwangskursgeld, except when you want to distinguish between, say, the forced currency of an idea (e.g. that Stalin discovered the circulation of the blood) and the forced currency of money.

In your letter of 31.1, you remark that debtors everywhere promised gold coins before 1914. But it was only Britain who rigidly promised creditors payment in gold before 1914. France, for instance, discharged her debts in silver when the demand for gold became inconveniently strong. You do not reply to my contention that even without forced currency, paper would still fall in terms of gold in times of strong demand for gold due to political unrest.

Payments abroad. It is queer that we cannot get to the point here. When the US exporter quotes X per lb. for cotton, he is ready to receive pounds or marks at the current exchange rates. Exporters here have often been urged to quote their prices in francs, marks, lire or pesetas to make it easier for the foreign importer. The US exporter could equally well quote a price in pounds sterling.

Long-date loans. We were not discussing the fixing of an amount, but an upper limit. My remarks concerned an upper limit.

Free Banking. Your quotation from Senior is certainly important. I will look up more figures of wages when I have time. I think you are wrong about Lord Overstone. It is a pity that you have not access to his writings.

By the way, I notice that you can see the "Economist" in the Berlin "British Centre". Perhaps it would save time and money if I sent it to you only when it contains something I think you ought to see.

India. Yes - I also expected the spread of corruption after the British withdrawal. But I still stand on the principle: "The best govt. in the world is no substitute for self-govt." Corruption can be remedied under self-govt., whereas the acts of a conqueror cannot be changed.

Denmark. Excellent. I will quote you in the April "Individualist."

I should have said in the beginning that this letter is in reply to yours of 28 & 30 & 31 Jan. 1 & 2 Feb.

Dear von Beckerath.,

13 Feb. 1951

Thank you for your letters of 4 & 8 Feb. with cuttings.
I agree with your criticisms of Kimmitt, King-Hall and Alexander.
King-Hall has received the "Individualist" for about three years now. I do not think anything can be done with him.
I wrote him about three months back, asking him to meet me for a talk. He replied that he would like it but he was too busy at present.

Payments abroad. The matter becomes clearer. Our present law is that all foreign currency received for exports must be paid into the B/E. And when one wants to import, one has also to get permission from the B/E. I recently renewed my subscription to "L'Unique". I had to fill up two large forms of details, and my bank had to guarantee me. It took a fortnight before I got permission to send Armand £1.

Alexander means by a "free" market for pounds and dollars one in which both are legally convertible on demand into fixed weights of gold. This is not the law at present in either country. Alexander thinks that if the old Gold Standard were re-introduced, the free purchase of both pounds and dollars could be restored, because if the value of either fell seriously, the deficit country would lose gold, and would be compelled to raise its bank rate, which would restore parity between the two currencies.

You are very good at returning reading matter. I am sending you correspondence I had with Kimmitt, Johnston and Alexander. Please return it as soon as you can, as I want to send it to Kimmitt to let him see what his "experts" are worth. Alexander has not printed a reply to my last letter, a copy of which is with this correspondence.

To return to the point at issue between us., when I sent £ 1 to Armand, I got a draft from the B/E for 980 francs, which I sent to Armand. If I had defied the law and had sent him a £1 note, he might, with difficulty, have bought francs with it in the Black Market, because France equally decrees that pounds shall be bought only from the Banque de France. If therefore Armand presents a L.1 note to the Banque for conversion, he must explain how he got it. The Banque rate of exchange between francs and pounds fluctuates according to supply and demand, although sales are controlled by the State. (J.Z.: Unrestricted supply and demand are obviously excluded here by the controls, in which the bureaucracies on both sides made themselves ridiculous. - J.Z., 30.5.03.)

You ask why our exporters do not quote prices for export in francs, liras, etc. The reply is that some do. I can suppose only that the rest are too conservative. But many Germans quote only in marks.

Long-date loans. You propose that the limit of a country's currency be established by observation of the volume of goods offered for sale.
(J.Z.: Plus e.g., the volume of daily wanted consumer services, including labour, plus the volume of debts soon due. - However, both are in a relationship to the volume of consumer goods offered for sale and wanted at any particular short term period. - J.Z., 15.5.03.)

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But

- (1) a country that is setting out on big capital construction (e.g. Brit. railways in 1846) requires more currency than a country which may have the same volume of goods for sale, but in not undertaking fresh enterprise. Prices may rise in the former country; but it may prefer to suffer the rise.
- (2) In the last half of last century Britain invested savings largely abroad. It could not have done this, had its currency been limited to its volume of goods.
- (3) The volume of goods is not a complete indication of a country's wealth: the skill and ability of its people are also wealth, and the necessary raw material can, on occasions be got from abroad.

Gold coins. German debts may have nominally been payable in gold; but in practice the Reichsbank took steps to discourage excessive demands for gold, whereas the B/E always readily converted into gold any B/E notes offered for conversion. (See p.177-8 of "Free Banking"; also 179-80).

Zwangskurs. I think your usage is the same as ours. In "Zwangskurs" the word is used as a noun; in "Zwangskursgeld" it is an adjective, describing a particular form of "Geld". We would say similarly: "German notes are a forced currency", and "German notes have forced currency." The main difference is that you habitually join the adjective and noun into one word, which we rarely do. We write "A gold chain", and "A chain of gold."

Human rights. Yes - yes: the problem has no urgency. It is already very old. And most men will continue to demand all the privileges they think they can extort, whether the philosophers call these privileges "Rights" or any other name.

Sincerely yours - signed: Henry Meulen

My dear von Beckerath,

21 Feb. 1951

Here are two questions:-

(1) I read recently, to my surprise and pleasure, that Germany has four privately owned commercial broadcasting stations:

Berlin R.I.A.S., the Stuttgart sender, the Munich sender, and the Baden South West Radio. You, I think, do not listen to the radio; but I should be grateful if you would ask those of your friends who are interested in music and general culture if they find the interpolated advertisement destroys their pleasure in these programmes. The programmes consist 80 % of music, and 20 % advertisement. As you know I have long urged that we should allow private broadcasting in England; and this is not possible except advertising be allowed.

(2) It is reported that unemployment in Western Germany is close to the 3M level. Of course the influx of refugees is partly responsible; but this can account for only a small part of this total. Do you not think that Germany's restriction on bank lending (in the form of direction of investment and higher rates) are chiefly responsible?

Has unemployment grown since these restrictions were imposed?

(J.Z.: After all these years M. had still not noticed that B. considered not the restrictions on the capital market but the restrictions on private and competitive note issues to be the main factor. M. seemed unable to distinguish between the two. - J.Z., 16.5.03.)

I had written the above when your letters of the 15 and 18 Feb. arrived; so I proceed to reply to those letters.

Cours forcé. Tucker used to say that he comes off best in a discussion who gains most light. And, after all, your mistake was due only to lack of familiarity with English.

I am much more indebted for your criticism of my note on The falling value of money. I readily admit that if the value of money falls 100 % in two days, it would be unjust to divide the difference between wage-earner and employer. Still a fall such as this is extremely rare. In ordinary times, rises and falls of prices have occurred in this country pretty regularly, generally coinciding with the trade cycle, in periods of about ten years. Jevons says in his book "Money" that in every trade cycle there have been price fluctuations amounting to between 10 and 25 %. Obviously when prices fall, the wage-earner benefits at the expense of the employer except that under our credit-restricted system, the employer was always able to stand his men off. Hence I am inclined to agree with you that it would be better for wages to be fixed in terms of the free market price of gold. But in long-term debt contracts (savings, mortgages etc.) I think it would be better if fluctuations were divided between debtor and creditor.

Alexander. You have doubtless by now received my correspondence with him. This correspondence makes it clear beyond doubt that he supports a fixed paper price for gold.

Human rights. The expression "the sun rises" simply

2.

records the ignorance of our ancestors. If they had known the true facts, evening would have been described as the rise of the horizon, and morning as the fall, uncovering the sun; and by now poetry would have made us quite familiar with the true phenomenon. I think that human rights are the same as property rights: both are privileges

granted by the members of society to each other. How else will you explain the extraordinary diversity of human rights in different civilisations?

(J.Z.: Here he mixed up human rights with human customs. Thinking about human rights has become wide-spread only over the last 300 years and it has certainly not yet been sufficiently clarified, for which M. himself was a very good instance. Genuine individual rights, the knowledge of all of them and sufficient respect for them has certainly not yet become customary anywhere. - J.Z., 16.5.03.)

The Statist. You are a little hard. In England we use the term "Black Market" simply to denote an illegal market. The term is almost devoid of moral censure, except in the sense that anybody who breaks the law is condemned. But of course many of those who take this risk make vast profits, and the "honest" (and fearful) people are indignant.

Freedom. Yes - I agree with you. The history of real progress lies in two directions, both of which must be developed simultaneously:

(1) greater liberty;

(2) deterrence of aggression.

Monopoly is aggression if it results from human contrivance, whether by private individuals, trade unions or the State. But an exact definition of monopoly is difficult. A country may have a monopoly of a rare metal. A railway must monopolise the land on which the trains run. And there are marginal cases.

"analysis". What particular form of crisis would be eliminated by the habit of ordering goods in advance?

"Four great revolutions". What exactly do you mean by "violations of maximum laws"?

F. W. Smyth is one of our members. He is one of the rare opponents of a gold standard, although such opponents are not nearly so rare today as formerly. But he does not approve of free banking. I had long discussion with him some years back. Still - he still sends me his subscription regularly.

Keynes. I think that, on the whole, he did more harm than good.

Sincerely yours - signed: Henry Meulen

My dear von Beckerath

14 March, 1951

Thank you for your letters of 27 Feb. and 2 Mar. I received also the part of the Kimmitt correspondence that you returned (I shall be glad to get the rest as soon as possible), the Vier Gesetzentwürfe, and the copies of Waehrung & Wirtschaft. Your letter makes a good-sized pamphlet. But it was all very interesting to me; and it may be some satisfaction to you that your questions often sent me pacing through my study between a bust of Marcus Aurelius and one of Julius Caesar) whilst I turned them over in my mind.

I presume that the firms who carry out broadcast advertising operate on licence from the German Post Office; but you might confirm this. I am not sure how they arrange these things in U.S.A.: I am writing to Labadie to find out. What an elaborate and complicated network of broadcasting appears in your book. We have, I think, no comparable list in England.

German bank restrictions. The restrictions I meant were those imposed recently (last year, I think) increasing the Bank Rate, and "directing" capital investment.

Denomination. we say "notes of high denomination."

Long-term loans. You might elaborate your statement that the role in providing employment in peace time is very small compared with the financing of current production. It seems to me that in a community with great unemployment, the banks can, and did here, finance current production fairly satisfactorily today. But to bring work to the unemployed needs capital investment, and this must come either out of individual savings, or out of long-date loans.

Cours forcé. "Forced currency" appears to be used idiomatically. We say, for instance, that an expression "has currency", meaning that it is used.

(J.Z.: Alas, the expression "forced currency" does still not indicate whether it means:

- a) forced acceptance,
- b) forced value or
- c) both of them together. - J.Z., 16.5.03.)

Falling value of money. Whilst I agree that State interference disturbs the value of money, I do not think that freedom will save us from price fluctuations. Apart from harvest and seasonal fluctuations, it is inevitable that the rate of investment should fluctuate according to the opportunities offered. In so far as this investment exceeds or falls short of current savings (*), prices will fluctuate in an unpredictable manner; and it seems only just to divide such fluctuations between creditor and debtor.

(*) (J.Z.: How can genuine investments exceed savings? Ultimately, all savings must represent goods and services that are ready for sale and that are used up in their investment. Fictitious values cannot be used up in their "investment". - J.Z., 16.5.03.)

Curiously enough, you urge that the creditor alone should benefit from price reductions - and this at a time like the present when the entire Left Wing thinks that the debtor, the man who uses the money and causes the increased production, should be the only one to benefit. For them the lender is

2.

Shylock, an idle parasite! I think that you both exaggerate. (Exaggerate both? - J.Z.) Lender and borrower are of equal importance. But a serious fall in prices when long-term debts are payable in legal tender, may bankrupt thousands of producers.

F. W. Smyth. I will write him again.

Keynes. Please see my note in the next "Individualist".

Your letter of 2 Mar. "To buy". Ordinarily it means "to gain by giving something in exchange." But we say that a slave "bought" his freedom for money, where evidently he was free to choose only to remain a slave. Similarly when I buy gold at a fixed price from the State, I am free to refuse the gold and keep my paper money.

Alexander said somewhere that he thought the present £3.17.9 relationship between gold and paper should be raised; but he seems quite certain that when once the price is fixed afresh, it should remain at that figure legally "because we must have a fixed standard of value." I, on the contrary, maintain that it is just as bad to have a fixed price for gold in a world of uncontrolled demand and supply as to have a fixed price for coffee.

(J.Z.: In other words: M. did not comprehend the concept of a commodity value standard. He was all too much addicted to the concept of a managed and supposedly more stable paper-money "standard". He could not even imagine that his various free note-issuing banks might, with their different paper monies, based on different issue and reflux policies of these banks, would introduce, or try to introduce, rather different paper money "standards". The wide-spread attempts to introduce "Meulen" - type free banks would almost force most people to resort to a common and comprehensible value standard, like a weight unit of gold, silver, or even copper. Maybe later, in some contracts, some people would agree upon one or the other index currency standard. But they would certainly not begin, in most cases, trusting the paper standard of their local Meulen bank and use it in all their transactions. Even the government's mismanaged and usually depreciating paper standard would usually be preferred to that of a note-issuing bank of the Meulen type. However, in extreme cases of inflations and deflations, then M.'s notes might be temporarily and locally accepted as emergency money, as long as not better notes are offered. - J.Z., 16.5.03.)

Yes - the "Rights" of the City of London spring from a very old tradition, and are jealously guarded. (*) They are, I agree, valuable.

(*) (J.Z.: Except, e.g., against the Bank of England and its fiat money: An exclusive paper currency, with forced acceptance and forced value. Do Londoners really think that the Bank of England guards their monetary liberties just because it is situated in London? Would they have tolerated any other tyrant or tyrannical institution, just because he or it would be located in London? - J.Z., 16.5.03.)

Kimmitt. Of course he thinks that if the Gold Standard is restored, currency cannot be inflated, because a rise of prices would then result in a loss of gold, whereas bullion would follow the general rise of prices. He omits to note that it is "inflation" (forgive this word) which causes this efflux of gold. The correct statement would be that under the G/S inflation can proceed only to the point where it becomes profitable to export gold instead of goods.

The country then exports gold; but all its home industry has to pay the cost of getting the gold back again. It cannot be denied, however, that the G/S is an almost automatic deterrent to over-issue, if a country is prepared to pay this very high price.

Local coinage. I think Johnston means no more than national coinage, e.g. sovereigns, dollars or francs.

Greek coins and the melting pot. As I explained in my letter to Kimmitt (which you still have), the Greek govt. maintains the price of gold by open market operations in the same way as most Central Banks now control the Bank Rate. This was explained to me by Pallin on the telephone.

You agree with Kimmitt that it is exchange control which drives coins into the melting pot. Actually it is not exchange control but the Gold Standard which sends them to the pot. In 1929-31 we lost vast quantities of gold to USA, who wished to support her crisis-weakened banking system. Then France, fearing a general

3.
European crisis, withdrew in gold the balances she held in London. Our govt. thereupon complained loudly that French Financiers were taking "our" gold just because there was an increased demand for the metal. Exchange control could be imposed with a free price for gold, and still gold would not be melted down. All that would need to be done would be to apply the same regulations to the purchase of gold as are now applied to the purchase of ordinary foreign currency. The price of foreign currency now fluctuates according to demand and supply, although it is the govt. who calculate the price. Of course I agree that this could not be called a free gold market.

Redemption of notes in a fixed value of gold. You would appear to have misunderstood my proposal. It is not a plan for preventing overissue of paper: it is merely a scheme for an invariable unit of value (see p. 260 of "Free Banking" in the par. beginning "The difference that I wish").

Zwangskurs & Legal kurs. Yes - this is a useful distinction. I cannot trace that we have it in English - probably because the State never admitted in the past that our paper money was depreciated!

The melting of gold. The practice here is that when gold is legally exported, it is sent in the form of ingots, packed in boxes which are never opened, and are simply sent from one Central Bank to another. If gold is exported through the Black Market, however, it will go in the form of wire, or industrial gold.

Sincerely yours - signed: Henry Meulen

(Transcript of hand-written note follows. - J.Z.)

A German friend of my youth, Hermann Sexauer, who emigrated to Santa Barbara, California, 50 years ago, often sends me batches of American cuttings. He is much opposed to UNO, and these cuttings show how this propaganda is carried on in USA. Still - UNO has the support of the majority in USA. (over)

4.
P. S.

I find I have not replied to your interesting sheet dated Feb. 23.

Emerson. Is not the difference between you and Emerson rather due to your different definitions of the word "civilization"? I suspect that for Emerson it means the conduct of men towards each other; but for you it seems to mean the number of criminals, although these "criminals" may be useful reformers, regarded from a wider standpoint.

Nehru. Yes I read "Truth" on the gentleman, and agree with "Truth". I don't like Nehru. I think he is a wily Oriental, and lacking in candour. (Like almost any other politician! - J.Z., 16.5.03.)

The New York Czecho-Slovak Revolutionary govt. I have seen no further news. I will write to New York and try and find out what is happening.

The 1871 Commune. I have no doubt you are right. The lesson that you will draw from it of course is that we should prepare people now for the steps that must be taken in any future change. I agree; and I am doing what I can. If only there were more of us!

Thank you for your letters of 18 Jan. 4, 5, 7, 11 and 17 Mar., the copy of "Heim und Scholle", and the return of the rest of the Kimmitt correspondence. I have not yet finished reading the "Heim u. Scholle"; but I will finish it, and return it shortly.

Marcus Aurelius and Caesar. I am afraid that I bought the busts only because I thought them noble portraits. As a young man already I admired them so much in our British Museum and when, years later, I found plaster casts of them, I bought them at once. And now one of your German professors has proved that the bust which for nearly a century has been shown in the British Museum as that of Julius Caesar is not he at all, but is a bust of an unknown Roman! Nevertheless I keep the bust, and have actually drawn more inspiration from it since I know that it is not Julius Caesar, since, like you, I greatly admire Marcus Aurelius, but detest Julius Caesar. But I have read nothing of Aurelius' currency measures.

Long-term loans. Admitted that current wants are the natural source of unemployment. (??? employment! Exchange media based on daily wanted consumer goods and services, ready for sale, are the natural source of employment. - J.Z., 16.5.03.)

Admitted also that current wants must be satisfied by current production. But you seem to consider only that form of unemployment which results from crises. We had crises of course - England is the classic home of financial crises - but these were temporary: short sharp. The chronic unemployment in England from about 1840 to 1939 sprang from the substitution of machine for hand labour, and the inability of our credit system to expand the medium of exchange proportionately. Hence arose monopoly of machinery on the one hand, and low wages and unemployment on the other. The banks of the time financed current production (*a) but gradually avoided the risk of long-date loans. Hence I should say that so long as monopoly persists, the long-date loan is of great importance. (*b) The problem is to keep long-date loans in due proportion with the saved wealth of the community. I think a Free Banking system carries within it automatic checks against excessive long-date loans. (See my letter to the "City Press", a copy of which I am sending with the next papers.)

(*)
[J.Z.:

(a) They did not sufficiently finance the turnover of ready for sale labour, goods and services, mobilising them, in monetised form, as "ticket money" etc., especially for short-term wage payment loans, exerting thereby a huge demand for labour, goods and services and exchanging them for each other, utilising, in this process, all the available production capital to its potential and, producing, as a side-effect, more savings and with them more investments, unless the law would put too many risks and penalties upon savings and investments, e.g., by a paper value standard and by taxation.

(b) Legally established monopolies are not overcome by long-term loans to competing enterprises. If the "monopoly" is merely a large presence in the market, then this market position is also not overcome by more long-term loans to competitors, as long as the **sales** of the goods and services of the dominant firm and of the competing firms are not assured - by sufficient turnover-credit arrangements. Thus the note-issue monopoly is the primary monopoly to be broken. First of all the sale of labour, services and goods into sound enough exchange media should be made quite easy and turning them, by suitable and competitive banking methods, into such media, at least local currencies, could achieve that and also the sale of the goods, services and labour offered. In other words: The free banking notes, clearing certificates, shop currencies etc. issued should primarily facilitate current turnovers of already produced goods, ready for sale services and labour and **not** medium-term or long-term capital investments, in industry or agriculture, although they could also be **saved** and used to **subscribe** to capital securities and the capital securities could be **sold** for such sound turnover-credit banknotes. Sometimes M. wrote as if capital securities had not yet been invented and were not extensively traded, in their sphere. This in spite of the fact, that he was also a share-holder. Nor would he have ever tried, I believe, to pay in shops for goods and services with his shares, calling them "notes of free banks" and asserting that they would be covered by the value of the future goods and services that these companies would be supplying and that the banker, who issued this scrip should be trusted and that he trusted them and that the shop keepers should also trust these bankers, because these bankers, as issuers of capital securities, would be honourable and capable men, making sound investment decisions and that they firmly believed that their financial securities could fulfil the function of a sound currency by calling them banknotes and relying on the gradual repayment of these long-term loans with these notes. The shop keepers might have simply answered him: We have no interest in your financial dealings and beliefs. If we had funds to invest, we

would invest them otherwise than in these notes, which you seem to believe in, but which we don't trust at all. If they had been our own notes, and if we had promised to redeem them in our goods and services, then we would, naturally, have gladly accepted them. As it is, we simply refuse to accept them, for they are not legal tender but optional notes. We opt not to trust and thus not to accept them. - J.Z., 16.5.03.]

Falling value of money. Yes, I know that the orthodox think that debtors and creditors need no protection from the price fluctuations which you describe under b); but I differ, and think it would be better to divide those fluctuations in long-term debts. (J.Z.: That should be left to special clauses in free contracts between debtors and creditors. - J.Z., 16.5.03.)

Buying gold. Yes - I suppose that although the merchant may be said to "buy" the gold, the Bank of England certainly has no choice: it does not "sell" the gold, but gives it up on demand.

(J.Z.: And it suspended this redemption several times! At least once, according to a hint by B., somewhere, not in this correspondence, the Bank of England was saved from embarrassment by the merchants of London declaring that they would continue to accept its notes at par, i.e., by providing its banknotes with their shop foundation. The case is important enough so that it should be somewhere written up in detail. But already common sense says that most wage and salary earners or other income recipients have, mostly, no other use for the paper money they receive than to purchase with it their daily needs in the shops and pay their other bills in them. Few of them are ever interested in wanting to buy gold with them - and on a really free gold market they always could, in these cases. Thus, common sense should have told people that acceptance of paper money "**as good as gold**" in local shops, with goods and services price out in gold weight units, would serve them more often and more extensively than the fact that the issuing shop (bank) would redeem its notes with gold coins. In competition between the issuers of shop foundation money and of gold stock money, the shop-foundation issuers would, obviously, win, since they would not have to accumulate a large stock of gold first and would make a profit in every turnover of their goods and services, on top of whatever small amount of interest they could charge for competitively offering their shop foundation money in short-term turnover loans. Even if this could be safely done, they would not be interested at all in using their shop currency to invest in long term loans to other firms. They make their living by turning over their goods and services as fast and as often as possible. Thus they do want their notes to return to them as fast as possible. To use that analogy again: The cinemas, theatres, railways and bus companies, do not want to invest their tickets on long terms in the enterprises of others. They do want to turn them over, fast, for their performances and services. Genuine "currencies" should, with as little friction as possible and as little delays, be "current" or "currently useful", or immediately useful, to facilitate, as "**exchange media**" (not as capital securities, because as such they would be useless for this, in most cases), for the daily sales and purchases. That is their main function. That some will also use be able and willing to use them in the purchase or sale of capital securities is a fringe benefit. But upon that fringe benefit no sound currency can be based. - J.Z., 16.5.03.)

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Gold payments. I think all travel of monetary gold is caused by lack of mutual trust (apart from that caused by State interference). The first decay of trust cuts down credit, and exchange is conducted on immediate payment. If distrust increases, payment in advance is demanded; and if trust deteriorates further, gold or barter of commodities is demanded.

Unfavourable balance of trade. If a man is buying on credit, he can correctly be described as in a more unfavourable state than if he is buying for cash. Nobody would, of course, describe his situation as unfavourable if the amount of the credit were small, or if he were expecting assets quite shortly. These considerations apply to countries.

Gold redemption of notes. I cannot see your difficulty. The banks might hold both gold sovereigns and ingots of the value of 50 and 100 sovereign each. If then gold have fallen in value below the point of 20s. paper = 1 sovereign, the bank will convert its pound notes into 1 sovereign plus, for instance, two shillings in silver. For large amounts it would offer ingots, sovereigns and silver.

Communists on aggression. Their dishonest use of words is intolerable. I think that had I been appointed to negotiate with them, I should long ago have given up the job in disgust. If you are going to allow the armed force of UNO to interfere in the internal politics of a member State whenever some minority declares that it is oppressed, you will convert UNO into a vast system of mutual interference; and I think it will rapidly disintegrate.

(J.Z.: The proper test whether such a declaration is mere propaganda or represents reality, is very simple: Is this dissenting minority free to secede, to do its own things for or to itself? Even without this test: A really free and interested press should inform people of the suppression of minorities, anywhere. Alas, some minorities have a better press than others and some almost none. For instance the minorities suppressed in the Sudan or the Indians in the back country of Brazil. If oppressors do get away with oppression for a while, then even small countries, like e.g. Iraq, under a dictator like Saddam Hussein and North Korea, under communist dictators, can become threats to world peace. A relatively small countries, like Germany, with all too many oppressive internal powers left unchallenged, has twice led the world into world wars. How many more such examples do we need in order to examine the question of justified intervention more closely? But I would deny myself, that representatives of territorial States, assembled in the UNO, have formed a rightful authority to decide upon armed intervention. We need a much more rightful and sensible institution for that, one formed by armed and trained citizens themselves, not their governments or societies, who know and appreciate their individual rights so much that, if necessary, they are prepared to fight for them, but only in rightful ways and only against the real enemies of these rights - not against their victims. See my two peace books on that subject. - J.Z., 16.5.03.)

Alexander and the German Reichsbank gold redemption of notes. In "Free Banking", p. 178, I have remarked on the system obtaining in Germany. If applicants for gold were deterred by the visit of the Reichsbank official (and there is no doubt that they were deterred), it was not necessary for the Reichsbank to refuse gold. Germany did not suffer from the Gold Standard simply because she was not on a Gold Standard in the British sense of the word.

(J.Z.: Meulen's and Kitson's notion of "the" "gold standard" did not agree with most of the British opinion on this, either. M. wanted to retain most of the worst features of the German and British gold standard, namely redemption upon demand, although only according to the rating of his paper money against gold - a redemption which would have been possible for anyone on a free gold market anyhow - while he rejected sound features of a gold standard: the pricing out of goods and services in gold, gold clauses and gold clearing or gold-accounting arrangements for contracts and for private and competing notes. And with his kind of definitions he kept himself blind to sound alternatives to his system. He built his own mind traps and he stayed in them, although ways out of them were shown to him often enough, probably by Prof. Rittershausen and by Dr. Walter Zander as well, at least through their writings. But for M. his book "Free Banking" was his Bible, containing all his dogmas and articles of faith. - J.Z., 16.5.03.)

I will look up Cole's "The Payment of Wages" in London University when I go down there again; and I will also look up "Dear Pig".

Stirner. Tucker published in 1907 an excellent English translation of "Der Einzige" by Steven T. Byington. I have it. A good book; but Stirner's style in German is most involved and difficult. Byington made a magnificent job of the translation.

Kitson. I knew him very well. His virtue was that he spent money lavishly on the propaganda of monetary reform. But he was an inveterate opportunist, ready to support any scheme of monetary reform that would adopt his plan of an invariable unit of value (founded, I think, on a false theory of value). He began by supporting Mutual Banking because I also attacked the Gold Standard, and we

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issued the monthly journal "The Open Review" (1909-10) together. We quarrelled over the 1914-18 war; and Kitson later joined Soddy in the propaganda of State banking.

Value by readiness to accept at par. I do not think I have anything useful to add to our previous discussion of this subject. I agree with you that your system might be the easiest to get going after a severe crisis in which the authority of the government were destroyed. But I cannot agree that a system which is the best for war is also the best for peace.

I like much your insistence on the right to refuse money. It is certainly just as important as the right to issue money.

Greek coins and the melting-pot. When the government goes down into the Greek free gold market and buys or sells gold, it obviously alters the price of the metal against the private buyer or seller. If the govt. holds big

enough stores of gold and the price fluctuations are not too violent, this will keep the Greek coins out of the melting-pot. All Central Banks today use open market operations to alter the market price of their paper: they simply buy or sell securities.

Sexauer. My friend Sexauer was the son of a well-to-do miller in Emmendingen-Baden. He was not, so far as I know, connected with your Dr. Sexauer.

I enclose a few cuttings which will interest you, especially that reproducing a twopenny banknote of 1793. Fear of the French Revolution caused extraordinary hoarding of coin here, and was doubtless responsible for the issue of these small notes.

Sincerely yours - signed: Henry Meulen

Could you send me two boxes of the "Arbuz" indigestion tablets? I should be grateful. Makers: Dr. Schwab, GmbH., Muenchen 13.

My dear von Beckerath,

30 March, 1951

Thank you for your letters of 21, 22, 24 & 25 March, and for the papers. I return your pamphlet "Heim u. Scholle" (a magazine! - J.Z.) with the next papers. If I delay, it will probably find a place on my shelf. "My friends are poor mathematicians" wrote Henri Poincare, "but they are good bookkeepers." If you were to re-write the pamphlet today, would you not allow the miller to contract and repay his loan in terms of the free market price of gold? Nevertheless, I think that the propaganda for a free gold price is of secondary importance today, compared with that for freedom of note issue. Today when every government interferes in the market price of gold, its free price must be subject to government whims all over the world; and to these fluctuations must be added those that result from war and the fear of war.

Thank you also for the Zander-pamphlet "Der Kampf der Wertpapierbesitzer". (The Fight of the holders of securities. - J.Z.) I shall be glad to put it on my shelf.

"Der Freie Mensch" One should not be too hard on these editors. The question of whether a free economy is better than controls in a system where the medium of exchange is rigidly controlled as it is today, is a difficult one, even for economists - and these editors are not economists. Small wonder that they hand over the knotty problem to the politician.

(J.Z.: As if these had ever successfully solved any major problem and had not messed up currencies in every country and in almost every century. - J.Z., 16.5.03.)

In the Appendix to "Free Banking" I have related how all our professional economists who, in 1921 supported the Gold Standard, found suddenly, after the abolition of the Gold Standard in 1931, that the Gold Standard was a serious hindrance to this country! Lionel Robbins is the only professional economist upholder of the Gold Standard here today.

Gras in der Wueste. (Grass in the desert. - J.Z.) Most interesting, and good Anti-Malthusianism. But I still think that it is easier today to induce the world to adopt contraceptives, than to convince it of the necessity for free banking.

(Does "the world" have sex, too? What is its language? Is there a condom big enough for it? - J.Z.) I admit, however, the force of your argument of fear of Russia's expanding population. This is just another case in which the fear of war delays our hope of prosperity.

Gold price at Frankfurt. I take it that both the gold prices that you quote are free market prices. (J.Z.: Can anything have a completely free market price when the only permitted means of payment is a government's monopoly paper money with its forced acceptance and forced paper value standard? A free market price presumes that both, sellers and buyers are quite free, not, e.g., bonded to a particular exchange medium and value standard. - J.Z., 16.5.03.)

Solomon a myth. No - no - don't let us discuss it. I don't care a damn about Solomon.

Kriegsdienstverweigerer. (Conscientious objector. - J.Z.) Yes, I agree. Our consc. objector movement is also very Left.

Women and money questions. I agree. But I know of two notable exceptions here. Dr. Vera C. Smith wrote in 1936 a most valuable book "The Rationale of Central Banking" (for her

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doctor thesis) in which she effectively criticised the reasoning of those who attacked freedom of note issue in 1844. She omits, however, to see the importance of the restoration of this freedom today; and she dismisses my book as "a product of the theory of money magic". Also Mrs. Joan Robinson is an excellent economist. And a certain Gladys Bing is very active in the Douglas movement here, and shows a good knowledge of the very complicated Douglas theory.

Marcus Aurelius. If it is "self-evident" that a deposit of 100 coins must be repaid by 100 coins of the same kind, it is the same with a loan. But I deny that it is self-evident in either case: repayment in both cases are matters to be settled by contract, and can take any form.

Long-term loans. Yes - you are using the classic argument. But it applies only, as all modern economists point out, in a system of "perfect competition", a system which has not obtained here since 1844. (J.Z.: And not even there and before then or anywhere and anytime as yet. - J.Z., 16.5.03.)

The introduction of machinery here, in the earlier days, reduced prices only enough to drive hand-workers out of employment. Low wages and unemployment then prevented the workers from buying even these cheaper goods. In later days the monopoly given to existing employers by our banking system has constantly prevented prices from falling to their economic level, and has been mainly responsible for gluts and unemployment. (J.Z.: I dissent on several points - but will not detail them here. - J.Z.)

Gold payments. Of course the distrust has to be severe before an exporter demands gold. But why, in your view, does a nation that expects war, accumulate as big a gold reserve as it can?

Unfavourable balance of trade. I do not grasp what your remark "Countries are no partners" has to do with our argument on this point.

Communist aggression. You cannot really think that the dividing line between real and pretended (assumed? - J.Z.) aggression is obvious. Our courts are kept busy all day long in deciding such cases. I insist that almost any action by a country can be twisted into a case of aggression. It was for this reason that when we discussed this question in my youth, we decided that UNO (The League of Nations! - J.Z.) should act only when the armed forces of a country crossed its frontier in aggressive war. (Compare my article: Who Is the Aggressor? - in PEACE PLANS No. 3. - J.Z.)

Reichsbank gold redemption. But the Reichsbank did deter them; and the proof is that until the Gold Standard was abolished, all demands for gold for export were made on London (see "Free Banking" pp. 177/82).

Open market policy in Greece. Yes - but the use of the sovereign as standard of value is also illegal. This probably reduces the size of the free gold market.

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Replacement of German 1 DM notes by coins. What reason is given? Do these small notes get too dirty?

Axbuz. Many thanks - I am really grateful. Arbus is a slow remedy (probably all the better for that); but it is, for me, a gentle balm for the stomach.

Alexander has not printed my letter; so I send you my copy. If you comment on it, you might return it to me as it is the only copy I have.

Sincerely yours - signed: Henry Meulen

P.S. I telephoned the editorial department of "The Daily Telegraph" about the New York emigre Czecho-Slovakian government. They replied that it is not an emigre govt. in New York, but an C-S "Free Council", and that there was a similar body in London. I got into touch with the latter, and received from them two Bulletins that they issue

weekly. I am sending them to you. This body seems to be doing good work, and I am bending Josef Joston a donation.

Jevons. I have searched through my copy of "Money" but can find no reference to the question of equalising the fluctuations between debtor and creditor. My old friend Jas C. Smith thought the question of importance enough to write on it at length in his book.

My dear warrior

4 April, 1951

I received the two tins of "Arbuz" today. Many thanks. Thank you also for your letters of 28 and 31. March.

You asked me about the Caesar bust. I do not remember the reasons advanced to doubt its authenticity; but apparently they convinced the British Museum authorities, for they removed the bust from the room where it had stood for years in a row of busts of the Roman emperors, and stood it outside the Reading Room; and they altered the label from "Julius Caesar" to "An unknown Roman gentleman".

Conscription. I cannot remember any writer on the subject here who does not insist that volunteers are better fighters than conscripts. Indeed one would expect that a volunteer would fight better than one who was compelled. Why else does a commander always ask for volunteers for a specially dangerous job? Doubtless the volunteers would be inferior to conscripts in all the qualities that go to make a good citizen; but this is just another case in which the needs of war are so different from those of peace.

China. I doubt if China is producing enough today for herself, in spite of the fact of the report in today's, papers that she has offered a million tons of grains to India. I suspect a political motive in the offer. We, on the contrary, can produce enough manufactured goods to buy the food we must import - we need to prohibit (? - That's medieval "economic wisdom". - The personal exclusion of the purchase of luxuries, for want of cash or for lack of interest in luxuries, is quite another matter, with which I am **very** familiar. - J.Z., 30.5.03.) only luxuries. So China's case is different from ours.

"City Press" on insurance and liquidations. Yours is an acute criticism.

Alexander on rising prices. Yes - but may not the price of gold have been raised by present political troubles and fear of war?

Dumping. As you remark, dumping into England on a big scale is largely impossible today because the exporters cannot get legally cheapened gold from us. But so long as there are any goods here that the Jap can buy, the shirts will come in, and our shirtmakers will suffer. I think that in such a case our shirtmakers should either confine themselves to making the finer quality shirts, in which we are superior to the Japanese, or turn to other production. But I cannot agree that a money convertible into goods only will stop dumping. (J.Z.: People not desperately in need of currency will not sell their goods at emergency sales prices. And when sales are generally facilitated, through monetary freedom, it will be hard to impossible to get government subsidies that promote dumping, to achieve exports. Under full free trade, including freedom in payment arrangements, the more one imports, the more one can export. - J.Z., 16.5.03.)

Smedley. I rather agree with him. Full employment cannot be an aim, any more than work is an aim. What we want is goods - all the rest is means to this end; and full

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employment may or may not be a good means. I think it is generally good; but it makes men (workers) unwilling to move.

(J.Z.: Full employment as the opportunity for self-supporting work for those with no other sufficient income is a very worthwhile aim and can prevent numerous other troubles. Under full employment workers will shift to other locations, provided the offer better jobs or better other advantages. Only under large-scale unemployment will those, lucky enough to still have jobs, remain more or less glued to them. - Naturally, governmental housing policy also plays a role. For instance, it might tie a worker to a rent-controlled house or flat. - J.Z., 16.5.03.)

New money & rising prices. I seem to remember that we have discussed this before; but the volume of our correspondence is now so large, and I have not indexed it. But I should say that all fresh money tends to raise prices: It will raise them a lot if the saved wealth is small, but only a little if the saved wealth is great. I have no details as to conditions in USA at the New Deal period. But suppose I sell potatoes. If my store room is stuffed with potatoes, and I know that I can get plenty more from the growers, ten fresh customers will not cause me to raise prices. But if I have only one sack, and cannot get more, I will raise prices. The question whether the money that these 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.

Moreover, you don't know how much money any country would accept. It depends on two unpredictables:

(a) the volume of goods offered for sale;

(b) the mood or enterprise of buyers.

I think you had better start looking for that white blackbird.

Goethe on Cellini. I have not read it; but it seems to add a brilliant feather to Goethe's cap.

The problem of unemployment. I think you are a little unfair to the economists. There has been an enormous amount written on this problem; and I cannot remember a single economist of note who does not distinguish between the unemployment resulting from slumps and crises, add that arising from war. But of course I readily agree that in dealing with slumps they have generally overlooked the money factor.

I have said before that it cannot be laid down what the period of loans may be in a free banking system, nor what the rate of interest. (should be? - J.Z.)

(J.Z.: He is right for medium and long-term loans. But the periods for mere turn-over credits are short and within rather narrow limits, depending only on the speed in which most goods get from the producer to the consumer. Here also the interest rates will fluctuate only within narrow and low limits, coming close to the administrative costs and risks, which can be very low. For him note issues are all too much mixed up with long-term investments, although they never should be. - J.Z., 16.5.03.)

But I think that, given peace and free banking, monetary crises and slumps will be so rare that a special monetary system to deal with them will hardly be necessary. And I would remark that the uncertainty always present in a crisis is scarcely the atmosphere in which men would be ready to bind themselves to buy three months ahead. (B.'s point is that if they bound themselves in this way then a sales crisis might never arise! - But under full monetary freedom sales crises might not arise, either. Moreover, by now technology has developed to a degree that it, too, makes production only upon demand quite possible, not only e.g., for my libertarian microfiche, for libertarian literature offered on floppy disks, via e-mail or in digitised form and upon order from a website, and for my proposed libertarian CD-ROMs, but, e.g., for personal computers for fashion clothing, for all kinds of machines, for locomotives, houses etc. Then there is also the highly developed market in futures, even for "pork-bellies"! - J.Z., 16.5.03.)

Sincerely yours signed: Henry Meulen

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9 April, 1951

"Thank you for your letters of the 1st, and 3rd April. I hope to write you shortly.

In the last "Economist" that I sent you there was an article on the bulk buying of Canadian wheat, from which I intended to make an extract, but forgot. Would you kindly tear out that page and return it to me. I will send it back again to you if you wish.

Kind regards - signed: Henry Meulen

My dear von Beckerath,

18 April, 1951

Thank you for your letters of April 1, 3, 5, 7, 11 & 12, and for the page from the Economist, which I return herewith.

Marcus Aurelius. We use the term "Deposit" to mean money lent to a banker for him to use, regardless of whether it is lent for long or short periods. Nobody deposits money in a sealed box nowadays. (J.Z.: Well, safes do still exist and at least some banks offer safe deposit boxes, which might be used for anything like last wills, capital securities, foreign exchange, jewellery etc. - J.Z., 116.5.03.)

Long-term loans and unemployment. But in your letter of 25.III. you wrote that the unemployment caused by the introduction of machinery was quickly remedied by the fresh employment created by the fresh employers and the reduced prices of goods. I replied that this would occur only in a state of "perfect competition", which did not exist here after 1844. I agree with you, of course, that those thrown out of employment in this period were greater in number than those who found fresh employment.

Gold-payments. If the tendency to accumulate gold in times of war danger has not much to do with trust or distrust of exporters, what do you think is the reason for accumulating gold at such times?

Unfavourable balance of trade. But when the demands of traders for foreign currencies are added up, there results a national balance one way or the other.

(J.Z.: How much cash crosses borders unknown to the authorities? Not just crime and drug money, I mean. Much may be carried by ordinary tourists. Was M. the only one who never ignored foreign exchange controls? Only the balances of the open books of individual traders are more or less real. For even they do not record **all** their transactions. The national accounts are largely imaginary or falsified, not only when it comes to internal budgets by the ruling parties. Creative accounting to hide money from the public, from tax gatherers or creditors is nothing new. - What made M. believe that "national" accounts are for real and quite honest and complete? Somewhere in his writings Bastiat indicates the usual calculation mistake made in determining a supposed imbalance in national trades. - J.Z., 16.5.03.)

Interest on ordinary investments as a factor limiting note circulation. If interest is high, it means that either the demand for loans is high, or the supply of savings small. Such conditions are a stimulus to the banker. If his issues command trust, he can expand them. At the same time I admit that when savings are small and interest high, borrowing will be restricted and rightly so.

(J.Z.: If M. had been consistent in his belief in bank note issues to finance capital investments, then he would have demanded or expected the abolition of the capital market and of exchanges as superfluous, as soon as his kind of "Free" Banking was introduced. It was certainly not free of popular prejudices. There would then be - according to his imagination - hundreds to thousands of bankers, all capable and trusted, who could finance all capital requirements simply by their fresh note issues, although these notes would not oblige anyone to accept them immediately for goods, services and labour. The circulating exchange media so provided were to provide for all capital requirements. The "cover" for these notes were to be the capital values still to be built and their future output. Compared with that proposal Lysander Spooner's suggestion to turn every **existing** capital value into exchange media was a "moderate" one. Meulen's proposal was closer to the joke in Goethe's Faust, that bank notes should be issued based upon the treasures that would be dug up in the future. That is the same mentality that led governments to issue their paper money to finance their expenses. This was mostly done by governments unaware of their tax foundation money option - and its limits. But these governments did soon realise that without an issue monopoly and forced acceptance and forced value for their notes they would not find sufficient acceptors. Thus they turned them into "requisitioning certificates". - J.Z., 16.5.03.)

Your acute criticism. I meant it as a compliment. We say that a man who is able quickly to see the point of an argument, or detect a flaw, has an acute (sharp) mind.

Dumping. The view that dumping is connected with the idea of getting or losing gold is hardly the popular notion here, where the main fear is for unemployment. I have often maintained (see "Free Banking") that to receive cheap goods benefits a country in the long run; but in general people look only at the first effects: unemployment. (J.Z.: As if the consumers would not spend the amounts of money, which they saved when buying the dumped goods, on other goods that they want. So the total consumer spending remains the same. Only the goods and services they are prepared to buy would be somewhat changed. Producers should always be prepared for such changes. In this employees have it even easier than employers, for they would simply have to change jobs. They are not saddled with e.g. obsolete capital equipment. - J.Z., 16.5.03.)

New money and rising prices. But all fresh money tends to raise prices, whether existing prices are too low or too high, and whether the money is fiat or free. This is obvious when we remember that money is purchasing power (J.Z.: Only towards those obliged to accept it and accept it at par!!! - J.Z., 16.5.03), and is not goods. If the fresh money has been prudently issued to capable and solid borrowers, goods will be produced and sold within a reasonable time, and this

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tends to reduce prices again.

(J.Z.: Would you be foolish enough to accept bank notes as cash with which you could **only** buy goods and services in the medium to long-term future? These notes would greatly depreciate, immediately, and even at a great discount only few would accept them. Most would outright reject them as unsuitable to buy their milk, bread, vegetables, fruit and meat with or to pay their rents etc. However, reckoned in this depreciated Meulen currency prices would, indeed, rise. Reckoned in sound alternative value standards and exchange media they would remain pretty much the same time, as much the same as they usually are in non-inflationary and non-deflationary periods. Meulen notes would **not** have **immediate** purchasing **power** against **anyone**. At most the debtors of his bank, given these notes as a loan, could return them, when they find them useless, to the Meulen bank. It would have to accept them at par. They would also complain: You asserted that you would give us a credit with your notes. But your notes are not credited or accepted by anyone at par and mostly outright refused. So, what is your "money" good for? Who has to accept it right now? Give us names and addresses, if you can! M.'s bank could not supply them with such addresses of providers and thus these debtors, having returned the amount, would probably refuse to pay the bank fees and interest charges, claiming that the loan had been fraudulent, with something almost as worthless as the money of the game "Monopoly". Since with these loans no capital values could be produced, there would not even be some smart operators who would buy up this scrip very cheaply in order to later claim such capital values. They would remain "cloud castles". Wrongful and flawed as the central banking system is, it has not left the circulation sphere, most of the times, so starved for exchange media that even Meulen-type bank notes could be launched in it and float for long periods in general circulation, being used as an exchange medium, for what of anything else and better for this purpose, until they finally stream back in payment for the medium and long-term loans, to be replaced by other such "note" issues. - J.Z., 16.5.03.)

In a healthy community in which loans are constantly being made and repaid, the two tendencies usually balance, and prices remain comparatively stable.

(J.Z.: Only when current issues are balanced by the current reflux. That would not be the case for the first issue of Meulen notes - and so there could be no follow-up issues, of such notes, because already the first issue would be a flop. - Naturally, if a Meulen bank merely lent its own capital or that of its depositors, not its unfounded notes, then this would be quite another matter. - J.Z., 16.5.03.)

If, however, the fresh money is issued at a time when there is a shortage of wealth for sale, prices will rise quickly, and will probably remain high longer. This is the state of affairs that I posited in my potato illustration.

If potatoes are actually short, fresh buyers will compel (induce! - J.Z.) all other potato merchants to raise their price equally (? - J.Z.), whether the paper money have (sic! - J.Z.) depreciated or not. (Sometimes Meulen's English, at least in his letters, did also leave something to be desired. - J.Z., 16.5.03.)

You raise an entirely fresh point when you assume that the paper money has depreciated. Moreover, under your "Free gold price" system, you have no means of knowing whether the higher gold price for paper is due to

- 1) increased demand for gold in some foreign country;
- (2) reduced production of gold;
- (3) excessive paper issues.

Under my "Invariable Unit" system, (3) would be clearly distinguished from (1) & (2).

Before 1844 our country banks frequently kept the same interest rate at times when the Bank of England had put up its rate because the Bank of England was losing gold. In those days the difference between the B/E and the country bank rates had to be pretty big before it was profitable to collect country notes and present them for redemption. Hence my potato merchant may possibly choose to disregard the discount of paper relatively to gold; but he cannot disregard extra buyers when his supplies of potatoes are limited. I think you had better get some salt ready for that blackbird's tail.

Morgan's advertisement. Yes - I agree that his points lack definiteness. I expect to be seeing him shortly, and I will put the point to him. I blush to confess that I do not know the present state of the law regarding the use of gold ingots as money. I will look it up.

But I do not attach the importance to this change that you give it.

It is one thing to use the free price of gold as a standard in long-term-debt contracts, but quite another thing to use gold as currency. But we have discussed this at length before; and we must agree to differ.

Scarcity of wheat. Surely India is suffering from a serious scarcity.

"Heim & Scholle". Nothing else was enclosed in that envelope.

I looked up G. D. H. Cole's book "The Payment of Wages". It is not an historical survey: he deals only with questions of piece work, profit sharing etc.

I sent the Johnston-Alexander correspondence to Kimmitt, and enclose his reply. Please return it to me at your convenience.

In 1919 I went on a business trip to Germany. In several shops they were selling small luminous points with a ring attached, to be fastened to the knob of an electric switch to mark its place in the dark. I give a sketch in the margin. (Not scanned or keyboarded in by me. - J.Z.) The whole thing was about half an inch long, made of brass with a spot of luminous point in a glass drop. If they are still being sold, I should be grateful if you would send me half a dozen.

Sincerely yours - signed: Henry Meulen

(On the back of the envelope, probably of this letter, were written by HM, in his handwriting, the following remarks. - J.Z.):

By the way - are German elections conducted by Proportional Representation? Or the Alternative Vote?

Thank you for the interesting cutting about Mussolini & Abyssinia. I hope to use it.

My dear von Beckerath,

25 April, 1951

I have now looked up Jevons' "Investigations into Currency and Finance" in London University. He certainly thinks it impossible to apportion equitably fluctuations in the value of money between debtor and creditor, mainly on account of the multitude and diversity of the transactions involved. I do not think this a sound objection. It would be easy to insert a clause in long term debt contracts, dividing the difference between debtor and creditor.

He goes on to say that equity does not demand this apportionment, because the parties have gained so much from the general fall of prices resulting from the introduction of machinery, that the loss from currency fluctuations is small in comparison. This seems to me extraordinary reasoning.

Both debtor and creditor benefit equally from the introduction of machinery; but the loss to a debtor from a fall in prices resulting from monetary stringency remains, and equity demands an adjustment.

Indeed, in his book "Money" Jevons himself writes:

"It might be plausibly said that the debtor gains as much as the creditor loses from a rise in prices or vice versa, so that the whole community is as rich as before; But this is not really true. A mathematical analysis shows that to take any sum of money from one to give it to another will, on the average of cases, injure the loser more than it benefits the receiver.

A person with an income of £ 100 a year would suffer more by losing £ 10 than he would gain by an addition of £ 10, because the degree of utility of money to him is considerably higher to him at £ 90 than it is at £ 110. ... The incitement to industry and commerce, and the accumulation of capital, depends upon the expectation of enjoyment thence arising, and every variation of the currency tends in some, degree to frustrate such expectation, and to lessen the motives for exertion."

I set the one Jevons against the other Jevons!

Circulation of gold ingots. I have now ascertained that the Exchange Control Act requires us all to hand over to the State any gold ingots that we may possess; and our membership of the International Monetary Fund would prevent us from using gold as circulation anyway.

I wrote to Kimmitt on the subject of his advocacy of a "sound" currency. I enclose a copy of my letter, and his reply. I hope he will keep his promise to write about it.
You may return this correspondence to me.

Sincerely yours - signed: Henry Meulen

27 April, 1951

I was about to post the foregoing letter to you when yours of the 22nd arrived.

I am glad to know that your elections are conducted under PR. Is there any serious criticism of the system in Germany?

Money deposits. I can only repeat that I know of no cases of money being deposited in sealed boxes in our banks. Deeds and other valuables - yes - as a protection against fire or theft; but not money.

Gold payments. Yes - but why do the private persons prefer gold?

Unfavourable balance of trade. In your letter of April 3 you wrote that it was illogical to use the term "Balance of Trade" between nations, because the trade was done between individuals. It is of practical importance because the price of foreign currency depends, not on the demand of one trader but on the notional aggregate demand.

Interest and note circulation. But if the yield on fresh capital is high, it will affect the interest rate only if more people apply for loans.

Dumping. But the change-over from making cheap shirts to making fine quality shirts will doubtless cause at least some temporary unemployment, and will arouse resentment. (Hardly among the customers! - J.Z.) Of course the sensible course is to put up with it and make the change as quickly as possible. But one can hardly expect the people who are unemployed to look at it in this way.

New money and rising prices. I admit that I had not considered the case where the money consists of standardised gold ingots. So I suppose your white blackbird must sing on in freedom. But I still insist that it is vexatious to trade to use a currency which is exposed to the world demand for gold.
Under my invariable unit system, a increase in the demand for gold would show itself only in an increase in the unit price of gold: the prices of ordinary commodities would not be affected.

(J.Z.: But with each Meulen Bank, e.g. in England, pursuing its own note issue and reflux policy, depending only upon the discretion of the issuer and the "trust" in him, the value or purchasing power of its "invariable" unit, if it were accepted in its circulation area, would tend to differ from the "invariable" unit of every other Meulen bank and even, for different periods of the bank's issues, depending upon how many and how long-term loans it had made at any period with its "currency" notes. They would be "invariable" units only within Meulen's wishful thinking. - Luckily, under really free banking better monies would soon drive out his inferior ones, via discounts and refusals. - J.Z., 17.5.03.)

Scarcity of wheat in India. I understood that it was due to drought.

Spiral theory. (Wage and price spiral. - J.Z.) I have put your early letters away somewhere, and have so far been unable to find them. Would you kindly repeat your observations. I apologise for putting you to this trouble; but the subject interests me much.

Thank you for your kindness in the matter of the Leuchtknoepfe. (Light buttons - J.Z.)

Sincerely yours signed: Henry Meulen

Dear von Beckerath,

7 May, 1951

Thank you for your letters of 28 & 30 April, and 1st May. They are most interesting, and I have made some extracts for the June "Individualist".

By the way, have you heard any more opinions about the aesthetic effect of advertisements on the radio? Runge writes me that he hates it, and that it destroys the effect of a concert. He also says that the commercial radio stations do not derive their entire revenue from advt., but that they receive the same revenue from the State as do the other stations - the return from advt. is extra. This is hardly what I mean by competition in radio. He says further that it is proposed that people should send their radio subscriptions to whatever station pleases them most. This is an excellent idea. Has it any chance of being put into law?

P.R. in Germany. Thank you for the little book, which I will read with interest. I appreciate your criticism of PR. You will perhaps remember that I mentioned it in the "Ind." of August last, as the objection of the English P.R. Society to the Continental "List" system. Our PR Society advocates the "Alternative Vote", also described in the Aug. "Ind.". My own objection to AV is that it leaves important minorities unrepresented; and I think that the political health of a community depends on minority representation. After all, it is the old problem of democracy: the members of particular parties **can** make their influence felt if they attend party meetings. And even today the candidates of the big parties are chosen by the political bosses, since the candidates have little chance of election unless they have the support of the party. Rung'e is strongly in favour of the present system in Germany.

Gold ingots. No, of course I would not prohibit their use in internal trade. But you will not expect me to recommend their use, in view of the objections I have raised against them. And of course the world would benefit enormously for the institution of international Free Trade. But I think this will not be accomplished until we are more free from the fear of war than we are today.

Kimmitt, Alexander & Co. No, I think both Alexander and Johnston are ready to allow the B/E to issue notes, provided that these notes are always freely convertible into a fixed **weight** of gold on demand. Kimmitt is opposed to the Gold Standard.

I have previously detailed my objections to a gold currency. I think the control of banks through the Clearing House is a sufficient check on unwise issues by a particular bank.

(J.Z.: According to his proposals his type of banks would all be unwise enough to make medium and long-term loans directly in freshly printed notes, i.e., not in notes which their customers had saved and deposited with them for investment purposes. If they did it to the same extent, then they would not even notice the effect through their Clearing House. To the extent that they issued such unsound notes unevenly, they would notice only those, who raced too far ahead of the pack with such "banknotes". - J.Z., 17.5.03.)

2.

And I cannot admit that a discount in relation to gold is necessarily a good reason for refusing paper. (J.Z.: It may not be for him but it would be a good enough reason for many other people. - J.Z., 17.5.03.)

You ask what means of payment a creditor should be entitled to demand from his debtor. I think he may demand any media equal to the free gold value of the loan at the time the debt was contracted.

Spiral theory. It is not clear to me why you postpone the effect of competition in reducing prices until five spiral rises have occurred. Why should not competition operate to prevent rises from the beginning ?

By the way, your English is so good that you ought not to confuse, as you constantly do, the words "till" and "still". The former is the German "bis", the latter "noch".

Oh - and the Fates spare us a Parliament of women!

(J.Z.: Why, if it is a parliament elected by women, with female representatives only and disposing only over those tax contributions made to it by women and laying down rules only for them? It would be a feminist utopia or panarchy or voluntary community with its own personal laws, and as such hardly a threat to M. On the contrary, he might then "enjoy" a parliament manned only by men. - J.Z., 17.5.03.)

Gold payments. You wrote in your letter of April 3 that the tendency to accumulate gold in times of war has little to do with distrust. I then asked **why** the nations gather gold at such a time. You now reply that gold has a stable value etc. ... , all of which you will find set out in "Free Banking"! What I want to know is why do you think that when there is fear of war, nations accumulate **more** gold than before? The physical qualities of gold remain unchanged; yet nations suddenly begin to accumulate gold when there is fear of war.

Interest & note issue. This discussion arose from your letter of April 5, in which you wrote that the interest obtainable from ordinary investment is the main factor which limits note circulation. I think rather that a bank's issues are limited only by its resources, and, of course, by the demand for loans. It may well be that if considerable industry is set up in his neighbourhood, a banker will expand his issues, whether the interest rate be high or low.

Gold prices. Why do you think that, in times of unrest, gold would lose purchasing power? Surely the free market price of gold should increase (from hoarding) at such a time.

The invariable unit. I presume that a nation would take the price of gold on a particular day, and call one ounce one eagle, or noble etc. This price of gold would be quoted in German papers of that date in terms of marks. If then a German eagle is worth 40 marks, shopkeepers can use their present mark prices and quote goods in eagles, using marks and pfennig as subdivisions. But the chief point is that when gold rose in value, ordinary prices would remain unchanged: only gold would be priced at 1 eagle 2 marks per ounce, instead of 1 eagle.

Sincerely yours - signed: Henry Meulen

My dear von Beckerath,

22 May, 1951

Thank you for your letters of 3 & 9 May. It is noble of you to trouble about my radio enquiry, since you dislike the invention. Personally I like the radio. But then my nearest neighbour is 50 yards away, and I never hear a sound from his instrument. So I follow my own pleasure in selecting programmes. I like some of the plays, and some of the talks and discussions, and some of the music. But I have to be severe with myself to prevent the ratio from encroaching on my time.

PR. I think it important that minority opinions should get a hearing in Parliament. Speeches made in Parliament get wider publicity than is given to almost any other opinion.

Payment to a creditor. We have discussed this before. I think that a state wherein no medium of exchange at all is available, is so rare as to be negligible in practical politics. Moreover such crises differ greatly in character, and it is hardly possible to lay down conditions that will fit all of them. I am not clear as to what you mean by "Shall there be a margin?" etc. On point 2) it is surely possible to take the price in a particular free gold market, e.g. Paris, Tangier or Bombay. In the enclosed cutting Moch evidently means the Paris market.

Gold payments. Evidently I misread your letter of April 3. I understood you to mean that fear of war has no effect on a national accumulation of gold. Obviously, fear of war does not cause an ordinary exporter to accumulate gold - how could he, when he is everywhere forbidden to do so?

Runge. What an interesting story. Now I know why he seems such a confirmed bachelor. I think women have stronger physical emotions than men - otherwise no children would be born. Somebody said that if the husband had to bear the second child, no families would have more than one child. Hence it is only the woman in whom the masculine element predominates, who can argue without losing her temper. Most intellectual men look for an intellectual wife; and when they have her, they quarrel continually. I think the intellectual man needs a sweet, admiring wife, who is ready to accept his opinion on the things that move him so strongly.

Sincerely yours - signed: Henry Meulen

P.S. You used to write me how cold your hands were. Just you write me now how nicely the Spring sun falls on war-scarred Berlin!

The only Christian hymn that I like is one that runs:

"Count your blessings - count them one by one - And it will surprise you, what the Lord hath done."

(Postcard to Henry Meulen): ... 1 June 1951, 333 Sydenham Rd., Croydon
Please do not send "The Individualist" as Mr. R. B. Kerr passed over on the 23rd of April.
From Yrs: Sincerely signed J. D. Kerr.

"No need to return this" - signed: HM

My dear von Beckerath,

22 June. 1951

Thank you for your letters of 25 and 28 May.

I am very sorry to learn that your health has been poor. We can still send rationed foods to Germany. Is there anything I can send you: tea, sugar, corned beef?

I too have had a bad fortnight. But in my case it was my own fault. I had felt so well for about two months that, at a friend's house, I ate several nice things that I should not have eaten, and my stomach rose and said: "Aber!" (But - J.Z.) But before that I spent about a week in London University where are housed the Goldsmiths' and Professor Foxwell's collections of currency and banking books and pamphlets. Foxwell collected every pamphlet on banking that he could lay his hands on, and the result is a collection which, I should think, is unique. I must have thrown away hundreds of banking pamphlets in my lifetime. I almost regret now that I did not keep them, and present them to the University. But they take up a lot of room; and it needs great strength of mind to keep pamphlets that one thinks are worthless.

My purpose was to collect material for an article I had promised Gibson on the protest of Scottish bankers against the 1845 Act. But on looking up the records I find I had confused 1845 with 1826. The Act of 1826 prohibited the £ 1 note, and when it was proposed to extend the Act to Scotland, there were strong protest meetings all over Scotland, and the Scottish bankers vigorously defended the Scottish banking system. Sir Walter Scott wrote the famous "Letters of Malachi Malagrowther", and the English government prudently dropped the proposal. But in 1845 the government offered the banks a monopoly of note issue (by prohibiting the establishment of any fresh banks of issue). Thereupon no word of protest was raised by the Scottish bankers! Still - I have written a 2000 word article and sent it in. Gibson is no longer the editor of the "Scots Independent, but he will send it to the editor.

It is interesting that you should write that the Scottish Nationalist movement is "a mere territorial or racial nationalism." The last sentence in my article (written before I received your letter) runs: "There is more glory in setting to the world an example of what Scotland can do in producing economic prosperity on the basis of greater individual liberty than in merely transferring the seat of government from Westminster to Edinburgh."

But I find the same difficulty as you in getting articles, or even letters, printed on banking subjects. I think one can hardly blame the press. You admit that there are only three or four people in Europe who share your

2.
views - not an attractive circle of readers for an editor. Of course an editor can teach his readers; but few people want to be taught - intellectual curiosity is so rare.
But your loss is my gain. If you were as busy as Rittershausen, I should hear from you as rarely as I do from him; and I should miss your letters.

Payment to a creditor. The crises you mention were credit crises here: there was generally enough medium of exchange for wages and ordinary purchases.

Christian hymn. I cannot trace how this subject arose. Would you remind me what reference I made.

Bacon-Shakespeare. Yes - it is hard to find Shakespeare in the Bacon Essays. But my friend Henry Seymour, one of the few energetic disciples of Tucker in England, spent the last 20 years of his life in vigorous defence of the Bacon theory. He had previously published an excellent criticism of Marx, and had done much propaganda for mutual banking. He gave it all up when he started on the Bacon theory.
(J.Z.: What a waste of talent on an insignificant subject. What does it matter for the quality of these works whether S., B. or e.g. Christopher Marlowe wrote them, after faking his death and retiring to Italy, using S. as his frontman?)

I do not know who wrote Shakespeare; but I am quite certain that the man Shakespeare, of whom we have so few scraps of historical information in Stratford, did not write the plays.

Summer time. I like it; and am not more tired in summer than in winter.

Johnston on the weight of a sovereign. I am afraid I do not know what he means. I expect it was a mistake.

Revaluation. Harrod, editor of the "Economic Journal", has an interesting article on the subject, quoted in the current "Econ. Digest". I am afraid it will annoy you; but I will send it to you shortly.
(J.Z.: Will our "experts" propose to change our measures for temperature, air pressure, voltage, watt, length, weight and volume measures, too, in accordance with the seasons or their moods or opinions? - J.Z., 16.5.03.)

Bribery in Czecho-Slovakia. You write that if absence of bribery is due to the Czech character, "then it may be expected that resistance begins." I do not understand this. Could you explain a little further?

Strasser. I send you Mrs. Forbes' last letter. I wrote her that I did not trust Strasser's desire for democracy, and you will see what she replies. My dear Beckerath, the love of a woman is a wonderful thing. You might return this letter.

Pounds spent in Switzerland. Yea; but you must consider that the great majority of people 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 to allow Swiss to buy here things that "the country" wants to keep.

3.

George Whitehead. I wrote him in criticism of his "City Press" articles; but I have had no reply.

You criticised my "To get gold, we have to export goods that we badly need at home." Yes - I was in error. We have got so used to considering hard currencies as the equivalent of gold. But many economists now complain that we are hoarding more gold than we need, and that it would be better to import goods.

Very interesting figures you produce of the regular appearance of twins, etc. It is a great mystery. So is the regularity in the number of suicides.

Good night - I am tired, and my bed calls me with a beguiling voice.

Sincerely yours - signed: Henry Meulen

My dear von Beckerath,

Sunday morning, July 8, 1951

A lovely morning. The sun falls from the garden in a great patch in my Study. The arrival of your letter of the 1st reminds me that have not acknowledged your letters of the 8 and 11 June, with the two interesting Verfassungen. (Constitutions - J.Z.) Thank you for your kindly sympathy. I have had a bad fortnight, and have delayed getting on with the Aug. Individualist because I have been so weak that I did not trust my mind. Ordinary editors can check their views by reading other editors; but you and I are pioneers, and can rely only on ourselves. That I now write you a long letter is proof that I am better - much better. I am more ready to lay speculative opinions before you than in the Individualist - You, I think, will be more merciful. I keep on experimenting with my stomach in various ways. My recent change for the better was due to my falling back on an age-old remedy, which few of us persist in because it is such a trouble - I mean slow and careful eating. For two days I took 15 minutes over a cup of milk or a slice of bread - with excellent results. Is any further proof required of the absence of a benevolent creator than the fact that we have to find out the best way of living by trial and error? a most painful process.

The present form of democracy. I had already written a note on the subject for the Aug. Individualist. Shall be interested to have your criticism when you receive that number.

Spelling reform. I readily grant that the adult reads by taking up the whole word at a glance; but spelling reform is intended to facilitate learning and writing a language. I look on myself as a good speller; but twice yesterday I put two c's into the word "necessary".

Friends Provident & Cent. Insurance. My Stock Exchange List of Insurance investments does not list this company. It must be small and risky. The average return on Insce. investmts is about 3 1/4 %. The "Prudential" dividend is 2 1/4 %, the "Pearl" (both big concerns) is 2 1/2 %.

City Press. I have given up writing to Alexander because he neither printed nor acknowledged my last letter. But he receives every copy of the Individualist, where I often attack the gold standard.

Rusel, Jaques. Our courts distinguish "Legal contract" from "Equity". The latter covers what seems fair and equitable, but is not covered by any law. The courts deal with both types of litigation.

F. W. Smyth. Yes - he is muddled. But he has not replied to my last letter (which you saw); and my conceit will not permit me to write to him again.

2.

Gold imports into Lebanon. May these not be the result of hoarding in Lebanon? The country is in the centre of a very troubled area at present.

Sleeplessness. A serious trouble. Twenty years ago I was rarely able to go to sleep for an hour or two after going to bed. But I evolved a good technique: it is simply to stop my mind from dwelling on any problems whatsoever as soon as I get into bed.

Some question that you have raised, for instance, comes into my mind. I say to myself - sleep - sleep; and stop thinking about it, trying to keep my mind a blank. The thought may return three or four times; but each time I repress it; and I am generally asleep within five or ten minutes. Practice makes one more readily able to put thoughts out of one's mind.

I am glad to know that food is better with you. "Count your blessings - count them one by one." You now have food and warmth. Write and tell me how nice it is. Food is also better here, although eggs, which I find very digestible, are rationed to two per person per week; but I can get unrationed ducks' eggs at 9d.! (each).

Entrepreneurs: a degenerate class. I think you are rather severe. When the professional economists do not protest against fiat money, how can you expect protest from the entrepreneur? And I do not share your hopes of a more enlightened policy from the Trade Unions and the politicians. Today we can only spread our ideas, and hope that somewhere a disciple will arise with the tongue of a Demosthenes.

Miscegenation. Thank you for the very interesting little book. I think he goes a little far in advocating mixed marriages between white and black. Some years back I reviewed in the Individualist a book by a German doctor who studied carefully a certain Boer colony in South Africa, which 70 years ago had trekked north to avoid the British, and, being without women, had made one intermarriage with Hottentots. His conclusion was that the mixture was a poorer stock than the pure Boers. I would, of course, not prohibit such marriages; but I would not advocate them. I, being fair-haired, have generally preferred dark to fair women; but I generally find myself in closer spiritual companionship with fair than dark men.

Can we compete with USA? You constantly revert to your argument that international payments should be made in national paper. (J.Z.: And private notes and clearing certificates from the own country! - J.Z., 17.5.03.)

I have looked back through your letters, and still feel that it would make little difference if we paid US in our pounds, or if we use those pounds to buy dollars in London. In either case the value of the pound in dollars must fall so long as we try to buy more from US than we sell. And this fall must hinder trade between the two countries - and quite rightly. Consider how little your proposal would affect the problems that Crump raises in the enclosed City article, from today's "Sunday Times".

Moreover, you still criticise my use of the term "gold standard".

3.

But you must remember that I write in the main for English people; and for 999 people out of 1000 here who are interested in currency questions, the gold standard means compulsion on banks to redeem their notes on demand in a fixed weight of gold.

It seems to me more sensible to attack this system than to try and convince people that to people abroad the gold standard means something different.

Vaccination. I am very glad of your support on this question. I think it important. I will enclose a small pamphlet with my next packet.

Young engineers. I would give them less book-learning, and push them out at an earlier age to earn their own living.

That Med/ex (Media of exchange issues - J.Z.) cannot be a loan. (On medium or long-terms. - J.Z.) Why not? Although ex. is easier when a no. of producers agree to circulate a paper note, I think history shows that men found it easier to borrow med/ex. than to set up a note-circulating organisation, even if they had thought about the latter (see chap. V of Free Banking). The earliest notes were probably I.O.U's, literally - I owe you.

(J.Z.: One does not have to follow the earliest historical precedents, especially seeing that monetary theory was then even less developed in public consciousness and in the minds of central bankers, other bankers and economists and writers on economic subjects than it is now. - Especially the early issue and reflux mistakes should not be repeated over and over again. - J.Z., 17.5.03.)

Revaluation. Excellent. Yet, I suppose you agreed that some form of revaluation was needed to end the German 1920 inflation.

(J.Z.: Not revaluation of the depreciated Reichsmark, by a very prolonged deflation! That would be another great disaster. England tried it twice at least, I believe, after the Napoleonic Wars and after WW I. In both cases only a relatively moderate inflation had occurred but trying to reverse it became already an economic catastrophe. Rather: Cessation of further issues of forced and exclusive Reichsmark currency, already extremely deflated, and adoption of at least one new and sound value standard and of exchange medium based upon it, preferably several, as many as traffic would want and can stand. One cannot revive a person, one has killed by driving over him, simply by reversing the car over him. Another simple analogy: One can easily squeeze out a toothpaste tube - but reversing the process, squeezing the paste back in, requires special efforts and equipment. Very few processes are as reversible as a pendulum. A currency that has self-destructed, as a result of its monopoly, coercion and over-issues, can no more be revived than can a really dead man. At most it can temporarily still somewhat circulate at its immense discount. But mainly it would have to be exchanged for some new and sound currencies. Who would still have to accept it? The tax offices. But a government could then no longer re-issue it - when the people are finally free to refuse it and to prefer for themselves some other and sound exchange media and value standards. Perhaps the abolition a compulsory taxation could become effectively combined with a monetary and a political revolution. - J.Z., 17.5.03.)

Pounds spent in Switzerland. It is a fact that we impose licences on both exports to, and imports from Switzerland. Licences and exchange controls are bound up together, if one can get currency only when one has a licence.

"I am a Determinist". Unbegreiflich! (Inconceivable! - J.Z.) Even after my arguments on p. 42 of the Ind. of Dec. 49, and p. 31 of Aug. 50 ?

Christian hymn. Oh yes - it is one of the nonconformist hymns. Each sect in England has its own hymn-book. I cannot remember the rest of the hymn in question. Curiously enough, my father brought us up without religion. He had no philosophical objections; but he held that religion had done more harm than good. The result of this absence of intellectual grounding was that in my 17th year I fell victim to the first earnest young Christian who put to me the question: "If God did not make the world, who did?" Poor 17-year old Meulen had no reply, and I went to church regularly for about the next three years, in spite of my father's smiles. Then I read Tolstoy, who converted me to the view that Jesus was just an ordinary man. Then came Haeckel and Darwin, and lastly Spencer and Huxley, who, by the time I was 21, had destroyed every vestige of my religious beliefs.

F. W. Smyth again. You write that people will decline a L 1 note if it does not buy 113 gr. of gold. We have had this point before.

I think it depends upon

(1) their trust in the issuer;

(2) whether others are ready to take the notes from them at par.

I have searched in vain through my books for the texts of the Mint and B/E laws. But on the next sheet, I give what I have found.

I think there is no doubt whatever as to the meaning of those laws.

Sincerely yours - signed: Henry Meulen

(Some quotes, undated, on a separate sheet of paper, follow. - J.Z.) :

Professor A. Andreades in "History of the Bank of England."

"Anyone was entitled to demand notes from the Bank in exchange for standard gold at the rate of £ 3 17 9 per ounce. In other words, the Bank is forced to buy at a fixed price all the gold offered to it."

J. W. Gilbert, F. R. S. (an eminent banker) in "A practical treatise on banking."

"Any person is entitled to demand notes from the issuing department (of the B/E) in exchange for gold bullion, at the rate of £ 3 17 9 per ounce."

Henry Warren in "The Story of the Bank of England."

"In theory any person can take gold bullion to the Mint, which, under the Coinage Act, is compelled to give him in exchange sovereigns containing an equal quantity of gold to that left; but nobody every does, and practically the Ban/Engd. acts as the Mint's agent. By the Bank Act he receives £ 3 17 9, instead of L 3 17 10 1/2, the full Mint price, the deduction of 1 1/2 d. being about equal to the loss of interest incurred, for the Mint does not bargain to pay out coins immediately on delivery of bullion."

"... As every note is a warrant entitling the holder to gold on demand, a B/E note is really and truly equivalent to gold."

London, 19 July, 1951

My dear von Beckerath,

It is very sweet of you to flatter me as to my importance. We are all already so conceited; yet it is comforting to have one's opinion of oneself confirmed by one whom one admires.

You write (11 July) that the method of trial and error, painful as it is, can yet be considered as the best way, and that the world, producing the events leading in the long run to reform, can insofar be considered as the best world.

I demur. A benevolent creator would surely have had the warm heart of an ordinary human parent who advises his children as to the best way of living. I think that all descriptions of this world as "best" etc. are meaningless because we have no basis of comparison. I cannot say that an object is blue, for instance, unless I can compare it with something that is not blue. If all the universe were blue, we should have no conception of colour.

You quote Kant: "Not one man in the world would live again the life he has lived, and you think this proves that life is without real value if lived for pleasure. There is no doubt, I suppose, that a large part of the youthful zest for life springs from curiosity as to what life has to offer; and the same experience repeated lacks the charm of novelty. But your theory omits the pleasure we derive from the mere exercise of our faculties. The pleasures of art, music, love, friendship, eating etc. are very real, and do not grow stale. I think that if I could retain my present memories, I should much enjoy a fresh life a century or two hence. I object strongly to your dictum that life has value only if devoted to reform. For me the value of life lies in the happiness it affords me.

You and I take pleasure in discussing reform; but, believe me, I feel no urge of duty in that direction. And there are a thousand paths to happiness - luckily - for a world in which everybody were trying to reform everybody else would be a much more joyless place.

(B. aimed only a experimental freedom for all - in their own volunteer communities, preferably exterritorially quite autonomous. - He was confident that then, in the long run, most of the successful experiments would come to be imitated by most of the other people. The rest would still be helpful - by setting deterrent examples. - J.Z., 17.5.03.)

You think it better to limit the power of parliament than to amend methods of representation. But only a tiny minority of people today share Tucker's view of the limitation of parliamentary powers; and conversion of Ibsen's "Compact majority" must be slow. But PR by multiplying the parties represented in parliament, must weaken the government, which is an excellent method of limiting the power of parliament.

(J.Z.: Often, I came to think, that M. read too many newspapers and magazines and thus "soaked up" the predominant public opinion all too much. - J.Z., 17.5.03.)

Spelling reform. Your empirical test would not be satisfactory unless at least the greater part of the children's reading were in the reformed spelling. Otherwise you simply burden the child with the task of learning two spellings for most words.

2.

Eggs in London. Yes - you are right about the gold price. We all grumble, as though our incomes were fixed; but I suppose (I have not the figures) that only a very small minority lives on fixed incomes. But this minority suffers badly from high prices.

The degeneracy of entrepreneurs. Professional economists do not refrain from protests against fiat money out of a sense of duty - they believe in fiat money, as do the great majority of people today. This may be a wrong view; but it is not a sign of degeneracy.

(J.Z.: But economists should be more aware of the relevant facts rather than merely subscribing to current monetary dogmas. For them at least more than faith should be involved. The same applies to entrepreneurs: With all their experience, they should at least be able to envision alternatives, in which the employer-employee relationship does no longer exist, since it plagues them as often. Likewise, territorial politicians and military experts: Seeing the difficulties that territorialist thinking and practices lead them into, they should, at least sometimes, quite seriously ponder the "exterritorial imperative". Alas, governmental miseducation does not teach most people to think for themselves on some of the most important subjects. They soak up statist ideas, attitudes and beliefs almost with the alphabet and the beginnings of reckoning. Nor do the mass media or universities or most books lead them out of this trap. - J.Z., 17.5.03.)

Competition with USA. You write that if the American must use the pounds to buy in England, it would be impossible for the Briton to buy more than he sells. Are you not overlooking the fact that the American exporter is not generally also an importer? He sells the pounds he receives to an American bank in exchange for dollars. The bank thus becomes a jobber in pounds; and its price for pounds will fluctuate according to demand and supply. Hence it is quite possible for us to buy from USA more than we sell. Our pounds will accumulate in US banks, and will gradually depreciate in terms of dollars, causing us gradually to buy less from USA until the balance is re-established. Q.E.D.

(J.Z.: If US banks had no better sense than to accept and hoard English pounds, possibly as "foreign exchange reserves", and possibly until they are considerably depreciated, then they are very foolish. But England would have no cause for complaint: For a bit of paper and ink it would have got U.S. imports. And the U.S. could pride itself in a better "balance of trade", having exported much - and getting scraps of paper in return, which it would not use to buy in England. Moreover, in England more and better exchange media could be issued to replace the Bank of England pounds hoarded in American banks. These could be more expressly: short termed international clearing certificates only, as e.g. proposed by Prof. E. Milhaud and would thus soon stream back, as a result of their short-term validity, just like tickets do to the issuer, either directly from the U.S. or indirectly through those foreign nationals with whom the U.S. merchants traded, paying with these certificates. Like many Protectionists and Central Banking advocate, this "Free Trader" and "Free Banking" advocate saw more problems than solutions in both and many of his questions and assertions were rather naïve. - Anyhow, that is my opinion. - J.Z., 17.5.03.)

Revaluation. What did you propose as a means for ending the inflation in Germany?

F. W. Smyth. If you will look up "Free Banking", p. 131 (I hope your copy is as well thumbed as the copy I keep on my shelf), you will note the quotation from the "Edinburgh Courant". And on pp. 290-1 (how useful it is to have written a book!) I quote Adam Smith that the option clause notes were sometimes at a discount in relation to gold. Yet the "Scots Magazine" (p. 131) insists that option clause notes circulate as well as notes redeemable in gold on demand. I think these quotations prove that trust suffices to ensure the circulation of notes even when they are at a discount in relation to gold.

(J.Z.: Only now I noticed that B. almost never quotes from the English translations of his 3 monetary freedom books. Didn't he, by then, have copies of them again? Or was he merely too modest? - J.Z., 17.5.03.)

Free Will. I admit that I cannot deny what Voltaire felt but he equally cannot deny what I feel. There is no evidence either way; so my feeling clinches the matter for me. Let me quote what I wrote yesterday to a determinist correspondent in Australia who has criticised me: - "The fundamental fallacy of hedonism is similar to that of determinism: the attempt to trace relations between phenomena other than that of sequence. We perceive only

sequences: A follows B. We have never in a single instance found out why A follows B. The hedonist steps into the gap, and asserts that A follows B because that course is the most pleasant. The determinist asserts that A follows B because it must. The Christian asserts that God ordained the sequence. All are making assertions without knowledge."

3.

Kant's metaphysic. What evidence have you that behind our sensations is a world of "things in themselves"? For myself I have no knowledge of what lies behind my sensations. The sensations themselves are all that I perceive.

Media of exchange and loans. What is the "true" nature of the media of exchange? If the buyer have not the medium that the seller demands, how can he get it?

It is 11.0 p.m., and my body tells me to let economic discussion go to the Devil - "Tomorrow is another day."

I should be grateful if you would get sent to me two more 120 boxes of "Arbuz" and two 120 boxes of "Intestinol." When I find a friend who is going to Germany, I will get him to pay you the cost. I enclose slips showing the names of the makers.

Sincerely yours - signed: Henry Meulen

My dear von Beckerath,

6 August, 1951

Thank you for your letters of the 23 and 26 July.

I am glad you have ordered the Arbuz and Intestinol. I asked a Mrs. Schwarz, who was travelling to Germany on July 29 to send you £ 5. I trust you have received it. I cannot agree to your paying for these drugs.

I was delighted to hear of the organisation of a system of standardised certificates among the unemployed in Berlin. Please tell me what happened at the meeting at the restaurant.

Life has value only if devoted to reform. There is a world of difference between this generalisation and your declaration that your life has value to you only if it is devoted to reform. And when I wrote that a world in which everybody were trying to reform everybody else would be a sad world, I was not speaking of compulsion. A very few reformers in a society suffices. Nobody quarrels quite so bitterly as a bunch of reformers who get together. If the great majority of people were not conservative and placid, it would be impossible to have an orderly society. These people are the cement which keeps society together.

Nietzsche. Thank you for your remarks. I hope to use them in the October Individualist.

The cosmic method of trial and error. Yes, of course, if one presumes that pain is the only way to a better state, it is easy to conclude that this is the best possible world. But why must one make this presumption? Surely an omnipotent creator could have devised a better way.

Kant on the value of life. I note your interesting quotations from Goethe, Abdur Rahman and Bismarck. I cannot, however, believe that these were calmly considered statements: they can have been made only in moments of depression. Can you honestly say that you have had so little happiness in your life? I put your question as to which of us would like to live his life again to some friends gathered in the studio of an artist friend of mine. One woman of 60 declared that she had had a happy life, and would be glad to live it again. I rather think that most of the people who do not want to live again make the mistake of assuming that they would start again with their present knowledge. This would rob their experiences of the charm of novelty.

Power of Parliament. Tucker's proposal is an excellent ideal. But must the best be always the enemy of the better?

Spelling reform. The majority of English children, and a great number of adults spell badly. We have a standard English, spoken by most educated people. This English could be spelt phonetically.

2.

Competition with USA. But the fact that the pounds will return to England does not evade the difficulty that the price of pounds in dollars will fluctuate according to the balance of trade. Hence the amount of goods that an Englishman must give in order to buy a given quantity of American goods will change accordingly. And it is the amount of goods that matters. If the pound notes promise payment in gold, and we then import more than we export, American exporters will take our gold until we are obliged either to stop buying, or to raise the paper price of gold, when the paper note will be depreciated in terms of dollars.

Revaluation. My old friend Norman Wyld used to say that if a man has clear ideas, he can put his idea on a postcard. Will you not write me briefly what Prof. Jakob's proposals were?

Circulation of option clause notes. The discount would of course vary with the demand for gold. I certainly wrote that local tradesmen were frequently debtors to the bank; but I did not write that all tradesmen were bank debtors, or that all the people who accepted the notes were bank customers.

The readiness of a bank to redeem its notes in gold was the means of ensuring acceptance of the notes by people who were not customers of the bank.

Yes, I know your system; but you also know that my objection is that the difficulty of getting enough shops into your organisation to ensure the general purchasing power of your notes is a serious drawback to your system.

Free Will. I do not know, and nobody knows, what lies behind our desires and sensations or what causes them. My desires maybe caused, or they may be free, i.e., spontaneous or uncaused. In certain cases I feel that I am free to choose, and the Determinist cannot prove me wrong.

Things in themselves. Certainly there may be rays at present undreamt (undreamed? - J.Z.) of in electric light; but we can be sure of the presence of a particular ray only when it impinges on our sensations. We have no knowledge beyond our sensations - we cannot get behind our sensations. Our sensations are our conscious life. Furthermore, if the sphere of "things in themselves" is unknown, and is not to be known, then we have not, and cannot have, evidence of "things in themselves".

True nature of media of exchange. A better definition is "The medium through which men exchange goods." By this definition your certificates do not become exchange medium unless sellers accept them.

Besten Gruss (Best greetings - J.Z.) - signed: Henry Meulen

My dear von Beckerath,

11 August, 1951

A rainy afternoon keeps me from doing a job in the garden that I much wanted to do. So I use the time pleasantly in replying to your letters of the 29 & 30.7, and 9. 8., received today.

I am glad you received the money safely. I ought to have advised you beforehand; but I knew that if I did, you would refuse it. But since it is as difficult to send money out of Germany as it is to send it out of England, I judged that when once you had it, you would take the easier course and keep it.

I am sorry you were disappointed with the meeting. But I can understand your disagreement. Surely the proposer was surprisingly optimistic in expecting that the shares of a new and unknown film company, and one, moreover, started without capital in the ordinary sense, would be accepted and would circulate as money.

Your own scheme, as sketched in the example of the nurse and the lawyer, is a good deal more realistic. still - I fancy that the nurse would wear out several pairs of shoes in walking round to find people who would sell her goods in exchange for her notes simply because they thought that they might someday need the services of this unknown and unemployed lawyer.

(J.Z.: M. never seemed to comprehend that B. merely used over-simplified examples to try to explain a complex and developed business and definitely never intended that in free practice the participants would confine themselves to as simple experiments or exchanges only. - J.Z., 30.5.03.)

I am a little surprised that you should take the Christian doctrine so seriously. Even the modern Christian "Higher Criticism", especially in Germany, shows that a great part of the sayings attributed to Christ were inserted later by different sects who wished to push their own doctrines. J. M. Robertson, a man of who, I used to say to my

friends that he was of that rare sort, a man with a massive mind (Spencer was another), has collected overwhelming evidence in his book "Pagan Christs", that practically every one of the major Christian doctrines, and even the stories and parables, are to be found in earlier religions. This would not be a serious objection to Christianity if the resulting doctrine were good. But it is not. It contradicts itself frequently: according to Christ we must forgive our enemies, yet he himself, when he comes to judge us, will consign his enemies to eternal torment. It is also anti-social: If evil-doers are forgiven, the good people will be wiped out. Even Confucius said: "If I do good to my enemies, how shall I reward my friends?" But - um Gottes Willen (For the sake of God? By God? - J.Z.) - let us not discuss the silly doctrine. Economics is much more important.

But I am interested in what you write about Bastiat on ancient morality. I will look him up. But I cannot agree that the growth of the habit of truth-telling was due to the warrior mentality. I rather agree with Spencer that it was the

2.
growth of settled communities, and of exchange of goods and services, that promoted truth-telling; or briefly that It was the product of peace, not war. The virtues of a militaristic age are nearly all antagonistic to those of an industrial age. Lying, deceit and treachery are all useful in war. I recently read a history of Scotland dealing with the days when the various clan chieftains held absolute sovereignty over the clan territory - before Scotland was united under one king. It is a sickening record of treachery and bloody murder.

The Gallup poll that you suggest would certainly be most interesting. But I doubt if the average man can conceive the idea of non-existence. My own life has, on the whole, been happy, in, spite of my wretched experience in the 1914 army (I hated the army discipline and all its methods). Still - I should be quite prepared to live my life again; provided of course that I did not know what was to happen to me. And for me the value of life has certainly been increased by such things as the comfort of technical devices, and the improved administration of justice.

Of course many people commit suicide when their minds are temporarily unhinged. And even apart from these cases, I can well believe that for some people the pains outweigh the pleasures. I can only say that this is not the case with me - even with my present plaguey stomach!

I enclose a copy of a letter I wrote to the "Times". I fear it will not be printed.

Sincerely yours - signed: Henry Meulen

(On the back of the envelope he wrote the following notes. - J.Z.):

I forgot to say that I disagree with the Seume quotation on Frauen Vernunft. Men are more prone to make generalizations than women, whose conversation is confined more to the particular, where fewer mistakes are likely to be made. When women do indulge in generalisations, their Unvernunft (unreasonableness) is generally greater than that of men.

Do you ever have to pay extra postage on my packets of newspapers?

7 Sept. 1951

My dear von Beckerath,

Thank you for your letter of Aug. 15 with enclosures of a draft scheme of your banking proposals, which I will carefully file. I must congratulate you on the care with which you have drawn up this draft. But I imagine that hardly anybody in the Arbeitsgemeinschaft had, alas, the technical knowledge to appreciate or criticise your proposals.

Pagan Christs. But surely the followers of Islam died in great numbers to defend their faith in Spain, and to propagate their faith under Mahomet. Of course this was merely a case of one religion against another, and the Muslims had the same consolation as the Christians of reward in the hereafter. There are certainly few cases of Agnostic martyrs; but then Agnosticism is a doctrine of relatively recent growth, and there are still comparatively few scientific Agnostics: the people who no longer go to church are in general motivated by loss of faith in the Christian God, rather than by scientific Agnosticism. In ancient Greece there was considerable tolerance of other religions. Moreover it is open to question whether one serves one's ideas best by dying for them. It was Anatole France, I think, who said: "it is placing an exaggerated value on one's opinions to be ready to die for them."

Norman Wyld's postcards. Of course a postcard statement must omit much important argument; but Wyld meant that a man should be able to set forth the essence of his doctrine on a postcard - enough for people to know what his proposals are. For instance I might sum up the whole of my book "Free Banking" in the statement:

"A proposal to allow anybody to issue banknotes redeemable in a varying weights of gold, according to the free market price of gold."

Determinism. I cannot see that the introduction of the will invalidates the Free Will position. I feel, for instance, that I am free to rise from the chair in which I am sitting. Actually my will is to remain seated and finish this letter. But I still feel that I could rise if I wished. How would you set about proving that this feeling is an illusion?

You are wrong about my garden. The time I spend in it is not wasted to economics. I am sure that my thinking is better for this physical exercise.

Oh - by the way, on the subject of insomnia. If I have been doing some hard thinking before going to bed, I find it beneficial to do a little physical exercise before getting into bed. I lower and raise my body by bending and straightening my knees. This draws the blood from my head to my legs, and helps me to get to sleep quicker. If I am at all chilly, I put a hot water bottle at my feet for the same purpose.

Alexander has changed his tone. I enclose a cutting from the last "City Press". Please return it. I am writing him.

2.

Among the papers I am sending you today I enclose a pamphlet on "Race", published by Unesco. I think most of his criticisms of intelligence tests are sound; but it seems to me exaggerated to state as he does on p. 26 that "There has so far been no scientifically acceptable demonstration of a relationship between anatomical features and traits of personality." Dr. Gall's researches were scientific enough to convince Spencer and J. M. Robertson. I should like this pamphlet back at some time.

I send you also another Bulletin of the Free Czecho-Slovakia Information Bureau. I find these accounts of the day-to-day difficulties and tragedies of a Communist State very interesting.

I hope you are well. It looks as though we are in for severe coal shortage this winter. Few things will do more to discredit our Labour government than shortage of coal; but I expect they will import coal again at a fantastic price from America, and cut our other dollar imports still further.

Kind regards, Sincerely yours - signed: Henry Meulen

"City Press 20.(?) 2.(?) 8. 51 (3rd. col. of back page) (No author given. The clipping was placed in this position between the letters. - J.Z.)

* * *

THE price of gold has risen this past week in the free markets. The prices of gold shares in London has tended to higher levels.

The pressure everywhere is for a higher price for gold and towards further depreciation of currency.

The cry, too, is for a free gold market. With that view I am in complete accord. The gold price should be allowed to go; we should have a free gold market.

But it is no good having freedom of one element without freedom of all the elements. We must have freedom of interest rates.

And with a rise in interest rates we would have a fall in commodity prices and a readjustment of all prices.

If the Socialists were wise enough to accept a readjustment of wages at the same time, there would be no prolonged mass unemployment.

It has been always the resistance of the Socialists to adjustment of wages that has caused unemployment. Organised labour has been the prime causer of unemployment.

Given a flexible economy, the slack in one industry is rapidly taken up by new development in others - provided also there is a free capital market where men can go to get the money for development.

Therefore, given free interest rates and all the other elements, there would be a proper check on inflation and a proper check on all prices, including the gold price. In default of that freedom the gold price will go higher and higher.

* * *

"The City Press"

19. 10. 51 (Note in margin): The "City Press" has not printed this

Sir,

Apparently one cannot hope that the City Press will print letters criticising its proposals; but I cannot refrain from pointing out that the two policies put forward in your front-page article in today's issue actually contradictory. You propose

(1) that all restrictions on internal trade and labour be abolished, and free imports permitted. This, you assert, would enable the re-establishment in business of the 1,200 000 master men whom these restrictions have forced out of business during the last eight years.

(2) You demand that the Bank Rate be raised.

But when the Bank Rate rises, not only are borrowers discouraged by the rise, but banks take steps to curtail their loans. This would have the effect, not only of making it hard for the 1,200 000 men to get loans to re-establish themselves, but it would add considerably to their number by the action of the banks in curtailing existing loans.

Faithfully yours (Henry Meulen, Editor of "The Individualist")

28 October, 1951

My dear von Beckerath,

Thank you for your letters of Sep. 9, 12, and 17, with cuttings and notes of your banking proposals. I am delighted that your friends are showing interest in your proposals. It must be deep satisfaction to you that your work is at last bearing some fruit.

You will have seen the result of our election. I am very glad at the Conservative success. I am also glad that their majority is not larger, it will point to the need for Proportional Representation; and I do not like strong governments. The total number of votes cast so far are: Labour 13,877,922; Conservative 13,665,595; Liberal 710,934 and Others, 198,149. So you will notice that the Conservative government comes to power on a minority vote, just as did the last Labour government. We urged the Labour government again and again to introduce PR but they took no notice. Had they followed our advice, they would now be in power. 23 Conservative members, 13 Labour, and one Liberal were returned on minority votes.

Christianity. I doubt if Christianity became popular because so many people died for it. I think it was rather the fact that Constantine made Christianity the State religion. Consider that many sects have had martyrs without thereby becoming more popular. Indeed harsh measures have stamped out many sects. And I doubt if Christianity saved the world from Caesarism. Rome fell because it became luxurious, and was badly governed.

(J.Z.: How many different theories are there that all pretend to explain the fall of the Roman Empire? One of my reference book mentions 45. Probably there are more than 100 different ones - and which ones have most truth on their side may still not have been settled. And even in this one the monetary factor may remain largely ignored. - I had once the good intention to survey these theories in my PEACE PLANS but did not get beyond the first article on this. - J.Z., 17.5.03.

Norman Wyld's postcards. Agreed; but the postcard is merely a brief statement of a policy. The hundred and one details of any policy require detailed treatment. If a man writes me on a postcard that he advocates State banking, I know pretty well where he stands.

Determinism. The cases you cite are merely different considerations to be taken into account. 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.

Malthusianism. It is not so general a habit here for children to expect to look after their parents in old age. My father used to say bitterly that one father can support six children; but six children will not support one father. He was determined never to rely on his children to support him.

"The Free Trader". I agree with your criticism.

Unemployment. You ask what is the true cause of the decline in unemployment here. I think it is the vast demand for labour arising from the need for rearmament. The speaker who attacked you omitted to notice that nearly all increased taxation of employers is passed on into prices - so the worker suffers eventually.

2.

The Post Office. Why should there be a deficit? It is impossible for the State to decide if the industry is being run economically, or even if there is adequate demand for it unless it covers its expenses.

The young people. Yes - yes, I thoroughly agree. I generally find the young people tremendously excited over ideas that we discussed thoroughly when we were young. I much prefer to talk to a man of my own age: these young people generally bore me.

I sent letters to the "Times", and the "Telegraph" about your report of the number of refugees that were refused admission into Germany; but neither printed. "Truth" eventually printed it. I have sent you the copy with the letter.

Your letter of 16 Aug.

Happiness. You think that the great unavoidable misfortunes of every life outweigh the happiness in the happiest life. I can only say that I disagree. What do you think are the great unavoidable misfortunes of every life?

The option clause note (your letter of 9. Sep.) You think that these notes circulated because shopkeepers were debtors of the bank in question. But there were many competing banks in the Edinburgh district, and it might be rare that a shopkeeper received notes issued by his own bank. But his bank would accept the notes of other banks if they could be passed through the Clearing House. And the Clearing House would accept them only if the issuing bank were ready to pay its unfavourable balances in gold.

The State of Wuerttemberg must have had solid reasons for believing that the banks issuing the notes were solvent (I am assuming that they were private banks).

One of these reasons would be the willingness of the banks to redeem their notes in gold on demand. If the notes were issued by the State, the willingness of the State to receive them in taxes would probably, as you suggest, suffice to keep the notes at par.

You quote the case of the railway notes in Germany in 1923/4. But that was Germany's period of agony, when trust in ordinary money had broken down. I have previously admitted that in such circumstances Laden-Fundation (shop foundation) may be a useful stop-gap; but I doubt if the system would survive the return of normal conditions. And why is gold redemption impossible for Germany? If there is little gold in Germany, under freedom the price of gold will be high. This will attract gold from abroad. Meanwhile It will simply mean that people requiring redemption of notes in gold will get less gold when the price is high; but that weight of gold will be identical in value, with the greater weight of gold received when gold is more plentiful.

I hope you are well. My stomach is much better.

Sincerely yours - signed: Henry Meulen

PERSONAL RIGHTS ASSOCIATION. (No date! - J.Z.)
31 Parkside Gardens S.W.19

Did I send you the "Economist" of Sep. 29 in the last packet I sent you?
If so, I should be grateful if you would return it to me at once. I want the article on "Inflation" for the next "Individualist" which goes to press on the 10th of November.

Sincerely yours - signed: Henry Meulen

My dear von Beckerath,

9 November, 1951

Thank you for your letters of 31.10, 1. & 2.11, and your postcard, also for the return of the "Economist" of 8. 9., which was not, however, the one I wanted. But I find that I carefully put away the article that I wanted, and, as so often happens to me, forgot that I had done so. I have now found it, so I return the article on Germany from the issue of 8/9, as I would much like to read your comments. You are an excellent correspondent since you do faithfully reply to questions. The value of our correspondence to me is that it helps to hammer out controversial points, and your criticism is worth more than that of any other correspondent I now have.

Seume. The proposal to arm soldiers with a metal cuirass seems well worth examination; but I can hardly think that it has not been considered by European military experts.

Elections. I agree. The Conservatives think that modern Liberals do not differ enough from the Socialists; and the Socialists think that the Liberals are practically indistinguishable from Conservatives. And for this the Liberals are to blame.

Christianity. I seem to remember that Gibbon states that Constantine was genuinely converted to Christianity by his wife.

Rome. Yes but the govt. was corrupted by luxury.

Determinism. No, I think that the existence of the feeling is the important point. Nobody knows the cause of the feeling, or if it is trustworthy. We do not know if it is "caused" or "uncaused". I.e., spontaneous. The point is that I feel that I have freedom of choice, and the determinist cannot prove that I am wrong.

The Post Office. I think there is, for Individualists, a deep difference between expenditure on the P.O. and on justice. The great majority of people make little use of the P.O., and it is unjust that they should pay in high postage rates or taxation the cost of maintaining an uneconomic service for the benefit of the minority. But the efficient administration of justice, by its deterrent to criminals, benefits everybody, and its cost is, therefore rightly defrayed by everybody in taxes, and its services should be provided free to everybody.

(J.Z.: Well, at least in Australia the justice services are not very efficient and just in all too many cases and court costs and costs of lawyers are sometimes horrendous and only politicians can mostly be certain that they will be covered by the taxpayers, much against the will of the latter. Competing law, policing and juridical services could greatly improve that situation. As for post office services: There were many instances that they could be provided cheaper, better, faster and more reliably, for most people, by competing private postal services. - J.Z. 17.5.03.)

Happiness. Yes I agree that misfortunes come to everybody, no matter in what class the people are. But I deny strongly that everybody over 30 would end his life in view of these unavoidable misfortunes if he had the strength of mind to do so. I should say, on the contrary, that the normal healthy person is sure that he has the strength to meet and overcome the misfortunes that await him. And optimism has a survival value that is lacking in pessimism.

2.

Railway notes. Yes, of course, I should unhesitatingly support a proposal that the railways should issue their own notes, redeemable in whatever manner is found necessary to ensure their circulation. I am most interested in your account of American note-issuing institutions before the Civil War. What is the source of your information? The books of reference on my shelf give no detailed account of this period.

Redemption of notes in pre-1845 Scotland. But Mr. Smith would not need to accept his bank's notes at a discount, since he could himself present them for conversion into gold at his bank. And if his trust in his bank had diminished, he would hardly be likely to apply to that bank for another loan, lest he find himself unable to buy with the notes.

I think you exaggerate the need of every-day commerce for gold. Free Banking would have been impossible in England before 1844, had there existed so strong a demand for gold.

(J.Z.: Where did B. assert that there would be a strong need for gold coins in commerce as means of payment? On the contrary, he often pointed out that gold weight pricing could be introduced and gold weight value notes could be issued, accepted, circulate and redeemed in gold-weight-priced goods or services, without either of the participants possessing a single gold coin. Moreover, no creditor should have the right to demand gold from his debtors! That did not fit into M.'s scheme - so he simply forgot about these aspects, again and again! - J.Z., 17.5.03.)

The historical fact is that, except in times of crisis, provoked by refusal of the banks to make loans in face of drain abroad of their gold reserves, trust in the banks on the part of 99 % of their customers sufficed to ensure the circulation of their notes without exercise of the right of redemption in gold.

I quote again the experience of the option clause. In spite of the fact that such Scottish notes were sometimes quoted at a discount over the border in England, they continued to circulate at par in Scotland on account of the great trust by the Scots in their local banks. This proved that the demand for gold was by those Englishmen who wanted the gold for export.

(J.Z.: I would like to see a statistic that would indicate the fraction of international trade payments that were actually made in gold coins or bullion in any particular period. It may turn out that they constituted less than 1-5 % most of the time. For many centuries bills of exchange had been good substitutes for such metal payments. They also saved transport and insurance costs and facilitated clearing in gold weight units, without, in most cases, ultimately being redeemed in gold. Not international trade requirements but, precisely, the system of promising gold redemption to note holders did, sometimes, lead to a great and artificial demand for gold, which would not have existed without that right of note holders. The same applies to the general right of creditors to demand payment in silver, gold or other forms of modern exclusive currency. If note holders and creditors had, as a rule, no right to claim gold, then "gold shortages" would not have occurred nor the credit restrictions that they led to. - J.Z., 17.5.03.)

I was not aware that I had declined to discuss the system of pricing goods in shops in gold instead of paper. I think the ordinary shoppers, who have no need of gold, would find it a great nuisance. The paper price of gold is subject to great fluctuations, from the circumstances of foreign trade and foreign politics, in which the ordinary people have little interest.

If goods are then priced in gold in the shops, everybody must daily consult the papers to find out the current gold price, and the housewife must calculate how much the money in her purse is worth on that day. Moreover the gold price may change between the time she leaves home, and the time she arrives at the shop.

Does she take the shopkeepers word for this, or does she go out and buy another paper? I think it far more convenient both for her and for the shopkeeper, for the goods to be priced in paper notes. She will then be able to buy at the advertised price so long as she offers notes which are acceptable to the shopkeeper. Experience shows that in 99 cases out of 100, there would be no difference of opinion between them as to what notes are acceptable. (How little he had discussed it or thought about it becomes obvious from his remarks. - J.Z., 17.5.03.)

So glad you have been able to get the Hume "Enquiry". I regard my copy as one of my most prized books. I will take it to bed with me tonight, and re-read him on Determinism.

3.

"City Press" and Bank Rate. My opposition springs from the peculiar position of the Bank/Eng. under the Bank Charter Act. By tradition the function of B/E is not so much to make profits (its profits have never been more than half the profits of the ordinary banks), but to control the country's credit supply.

(Rather, to finance the government by controlling the country's note issue system! - J.Z., 17.5.03.)

This it does by means of the Bank Rate.

(J.Z.: Rather by its issue monopoly and *cours forc  * for its exclusive paper money. - J.Z., 17.5.03.)

When it raises its rate to the banks, it expects them to raise their rates automatically. They generally comply. If, however, they do not obey quickly enough, the B/E sells securities in the open market, which speedily causes so great a demand for money on the ordinary banks that they are obliged to raise their discount rate. I would like to see each bank keep its own reserve of gold or cash, and control its own credit policy. Freedom of note issue would enable the ordinary banks to expand or contract their issues more flexibly than today, when every increase in their advances compels them to apply to the B/E for the extra cash required to support that increase.

Determinism again. I have now re-read my Hume. I admire the way in which, in contrast to most other philosophers on the subject, he goes straight to the heart of the problem in his opening remark:

"It is universally allowed, that matter, in all its operations, is actuated by a necessary force, and that every natural effect is so precisely determined by the energy of its cause, that no other effect, in such particular circumstances, could possibly have resulted from it."

If this were true, we should be forced to accept Determinism. But it is not true. On the contrary, modern science shows that no two "effects" are exactly identical: each event shows big or small differences from other events in the same class. When these differences are small, science neglects them, and sets up a "law" on the subject. When they are big, as in the case of the actions of human beings, science rightly suspends judgment. But the point is that these differences exist. It may be that they are "caused", and that the cause will later be discovered. But, and this is the point that you Determinists never seem to face squarely, the differences may be uncaused, i.e. spontaneous, in which case the bottom falls out of the Determinist assertion that "no other effect could possibly have resulted."

I love Hume for his clear treatment of what we call "Epistemology" (the content of consciousness), and the problem of cause and effect. I do not think his work in these directions has ever been surpassed. In other directions he is not so good. Have you read his little essay on "Money"? He adopts the standpoint that it does not matter how much money a country has, since exchange can be conducted equally well on low as on high prices. This theory has constantly been advanced against monetary reformers. (J.Z.: E.g., by Murray N. Rothbard. - J.Z.)

Adam Smith. I have dealt with his statement (which you quote) in Free Banking. p. 323. The footnote there, by the way, should read Chap. II, not III.

Sincerely yours - signed: Henry Meulen

My dear von Beckerath,

27 December, 1951

My sympathy goes to you on your having to sit in a room with a temp. of only 53 degrees. I like to keep my room over 60, and am not really comfortable with a temp. under 65. I wonder what will happen to your coal supplies under the Schuman plan.

I like much your criticism of Gresham's law - a point never made by economists, chiefly because they never consider a currency that is not legal tender.

I am afraid that our discussion on the form that banking should take under freedom has reached a point when we shall have to agree to differ. I can add little to my previous arguments. But I will add the following points.

Against my argument that the price of gold varies too much for the metal to be used in pricing goods in shops, you reply that my argument presupposes fiat money. It does not. Whilst I admit that the demand for gold is increased by laws which limit the amount of paper substitutes for gold that may be issued, if you look at the daily quotations of the free gold market, you will find frequent changes in price that arise only from political uncertainty and fear of war. The balance of trade also involves gold movements which would show themselves in the price of gold if the govts. permitted it. The price of gold in Germany in the past does not show all the fluctuations that would arise in a free gold market in Germany today because

- (1) down to 1872 Germany had a silver coinage;
- (2) after 1872 she discouraged the export of gold when the international demand was great.

I cannot agree that either creditor or debtor should be legally empowered to demand or offer gold in payment. To do so is in effect to make gold a fiat money. All debt settlements should be matters of voluntary arrangement. If the parties disagree, the courts should decide if the creditor's demand, or the debtor's offer, are reasonable. I cannot think why you should legally prevent creditors from stimulating payment in gold, whilst at the same time empowering debtors to clear their debts by the offer of gold, thus legally compelling creditors to accept gold.

Does the housewife accept the shopkeeper's calculation of gold prices without checking it? If so, she is surprisingly trustful. If she does not, she must look up the gold price for herself, and make her own calculation.

I wrote that in 99 % of cases there would, under my system, be no difference of opinion as to what notes were acceptable. I do not know the details of the German, French, Italian or Spanish experience to which you refer. These countries never had free banking and freedom is necessary if sound notes are to appear.

I base my view on the Scottish experience. In Scotland the Clearing House was the chief judge; and notes that were freely exchanged through the Clearing House were freely accepted by ordinary people. The Clearing House would notice if the Rueckstrom (reflux - J.Z.) of a particular bank were seriously less than its issues. People would know almost immediately if distrust attached to any notes because

- (1) the banks would no longer accept them;
- (2) shopkeepers would therefore refuse them.

Mr. Smith. Yes - I do say that Scottish banks were always ready to redeem their notes in gold if the demand were not excessive, and even then they gave up small quantities of gold if the note-holders could show that they especially needed it, and did not want it only for export.

This readiness to redeem notes in gold was the chief basis of customers' trust in Scottish banks. Little distrust was aroused in the Clearing House by a small Rueckstrom (reflux - J.Z.) so long as the bank in question could meet any balance in gold or notes of other banks.

How remote our discussion on free banking appears in the light of present events in the world! You will have read in the Bulletin of the Int. Monetary Fund how practically every country in the world is continually piling restriction on restriction. And Churchill is now threatening us here with further restriction next February. It is not yet certain if he means monetary restriction; but I fear the worst. The one bright spot in my recent reading has been an article by W. H. Chamberlin in the American "Freeman" in which he praises Belgium and Germany for the striking recovery they have made under freedom. But I believe that Germany has since reverted to credit restriction, has she not?

I recently read support of your side in our happiness discussion. But it will not comfort you. One of our leading Christians wrote that it is not man's business to follow his own pleasure, but to make others happy. How little logic there is in these people. A man is to make others happy; but these other people must not be happy, but must again make others happy. Therefore we have a world in which nobody is happy.

Kind regards signed: Henry Meulen

13 December, 1951

My dear von Beckerath,

Thank you for your long letter of the 8th, received this afternoon. I will postpone discussion of the many interesting points you raise, and will confine myself to the questions of banking and currency on which we differ.

I also, wish that we were in agreement on banking policy. It is no good advertisement for free banking, when the only two men who are really fighting for freedom cannot agree on what precise form of banking would be best under freedom.

In my letter of Nov. 9 I gave my reasons for not advocating a circulation of gold coins. I await your reply before continuing this discussion.

On my use of the words "Gold standard", I can only reply that all our professional economists use the word in my sense, i.e., a system in which the standard is a certain **weight** of gold, which is kept at a fixed value in relation to paper by a law which compels purchase and sale of gold at a fixed paper price. If you think that gold could be freely obtained in Germany before 1914, read again my quotation from Loubet on p. 180 of "Free Banking."

The reason for the greater number of changes in the London Bank Rate was undeniably that gold could be freely obtained in London, but not on the Continent. In fact the pages 177 (foot) to 180 contain a number of quotations which, I think, shake your theory.

One other point. You repeat your argument that if cheap Japanese bicycles were bought for British pounds, they would necessitate equivalent exports from Britain to Japan, and trade would proceed normally. We have had this discussion before, and I have now searched through our correspondence to find out what point we reached. I find that my last objection to your theory was in my letter of the 6th August, to which you have made no reply.

What happens in practice is that we buy Japanese bicycles with pounds, which are bought by a Japanese bank. If then Japan finds nothing cheap enough in Britain to attract her, pounds will accumulate in Japan, and will gradually depreciate in relation to the yen. Under the gold standard, Japan would then take payment in British gold. Today the pound will depreciate, and the cost of Japanese bicycles to us will rise proportionately. My point is that it does not matter whether we pay in pounds which are converted into yen in Tokio, or whether we buy yen with pounds in London.

If we are tending to buy more than we sell, we shall have to stop buying, no matter what currency is used.

I much hope that your physical health is improved, mentally you seem remarkably healthy. When my stomach is bad, I become just a vegetable. I lie down, and read light novels or light poetry.

Kind regards, sincerely yours - signed: Henry Meulen

14 January, 1952

My dear von Beckerath,

Many thanks for your letters of 31 Dec., 3, 4 & 5 Jan.

48 degrees! It is noble of you to write under such conditions. When I was in the army and stationed at Reading in the winter, I always went down to a beautifully comfortable and well-warmed Reading Room provided by the Christian Science people for the troops. There were many Christian Science publications there, but, as I had read as much of Mrs. Eddy as I wanted to, I never touched them. The troops preferred the canteens where they could get beer and smoke, so I always had the room to myself, and did all my reading and writing in comfort.

Kant. In your letter of July 11 you wrote that according to Kant there is no other way to bestow value on life than by devoting it to reform, and "insofar it may be said that devoting his life to reform is the supreme duty of man. ("Kategorischer Imperativ"). You now write that "To the Christian, Kant simply would have put the question: "Do you know in what your fellow creature's happiness consists?" I cannot see how you reconcile these two versions of the Kantian doctrine. Personally I would reply to the Kant question: "I believe that happiness lies this way; I do not compel anybody to take my advice." And I spend time in reform simply because it is one of my pleasures. I recognise no duty to do anything.

Free Banking. Revolutions are rare. I cannot advocate a banking system suitable for a revolutionary period., if it is inferior for normal times. (J.Z.: Wishful thinking on M.'s part! - J.Z., 17.5.03.) I hope that revolution will be rarer still in future.

(J.Z.: I made a still very incomplete card index many years ago of the chronology of revolutions and found that they had become more and more frequent - if one includes the whole world, not just Europe or the US. - J.Z., 17.5.03.)

I agree with Tucker, who said that so long as free speech and a free press are allowed, there is no case for a violent revolution. In a revolution the best men seldom get into power. You appear to expect more from revolution than I do.

(J.Z.: Primarily B. favoured quite rightful and peaceful **monetary revolutions**. Secondly, he favoured liberating revolutions against totalitarian regimes, like that of Hitler, Stalin and Mao. Thirdly, he favoured revolutions against mass extermination devices, like "nuclear weapons". Did M. seriously think that neither of these revolutions would have been rightful and useful? - M. used a debating trick by suggesting that B. favoured violent revolutions when and where they could be avoided by enlightenment campaigns. However, B. did also favour ideal militias as a liberating and revolutionary fighting force against certain despotic regimes and military insurrections that would have a liberating program, deserving the name, against all dictatorships. M. never entered sufficiently into such discussions. B. was not one of those who favoured violent revolutions for the sake of revolutions. Even for the social revolution that he advocated, which would lead to the abolition of the employer-employee relationship in most enterprises, he advocated the take-over of enterprises by their employees in a sound commercial take-over bid, using industrial bonds, issued by and guaranteed by the employees, as their means of payment. When B. spoke of such possibilities, M. misunderstood him to mean a support for consumer coops! - J.Z., 17.5.03.)

You quote Zander's remark that he does not know one case from history wherein a man felt himself prejudiced by receiving gold coins. If this is true why do you want to pass a legal tender law compelling creditors, to accept gold?

In England today one cannot buy anything in an ordinary shop with a gold coin, although private people still have a number of sovereigns. The reason is that the price of a gold coins varies from month to month. People generally sell their sovereigns to a jeweller. If I offered a sovereign in an ordinary shop the manager would have to be called, and there would be much discussion over its value.

(J.Z.: B. did not propose paying with gold sovereigns now and there, but, rather, permission for the shops to price their goods in gold weight units and also to issue, alone or in association with many other shops in a shopping centre, their own notes, also denominated in gold weight units, and the right to oblige themselves to accept their own shop currency as if they were gold coins. That is something **very different** from the situation, which M. describes in his objection. M. simply did not comprehend B.'s proposals and raised numerous silly objections which one would expect from a school boy rather than a monetary and free trade expert. M.'s own flawed notions and unchecked premises, most of them quite unshakeable by reasons and facts, always got in the way of thinking straight on such subjects. - J.Z., 17.5.03. - In the above paragraph "**the** price" of a gold coin was obviously expressed in either English or other exclusive and forced paper money of a government, while all governments had fooled around with their paper monies, inflation or deflating them at their discretion. For M. the fluctuations in that relationship were all on the gold and not on the paper money side. How could he come to that conclusion, contrary to all evidence? And how could he adhere to it in spite of all counter-arguments? - J.Z., 30.5.03.)

Your English is so good, but you continue to write "Still now" when you mean "Till now" or "Until now". "Still now" is "Noch heute"; "Bis heute" is "Till now."

2.

In most countries it has not been found necessary to prohibit the pricing of goods in gold. When gold coins were withdrawn from circulation, people naturally priced goods in the medium that was available - paper notes. But I agree that if we can make people see that pricing goods in gold will protect them against deflation (**inflation!** - Already the legal tender acts enforced pricing in legal tender rather than in gold weight units. On top of it there were thousands of laws dealing with gold and foreign exchange. -J.Z., 30.5.03.) of the currency, they will be more inclined to that course.

The passage in my book to which you refer was only a sketch of what I thought would be the probable course of events under freedom. If people are willing to use inconvertible notes, nobody will be more pleased than I. But acceptance must be voluntary. (Not for the issuer and his debtors! One exception to this rule are the tax-payers as debtors of the government. Here such enforced and almost general acceptance at par would allow a government to continue its usual abuses of its paper money. - J.Z., 30.5.03.)

The Bank Restriction Act of 1797. No, I do not think the Act prevented trade agreements but prices steadily rose, partly because of distrust of the stability of the State under the threat from Napoleon and partly because of the State issues of paper to pay for the war. You can hardly quote 1797 on your side because the B/E note was made legal tender (cours forcé).

(J.Z.: Legal tender by long-established custom can sometimes have the same effect as legal tender by law. - J.Z., 30.5.03.)

Free Banking in Germany. I see that London University has a French translation of Jakob's book. I will look it up.

By the way, the singular of "Goods" is "Commodity", not "Good". Forgive my corrections of your English. I write only when your misuse of a word makes it a little difficult to grasp your meaning. If I had to write you in German, you would hardly understand me.

You write that freedom cannot be found where credit is restricted. I think you are misusing the word "freedom". So long as people demand that a bank note be convertible, freedom is not contradicted by the consequent necessity for the banker to keep his issues in due proportion with his gold reserves. A better statement would be that "Credit cannot be developed to its fullest extent so long as gold convertibility is insisted upon. (J.Z.: Rather: Sound exchange media cannot be supplied to their fullest extent as long as gold convertibility is insisted upon instead of convertibility into daily wanted consumer goods and services. - J.Z., 18.5.03.

I wish that when you next write to Rittershausen you would ask him if he still supports the scheme of the "Vier Gesetzentwuerfe". From his recent writings I fancy he rather supports my scheme of reform. (Yes, M. fancied, all kinds of things. - J.Z., 30.5.03.)

Determinism. Of course I can imagine a spontaneous event. You experience examples every day. You see a fresh face, and you at once like the man. Students of heredity will suggest an inherited cause. Psychologists will suggest a recollection of previous experience. But they may all be wrong, and your liking may be spontaneous. You, at all events, may be conscious of no inherited liking or memory, and they cannot prove the existence of these causes in you.

Japanese bicycles. Originally I understood you to assert that adverse exchanges arose only because we, for instance, could not pay USA in pounds. I replied that adverse exchanges arose sometimes because we had bought more than we had sold, and that this must cause us to stop buying, whether we paid in pounds or dollars. In Your letter of Jan. 3, p.2, you admit this. Our discussion would therefore appear to be ended. After all, an adverse ex. generally arises because, at that time the foreign country has not found enough cheap things to buy here.

3.

A free gold market in Germany. If what von Wangenheim writes is true, and Jackson is wrong, how do you explain the very many more changes in the London Bank Rate compared with those in Berlin down to 1914? If gold could have been got from Germany to any amount, at a charge of 1 %, whenever our Bank Rate rose by more than 1 %, the demand for gold would have shifted to Berlin, and Berlin would have been obliged to raise her Bank Rate.

I think you are wrong in asserting that the B/E put difficulties in the way of people who wanted to export gold. When the Bank Restriction Act of 1791 came to an end in 1816, the B/E was compelled by law to redeem in gold any quantity of notes presented for redemption. Thus was established our "free" gold market, and from my reading I think that our example was copied by no other country in the world.

When you asked me some time back what was the upper limit I would propose for the note issues of a banker, I replied that no such limit could be set: it would depend on the bank's resources, and on the trust attaching to his notes.

A proposal for banking in the East. It may be that your system would be more suitable for primitive village communities. But wherever State fiat notes are in circulation I think free banks could be established more easily than your inconvertible notes - certainly in towns - provided that the free banks were prepared to redeem their notes in State notes on demand.

(J.Z.: His wrongful premise is that the local goods and service providers could not establish an efficient local free bank of issue between them and that convertibility into consumer goods and services would be inferior to convertibility into gold metal, even if these notes with "shop foundation" are denominated in gold weight units and also the prices in the shops. Such banks would promote the turnover of all the locally available and ready for sale goods and services, including labour, while M.'s banks could do so at most only to the extent that his banks could redeem their notes in a single and rare commodity, namely: metallic gold. Moreover, M.'s notes, issued on long-term notes, would not have an immediate acceptance foundation, except for their convertibility into gold coins. And even that convertibility of his notes would be limited by his adherence to a paper pound standard, which would have prevented him from redeeming in a predetermined weight unit of gold metal, which he called the "fixed price of gold". I see no reason why the local shops should accept his notes instead of their own, which left no doubt - except in M.'s mind - on the gold weight pricing in their shops and on the gold weight denomination and acceptance of their own shop currency by themselves. If they would have accepted the Meulen notes at all, then only at a considerable discount, related a.) to the slow reflux of his notes from his long-term loans and b.) to his fractional redemption of his notes in gold coins, according to the market value of his paper pounds, his "invariable unit of value" which might be different for all of the Meulen-type banks, in the same way as all the diverse managed government paper currencies [all supposedly guarded in their value by professional and trustworthy central bankers!] lead to different and changing values between them. B. did at least subscribe to free choice in value standards. M. insisted upon his managed paper value standard as the best. If that Meulen paper pound had been based upon the purchasing power of a weight unit of gold at a particular time and place, and if it would have been accepted and could have been kept there, at that value, then, in practice little difference might have happened

between his kind of notes and those of B., using gold weight units as standards of value, presuming only that the purchasing power of gold would have remained as stable as it has been in the past. M. expected great fluctuation, due to gold redemptionism and sudden demands of creditors for gold and other economic and political crises, which B. wanted to do away with, at least among adherents to his system, by doing away with a government supported right of creditors and note-holders to demand gold. Instead, under B.'s system, they would have to be satisfied with clearing in gold weight value units, settled by all kinds of means of exchange and clearing at their market value in gold weight units. B. did also assume that no creditor would refuse if a debtor could and would, instead, pay him in gold coins. But at least since the 50's he said and wrote that gold coins need not be and should not be legal tender towards a creditor unless he had contractually obliged himself to accept them, as he would have, if he had declared that he would accept his own IOU at their nominal gold weight value in the same way as he would accept corresponding gold coins. At least both agreed on experimental freedom and voluntarism in this sphere. - J.Z., 18.5.03.)

When I was in London University last week I found four volumes of "Sound Currency". I read the Warner article; but there is a lot of interesting stuff in the volumes. I have had them set aside for me, and will go again tomorrow. I will write you later about them.

(J.Z.: An American firm has put all the volumes except one monthly issue onto roll film, for about US \$ 50. I bought that issue, many years ago, but have not read all its articles as yet. Skimming through, I saw no other articles as good as Warner's there. Perhaps someone will get around to scan all of them in. - During his long life B. never managed to see more than the 2 volumes of this series, those of 1895 and 1896. They are as rare and thus should be made easily and cheaply accessible to all interested in such questions. I microfiched one of these 2 volumes from flawed photocopies and do possess now better photocopies of the 1895 & 1896 volumes but have not yet got around to microfiching them, either. Much labour would be involved, since the print of the original was flawed and faint. - J.Z., 18.5.03.)

Your letter of 3.1. My statement in my book that the need of trade for gold is small was intended to apply to times of peace. In war, or times of political instability (we had not had such turmoil for many years when I wrote) the demand for gold increases.

Your letter of 4.1. Determinism in Shakespeare. Admitted that our actions may all be mechanically caused; but they may not all be so caused; and I maintain that it would be impossible to live a normal life if we were persuaded that all our planning were useless.

Post Office. Do you mean that the US P.O. carries newspapers free of charge? I never heard of this.

Option Clause notes. All economists praise the remarkable development of Scottish banking from 1695 to 1845. It was quite open to Scottish shopkeepers to use your form of note; but they used the convertible note system. Whilst I admit that in a revolution your system may be better (just as

4.
a brawny porter may be more useful in a street fight than a scientist), I deny that it is better, or more easily to be established in peace times.

I have not read Montesquieu for many years. I will look him up again. Machiavelli I know pretty well.

Your letter of 5.1. Stephen Pearl Andrews. It is an interesting coincidence that you should just mention him. At about the time when you were writing I was writing a long review of his "Science of Society". A new edition has been got out by the Libertarian Socialist Institute in Bombay. My review will appear in the February "Individualist".

Your footnote on the theory that low interest rates promote production. You think that high interest promotes demand for goods if the receiver spends it. But the receivers do not spend it all - a good part is reinvested. This is the basis for J. A. Hobson's plea for the taxation of the rich, and the use of the revenue by government to carry out public works in times of depression - a theory afterwards copied without acknowledgment by Keynes, and used to support the same proposals. When interest is high, a man may be deterred from borrowing. The higher interest may just cut out his profit. This is notably the case in the trade in the staple commodities, wool., cotton., metals etc, where great quantities of goods are bought and sold on a profit basis as low as 1%.

King-Hall had a note in his "National News-Letter" recently criticising the government's policy in raising the Bank Rate. I wrote to him, and am going to see him next Wednesday. I will write you about it later. It seems to me quite remarkable that of all the economists who condemned the gold standard after we had been forced off gold in 1931, not one writes now to protest against the use of the Bank Rate weapon as a means of correcting our adverse exchange.

My best wishes for 1952. Sincerely - signed: Henry Meulen

Malthus and His Adversaries (Clipping of a review sent to B. No source or date mentioned. - J.Z.)

The Malthusian Controversy. By Kenneth Smith. Routledge and Kegan Paul. 350 pages. 30s.

At a time when population problems, and particularly the problem of world overpopulation, are increasingly prominent in the public consciousness, there is a special interest in recalling the forms in which they presented themselves a century and a half ago under the first impact of demographic expansion. This study of Malthus's long-drawn-out controversy with Godwin and other critics is fascinating in more ways than one. It is, though only incidentally, something of a character study, offering tantalising psychological glimpses of a complex and - in the author's view - tortuous-minded individual. It presents, too, a peculiarly interesting picture of acute intellects at work in a field where the concepts, techniques and factual raw material, familiar to students of a later age, were all lacking. One does not know whether more to admire the virtuosity with which both Malthus and his antagonists contrived bricks without either the straw of adequate statistics or such useful tools as the net reproduction rate, or to shudder at the over-confidence which was ready to use results so attained as the unquestionable basis of policy.

To the reader whose chief interest lies neither in the personalities and ideas of the early nineteenth century nor in the development of methodology, but in the population problems of today, the chief appeal of "The Malthusian Controversy" must necessarily lie in the modern parallel. Malthus was unscientific as an analyst and crashingly wrong as a prophet; changes on the one hand in accepted morality and on the other in technique have between them overwhelmingly justified his contemporary critics. Can similar developments be trusted to justify the optimists of today? Dr Smith, it appears from his "Conclusion," trusts them implicitly. He is completely unalarmed either by prospective food shortages (the more mouths, the more hands, and let science take care of the law of diminishing returns as it has done in the past), by the social consequences of overpopulation (growing numbers can only be a symptom of improved conditions, so why worry?), or even by the prospect of standing room only (a rapidly growing population is most probably passing, like a rapidly growing baby, through a transitory phase, and is similarly bound to slow up some time. The contrast is indeed striking between the careful scholarship of the main body of the book and the slapdash polemics of its closing pages.

Dr Smith achieves his primary aim of rehabilitating Malthus's critics as men who judged more justly than did Malthus the trends and potentialities of their time. His story is a well-documented warning against cut-and-dried demographic prophecy, especially when based on grossly inadequate evidence. The attempt, however, to exorcise the twentieth-century Malthusian devil by the arguments not unfairly summarised above would have been better left unmade.

Telegraph, 15. 1. 52:

Royal Houses in Germany - Republic "Only a Stop-gap"

From Count DE TANCARVILLE

To the Editor of The Daily Telegraph

(B. mentioned to me once that during his lifetime he had witnessed the disappearance of many monarchies. - J.Z., 18.5.03.)

SIR - I venture, politely, to disagree, in toto, with Mr. Anthony Mann's statements with reference to the Laender Territories, and to what he alleges would be the reactions of the German public, should Germany's former federal autonomous states and their traditional local ruling Royal Houses be re-established.

Because of the impossibility of reaching agreement with Moscow concerning the conclusion of a general European peace settlement, it was decided two years ago by London, Paris and Washington, with the co-operation of the heads of a few of Germany's numerous political parties, which since the end of the war had sprung up like mushrooms, to transform the three hitherto Western Allied Occupation Zones into one centrally administered country named Western Germany. This possessed its own national constitution and Government, and was

composed of 11 Laender Territories and the whole was styled the West German Federal Republic, with Bonn as its political capital.

That act was rapturously welcomed by a crowd of unemployed German politicians, and by former war-time and pre-war officials.

Neither the country of Western Germany, nor the so-called West German Federal Republic, nor the latter's self-ordained national constitution, nor the "Republic's" 11 Laender Territories, nor the political capital, Bonn, can be regarded in any other juridical and constitutional light than of merely being a temporary Allied emergency political improvisation and stop-gap, pending the reunion of West and East Germany. Until the entire German people has voted for or against the permanent retention of the Western German Republic and its Laender Territories they cannot be regarded as truly constitutionally legal, at any rate according to German jurisprudence principles.

The Laender are neither proper federal States geographically, nor do they possess the requisite degree of autonomous authority enjoyed usually by normal federal States. Moreover, the Laender have scarcely any geographical or political resemblance to the German self-governing states, existing immediately before 1866 - the year the Kingdom of Prussia seized Hanover and other German States, and became politically and militarily predominant throughout Germany. The Laender are equally dissimilar to the Imperial Federal States comprising the mighty Hohenzollern German Empire, formed by Prussia directly after France's defeat in the 1870-71 war.

Mr. Mann thinks the re-establishment of the former German federal States and their local Royal rulers would be extremely distasteful to the German nation. I venture respectfully to say that such a view is utterly fallacious. For the populations of Bavaria, Wuerttemberg, Baden, Hesse-Darmstadt, Hesse-Nassau, Oldenburg, Hanover, and Brunswick would be only too delighted were those States to become once more fully autonomous under their own traditional Royal Houses, precluding the seizing of power by another Hitler.

Yours faithfully, LOTHIAN GRAHAM-SCOTT. (Count de Tancarville) St. Helier.

A Dim Prospect (Clipping sent by M. to B. and somewhere discussed in their letters. No source or date. - J.Z.)

THE NEXT MILLION YEARS. BY Charles Galton Darwin, Hart-Davis, 210 pages. 15s.

On the face of it, a forecast of humanity's probable condition over the next million years looks much more rash than one extending merely over a decade or two; too rash, in fact, to be worth making at all. On the contrary, says Sir Charles Darwin. The ten-year prophecy may be unreliable, the hundred-year prophecy even more so; but over a million years the law of large numbers will have its way and the observer, armed with comparatively few reliable data, can draw from them conclusions as valid as those which the physicist - however incapable of assessing the effects of every molecular collision in a vessel containing gases under pressure - derives from the application of Boyle's Law.

The conclusions drawn by this observer, however entertainingly arrived at, are extremely depressing. On the million-year scale there is, he is convinced, no getting away from Malthus. All that today's spread of contraception can do is to weed out, by degrees, the less philoprogenitive human strains; the more philoprogenitive will, by similar degrees, inherit the earth and fill it as full as its resources permit. Those resources themselves - again in the million-year perspective - will be less than those of today, since the entire capital of energy represented by coal, oil and uranium will be exhausted in the first of his thousand millennia, and man must thereafter live on income. While that income (wind, water-power, sun-shine) need not prove actually inadequate, to realise it will make a heavy call on resources urgently needed, in a progenitive world, for food.

On the whole, the best notion of humanity's long-run prospects can be derived from China. A permanent "starving margin" with intermittent general famines; a low value set on human life, with infanticide and slavery both common; oligarchic government in a system of loosely connected provinces occasionally, but never lastingly, united; from time to time, perhaps over a century or so, a "golden age" as the balance between population and resources tilts momentarily the right way; such is the forecast. (Mankind is today enjoying a "golden age.")

Most of the book's argument stands or falls by Sir Charles's long-run Malthusianism, whose premises fortunately seem less than adequate. It may be true today that "only prosperity produces childlessness" - or for that matter a net reproduction rate of one or less. But today's correlation between prosperity and (relative) childlessness is very much a matter of today's contraceptive techniques; and when to a virtually certain improvement, and cheapening, of these is added the possibility of a deliberate biological modification of the instincts themselves - far from unlikely in the time perspective concerned - a population near the optimum seems quite as probable as one pressing on the means of subsistence.

(An intervening catastrophe, however possible and even probable, hardly affects the argument; what is one Dark Age, even of a thousand years, in a thousand millennia?) "The Next Million Years" is less to be regarded as a balanced forecast than as a brilliant and entertaining exploration of a single hypothesis.

17 January, 1952

Dear von Beckerath,

Since you appear to be interested in King-Hall, I write you an account of my visit to him yesterday.

He is a trim person, 65-70, white hair, and a ruddy healthy face, keen eyes, and faultlessly dressed. We discussed two subjects:

(1) That UNO should confine itself to keeping the peace, and should refrain from interference in the internal economic affairs of its members. He said that he thought it difficult to draw a fixed line between national and international economics; and in any case Britain was unlikely to accept European federation, so the question hardly arose. I replied that although there might be marginal areas, if we realised the danger of submitting our internal economy to international authority, a rough line of demarcation could be established. I stressed the danger of setting up a UNO with force at its command; such a body would be irresistible. The acceptance of the Schuman Plan on the Continent showed the danger to be real. Against national tyranny there was the weapon of revolution; but there was no remedy for a tyranny by UNO. He replied that the danger was remote, since no nation in the world was at present even prepared to give up national sovereignty for any purpose.

(2) Free Banking. He said that he had long been familiar with my views, and found himself on the whole in agreement; but what did I want him to do? I replied: Write about it, and urge the govt. to grant freedom of banking. He replied that there was so little knowledge of monetary science, and it would take so long to convert people to the idea of free banking, that he preferred to devote the time that remained to him to projects that were more immediately realisable, such as the Hansard Society (notices of which you have probably seen in his "Nat. News-Letter")

I replied that free banking was one of the most important and pressing reforms of today: on it depended whether or not we move towards the totalitarian State. And, although its propaganda is a long-term matter, if many influential people, like him for instance, joined in the propaganda, the govt. would move, and it would not be necessary to convert the mass of the people. People are not hostile to free banking - they simply do not know anything about the matter, and will accept the lead of the government. Nevertheless, he still doubted the possibility of doing anything by free banking propaganda - so there we are.

(J.Z.: Naturally, M. did not mention that the B.-system was, in his opinion, quite legal in England and could be freely demonstrated by an experiment. Nor did he ask for the support of experimental freedom quite generally, starting with monetary freedom experiments, especially by unemployed people and businessmen suffering under sales difficulties for their labour and goods. The goods warrant system is so natural that it had been re-invented by various token money and emergency money issues and "truck payment tokens" again and again and it required repressive legislation over centuries to prevent such experiments from developing and improving their issue and reflux technique and to spread, by voluntary acceptance, to the extent of flourishing competing currencies, at least local ones. - J.Z., 18.5.03.)

I got the impression, however, that he was interested, and I fancy he will think more about the subject in future. I much

2.
enjoyed the talk. Currency discussion has for me all the fascination that chess formerly had for me before I came to the conclusion that philosophy and economics were more vital. I love the swift keen thrust to the heart of an argument, the parrying, and the lead-up to a checkmate. The trouble is that I so rarely meet a swordsman who can meet the free banking attack with worthy argument.

It is bitterly cold here again. How I wish you had coal enough to write in comfort. I am still able to keep my room well above 60 degrees. Still - your honour is greater in that you keep up the discussion in such discouraging conditions.

Sincerely yours - signed: Henry Meulen

My dear von Beckerath,

9 February, 1952

I enclose a letter from Rittershausen in which he criticises your remark (printed in the last "Individualist") that Germany's recovery is due, to the extent of 60% to American rearmament. I think I ought to print his correction; but I think you ought to have the opportunity to reply. I shall be glad therefore if you would return his letter to me as soon as you conveniently can with your comment.

In writing would you explain the word "Staatshaushalt" (budget - J.Z.) which I have underlined in red at the foot of the page. It cannot mean "State household expenses" which is the literal translation.

Further on I have marked in red another paragraph which I do not understand. I should be grateful if you would give me an English rendering of it.

If also you can find time to give me your comment on the front-page article in the last "Individualist", I should be much interested. The subject is important, and is rarely discussed.

The rise in our Bank Rate is being hotly discussed here - almost everywhere, alas, with approval. I have written many letters to the press about it but very few of my letters have been printed. "Truth", however, printed my letter. I have sent a copy of the issue to Professor Robbins; but I doubt if he will reply. Almost all countries seem to be determined to use the monetary weapon (*) to combat inflation, and I seem unable to persuade people that what is needed is more production and no artificial raising of the Bank Rate.

Sincerely yours - signed: Henry Meulen

(*) (J.Z.: Rather: to use monetary despotism to fight the results of monetary despotism. The real "monetary weapon" against inflation requires abolition of monetary despotism:

- a) abolition of legal tender and cours forcé,
- b) abolition of the note-issue monopoly of the central bank,
- c) abolition of the value standard monopoly via : free choice of value standards, including a quite free gold-market, free and competitive private coinage,
- d) abolition of the right of creditors to demand payment in exclusive currency, whether legal tender cash or gold coins.

as major preconditions of full monetary freedom. - J.Z., 18.5.03.)

HENRY MEULEN
31 PARKSIDE GARDENS,
London SW 19

21 February, 1952

My dear von Beckerath,

Thank you for your letters of the 17 and 18th. I noticed your long silence; but concluded that you were so busy sketching out a banking system for your Arbeitergemeinschaft (Arbeitsgemeinschaft - J.Z.) that you had no time for other discussion, and I was glad for your sake that you were finding recognition. (Like M., only among about half a dozen people! - J.Z.) And now you write me that illness was the cause. I am very sorry. It is a pity that you have not a garden where you could get exercise in the open air. Walking is good exercise for some people, but I have seen a number of cases in which people found better health result from exercising the other muscles of the body - even gymnastic exercise. It must be remembered that for millions of years mankind lived a very active life physically. It may be unwise for men to turn too suddenly to a sedentary mental life.

I have been surprisingly well. I have had no stomach -pain whatever for the past three weeks. The only thing to which I can ascribe the change is that I have taken no tea or coffee during that time. I drink hot water (very hot) with a little milk and sugar, and find it almost as stimulating as tea or coffee. How nice of Rittershausen to send you coal.

Thank you for the translation of Rittershausen's phrases. My dictionary (Cassell's, 1888) gives only "Housekeeping" as the translation of "Haushalt" and translates the English "Budget" by "Budget". I must get a more modern German Dictionary

I have not seen a recent analysis of German exports; but the last one I saw, about six months ago, showed the increase in Germany's exports to be mainly in steel goods; and I presume these were chiefly made up of machinery and tools, which she exported in great quantities before the war. I can imagine that the Allies would hardly encourage her to make war material, although, as you say, all steel production helps war production in some measure. I think I ought to print R's correction.

Gresham's law. Yes - I noticed that De Witt Warner made the same point in one of his articles; but, so far as my reading goes, no economist other than you thought the observation worth repeating; and since you revived what was a corpse, I thought you deserved the credit. It is certainly a valuable principle.

(J.Z.: Quite a few authors have correctly revised the popular version of "Gresham's Law" towards its opposite, for free-market-rated monies, into something like: Good money drives out the bad. Only bad money (fiat money, legal tender money, forced currency, etc., drives out the good. And they have given their reasons for this revision. I have long collected material on this subject towards an article on it but others could probably supply more such material and write a better survey of the development of this "law". - J.Z., 18.5.03.)

Thank you for your comment on my article "Control of imports." If any economist says he does not trouble about what other economists may say about his theories, he is either conceited or a fool - probably both. Economics is so wide a science that one can never be certain of having taken all considerations into account. It is useless for me to submit my views to the orthodox, since I have no common ground with them. But I certainly value criticism from you and R.

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I not understand the significance you attach to the year 1852. What happened in that year?

I note what you write about the use of the Verrechnungswechsel" (clearing-bill - J.Z.) We have discussed this at length. I have looked through our correspondence, but I cannot find a definite reply from you to my objection that whether we pay USA, for instance, in pounds or dollars, so long as we are importing more than we export, the pound will depreciate in relation to the dollar, and will reduce our ability to buy American goods. (J.Z.: That is the automatic and self-correcting factor which prevents permanent excesses of imports over exports. - J.Z., 18.5.03.)

I admit that the pounds which USA holds must be used to buy British goods; but since US will find it less profitable to export to us, she will gradually sell less and buy more until the balance is re-established. My point is that this will occur whether we pay with dollars bought in London, or with pounds which must be used to buy dollars in USA. Hence I cannot see that it is worth while urging the use of Verrechnungswechsel.

I am glad that our king is at last safely buried. For nearly a fortnight our papers have had little news beyond minute details of the funeral. The king was a good, but very ordinary man and did not deserve all this fuss. I think "Punch" reached the limit of sickening adulation. In an article on the king, it praised him for remaining in London when your bombs were falling.

(B. did not drop any! Neither did I or my parents or grandparents. Even my Nazi uncle Erich didn't although he lent his big mouth to the Nazis and shared many of their prejudices. - J.Z., 18.5.03.)

It proceeded: "Londoners crept to their work in the mornings, grimy after a sleepless night; but they knew all would be well - the king, was in town." Did any Hitler-worshipper beat this?

(J.Z.: During the French Revolution Paris people, mainly women, kidnapped the King from Versailles and brought him to Paris, singing: Now, that we have the king in Paris, we will no longer be short of bread! - Under Assignat-inflation and price controls peasants were no longer eager to supply Paris with flour. But these Parisians assumed that abundant supplies were somehow associated with the presence of the king, just like so many people believe today that Government action can provide for general welfare. [Actually, these revolutionary Parisians were not **quite** wrong, if one considers e.g. the presence of the Kremlin in Moscow, under the Soviet Regime. At least for prestige reasons and to somewhat impress foreigners, the population of Moscow was usually better supplied with consumer goods than was the rest of the Russian Empire. But the Louis XVI was too ignorant to oppose paper money and price controls and most of the other leaders were no better in this respect.] Public miseducation has

only provided new terms for old errors and myths at least as far as the "social sciences" are concerned. - J.Z., 18.5.03.)

One last matter. You have no idea how difficult Germans make it for foreigners to read German - through the German habit of putting the verb at the end of the sentence, with many sub-clauses before it. The verb is the active part of the sentence, and affects the whole meaning of the sentence. It is surely stupid to write: I have the rich man with the pretty wife and two charming children who lives in the large house surrounded by a high wall seen." If the last word were "killed", one would read the whole sentence with a different emotion, and I am often obliged to re-read a sentence when I come to the verb. I presume that German syntax does allow one to write: "Ich habe den Mann gesehen welche etc." Why do not German writers use this more logical and more lucid construction?

Have you a copy of Andrew's book "The Science of Society"? Bhavan sent me two copies, and I could let you have one.

Sincerely yours - signed: Henry Meulen

29 April, 1952

My dear von Beckerath,

I find that your last letter is dated Feb. 18.
I hope your long silence is not due to illness. Just send me a card to reassure me. I am content if the reason for your not writing is that you are too busy.

I have been remarkably well. I have had no pain of any sort for four or five months. I can ascribe it only to my having given up tea and coffee.

Spring has come in delightfully in England, and I am doing more gardening than usual. If you want a holiday, come and stay with me. I promise not to worry you with economic discussion.

Sincerely yours - signed: Henry Meulen

11 May, 1952

My dear von Beckerath,

Thank you for your letters of the 1st and 2nd. May.
I am grieved to hear that you have been so ill. I know from my own experience that when one is unmarried and free to do as one likes, it is easy to fall into excess. People talk a lot about excess in eating and drinking, but little about excess in thinking - doubtless because the latter is so rare!
But for some of us the temptation to spend too much time on thought is just as strong as temptation to the glutton or drunkard; and the evil effects are just as bad - probably worse because the nervous system is a later development: it is more easily damaged, and is slower in recovery - witness the sad example of my beloved Spencer. If you were married, your wife would have a good try at turning your activities sometimes in other directions. But you, like me, would probably think the remedy worse than the disease. Still - sometimes a wife can do it very prettily.

The advantage of gardening is that it requires a certain mental attention, as well as the physical effort. Hence it is hard to garden and think of intellectual things at the same time. This applies to any interesting physical work; but not to walking. Walking has become so mechanical that one can walk and think furiously all the time - which is no good at all.

I blush to say that I do not know what the letter R stands for in Benj. R. Tucker. But I have written to his daughter Oriole, in New York to enquire.

I will look up Chitti when I go to London University again.

Your report of the business of translating East into West-marks is very interesting. The relation between the two is not the smallest of the problems to be settled before a united Germany can be established. It must have been

a pleasure for you to take Rittershausen to your circle. My German is, I fear, hardly good enough to enable me to take part in such a discussion with any confidence. We really must have a simple auxiliary language. I have been recently looking into IDO, a reformed Esperanto (I will send you one of the IDO journals); and I have written to USA for details of another language project called IALA.

You have probably noticed that I have taken cuttings out of the correspondence columns of the numbers of "Truth" that sent you. I am having a long discussion there on the Gold Standard. I will send you the correspondence when it is finished.

2.

Your theory regarding a maximum in plants etc. is interesting. But how would you deal with the fact that men have, for instance, greatly increased the size of nearly all fruits and grains? The orange was originally a small bitter berry, wheat was a grass, apples were developed from the little wild and bitter crab apple. If we could play about with the breeding of men as we can with plants, goodness knows what sort of a being we might produce.

Enclosed is an interesting cutting from this week's "Economist".

My good wishes go with you Sincerely - signed: Henry Meulen

My dear von Beckerath,

27 June, 1952

In just over a fortnight I have received your letters of the 8, 14, 15, 16, 17, 19 and 22 June. I am grateful. Your health is evidently better. I should be dismayed to receive so much correspondence from almost anybody else; but I assure you that I sit down to read your letters with the liveliest satisfaction.

I had not previously read that Athens chose her politicians by lot. The subject deserves consideration. It would certainly slow down the making of laws: I can imagine that the ordinary man could hardly bring himself to make laws for other people. But this cuts both ways. You and I want many laws abolished. Can you imagine the ordinary man having the courage to abolish a law which was one or two centuries old?

The reduction in bank advances. P. 27 of "The Individualist." The "Times" article did not say if the two amounts were of the same purchasing power. The point is important. Prices have certainly risen since two years ago, which makes the reduction in bank advances still greater.

Inflation and rising prices. The credit is due to you - not me. My trouble with your definition of inflation is that I see no way of computing at what value a country would accept a currency if it were not legal tender. I should say that a govt. can ordinarily create as much currency in a year as it recovers in taxes - anything more is likely to be inflationary. I say a year; but it depends also on other circumstances, and so long as freedom of note issue is denied, the whole business becomes confused, and it is difficult to lay down precise rules when an issue of State paper is inflationary. If we had freedom of note issue, deposits with banks would be a rough estimate of the country's ability to devote capital to fresh production.

I am not happy about the "opposite" of inflation. Opposite is a vague term. Is the opposite of cold temperate or hot? I suppose "cold" generally means lower than temperate, so that the opposite will be a heat above temperate; but I can't argue about it.

The relation of dividend payments to wages. I have a front-page article on the subject in the next "Individualist". I will defer discussion of your observations until you have read this.

Maximum size in plants etc. The Goethe theory strikes me as improbable when we apply the Darwinian principle of natural selection to it. The co-existence of plants and the insects on which they depend for pollination must be put against the coexistence of plants and insects that feed on them - like man for instance, and also the millions of other experiments of nature which have died out because circumstances were against them.

2.

Chance seems to play a great part in causing the survival of species. If there is a force directing the energies of both insects and plants, it seems to make a lot of mistakes.

You write that no paper would dare to print an essay on free banking. I think you are too pessimistic. It is not that the papers dare not print the subject, but that they are not yet convinced of its importance. May I remind you that the "Bankers' Magazine printed a very sympathetic review of my book. Yet this is the last paper in the world from which one would expect sympathy for a proposal for free competition in banking. Someday a Bernard Shaw will appear who will present free banking with wit, and people will rush to look into the subject. About 18 months ago I sent a copy of "The Individualist" to the State Library in Canberra, Australia, together with a copy of my pamphlet "Free Banking". They sent me a subscription and an order for my book. Later they wrote asking what back numbers of "The Individualist" I could supply. I replied that I could send a pretty complete file back to 1911, and I asked 1s. each, since they are scarce and I think them valuable. Today I received an order for the complete file. This is encouraging.

(J.Z.: I must confess that I failed to search for back issues of Meulen's THE INDIVIDUALIST at the National Library in Canberra. But, many years ago, I did find back issues of "The Individualist", from before Meulen's period of editorship, in the State Library of NSW in Sydney. Alas, I had difficulties with their copying service. By now I am inclined to leave the microfilming or scanning of the whole set of this journal to others. Getting Beckerath's numerous other letters (to the extent that I could get them) digitised is more important to me. I believe that there are far less flaws in his thinking and proposals. - J.Z., 18.5.03.)

Your quotation from Lasker and Gerhard is very applicable to the burning question of the bestial treatment of their political opponents and of the Jews by the Nazis. Yet I remain of the opinion that the Allies were wrong in trying and condemning the people who ran the camps. How Germany treats her nationals is a matter for Germans. Foreigners may deplore and protest; but it is unwise for them to interfere.

(J.Z.: It wasn't "Germany" that mass murdered Jewish people but the Nazi regime and many of its supporters. Nor were Jews and other opponents of the Nazi regime, or people disliked by the regime, its **property** to be used, abused and destroyed upon whim. Personal, human and individual rights exists as equal liberties quite independent of any form of government. Their governmental or private suppression anywhere on earth, by anyone, on any large and continuing scale, should be of serious concern to all ethical and rational people everywhere. - What kind of individualist instead of collectivist thinking does Meulen reveal here? - J.Z., 18.5.03.)

Payments to USA. But if England has no dollars, it means that USA has not bought from us. In such a case whatever means of payment are arranged, they must take the form of credits extended to us by USA.

(J.Z.: ??? Means of payments are not necessarily credits, although they convey entitlements. Currency or ticket-money provides IMMEDIATE entitlement towards the payment community which issued them. Cash payments and credit transactions should not be mixed up in this way, even though cash, in form of sound paper money or banknotes, is based upon short-term turnover credit. If one calls cash-payments: "credit", then what term shall then be applied to real credit, where a time period is involved? - J.Z., 18.5.03.)

These credits can be made if USA trusts us enough, and they could be made equally easily whether they are made in pounds or dollars. Normal exchange can proceed only when we are exporting to USA about as much as we import from her.

(J.Z.: Free Trade need not be bilateral trade. It can be multilateral trade, just as is most internal trading. National borders have no inherent economic significance, even though they can be turned into significant artificial barriers against free exchanges. - J.Z., 18.5.03.)

There - that's enough for today. I am going to bed after a warm afternoon in cutting our grass with a motor mower.

Economics is most important; but there comes a time when bed is still more important. I will reply to your further letters in a few days.

I trust the improvement in your health continues.

Sincerely yours - signed: Henry Meulen

The envelope of your bulky letter was badly burst. You must use a stronger envelope for bulky contents.

2 July, 1952

My dear von Beckerath,

I come now to your further letters.

Auxiliary language. I recently bought an excellent book on the subject by H. Jacob. It gives an excellent review of the problems, and reviews the various solutions. It has converted me from Esperanto to Ido. I will put a note on the subject in the next "Individualist". I will send you the book if you care to look at it. (J.Z.: In other words, he was not yet too old not to be able to learn something new - as long as it did not concern his major notions on "free" banking. - J.Z., 19.5.03.)

King Hall. You do him an injustice. He told me that his problem was whether to spend time on an important reform like Free Banking which had, however, no chance of being realised within his life time, or work on a lesser reform which was in a fair way of succeeding within a very few years - the propaganda of a democratic form of government. He chose the latter. For myself I go for the most important reform, no matter how distant the realisation. I agree with you that it is useless to preach political liberty in the absence of economic liberty.

Monarchy. It is a subtle problem. I think monarchists exaggerate the evils of a republic. Its working depends on the temper of the people, and on political circumstances. Switzerland is made up of Germans and Italians who are traditionally monarchist, and of French who are republican. Yet it gets along excellently without even a president. I think the reason is that (1) Switzerland has enjoyed peace for so long; (2) owing to her small industry the struggle over Communism is less acute there than elsewhere. Other countries who turn to republicanism may be troubled for a period whilst political sense is being developed; but they are learning, and the way is open to a better system; whereas a monarchy may throw up a single bad man who may ruin the country. I admit that Germany threw up Hitler; but they chose with their eyes open, which is better than having a tyrant born to rule.

I am sending you the Andrews book.

Revolution. I have previously quoted Tucker that revolution is not a good method so long as free speech and press are permitted. These do not exist in Russia, so revolution is the only course.

Gold coins. I am trying to get a clear opinion from Zander. In his last reply he said that the shopkeeper note system "exhibited a valuable principle." I have written asking which systems he thinks likely to be most easily realised. Our experience has been that almost everybody sold gold coins to jewellers as the price rose. I keep a few as a memory. There has, I think, been scarcely any hoarding of gold here, probably because we have not

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experienced inflation on the scale that occurred in Germany; but there is a good deal of hoarding of diamonds and jewellery among wealthier people. The poorer people are not well up in judging these articles.

One other English correction. You habitually use "to" as a translation of "zu viel" instead of "too". I correct your English only when your error makes it hard to understand your meaning. National languages have such subtle irregularities, that one can spend a lifetime in learning one foreign language. What a pity that we do not use a simple artificial language.

Your letter of 17. 6. Yes of course I agree that freedom does not exist if bad laws restrict credit arrangements. But if people voluntarily insist on gold conversion of notes, freedom is not restricted, although this action will prevent the adequate development of credit.

Japanese bicycles. My remarks in my last letter on payments to USA apply equally to the case of Japan.

Free gold market in Germany. In the quotation you gave from von Wangenheim I understood him to refer to a free gold market in the British sense. He spoke of German's ability to get gold coins in exchange for notes, and it seemed unlikely that these coins would be sold at their bullion value. You are wrong about the pre- 1914 procedure of getting gold from the Bank of England. Lombard Street used to discount bills at the ordinary commercial banks, and demand payment in B/E notes, which they then presented at the B/E for conversion into gold.

Option clause notes. Your statement is a little too simple. The old Scottish banks held enough gold to maintain the trust of their ordinary customers. The option clause was introduced in order to stave off extraordinary demands for gold for export to England.

The fact that merchants issued token money in London in the 16th century is mentioned in most English books on money. But these tokens circulated like ordinary money on account of people's trust in the probity of the issuers - they were issued only by well-known firms. They were not redeemable only in the goods of the issuer. They were generally only small copper coins, and the question of redemption did not arise. These tokens were not issued in Scotland so far as I know.

(J.Z.: The redemption into gold or silver did not arise, since there were no rare metal coins small enough to redeem these small copper tokens or it would have taken a large quantity of them to buy with them a single sovereign. Shopkeepers, who had sovereigns, would probably have gladly bought them - in order to have more small change ready. But the real redemption of them consisted in the goods and services of the shops that issued them and this is the kind of redemption M. either ignored or underestimated or in his mind replaced by "trust". There were also many tokens issued in Scotland. I mentioned before a small book on them in my possession. - J.Z., 19.5.03.)

Low & high rates of interest. You are quite right, and I was wrong in stating that re-investment does not promote production.

I misquoted Hobson. His position (stated at p. 219 of "Free Banking") was that at certain times the rich do not spend as much of their incomes as the poor, and that the rich hoard their wealth instead of putting it into circulation. I disagreed with him in F. B. and I still disagree. Yet Keynes adopted Hobson's position. The profit of 1 % that I mentioned was not of course per annum. But although the higher interest rate charged by banks was per ann., the fact that a merchant might have to pay £ 5 for £ 100 to buy goods on

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which his profit was only 1 %, might deter him from borrowing. He would have to turn the loan over five times a year before he began to make a profit.

Thank you for the Russian revolutionary journal. It certainly contains no proposals for free banking; but I think its emotional content must strengthen the convictions of the emigré Russians, and it is therefore useful.

Italian workers. Yes, the action of British miners was monstrous; but our government is afraid to anger the miners by insisting on the employment of the Italians. And now Italy is to demand compensation.

Thank you for the note regarding Clavell Blount's proposals. I wonder if you could send me a copy of the "Spiegel" containing the note, and I will send it to him.

Gobineau, like de Tocqueville, is an author I have always intended to read, but never have. The reason is., I think, that I am fairly familiar with his views from many quotations. But your description is so eulogistic that I have put his name on my reading list.

Copy of your letter to "Lieber Bernhardt". You are an incurable metaphysician. I could write a whole chapter in opposition to your letter; but I'm damned if I will spend the time on it. I wrestled long with that problem in my twenties, and finally rejected the whole metaphysical bag of tricks. Did I mention to you J. M. Robertson's "Letters on Reasoning"? He is excellent on metaphysics.

Your letter of 22.6. By "normal times" I meant all times except when there is violent revolution, when the ordinary methods of exchanging goods break down. Such revolutions are comparatively rare.

You contend that my proposals for the issue of notes redeemable in a varying weight of gold at the free market price is quite new and has never been practised. I refer you to "Free Banking" pp. 290-1. When the old Scottish banker offered to redeem an option-clause note at a discount when immediate gold redemption was demanded, he was actually using the system I propose.

All Europe seems to have been having a heat wave. I like hot weather; but this last week has taken all the energy out of me, and I feel languid all day long. I hope you have not suffered too badly. Happily we are now promised cooler weather.

Sincerely yours - signed: Henry Meulen

11 July, 1952

My dear von Beckerath,

Thank you for your letter of 30 June. It is cheering to know that your health is better.

Choosing politicians by lot. Yes, I thoroughly agree with Jefferson's (and Paine's! - J.Z.) proposal to limit the duration of laws, although I am doubtful if it would have resulted in the abolition of the 1844 Act. In my book I mention several critics of the 1844 Act; but their efforts failed because they endeavoured to secure freedom of note issue without proposing the abolition of our gold standard.

Inflation & rising prices. It is hardly fair to say that my notes bear no relation to gold. They bear the same relation to gold as they do to coffee or sugar. But just as the note bears no fixed relation to a given weight of coffee, so it should have no fixed relation to a given weight of gold.

(J.Z.: So, what does it relate to then, regarding its value? On its paper and ink and the varying trust and issue and reflux policies of its competing bankers and their clearing of their notes against each other! In other words, on abstract and probably also varying notions on and experiences with paper Pounds, Dollars and Marks, just like today. These might not depreciate as fast as do the managed paper money value standards of governments but they do not give their holders an easily comprehensible impression of their value and of their value standard. For that reason I believe that they would tend to become rejected for general circulation. Add to this their intended issue for medium and long-term loans, i.e., their invasion attempt into the capital market, which would assure their depreciation and refusal among most of their potential acceptors. - J.Z., 19.5.03.)

Your check on overissue is the "free market price of gold. I think you exaggerate the stability of the value of gold.

(1) So long as there is danger of war or revolution, people will tend on occasions to hoard gold, and its free price will rise.

(J.Z.: Much more so: The value of the paper currencies, with which it will be compared in this "pricing", will fall, so much so, that many people will flee "into gold" and that "run" into the gold still available on the open or black market will provide the gold with an extra value. - But even that fluctuation is mainly due to the consequences of monetary despotism. - J.Z., 19.5.03.)

(2) If people can exchange notes for gold at a fixed price, occasions will arise, e.g. a serious adverse balance of trade, or a large loan made abroad, when it will be cheaper to export gold than depreciated currency. In such cases your sovereigns will disappear, and the free market price of gold will rise.

Now, are people to reject notes in cases (1) and (2)? If so, you might just as well set up a gold standard (British type). Surely it is better to allow the paper price of gold to rise.

(J.Z.: Here M. ignores, once again, that B. would abolish the right to metallic gold redemption of notes and also the general right of creditors to be paid in metallic gold. And what he calls a "fixed price" of gold would be a "fixed" weight unit of gold, against which all other means of exchange would be measured - by those who prefer to measure the value of their exchanges in this way. B.- notes would not be "fixed" to their gold weight units but free-market rated against them and issued and retrieved with sound and immediately working issue and reflux policies that would tend to keep them mostly at par or close to par at the free gold market and, anyhow, always at par when presented to the issuer and his debtors, in their local circulation and thus also, mostly, within the local payment community. Alas, B. never succeeded in getting this message across to M. At the same time, he would tolerate and even recommend adherents of other systems, including the M.-system, to practise their systems among themselves and to suffer their consequences gladly, since they volunteered for them and could not be talked out of them. At least B. & M. agreed upon freedom to undertake monetary experiments. But M. formulated the practice of such experiments never in form of natural "rights" and "liberties", as natural as the human right to produce and exchange for one's support and that of one's dependants. - As for M's use of the term "your sovereigns": B., to my knowledge, never intended to go into the business of minting gold coins himself but merely demanded that, under common sense conditions, everybody should be free to do so. - Also, that everybody should be free to offer such coins in payment and to use them as a standard of value. But he insisted that no one should by law or jurisdiction be entitled to demand them of a debtor - or any other "exclusive currency". Because that would involve a kind of gambling or dealing in futures and here withdrawal premiums should always be presumed to have been agreed upon, when the fulfilment of such gambling or speculative contracts becomes impossible for a debtor. Then the creditor would be only entitled to be paid up to the agreed upon values - in any acceptable alternative currency or

clearing certificate. - That is another point, which M. never seemed to fully grasp. Apparently, his "memes" or "engrams" or "fixed ideas" prevented him from doing so. Did B. ever quite **sufficiently** tabulate the different interpretations that they had between them for their basic terms? If not, then someone might attempt to do so from this letter exchange. Or, each of these terms would appear in an alphabetized collection of monetary freedom terms and ideas, in their B and M versions. - J.Z., 19.5.03.)

German treatment of her nationals. My dear Beckerath, your principle opens the door to all sorts of mutual interference. (Yes, with criminal actions, i.e., crimes with victims! - J.Z., 19.5.03.)

The fundamental principle of Individualism is that individuals shall be free to make any non-aggressive arrangements between themselves without outside interference. (Did Hitler, Stalin and Mao permit them??? - J.Z., 19.5.03.) Russia thinks Churchill and Truman the greatest dangers to world peace, and she thinks Adenauer a criminal.

(J.Z.: How many individual Russian people and individuals of over 100 other captive nations in the USSR did actually thought so? Was M. able to read their minds? - J.Z., 19.5.03.)

Is Russia then justified in assassinating these men? I concede that the principle of nationalism is based on ignorance and prejudice.

(J.Z.: So, why does he continue to write and think in terms of territorial nationalism and collectivism, instead of individualism? - J.Z., 19.5.03.)

But so, I think, is religion. Yet men are ready to die for both.

(J.Z.: Would that be indefinitely continued, if they were asked about their opinion and had some real decision-making power on such questions or could opt out from such States, establish their own free or alternative societies and declare themselves neutral in the disagreements between their former territorial governments - and if they were no longer the victims of compulsory State education and indoctrination? M. did not check his premises sufficiently. - J.Z., 19.5.03.)

Hence. If we are to avoid constant mutual interference, we will do well to establish the principle that a nation shall be free to make what experiments it will, provided they do not transgress the equal liberties of other nations.

(J.Z.: Yes, provided these "nations" become all volunteer communities or voluntary societies and are confined to extraterritorial autonomy only, just like churches or sects or other voluntary associations. - J.Z., 19.5.03.)

(Territorial decentralisation. - J.Z.) The path of progress lies in splitting up the nations into smaller and smaller communities, in order that greater variety be possible.

(J.Z.: The smallest units for individuals are individuals and the only rightful communities for individuals are voluntary communities and that excludes any territorial domination over dissenters in the same territory. That would confine "territorial" domination to the house rules in private and cooperatively owned or partnership or shareholding properties. People are not the property of territorial governments! Not even of the most democratic ones! And not even of the most geographically reduced or decentralised but still exclusive territories and their territorial governments. To an Individualist, familiar at least with Spencer's writings on the subject, that should have been self-evident to M., but was not, as is proven by their last exchanges here reproduced, which may have been their very last ones. - PIOT, J.Z., 19.5.03.)

Payments to USA. If Martians came here with goods to sell, and found nothing here they wanted at a price they were willing to pay (which is the condition of our USA controversy) they must either give us credit, or refuse to trade. What difference will it make to the Martians if we pay in Verrechnungswechsel? If they accept these,

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it will be just as much an act of faith and trust in our promise to produce goods in the future as if they gave us credit.

(J.Z.: Quite unrealistic assumptions did not deter M. People curious enough to go to the effort of space travel would find nothing of interest and value to them, not even for their museums, once they contacted another civilisation and culture??? Governments would have to intervene to prevent Martians and Earth people from swapping some items and merchants and scientists from talking about goods, service and information exchanges.

As for "Verrechnungswechsel" or "clearing bills": It would be likely that these could come to be more freely issued, accepted and used than national paper currencies, which are likely to remain monopolistic, coercive and under foreign exchange controls. As a free banking advocate M. should have been aware of that difference, unless he would automatically and wrongfully assume that international clearing certificates could only be issued and accepted by national or international governmental clearing offices. That actually, in international trade, a governmental paper money, without legal tender in the other country and not under wrongful and silly foreign exchange rules and controls, is also in essence merely a clearing certificate, although not a competitively issued one, is one thing that M. never seemed to comprehend. Nor that free markets for them would lead to a purchasing power parity between them. Whether they were traded in London or New York would not matter, as long as they were freely traded in both currency markets. If the Martians accepted the Verrechnungswechsel, then they could use them immediately, provided they had enough transport capacity for the goods or information they would have bought with them, immediately, on Earth. Naturally, for him to assume that Americans could find no bargains in England, not even holiday bargains, would lead him to generalise that it might be possible even for Martians to find no bargains on Earth. The absurdity of such assumptions did not deter him to use them as "arguments". Actually, real money or clearing certificates from Earth might be worth more to Martian collectors than the goods and services they could buy with them on Earth, if they existed and had a chance to visit it. - J.Z., 19.5.03.)

In my letter of 27 June I deferred an answer to your remarks on dividend payments and wages until you had read an article of mine entitled "Profits & Wages". I have now withdrawn this article from the August issue, and substituted a front-page article quoting from Colin Clark. So I send you the Profits & Wages article herewith. Please return it at your convenience.

I have now had a reply from Zander, which I enclose. There is no need to return it. With regard to his point 4, I do not propose that a bank shall be forced to convert its notes into gold, but say simply that a bank that offers to convert its notes into gold at the market price will find readier acceptance for its notes than will a shopkeeper, or an association of shopkeepers, who offer conversion only into the goods they sell. Zander admits this, but thinks that your proposal embodies a valuable principle. I agree.

Sincerely yours - signed: Henry Meulen

(J.Z.: How valuable would Meulen's banknotes be if they could **only** be converted into some gold but not into the goods and services of shops? In they main their value would depend upon voluntarily supplied shop foundation for them. But then, why should shop-keepers supply his notes with their shop foundation, rather than his own? Because he offers some gold for them? Shopkeepers are not in the market to buy and sell gold but goods and services, their own. Thus it would be obvious, which their choice would be, in most cases. Naturally, that would not prevent them to exchange their own shop foundation notes for other currencies, should that be advantageous for them, in case they made purchases from wholesalers in other districts or countries. To that extent they would then be engaged in "international free trade", one without protectionism and foreign exchange controls and forced and exclusive currencies.

By the way: My comments have no legal tender and I marked them clearly enough so that the reader can simply ignore them and read only B's and M.'s remarks. - J.Z., 19.5.03.)

1 August, 1952

My dear von Beckerath,

I hope you are well. I have been very well, and have been working in the garden stripped to the waist.

A few days ago I went to London University to look up the Chitti book. It was not in the library, so I went across the road to the British Museum Reading Room, where I found it.

The government has made economies in the museum staff, and I had to wait an hour before the book was brought to me! I cannot remember if you said you had read the book ("Des crises financières.") published in 1939. He says that financial crises arise because Governments issue forced currency paper which is not convertible into gold - an over-simplified explanation of crises I think.

He proposes that governments should issue paper (not private banks) and an impartial committee should be set up to decide the amount of paper which should be issued, the committee to be guided by the gold reserves and the ability of the government to offer redemption in gold. Gold should be kept in the form of ingots rather than coins. When confidence in the government paper has been established, the committee should reconsider the question of convertibility. The drawback of the system of convertibility is that it makes the volume of a country's exchange

medium dependent on the world demand for gold and the production from gold mines. I think (but I am not quite sure as I did not take notes) that he suggests that the ideal system is one in which the paper would be convertible into gold at the market price of the metal. I am afraid I lost interest in him when he proposed a State monopoly of paper issue. This system evades all the delicate and interesting problems that arise when competing banks issue redeemable paper.

Did you receive the Andrews book that I sent you? You will be interested in his association with Warren in urging the establishment of mutual banks.

Germany is very much in the news in our papers and Parliament today. One point that is not often mentioned in the a considerable part of Germany's remarkable progress is undoubtedly due to the fact that she is spared from spending the enormous sums on rearmament that are being spent by the Allies. I believe our expenditure is about L 700 m annually. It is ironical to remember that before 1914 the entire annual expenditure of our government, rarely exceeded £ 200 m. I cannot remember the amount of reparations that Germany has paid in cash and material; but I doubt if it equals the enormous drain on us in maintaining a high state of armament.

Sincerely yours - signed: Henry Meulen

P. S. After finishing this letter I read today's "Times" report of yesterday's Parliamentary debate. Eden makes the same point as that in my last paragraph. I enclose it.

10 August, 1952

My dear von Beckerath,

Thank you for your letter of the 1st. I am very sorry to learn that your health has not been as good as you hoped.

I have, however, known many cases wherein long-standing complaints disappeared by themselves as the patient grew older. So many of our complaints are hereditary, and disappear as mysteriously as they came.

For myself I suffer rather from self-indulgence. Just after writing you I dined at a friend's house, and ate injudiciously. I suffered from it for a week. As one gets older one suffers bigger penalties from transgressions. Nature seems to deal with the old as Russia deals with offenders. She punishes offenders who are members of the Communist Party more severely than others because they ought to have known better!

I cordially agree with your appreciation of Andrews.

You are undoubtedly right in stressing his defence of the right to refuse money. A generation brought up under legal tender laws overlooks the great difference that the right to choose would make. I agree also with your criticism of his "Cost principle." I see no injustice in a borrower paying to the lender a part of the wealth that the loan helps him to produce. Andrews does not realise clearly enough that the plight of the producer is precisely that currency laws put him at the mercy of the money-lender. In "Free Banking" I made the point that as production increases, lending must become gradually cheaper, and the dependence of the producer on the lender must become progressively less, provided that freedom is allowed in creating the instruments lending.

Labour Notes. You object that Labour Notes may not always be available when wanted. But Andrews (see No. 72) proposes that every buyer shall be able to issue his own Labour Note ("it makes everybody his own banker"). Hence the notes should always be available.

My objection is rather that his system exacts too high a standard of morality, and could be used only in very small communities where everybody was known to everybody else. A much higher standard of morality must exist before the average man will be content to sell his goods for what they cost him in repugnant labour. I rather agree with Tucker in this matter. He upheld the theory of "cost the limit of price" but he supported the market principle, and declared that free competition would gradually tend to reduce the price of ordinary commodities to their cost of production.

No. 59. I agree with you. My main objection to the

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Communist principle is that it is impracticable under freedom, and can be made to work only by force, as in Russia, under Lenin.

And even he was compelled to give it up in favour of the principle of different prices for the value of the product to the consumer.

Now that I have looked into Andrews' book again, I realise how inadequate was my review of it in "The Individualist". My only excuse is that the journal is so small.

Dismantling. Yes - but you must remember how great was the fear and hate engendered by the war. We were afraid that Germany would use her factories to start a fresh war. This feeling persists today, and is at the root of the Socialist opposition here to German rearmament.

There has been a lot of loose talk here recently about wages and profits. I think I will after all, print the article I sent you on this subject. I should be glad if you would return it to me,.

Sincerely yours - signed: Henry Meulen

19 August, 1952

Dear von Beckerath,

Thank you for your letters of 8-15th August. I have just been listening to a broadcast talk by Bertrand Russell on Professor Whitehead, the well-known mathematician and philosopher. R. said that a peculiarity of W. was that he never answered letters. On one occasion R. wrote him a mathematical enquiry for an article R. was writing (they had previously collaborated in a book on mathematics). The matter was urgent, but W. did not reply to three letters and two telegrams. Eventually R. was obliged to travel to Broadstairs to get the information personally. W. excused himself on the ground that if he answered letters, he would have no time for original work. "And", said R. "I find this a complete justification." Well - I don't. R. said that W. was a most modest man. His most extravagant boast was to remark that he had the qualities of his defects. Yet it is surely attaching extravagant importance to one's ideas to refuse to discuss them in writing with others; and personal discussion invariably takes more time than written discussion.

(J.Z.: Invariably? Often, may be, but certainly not always. For in an oral discussion between sufficiently intelligent people one can immediately clear up some misunderstandings. That applies even to the exchange of e-mail, unless this is alive, online. - J.Z., 19.5.03.)

All this is by way of a prelude to my declaration that it is a great pleasure to me to read and comment on your very interesting letters.

I await with interest your sketch of an improved Athenian election system. I cannot imagine that any system of choosing representatives by lot can be satisfactory.

(J.Z.: At least one is unlikely to be saddled by a professional politician and this for several election periods. Nor would this temporary power and popular "mandate" tend to give him a superiority complex and corrupt him as much as happens all too often. Those so elected would rather suffer from inferiority complexes and would be less likely to snow us under avalanches of their laws. Nor would there be any good reason to entrust any of the so elected with any special powers. On the contrary, those so elected would tend to be given as few powers as possible. These are just some of the advantages which come immediately to my mind. There are, probably, many more. - I am not interested in this election system, either. Rather let consumers of "public services" choose their own and individually preferred volunteer community or general insurance and protection company, for themselves, with the preferred package deal or coverage, at a price he is willing to pay for it. - J.Z., 19.5.03.)

Gold coins. I have extracted the following table from an article "Searchlight on Gold" from the March '52 issue of "The Banker".

Estimated private gold hoards and official gold reserves. (in \$ millions)

	Private hoards	Official reserves (end 1950)
France	4100	523
Rest of Europe	2000	6816
Asia	1800	988
Africa	1800	294

Western Hemisphere	900	24644
Others	600	2557
Total	11200	35820

He notes that gold coins are quoted in Paris at 50% over the free market price for bars.

I beg you to notice the great amount of gold hoarded in France (*), and ask you to consider how seriously the free market price of gold can be rocketed by purely political causes. I agree that

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trade should be independent of the quantity of gold in a country; but this is the ideal. I have often pointed out that the amount of gold used in an exchange system is a measure of the mutual trust existing between the traders in that system. But you will make the value of your notes depend on the price of gold; and when that price changes, you will alter the value of your notes. (J.Z.: A complete misconception! - J.Z., 19.5.03.)

Therefore you will, in effect, make trade dependent in some measure on the price of gold - which I think is bad. Under your system the value of the notes in my possession may vary over night because of a change in the free market price of gold. What is the use of marking a note "Nominal value 5 grammes of gold" if 5 grammes of gold cannot be bought with it? Why will you not allow the paper price of gold to vary?

(*) (J.Z.: How would statisticians find out about private gold hoards and their size??? - Are black market transactions statistically recorded??? - J.Z., 19.5.03.)

Free gold market. I think you misunderstand the papers you mention. When they speak of a free gold market that mean (they mean or that means - J.Z.) one in which holders of notes are "free" to convert them into gold at a fixed rate at the Bank of England as a legal right. It is simple euphemism to call this a "Free" gold market; but they do habitually use this phrase. I note your definition of a free bullion market.

Tradesman's tokens. You appear to have misread my letter of July 2. I wrote that these tokens circulated like ordinary money, and were not redeemable only in the goods of the issuer.

(J.Z.: But the issuer's regular customers and others who knew the issuer, accepted them only because they knew the issuer as a supplier of wanted goods and services and they knew that he had to accept his own tokens at their face value. - J.Z., 19.5.03.)

Low & high interest rates. You are quite right. My objection does not hold water.

Russian revolutionists. No I did not read about the divine service. Priceless!

Metaphysics. I reject your insinuation with scorn. If I advance any theory about "Things in themselves", I put it forward purely as an hypothesis: whereas I define a metaphysician as one who makes absolute statements about the world beyond sensation.

Hitler's election. Thank you very much for the copy of the election returns. I will file it. Do I understand hat all the parties of the Right - Nationalists, People's Party and Agrarians voted for Hitler?

(J.Z.: What gave him that idea? Naturally, their members and sympathisers voted for the own party. - J.Z., 19.5.03.) When you write that Germans did not know in 1933 what Hitler stood for, are you not overlooking "Mein Kampf"?

(J.Z.: How many people do actually read the books of politicians? And of those who do read them: How many put any trust in their promises and opinions? They have experience with many loud mouths - and simply do not take them serious. Germans had welcomed millions of Jews, especially in the academic professions, gave them equal citizen rights and had rewarded many of them with well-earned riches. Who would have imagined that enough people in that relatively well educated "nation" would become so mislead that within a few years they would be prepared to murder millions of Jews and hundred-thousands of other people, whom the regime regarded as undesirable, and that, after the experience of WW I, any German government would be foolish enough to start another world war and, after monarchism had been abolished, that another absolute monarchy would be established there, under its own ideology? Dystopias of this kind would not have been best-sellers before 1933. They would have been regarded as all too ridiculous to be believable. - J.Z., 19.5.03.)

Spirit of Berlin. Yes - but the problem was to give immediate work to as many people as possible, in order not to make parasites of them until they were absorbed into ordinary industry. This is different from the aim of an ordinary industrial society, which is not work but production.

Daimler Benz Co. Our papers frequently publish company figure showing the large amount taken by taxation, and the small return to capital.

(J.Z.: But do or did they compare wages with dividends and interest payments? All balances tend to show that the State, with its exploitation by taxes and social insurance charges, has taken the place of the major exploiter of employees. Employers, too, are over-taxed and over-regulated in many ways. Moreover, these balances usually indicate only small percentages for interest and dividend payments. - J.Z., 19.5.03.)

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Communist Manifesto. I did not know before that a demand for a State bank monopoly had been made as early as 1848.

Spencer's "Social Statics". I have the first edition. I have searched through the two volumes of his "Autobiography" (one of my most treasured possessions), but although there are several references to revision of "Social Statics", I can find no mention of reasons for deleting Chap. XIX. True, in the "Autobiography" he prints a long imaginary review of "Social Statics" in which he roundly condemns "The right to ignore the State" as quite impracticable, for the reason that the advantages of State aid and protection cannot be surrendered. A man must use the roads and lighting, and he profits by the police keeping robbers down. I think Spencer might reply (although he does not) that if the State chooses to set up a system under which I benefit whether I want that benefit or not, the State is to be blamed if it refuses to allow me to contract out. Actually, however, in Section 7 of chapter XIX of "Social Statics" Spencer realises that the practicability of the principle of the right to ignore the State varies directly as social morality: "In a thoroughly vicious community, its admission would be productive of anarchy."

(J.Z.: In a thoroughly or sufficiently honest, moral and ethical one, too, and here it would realise anarchy in its best sense, as voluntarily and cooperatively achieved order in spite of the remaining great diversity or, precisely, because of its institutionalised tolerance for this diversity. No community deserves to be called a community unless it is a voluntary one. Otherwise it remains a despotism, at least towards some peaceful minorities. The aggressive minorities deserve what they would call despotic counter-measures in the defence of rights and liberties. - Is there a hint in Spencer that this right to ignore the State, so well argued for by him, would require exterritorial autonomy and personal law for the communities resulting from it? If he had been aware of this, then, as one of the first evolutionists, before Darwin, he would have seen more of the historical precedents for these as the first positive signals of a corresponding future development - and he would have been less pessimistic about the chances of the right to ignore the State becoming realised. - Individual secessionism, monetary freedom experiments, the first comprehensive declarations of individual rights, the first quite rightful volunteer militias, the first libertarian CD-ROMs, etc., could all provide great revolutionary powers or at least influences. They could grow, almost irresistibly, in a chain reaction, until they replaced most of our existing despotic or authoritarian institutions and methods. The problem lies in getting the first seeds or seedlings properly planted and cared for. Then, from the mere acorn the strong oak and even the oak forest could grow. However, so far not even religious tolerance or religious liberty has been fully realised all over the world. We still do have some religious wars. Why? Largely because religious liberty, on its own, is not yet sufficient to liberate us in every respect. It must be strengthened by the corresponding liberties in all other spheres. Even the concept of individual human rights remained still doubtful to an individualist like Meulen. This Free Trader still argued against fully free trade and as a Free Banker he argued against full monetary freedom as being inferior or unworkable! In ideal militias he saw private armies. In productive coops he saw only profit sharing or consumer coops or wanted to replace them by piece work! The world situation we got is the result of this non-appreciation of all rights and liberties among most people, even most anarchists and libertarians! Most are still confused about essential definitions like the correct ones about rights and thus do not bother to compile e.g. improved individual rights codes. - J.Z., 30.5.03.)

Wages & Profits. Thank you for your detailed criticism. I appreciate it.
Under (5) you remark that in insurance competition tends at a certain point to increase the price level (? the cost of insurance). Will you explain this further?

(15) Why did Bata change his factories into cooperatives? (Rather, into semi-independent autonomous work units, work cooperatives or local profit and loss centres. - J.Z., 19.5.03.) Was it because he feared the rising tide of Communism? He now produces shoes at Tilbury in England; but I am not aware that he has introduced the

cooperative principle. (The trade unionists hated him: He managed to liberate and satisfy his employees without the aid of unionists! - J.Z., 19.5.03.)

(16) But you do not reply to my contention that, although machines are dearer today, accumulated capital is greater, and better bank competition should enable the dearer machines to be bought on credit.

(J.Z.: Competitively supplied turnover credits by banks could promote sales of consumer goods and services. Long-term loans for production machinery via banks or the general capital market, would not assure the sale of the extra goods and services the extra machines would help to supply. - J.Z., 19.5.03.)

(17) In "Free Banking" (p. 234 at foot) I have criticised the practice of private firms granting credit. I doubt if you can lay down a law that if note issues surpass one month's production of a country, the notes lose value.

(1) All figures of a country's total production are necessarily rough. If in my business I make extensive alterations in my factory lay-out, does this show in production figures?

(J.Z.: No, but note issues beyond sales offers and actual sales will soon show a depreciation of the own notes issued against the own goods and services. The country's macroeconomic production figures, however accurate or inaccurate, were not recommended by B. as a guide to the limit of note issues by particular issuers. The own ready for sale goods and services of the issuers - and the extent to which they are wanted by potential note-acceptors, set their limits for the own, not the country's issues, aided by the free market rating of the own notes against their own value standard, the value standards of others and against other exchange media. - J.Z., 19.5.03.)

(2) A banker regulates his advances by (a) his deposits, (b) his cash. He never considers the total production of the country. And this is right, since the amount of capital that can be devoted to fresh production, and the period of loans, depend on the amount of saved capital, which is roughly represented by the bank's deposits. If the savings are large, the volume of loans and their period can be extended.

Dismantling. I think the Allies' reasons were (1) fear of a fresh growth of German nationalism; (2) the desire to replace machines destroyed by German bombing. The actual economic effect should not have been very different if the Allies had demanded a money indemnity. For the Allies to have taken the product of certain

3.
German factories over a period of years would have created more bitterness than to take the machinery in one swoop.

Among the papers I am sending you is a copy of the "National News-Letter" in which King-Hall criticises an article on Russia by Naomi Mitchison. She is a novelist, very Socialist, and wife of a brilliant barrister Socialist M.P. I was interested enough to order a copy of the paper in which her article appeared, and I enclose it with the "News-Letter". There is no need to return it.

It is kind of you to find excuses for my stomach vagaries. We have had wretched weather for the last fortnight. Bad storms and. But my stomach is much better.

Kind regards,

Sincerely yours - signed: Henry Meulen

30 August, 1952

My dear von Beckerath,

Thank you for your letters of 25/6 Aug. And is it really twenty years since we began writing? It seems incredible. I can only say that I have much enjoyed it; and I trust that it has not been without pleasure to you. (Could they keep up their correspondence from 1932 to 1939 or was it interrupted already before WW II? - J.Z.)

I was extremely interested in your account of the Verband der Erwerbslosen. (Association of Unemployed - J.Z.) I presume the founder proposed a of State inconvertible paper.

Your reply that you would deny to creditors the right to demand gold coins (presumably from the issuers of the paper) returns us plump into the middle of our controversy.

In my last letter I put you the question:

"What is the use of marking a note 'Nominal value 5 grammes' if 5 grams of gold cannot be bought with it?"

(J.Z.: Because the issuer is not a gold dealer but a seller of goods and services, who wants to profit from their sales for his own notes. How often did M. go into a shop, armed with paper money, wanting to buy gold there, with his paper money? Surely, he could read the text and comprehend it as one of an issue by shops that had priced their daily wanted consumer goods and services in gold weight units. Or did he never go shopping? Or was he unable to think in other terms than those of despotic paper money and its "value standard"? After all, most consumers want to buy consumer goods and services, not gold, and do so with an exchange medium that is as good as gold, not necessarily better and certainly not worse. If they really want gold, then they can convert the notes into gold on a free gold market. Even if there they suffered a small discount, the issuer would still accept them at par. The fluctuations of the purchasing power of gold are, under conditions of freedom, much smaller than are the fluctuations of the value of forced currencies under monetary despotism. However, monetary despotism also influences the exchange rate between gold weight units and the paper monies of monetary despotism, especially when many holders of the latter fall into a panic, often all too late, and try to turn their paper scraps into gold. - J.Z., 119.5.03.

You did not reply to this question. (Well, no more than about 100 times in their correspondence! - J.Z., 30.5.03.) I presume you would reply that although the shopkeeper issuer of the note is not obliged to redeem it in gold, the holder can buy gold bars with it. (Not at the ordinary shops, either! Meulen's fancies carried him away, too often! - J.Z.) But if the price of gold has risen two-fold, the holder of the note will get only 2 1/2 grammes of gold. In effect therefore your notes will be worth not 5 grammes in weight of gold, but 2 1/2 grammes, although the 2 1/2 grammes will buy the same quantity of ordinary goods as would 5 grammes before the rise in the price of gold. This makes your system the same as mine, except that I will mark my notes what they actually are: the value of 5 grammes of gold on a certain date; whereas you will mark your notes with a nominal value of gold which will be false the moment the value of gold changes.

(J.Z.: Do I hear B. swear in his grave? Or did he when he read this first? I do not remember him as ever having sworn. - J.Z., 19.5.03.)

When I wrote that the quantity of gold used in an exchange system is a measure of the mutual trust existing in that system, I should have added that this is the principle that functions when men are free to buy and sell gold. Obviously when government interferes with the gold market, the principle cannot function. (On the official market! - J.Z., 19.5.03.)

Russian revolutionises. Last weekend a woman friend visited me who is a strong Communist, and has often visited Russia in recent years. She denied that the Soviet Congress (Should such an association of Communist Party appointees be given that name? - J.Z., 19.5.03.) had ever been opened with divine service. She thinks you must be referring to the recent International Peace Congress in Russia.

(J.Z.: B. rather wrote about a congress of "modern" Russian "revolutionaries", all pious anti-communists. - J.Z., 19.5.03.)

Social Statics. You must remember that Tucker did not advise the immediate dissolution of the State, even if that were possible. He advised the gradual abolition of laws, beginning with the banking and land laws. He said that the abolition of those laws would create such prosperity that other laws could be successively abolished. Morality would grow with prosperity. But the coercive power of the State in enforcing justice would be, he thought, one of the last laws to be abolished.

(J.Z.: What about the coercive power of the State to enforce injustice? - I rather favour the gradual abolition of the State by individuals being set free to secede from it, or usurping that liberty for themselves and defending it suitably, first with words and later, if still necessary, even with arms and military organization, and to form their own "States" or free societies, of whatever kind, on the basis of voluntary membership and full extraterritorial autonomy. Actually, once that right is realized by the first secessionist, the territorial remaining State would also and automatically be reduced already to the temporarily remaining majority of voluntary members and to extraterritorial rule over them only. To that extent this change or transformation would be at the same time a gradualist or one-man revolution and also a very radical one, turning the whole remaining State, into a mere "panarchy", at first one of two and soon one of many of them, whether it likes that or not and whether it becomes aware of this soon or not. That is also implied in S. P. Andrew's "individual sovereignty" but not clearly enough spelled out by him. - This individual secessionism and extraterritorial autonomy for volunteer communities could be most easily realized by those dissenters who now do already actively fight any of the territorial States. This would

make their liberation efforts so much easier, cheaper and less bloody. Maybe the present democracies will be the last one to adopt this revolutionary change. And the first secessionist actions might be actions towards full monetary freedom, i.e., secession from the monetary despotism of territorial governments. One such successful revolution anywhere in the world, well enough reported and publicised, could soon lead to full monetary freedom everywhere. These revolutionaries might win in this respect and in all others with slogans like: "Full experimental freedom of all dissenters and non-conformists, for all minorities, at their own expense and risk!" - J.Z., 19.5.03.)

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Tucker evidently thought that present morality was too low to permit the immediate abolition of the State - in which he agrees with Spencer. I also agree.

(J.Z.: In other words, all three did not consistently enough apply the principle of individual sovereignty and the practice of individual secessionism. Tell me one job or public service in which voluntary and exterritorially autonomous communities could not very soon provide better and cheaper services - cheaper if one includes their costs in taxes - soon after they achieved the liberty to compete with the present territorial States. And the secessionists would immediately be liberated from the wrongful, unnecessary and obstructionist burdens imposed by territorial States. Freedom from taxes alone could make voluntary communities spread like wild-fire. A full employment program, based upon monetary freedom, and the end to inflation, revolutions, wars, civil wars and terrorism and despotism, which they imply, could make them very soon irresistible. All territorial borders, constitutions, laws, jurisdictions and police and secret police powers might come to fall as suddenly and generally unexpected as did the Berlin Wall! - J.Z., 19.5.03.)

Metaphysics. I am having a discussion on the subject with Archibald Robertson, who is a lecturer and writer of some note. This discussion deals with the definition of metaphysics. I will send you the discussion when it is completed, and beg you to let my discussion with you on this subject stand over until you have read it.

Insurance Competition. For competition to secure the best results, knowledge of the market is of course necessary. But you surely would not argue that free competition is bad because under freedom fools suffer.

The role of interest. In "Free Banking" I continually urged that the evil of bank monopoly is two-fold:

- (1) It increases interest rates;
- (2) It excludes from the benefit credit security that would be accepted under a more competitive system.

Our banks charge 6 % for long-term loans on gilt-edged security. This is a high charge, and would certainly be lower in a free system. But I think that evil (2) is graver.

(J.Z.: Do they really only accept "gilt-edged" securities or do they also sponsor foul large debtors as their favourites? How otherwise can one explain their often huge losses, after which they expect government, i.e., the taxpayers, to cover them? - J.Z., 19.5.03.)

Your proposal for the purchase of a machine by Verrechnungswechsel is certainly ingenious; but

- (1) you do not meet the argument on p.234 of "Free Banking" that it is uneconomic to make a manufacturer add to his business, that of judging the credit of prospective purchasers of his machines. (J.Z.: Credit reference bureaux do exist! Now they can be reached by phone, fax and e-mail. - J.Z., 19.5.03.)

Judging credit is a skilled profession, and the banker specialises in it.

(J.Z.: Local branch bankers might know how details about local businessmen but their head-offices, whose general rules they must apply, do not know local businessmen and their business conditions - and thus exclude all too many with their loan policies - or greatly over-charge them for risks and losses that are not caused by loans to them but, rather, by large loans to large firms favoured the head-office decisions of banks. How much bribery is involved in the vast loan transactions and their losses is a matter for speculation. A small businessman certainly cannot afford to bribe a local banker to get a small loan he needs. And even if he could afford it, the local branch banker might not be authorised to grant it. - J.Z., 19.5.03.)

- (2) £ 10,000 in 60 repayments spreads over about 5 years. And the manufacturer, you write, will be able to discount the wechsel at a bank. Therefore the bank really grants the loan and might just as well lend direct to

the buyer if the latter is really credit-worthy. Moreover what then becomes of your principle that banks should not grant long-date loans? (J.Z.: Misunderstandings heaped on misunderstandings. Thus no comment here from me. - Are you grateful for that omission? - J.Z., 19.5.03.)

Actually I doubt the validity of your law that the quantity of currency should not exceed a month's production. Even if the law is based on statistical evidence, that evidence is collected from a system in which there is no competition in the supply of money, and in which production is restricted in countless ways. Finally I think it next to impossible to estimate total production.

Here are two cuttings which may interest you. I send you the one from the Gold Coast because you have criticised the grant of democratic freedom to these native States. I find myself in substantial agreement with the writer. Nobody can learn democratic government except by practising it.

(J.Z.: The best way to learn about limited governments and free societies would be to grant the few volunteers for them full experimental freedom. As for those despotically inclined: Their influence would also be minimised if they were confined in their activities to their voluntary followers and to exterritorial autonomy only. They would soon lose most of their followers by individual secessionism, for they would have no successes to show. But M. did never fully discuss this alternative but just uttered his prejudices against it. - J.Z., 19.5.03.)

I cannot put you to the trouble of answering my previous letters when your health was bad. Cut them out, and start again with this letter.

Sincerely yours - signed: Henry Meulen

31 August 1952 (Postal stamp on postcard, unsigned! - J.Z.)

Free Gold Market. Yes, the term "Free Market" is used in these days to name the markets at Tangiers etc. because nowhere else in the world can gold be freely bought to any amount. but I assure you that Brit. economists call the British pre-1914 system a "Free Gold Market", although it differed fundamentally from the Tangiers market. At Tangiers an excessive demand for gold raises the price. In pre-1914 Britain the Bank was compelled to continue the sale of gold at a fixed price to the point when there was danger of bankruptcy.

My dear von Beckerath,

5 Sept. 1952

I have just received your letter of the 4th, and setting aside an attack on Mr. Robertson, I reply to you. I will confine myself to one point.

In my letter of Aug. 19 I pointed to the large amount of gold hoarded in France, and asked you to consider how seriously the free gold market can be disturbed by purely political causes. I have little doubt that the free market price must have varied considerably in the last 50 years. I have not the figures at hand. Perhaps you have access to them. If not, I will try to get them.

In your reply you quote the example of the Meinel notes. But the stability of the dollar price for gold during the years you mention was entirely due to the US constant purchase of gold at a fixed dollar price. Am I to understand that under your system you will imitate the American system, or will you price goods in the free market price for gold? If the latter, you must face the possibility of changes in the price of gold. You write that if 5 grammes of gold cannot be bought with a Meinel note, there can be only one cause, namely, excessive issue by Meinel. If this were true, the world could use the Brit. type of gold standard at once. But it is not true. The whole objection to a gold standard is that the world demand for gold changes for causes quite outside the control of a particular country. Such changes may be quite unconnected with overissue in a particular country. Under the gold standard we change prices to the fresh price of gold instead of allowing the paper price of gold to rise.

In your letter of Aug. 25 you wrote that it would not matter to the holder of one of your notes if the price of gold rose tenfold, because the goods he buys are also priced in grammes of gold. You do not reply to my objection that if the price of gold doubles, your notes, although marked "Worth 5 grammes of gold" (J.Z.: Actually, Accepted by me, the issuer, like 5 grammes of gold! - J.Z., 19.5.03.), will actually buy only 2 1/2 grammes.

If you continue to mark your notes "Worth 5 grammes of gold" after the rice, the denomination is false. You are actually using a paper standard such as I propose, namely, the worth of gold on a particular day in the past.

I am quite aware that your system does not repose on trust, but on the presence in the shop of the issuer of goods.

But this has nothing to do with the question we are discussing.

My point is that you will use the bullion market as a barometer, and when the note price of gold rises, you will take it as an infallible sign of excessive note issue, whereas it may simply be due to increased foreign demand for gold.

Sincerely yours signed: Henry Meulen

12 Sep. 1952

Dear von Beckerath,

Your letter of the 9th received this evening.

I gather that when the price of gold rises two-fold, the value of Meinl notes, reckoned in gold, will be halved. This is the information I wanted. The value of the note in goods will remain unchanged, but it will buy half the weight of gold.

Therefore you are using a paper standard to measure both the values of ordinary commodities and gold.

If you were really using gold as the standard, you would reduce the prices of ordinary goods by half when the price of gold doubled.

Under the British type gold standard this is done by restricting credit until prices fall. The question of forced currency has nothing to do with the standard. A country could have a paper standard with either a forced currency or free banking; and a country could have a Brit. type gold standard with either a forced currency or free banking (as in Scotland after the abolition of the option clause).

You are therefore using the same standard as I propose. The only difference is that you will issue notes through shops, whereas I look to the banks to issue notes.

(J.Z.: At least at this stage I would have given up discussing this topic with him. - J.Z., 19.5.03.)

The offer of Meinl to sell a 20-mark article for either a 20-mark note or a 20-mark gold coin simply creates unnecessary difficulties. If gold rises in price, holders of coin will not exchange them for goods at Meinl, but will sell them as bullion, and the gold coins will disappear from circulation. If the price of gold falls, people with coins will rush to buy from Meinl, and people with bullion will rush to get it coined and buy from Meinl. Meinl will lose on each such transaction, because when he comes to buy with his gold coins, he will find that he has to give twice as much as formerly. If all shopkeepers and manufacturers persist in selling at their former price when the price of gold has fallen, foreigners will come in crowds to buy in Germany, and Germany will simply be drained of goods.

Sincerely yours - signed: Henry Meulen

2 Oct. 1952 (Your's of 29 Sep.)

My dear Beckerath,

I am grieved that you are not yet recovered. My health has been comparatively good, so long as I am pretty strict in my living; but, alas, I am not always wise!

I must demur to your statement that a gold standard is a gold coin standard, if by this you mean that it is divorced from the free price of gold. In his speech to Parliament on May 6, 1844, on the occasion of the passing of the Bank Charter Act, Sir Robert Peel said:

"The whole foundation of the proposal I am about to make rests upon the assumption that according to practice, according to law, according to the ancient monetary practice of this country, that which is implied by the word "pound" is a certain quantity of gold with a mark upon it to determine its weight and fineness, and that 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."

(J.Z.: It is rather risky to leave monetary theory and practice to the opinions and decisions of Prime Ministers and their advisors. - J.Z., 19.5.03.)

Thus the sovereign was definitely a given weight of gold. The aim of the 1844 Act was to shield the sovereign against variations in the free price of gold. It did this by compelling the Mint to buy gold at a fixed paper price, no matter how great the supply of gold, and by compelling the Bank to sell gold at a fixed paper price, no matter how great the demand.

My case against your proposal to use a gold coin is that you cannot keep the coin in circulation at a fixed value unless you use the same means that Peel used.

You write that gold coins under a gold standard do not possess a value in gold. This seems to me a meaningless statement. Value implies a relation between two or more objects. Coffee has no value in coffee, nor sugar in sugar.

(J.Z.: Precisely! So why did Meulen not apply this to gold, as B. did? A gold weight was used as a measure of value for all other commodities, not as a measure for itself. Under a gold weight value standard the gold weight value standard itself has no "price" in gold and the price it has in any forced and exclusive paper currency is irrelevant to those free to reckon and price in gold weight values and preferring to do so, in spite of the fact that even the purchasing power of gold does fluctuate a little. Prices expressed in gold weight values do not fluctuate as much as do the prices of gold weight units expressed merely in various fiat paper monies (forced and exclusive currencies), although consumer goods prices do have the usual ups and downs of most prices. - J.Z., 19.5.03.)

When in my examples I state that "the price of gold doubles" I mean the free market price of gold expressed in all other commodities.

And now we come to the main point. You admit that if the free price of gold rises, your coins (*) will vanish from circulation. Yet you will continue to price your goods in coins after the coins have disappeared. If now I ask you what is the present value of your coins, you can only reply that the value of the coin is its value in ordinary commodities before the coins disappeared. In other words, you are standardising in paper the value of the gold coin on a particular day - which is precisely my proposal.

(*) (J.Z.: B. did not intend to coin any gold coins or to have only gold coins accepted in his kind of associated shops, with an issuing centre for goods warrants denominated in gold weight units. M. often imputed his own views to others or various views which the others never held or expressed. - J.Z., 30.5.03.)

I wrote that the Meinel system simply creates unnecessary difficulties; and you ask "What difficulties?" I mentioned them in my letter.

They are

(1) Although you

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want a circulation of gold coins, and will make these coins your standard of value, a rise in the free price of gold will cause your (? - J.Z.) coins to vanish, and the price of gold may not fall to the same value again for years. I have not looked up the figures, but I think the free price of gold has risen steadily, with only a few fluctuations, ever since USA "fixed" its price under the Bretton Woods Agreement.

(2) When the price of gold falls, your shops and the country will be bought out. You will remember the German complaint that Germany was being ausgebeutet (exploited - J.Z.) by the foreigner during the inflation after 1921. You seem to think that it does not matter to Meinel if people buy up his goods with cheaper gold. You say that Meinel will not use the gold to buy from the wholesalers. How then will he re-stock his shop? By issuing more notes? And as soon as he does this, people will again buy them with cheap gold. The whole point is that he sells goods worth X pounds in gold for gold that is worth only X - Y.

You reply that my statements depend on "If - If".

My dear Beckerath - since your system is not yet in force, every criticism must begin with "If". But if you doubt that a fall in the value of gold is possible, I reply that every country in the world is now on a paper standard; and every country in the world, by pretending to keep its currency on a fixed relation with the dollar, imagines that it is on a gold standard. This is a very harmful, and a very shaky arrangement. If it falls, and I think it will, the price of gold will fall sharply. Furthermore, modern science may invent methods of discovering and working much greater stores of gold.

It is a relief to turn from the harsh realities of economics (??? rather absurd monetary fantasies of M. - J.Z.) to the placid groves of philosophy. I reply to your question about the further side of the moon, that I do not know what happens there - anything is possible. (Anything? - J.Z.) But astronomical evidence suggests that the back of the moon is much the same as the front, and since geography makes no difference to mathematical truths, there is a very high degree of probability that your statement will be true on the back of the moon. But this probability is not comparable with the absolute certainty that I experience now that I am looking at a sheet of paper.

Kind regards Sincerely yours - signed: Henry Meulen

13 Oct. 1952 (Your's of 7 Oct.)

Dear von Beckerath,

Thank you for your kind congratulations. Age is a queer experience. In my spirit I feel no different from what I felt at 30 - but my body knows the difference. Death seems so much a matter of auto-suggestion. At 70 one hears of the deaths of so many men that one knew well, that one feels that one's own turn cannot be far off. This attitude no doubt lowers one's resistance to disease.

I am glad to learn of your new society, and look forward to reading your programme.

I wish you would reply to the fifth par. in my letter of the 2nd Oct. - the par. beginning: "And now we come to the main point."

I remember that gold prices were occasionally used in Germany during the inflation time. What I do not know, and what I should like to know, is what happened to those prices when the free gold price changed. I cannot remember if USA had a circulation of gold coins in 1922. We had not, neither had any other European country. Hence I presume that your people used the free gold price.

Although the average price of free gold does not vary much over a period of years, yet the local price of free gold, where it can be obtained, varies considerably. If India should have political trouble next month, the Bombay gold price will jump, as will the Tangiers price if the adventurous Sultan of Morocco stages a revolution against the French. Moreover, if all governments allowed gold to be freely bought and sold at its market price, the metal would be used to settle trade balances, and its local price would vary very much more.

When I wrote that if you want to keep gold coins in circulation, you will have to use the same means as Peel used, I meant that you will have to enforce the purchase and sale of gold at a fixed paper price. But if you do not mind your gold coins disappearing, you must meet the objection raised in par. 5 of my letter of Oct. 2.

Since you say that Meinl will not use the cheaper gold to buy from wholesalers, I repeat my question: How exactly will he buy from wholesalers? By issuing more notes?

Backside of the moon. I have always held that mathematical "truths" differ in no way from ordinary knowledge derived from sensation. Consider how a child learns mathematics. It uses wooden balls threaded on a wire. The teacher separates one ball: "This is called one". He adds another ball: "These

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together are called two - one added to one makes two."

There is nothing absolute in this. If a hypnotist were to separate one ball and suggest to the child under hypnotism that it sees two, the child would see two. I do not know what are the conditions on the back of the moon, hence I cannot be so certain that $1+1=2$ there as I am that I see a sheet of paper before me now. Observe that I am not absolutely certain that there is a sheet of paper before me now, but only that I see a sheet of paper - of this I am absolutely certain.

Similar reasoning applies to optical illusions. In the cinema I am absolutely certain that I see the figures move not that the figures on the screen do actually move.

It is a subtle and beautiful discussion.

Sincerely yours - signed: Henry Meulen

6 November, 1952 (Your letter of 16.10. 52)

My dear von Beckerath,

It is good news that you have found a publisher for your pamphlet. Is he prepared to bear the risk of getting his outlay back on sales? If so, I would let him go ahead at his price. Publishers are generally clever at fixing the price that will secure the best returns - that is their business. I doubt if you will get many readers among the unemployed and pensioners. These are not the types that are ready to consider and adopt fresh ideas.

I note that you will reply later to par. 5 of my letter of October 2.

If your South African has bought his gold for 20% less than the current German price, and you are ready to give goods worth £100 for gold that is worth only L 80, it will pay him to get his gold minted and bring the coins to you for your goods. Gradually you will accumulate a mass of gold which you have bought dear and can only sell cheap. In other words you lose 20 % on each sale. Your reputation among wholesalers may be good enough to stand a short period of such losses; but the day must come when you must go bankrupt. In this connection please see the last par. of my letter of September 12.

I would like details as to how the South American States priced their goods in gold when they had no gold coins. There is, of course, the classic case, quoted by Adam Smith, of the tribe that used the "Macute" as a standard of value, and nobody knew what a "Macute" was. (Rather, everybody, locally, know the purchasing power of this abstract unit. - And this abstract value standard was used in Africa, not in South America! - J.Z., 19.5.03.) But this was possible only because the "Macute" was not a commodity, as I explained in my book. In Greece the State keeps the sovereign at a stable value by open market operations. That is, it buys sovs. at a premium when the value of the sov. falls, and sells when it rises. This would suffice to iron out small changes in the value of the sov.; but if a serious drain set in, I expect the Government would have to copy the example of pre-1914 Germany and warn exporters of the "serious displeasure of the Central Bank."

I will leave Kant until my next letter.

Sincerely yours - signed: Henry Meulen

15 November, 1952 (Your's of 11 Nov.)

My dear von Beckerath

Thank you for your letter with the Solneman journal, also the Leseheft "Romantik".

Forgive me if I confine this letter to the one point:
your proposal to price goods in gold and sell them for gold coins. (J.Z.: Rather, for the own shop currency, denominated in gold coins! - J.Z., 19.5.03.)

When I objected that if the price of gold falls, your shops must increase their prices, you replied on Sep. 29 that you would not increase prices.

I replied on Oct. 2 that this meant that you were standardising the price of gold in your notes on a particular day before the fall in the price of gold, which is precisely the system I propose.

In your subsequent letters you denied that you were using my system, but you admitted that if the price of gold falls, people will buy up your goods with the cheaper gold. This you said will not, however matter, because you will replenish your shop from your wholesaler. I replied on Nov. 6 that you must lose because you have sold for cheap gold.

You now reply that your wholesaler will supply you at an agreed gold price. If this means that your wholesaler has made the same agreement as you, namely to sell an article priced at £1 for one coin no matter what the price of gold, you really do not help yourself much, because your wholesaler must presumably buy raw material from abroad, and when he comes to pay in his cheapened gold he will have to pay more. Therefore the fall in the price of gold will compel him to charge you more, and you will be compelled to raise your prices. You would have done better to have raised your prices in the first instance when somebody offered you cheap gold.

We are therefore brought back to the point I made in my letter of Aug. 19 when I urged that it was vexatious and a hindrance to trade to change the prices of all commodities just because the price of gold changes. It is

better to register the change in the gold price in your paper notes. If for instance it is announced at the gold market that the price of gold has fallen, anybody who brings gold to you must pay more for your goods. In this way changes in the price of gold will have no effect on commodity prices. Of course you lose the gold check on note issues, but there are other effective checks on over-issue of notes.

I would like to get this point cleared up, and I therefore defer discussion of the Kleist-Kant subject.

Sincerely yours - signed: Henry Meulen

30 November, 1952

My dear von Beckerath,

I have had no reply to my letter of the 15th.

I make no reproaches - the subject was controversial enough to have wakened the war horse in you, so I conclude that you are unwell. I am very sorry. And the winter, which is your bad time, is coming on.

I am going up to Edinburgh next week to enter my son-in-law's hospital for the duodenal operation. I have had recurrences, sometimes bad, of stomach trouble about every month or so for the past year, and I am now slowly recovering from a really bad attack. Life is hardly worth living in these circumstances, and it is better to risk the operation. I am taking a private hypodermic syringe and morphia with me, in case they find something hopeless when they open me up. I am not ready to suffer hopeless pain just because the doctors don't want to end it. But I do not expect any such complication, and hope to return to some years of active life.

Let us come now to your Kant arguments.

You write that when a child has learnt arithmetic, it acquires a certainty that $7 + 5 = 12$ that is equal to its certainty of its present sensations. I deny that these two certainties are equal. The arithmetic that the child learns, that $7 + 5 = 12$ just the same as any other knowledge that he learns, e.g. that the shining planet (? - J.Z.) in the sky is "the sun." You will reply at once that there was a time when our sun did not exist, and it may disappear, whilst $7 + 5$ will always equal 12. But when we teach the child arithmetic, all we do is to show him two different groups of objects, and tell him that when they are gathered together they are given a different name. There is no evidence that mathematics exists in the universe: it is simply a convenient system invented by man to calculate and record numbers of objects. All that mathematics says is that so long as men continue to use the names 1, 2, 3 etc, $7 + 5$ will equal 12. If mankind were wiped out, who could say that $7 + 5$ would equal 12? You might as well say that if mankind were destroyed, the sun would still be called the sun. The sun would continue to shine, we know, but it would not be called the sun. In the same way the universe would continue, but $7 + 5 = 12$ would not be a truth since the universe knows nothing of the names we apply to objects.

Secondly, all these "philosophers of the real" decry sensation as a source of knowledge because sensations sometimes deceive us. But the difference between my certainty that I see a horse and that $7 + 5 = 12$ is only one of degree, not of kind. The horse may certainly be a cow

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but I have on occasion three times added 9 to 7 and made the answer 18. Why, I cannot say. I am never certain of correctly adding a column unless I run it down as well as up. Hence it is impossible to convince me that my certainty that $27 + 46 = 73$ is as absolute as my certainty that I now see a typewriter key. Our sensations alone give us absolute certainty - certainty not that "the object exists" (whatever "object" and "exists" may mean), but that I am now conscious of my sensation. It is a most subtle subject, and how carefully one must choose one's words!

Turning now to Heinrich von Kleist, let me say at once that I sympathise with his distress. His feeling is similar to that of a man who has always believed in God the loving father, and who then loses that belief. To the latter we say: granted that you have lost a father; but you have been freed from the regulation of your life by those who claimed to know what God wants you to do. To some temperaments this is a more than adequate recompense - to others it is not. Similar reasoning applies to von Kleist's case. The "eternal truths" that he has lost were not such as were discovered by the solid and laborious method of experiment, but fell from the lips of priests, seers and visionaries. Men who live by these "eternal truths" are liable to be destroyed by the harsh realities of this world; whereas he who believes only in relative truth is ready to discard any opinion that does not fit present facts.

Goodbye, my dear von Beckerath. Write me if you feel like it. Letters will be forwarded to me.

Sincerely yours - signed: Henry Meulen

8 December, 1952 (yours of 4 & 5th)

My dear von Beckerath,

As I do not leave for Edinburgh until tomorrow, I reply today. It is so much easier to write at my table than in bed. It is encouraging to hear of your friend's successful operation. I have good hopes of a similar result. And your compliments on my activities are a tonic - the more so since I am so rarely complimented.

I note that your aim is to finance a social revolution, whereas my scheme is intended rather for the normal everyday working of an industrial society. But is your scheme really more suitable than mine for a revolution? The main difference between your scheme and mine is that you will use shop-keeper notes, whereas I will use the notes of people of repute - manufacturers or bankers.

(J.Z.: Do shopkeepers have no repute? - J.Z., 19.5.03.)

Now your shopkeeper can get his notes into circulation only by buying from manufacturers.

(J.Z.: Rather, an association of shopkeepers, acting like a note-issuing bank, would discount the short-term claims of manufacturers who have produced and sold goods and wait to be paid for them. These goods are on the road to retailers, usually over wholesalers. The shop-association bank liquidifies these claims by discounting them with its own notes, thus enabling the manufacturer to pay his bills, especially his wage bill. From the recipients they flow back fast to the shops, from there to the wholesaler, who can thereby redeem his debt to the manufacturer, a bill which is then owned by the shop association bank, which had discounted it with its notes. - J.Z., 19.5.03.)

But the manufacturer or wholesaler is generally a man of better repute than is the shopkeeper.

(A local shop association is often likely to have a better reputation than many large manufacturers and wholesalers! - J.Z., 19.5.03.)

If the manufacturer accepts the notes of the shopkeeper, he has to trust the shopkeeper. He has to trust that the shopkeeper will be doing business and selling goods at accepted prices when the notes are presented.

But when my brother used to sell watches in South Wales he used to complain that most of the jewellery shops there were in the hands of Jews, most of whom owed their fortune to two or three successful bankruptcies. They bought, largely on credit, and then went bankrupt. One of their friends then bought up the stock cheaply on their behalf, and they forthwith started another shop under a different name, and stocked it with the bankrupt goods.

(J.Z.: Such behaviour is, obviously, not typical for shopkeepers. Jewellers could offer "shop foundation" for the notes of a shop foundation bank only as part of a large assortment of shops. And I bet that the shop foundation bank would tend to enquire into the credit status of all of its potential members before it accepted them. Can goods go bankrupt or only their owners? - J.Z., 19.5.03.)

Therefore I say that your manufacturer must trust the shopkeeper before he will accept his notes. And since the manufacturer is generally a man of better repute than the shopkeeper, it seems to me more natural that the shopkeeper should trust the manufacturer and use the latter's notes.

I will leave the matter there, and await your reply to my gold questions.

Let us turn now to Kant. It seems to me that the root of the difference between us lies in my assertion and your denial that mathematics is simply a matter of applying names to objects, and that it therefore does not differ in the quality of "absolute truth" from any other naming of objects. The name of an object, and its definition are human conventions: mankind can, and does, attach whatever conditions it pleases to a particular definition. Men agree, for instance that CAT is the name of that familiar animal. But when more than one cat is present, the collection is described as CATS. I can say, equally with you: "No pupil asks if several cats will be CATS on the

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further side of the moon, since he is certain that if one cat is there, it will be CAT, and if more, CATS."

If anybody supposes that before mankind appeared on earth, the familiar animal we know was CAT, and a collection of them CATS, he is obviously deceiving himself.

(J.Z.: "A rose by any other name is still a rose." Even an unnamed rose is still a rose. Some form of cat or the other did probably exist on Earth before man existed as more than an ape and it did not mind not being given a name by apes or pre-humans. That did not change its nature. - J.Z., 30.5.03.)

Now in mathematics the child is shown one ball, and is told that although it is a ball, it is called "One" ball because it is alone. When another ball is added, the two together are called "Two". Now there is nothing mystical, universal or absolute about this: it is simply a matter of different names for different objects. One ball is different from two balls and therefore has a different name. Take one ball from the two and you leave one. Add one ball to one and you have two; and this is the whole of mathematics. (??? - J.Z.) It seems to me just as wrong to think that this process of naming different objects has any special universal validity as to think that the difference between CAT and CATS is a universal truth, or that the statement that when a knob is fixed on a small steel rod, it becomes a poker is a truth independent of time or space.

(J.Z.: Actually, I have only very rarely seen any poker affixed with a knob as a handle. - J.Z., 30.5.03.)

Referring to the difference in my certainty that I see a horse, from my certainty that $7+5=12$, you write that I may be in error about the horse, but that $7+5=12$ is true at any time and anywhere. But my whole point is that I cannot doubt my sensation. I may be mistaken in the name I apply to the sensation - names are not given in a visual sensation - but I am absolutely certain that I have this present sensation; whereas when I say $7+5=12$, I may be mistaken. You then exclude the possibility of error, and say that if we assume that $7+5=12$ is true, will it not be true everywhere in time and space? I reply that it can be true only where men have agreed on the definitions and names of 7, 5 and 12. If you deny this, I ask you if the proposition:

1 steel rod + 1 handle = 1 poker is true everywhere in time and space; and if not, why not? Where man is not, there are only unnamed objects. If man arrives, and names some objects 7, and some 5, he may put them together and call the collection 12.

But he can also add a knob to a steel rod and call the result a poker. The peculiar conditions may be such that he sees double, and that what he thinks are 12 objects may be only 6 here; and there are many such possible sources of error. All that you are saying is that if $7+5=12$ is true, it is true. To which I reply amiably that if the proposition that a green parrot on a white stick = a poker is true, then it is true; but neither proposition takes us any closer to certainty of its truth in time and space. Oh - a pretty discussion. But, do you know, it worries, not my head, but my stomach!

Yes, our papers have written much on the recent events in the Eastern Sector. The general conclusion is that Russia is doing it not so much for political reasons as to stop the great drain of goods from the East into the West. (??? - No such thing. It rather got all too many credits from the West, with little chance that they would be repaid. - J.Z., 19.5.03.)

I do hope you are warm enough. Do you get enough coal?

Sincerely yours - signed: Henry Meulen

(Not addressed to B. Perhaps the following sheets were simply added to the above letter on the next day. - J.Z.)

9 December, 1952

I wrote to Tucker's daughter, Oriole, in New York, to ask what the "R" stood for in her father's name and have had no reply. I then wrote Mrs. Ingalls, the Curator of the Labadie collection of Anarchist pamphlets in Ann Arbor University, Mich. She also has not replied. I have now written to Laurance Labadie in Detroit for the information. He is the son of Jo Labadie, the well-known contributor to "Liberty".

I sometimes think you forget that when a revolution has started, there must ensue a general break-down of mutual trust. Shopkeepers, manufacturers and farmers will tend to sell only on barter, and, in order to avoid widespread starvation among the people who have no stocks of goods, the revolutionary govt. will be compelled in the first days to requisition all stocks of food, and ration them "To each according to his need." Communism is, it seems to me, the only system applicable in such a situation - a reversion to a primitive militarist form of society.

(J.Z.: So, a free banking and free trade and free investment advocate like M. had no better solution to propose for this situation! And he even believed that this was a solution, however temporary, primitive and ineffective! - That does me for this evening! With such friends, who needs enemies? - J.Z., 19.5.03, 9.12 p.m.)

It is to be hoped that the leaders of the revolution will regard this Communism as only a temporary measure; but it must endure until enough order is re-established for men to be willing to give up voluntarily the results of their labour for a paper note. Then the question we have discussed for so long becomes acute: What type of note? I much fear that the leaders will take the obvious and traditional course and say: "We are the trusted leaders; we will issue notes in payment of the stores we need, and we will retire the notes in taxes." If however, we have by then been able to persuade enough people of the superiority of a system wherein people issue their own notes independent of any govt. control, we are immediately brought back to the question with which I began this letter: "Whose notes are most likely to be voluntarily accepted and circulated?"

(J.Z.: When B.'s system is applied, which M. never seriously considered, then B.-notes would already be issued on the first day of a revolution and help to avoid the communist phase which M. believed to be inevitable. Afterward's B.s system would simply be made more convenient and more widely spread, all on a voluntary basis. I doubt that M.'s system would have much chance in free competition but his adherents should be free to try it out. Its potential acceptors and critics will evaluate it and all other systems. - J.Z., 20.5.03.

When you suggest that shopkeepers issue notes, have you thought to whom will the notes be issued? They obviously will not simply be handed over to people who want to buy in the shop: they can be issued only to the people from whom the shop buys - chiefly the manufacturers, wholesalers and farmers. And in order that these notes be voluntarily accepted, the acceptors must have trust - trust that their work people will like the goods the shop provides, and will thus be ready to accept the notes in wages, and trust that the shop is not "Here today and gone tomorrow."

(J.Z.: After 20 years of correspondence M. had still so false a notion of B.'s kind of free banking that he imagines that B.'s plan would be realized only after "order" had been restored, after the violent phase of a revolution and even then only by single shops, not by whole local shop associations and their local issuing centres, which would provide for their notes a large enough shop foundation to make them suitable as local currency and wage-payment means, that can be loaned to local producers on short terms. For their circulation options see my charts in PEACE PLANS 41. While single shops may rapidly appear and disappear, whole shopping centres don't. B. used single shops only as simple examples to explain the principle or the "readiness to accept foundation", which does neither require trust nor a gold coin stock. B. certainly read M.'s book but it seems unlikely that M read B.'s 3 books on the subject or he must have forgotten most of their contents as soon as he read them. He did not even envision large department stores like Waltons, Woolworth, Coles etc. or shopping centres like Westfield, with over 140 branches in Australia alone, realising the B.-system in all of their chain stores and shopping centres. - Nor did M. realize how much additional and quite wrongful and unnecessary disorder would be introduced via a coercively communistic period in a revolution - or in a military liberation campaign. In other words, M. was also unfamiliar with Holzhauer's book on cash payments in occupied territories, through a combination of sound tax foundation money with sound private issues of local currency. As long a correspondence and, nevertheless, largely in vain - at least as far as the main topic is concerned and some major liberation proposals. But then isn't that rather typical? Do not most of the present libertarians and anarchists also reject some of the most important freedom ideas? - Isn't it high time that we assemble all of them, in a libertarian encyclopaedia and in a libertarian ideas archive, readily accessible to anyone interested? - J.Z., 20.4.03.)

For reasons which I have set forth earlier in this letter, I think the notes of prominent manufacturers etc. will be more readily accepted. Their notes will be presented to shops, which will pay them into a bank, and the banks will establish a clearing-house, whose task will be to keep a close watch on the accounts of note-issuers to see that their issues do not seriously exceed their resources. As soon as

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enough order has been established for saving to be possible, issuers will tend to keep reserves of whatever notes are most trusted, and will offer to redeem on demand any of their own notes in these more favoured notes. This will increase popular trust in them, and will enable them to issue more notes than they otherwise could, and so extend their operations.

Later they may begin making loans, and still later they may give up their own business, and confine themselves to banking, when they will join the clearing house.

(J.Z.: In other words, M. could not imagine anything better than the repetition of a centuries old process by which banks were first established in England and Scotland, while B. had long discarded that model and thought of something better in all the required details. - J.Z., 20.5.03.)

Now arises the question: What shall be the unit, the standard of value of these notes? In the beginning I imagine that the unit used will be simply that used before the revolution, e.g. £ s d, and notes of all denominations will be issued.

(J.Z.: This will hardly be the case when the revolution is mainly a monetary one, directed against the rapidly depreciating "value standard" unit of the government, i.e. in times of fast inflations. Then already the first issues will adopt one or several value standards which the issuers and their acceptors consider to be preferable to that of the government's central bank, against which this monetary revolution is directed. Then this monetary revolution will begin with the value standard. In the other cases, during a forceful revolution against a despotic government, and during depressions, deflations and under mass unemployment conditions, the first change in the monetary sphere will be that different exchange media will be issued to help finance the revolution and to overcome the deflation and its mass unemployment. Then, temporarily, the old and flawed value standard might still be continued until one or several other and better ones are agreed upon within new payment communities. - J.Z., 20.5.03.)

(In the small towns of France, in the war zone, in 1918, I found municipal notes of "Deux Sous", although no coins of any sort were available). (J.Z.: Not "although" but because! For lack of small change in form of coins, that were hoarded, emergency paper money in small denominations was issued, comparable to the private token coins of peace time. Sometimes municipalities or other local governments introduced this limited degree of monetary revolution. - J.Z., 20.5.03.) Bread, shall we say, was formerly 5d. a loaf; it may now be priced at 1s. a loaf, and so on. The value of the £ will simply be its value before the revolution. A pair of boots formerly cost L 1; it will now cost perhaps £ 5. Gold cost formerly £ 3.17.10 per ounce; it will now cost perhaps £ 20, depending on supply and demand. That demand may spring from people who say: "I do not trust this new-fangled paper money, I prefer to accept only the notes of A who is ready to redeem his notes in gold at the market price. I feel safer when I have gold in my stocking than when I have paper notes." There may be many such people, or few - it all depends on local conditions, and on the amount of trust inspired by the issuer.

That manufacturer or banker who is able and willing to redeem his notes in gold on demand will be able to attract all the custom of these doubters. If they are few, he will do it easily with small gold reserves. If they are many, he will probably issue special convertible notes at a slightly higher rate of interest. Manufacturers will offer less wages in these notes, and holders will dispose of them only for more goods.

It is alternatively possible that issuers will insure their notes against depreciation, and again charge a higher interest - it depends on which system evokes more trust among note receivers.

You anticipate trouble from the fact that 1000 banks in the same district (??? country! - J.Z.) may issue notes offering only an "undefined" gold redemption. But the amount of gold to be offered in redemption of the note is not "undefined" in the sense that it depends on the issuer's whim how much gold he will offer for a note. He must offer the current free market value of gold, or stand confessed as an unwise banker. Remember that the option clause notes circulated at par in Scotland.

The reason is that the ordinary people, who used the notes did not want gold: they were satisfied that their bank was run on sound business principles.

(J.Z.: These people were not and are not interested in the business principles of the bank of issue but merely whether the notes had "shop foundation" and whether they could pay their rents and petrol with them. That they could easily test and they would come out in favour of "shop foundation money", especially when issued by an association of local shops and service providers. - Not even M. showed sufficient interest in sound business principles for note-issuing banks but, instead, relied upon "trust" and gold metal redemptionism. - J.Z., 20.5.03.)

The demand arose only from people who wished to export gold. They presented the notes at the bank, and were content to wait the 3 or 6 months until they could get

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the gold. Alternatively they asked for immediate payment in gold, and were ready to grant a discount on the amount received. But since this discount would usually amount to as much as the profit they would receive on the export of the gold, the option clause was a pretty good protection for the banker's reserves.

How I have spread myself on this subject! I expect it results from a slight (very slight, I assure you) fear that I may not recover from the anaesthetic. (Most, if not all of them, do kill some brain cells! - J.Z., 20.5.03.) As a modern gladiator I cry: "About to die, I salute thee, goddess of economic sanity!"

(J.Z.: Alas, most people greet only the goddesses of their economic insanity, whose dogmas either impoverish, enslave or kill them in practice. - J.Z., 20.5.03.)

Curiously enough, when I think of myself with a sound digestion again, it is not the opportunity it would afford to write books on currency, not the opportunity to travel abroad, even to visit you, my dear Beckerath, that I think of - but my pleasure in being again able to eat and drink what I like!
Oh Kant - Oh Fichte - dare I thus reveal my base soul?
Good bye - I love you well.

Sincerely - signed: Henry Meulen

Western General Hospital, Ward C. 10, Edinburgh 16. 12. 52

Dear von Beckerath

The preliminary examinations are taking a long time, and I do not now expect the operation until next week.

Meanwhile here is an incident that will amuse you. A pretty nurse came along and asked my religion. "Atheist" said I. "Ah - don't tease - what is your religion?" - "Atheist, like all sensible people" I replied. - "You really want me to put that down in the record?" - "Certainly" said I. After she had left, my fellow-patient, a retired banker, said "But you cannot really be an Atheist". - Your remark interests me", I replied, "I wonder how is it that Scotland is so much more religious than England." - "That's easy", said he, "Scotland is so beautiful that the hand of God is evident everywhere." - "Now look" said I, "the West Coast of Scotland has about the worst climate in Europe. If it had as good a climate as Switzerland, tourists would come in crowds, & Scotland would be prosperous. When next you hear the voice of God, you might pass the suggestion on to him." - He laughed, and then suddenly wagged his head gravely, and went out to shave.

Curiously enough, the surgeon has just visited me to tell me that he will operate tomorrow. Good!

Returning to my question - I rather think that the greater piety in Scotland is just an illustration of the

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principle that Buckle notes in his very remarkable "Introduction to the History of Civilisation, namely that where nature is savage and cataclysms are frequent there the God is more real and more terrible. - Compare the dark religions of India & Egypt (annual flooding of the Nile) with the sunny religions of Greece, where the gods are human, with human weaknesses. Or, in later days, note that in the mountains people are more devoutly Catholic than in the plains.

I have brought with me to read, one of the two fat volumes of J. M. Robertson's "History of Freethought". It is excellently done. He is very critical of your hero Kant. When I am able to sit up again, I will copy out for you one or two passages.

I hope you are not very ill.

Sincerely yours - signed: Henry Meulen

Western General Hospital, Ward C. 10, Edinburgh, 21 December 1952

Dear von Beckerath

Please forgive this notepaper. I am under observation in the surgical ward, and all my things are in C. 10, at the other end of the building.

I was operated on last Thursday morning at 10.0 and did not wake up until about 8.0 p.m. They tell me that no complications were found - the only cause of my trouble was that the pylorus opening was contracted from about 1 inch diameter to 1/4 inch! It is amazing in the circumstances that I should have been as healthy as I was.

I lie here now in a sort of grey melancholy, although outside the sun is shining. I am of course very weak. But there is no pain except when I try to move - when it feels as though I were coming to pieces inside.

My chest looks a horrible sight with the stitches.

I am reminded of that wicked Irishman, Col. Arthur Lynch, who, when I was young wrote a book about our rather dissolute king Edward VII. The book was called "H.R.H." Edward VII had so many stomach operations that the Paris papers suggested that it would be much more convenient to fit him with buttons down the front! And Lynch made that terrible criticism: "They say he is a much-travelled man. But a walking-stick can be taken round Europe, and it will return a walking stick."

However, I am beginning to feed, and I have confidence that the treatment is expert.

So I lie and hope.

I hope you are well - signed: Henry Meulen

Edinburgh 1 Jan. 1953

My dear von Beckerath

A very happy new year to you. I bring you the best of news of myself. I leave the hospital next Sunday. I shall stay with Paula for a week or so before returning to Wimbledon. I am still much under weight - 107 lbs. instead of 140 lbs. but the doctors tell me this does not matter since I do not have to work, and can take things easy.

But I can eat anything. In the last few days I have eaten kippers, fat bacon & ham, sausages, beetroot in vinegar and raw tomatoes, any of which would formerly have given me heartburn for a week.

You have not written. I much hope you are not ill, But I fear that you are. My last two letters were provocative enough to have got a reply out of anybody much less mentally active than you.

Please send me a line, if only a postcard, to tell me how you are.

Sincerely - signed: Henry Meulen

4 February, 1953 Yours of Jan. 5

My dear von Beckerath,

I came home on Jan. 26th, much pleased to be in my own room again. Paula nursed me very sweetly during my convalescence; but it is nicer to be at home, even if I have to get my own meals instead of having everything brought to me.

She put an electric blanket in my bed, and I liked it so much that I have since bought one. They have been sold here for about three years. The blanket is put on the mattress, covered by a blanket and a sheet. I switch it on about an hour before going to bed, and the bed is then beautifully warm. On getting into bed I switch it off.

I am still not strong; but my weight has crept up to 120 lbs, and my son-in-law tells me that after such an operation I can hardly expect to be normal in less than six months. Nevertheless I can eat what I like, and I sleep well, and I am working a little in the garden again. So the discomforts of the operation seem well worth while.

Rittershausen has sent me a copy of his book; but he uses so many commercial terms that I do not understand, that reading is laborious. Would you care to send me a review of it? I will give you a page in "The Individualist".

I am sorry that your health is bad. It is bitterly cold here - it was a lot warmer in Edinburgh.

I hesitate to bother you with our gold discussion again. If you feel anything like I did for the first few weeks after the operation, I can well realise that thinking is exhausting for you. Still - you write very clearly on Kant, so perhaps you can revert to the gold question, which I think (please forgive me) much more important.

I have asked you once or twice to reply to the question in par. 5 of my letter of Oct. 2. Wicked man, you have doubtless destroyed my words of wisdom. The par. ran:

"And now we come to the main point. You admit that if the free price of gold rises, your coins will vanish from circulation. Yet you will continue to price your goods in coins after the coins have disappeared. If now I ask you what is the present value of your coins, you can reply only that their value is that of the equivalent coins before the coins disappeared.

In other words you are standardising in paper the value of the gold coin on a particular day - which is precisely my proposal."

You will note that I presume a free gold price - not a State-controlled gold price. I shall be satisfied if you deal with this one point.

I have now heard from Labadie in Detroit. He says

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that Tucker's name was Benjamin Ricketson Tucker.

Berlin seems to be very much in the news. The amazing stream of refugees must cause confusion in Berlin's food supplies. I hope you are not too sadly troubled. Russia must be concerned at the situation, since the refugees are probably among the ablest of the East German population. The Communist world must begin to think when such men are ready to give up everything rather than remain under Communist rule.

(J.Z.: There were certain kinds of people which the East German government let go easily, namely old and sick people, provided they were not political prisoners. They hoped thereby to burden the West German government. They did not want to apply their communist principle: "From the able to the needy" to themselves. - Their able subjects they considered to be their national property, to be exploited by them, the "needy", and punished them for the "crime" of trying to escape from the "republic", if they caught them. - J.Z., 20.5.03.)

I have been much interested in the tax reductions announced by Adenauer - an excellent move. I am less impressed by his making good the loss of revenue by State creation of money. Surely the social services might rather have been cut; the great reduction in taxes of the wage-earning class was a good opportunity to do this. But probably, like our Conservatives, he is afraid of angering the Socialists. Still - the reduction in Taxation will undoubtedly stimulate industry; and with increasing prosperity, the social services can doubtless - be cut later. It will be a race between the inflationary effects of his measures and the increased production from industry. I shall expect to see German prices rise for a while. I only hope Adenauer will be firm and await the growth of industry without imposing further credit restriction. All Europe will be watching the experiment. I hope it may succeed.

My best wishes to you Sincerely yours - signed: Henry Meulen

(J.Z.: Not surprisingly, most governmental "tax cuts" are merely reductions in announced further tax increases and the tax cuts in one sphere are more than made up by new taxes or tax increases in other spheres, so that the total tax take and government spending tend to increase rather than decrease as a result of the much proclaimed "tax cuts". Or the tax cuts are ridiculously small, as e.g. the present ones in Australia, coming only to ca. \$ 4 per employee in the average, so that no significant positive economic effects can be expected of them. There is only one rightful "tax cut", namely the one which cuts out all compulsory taxes and replaces them, to the extent that former tax payers still want them, with subscriptions for wanted services. And that "tax-cut", can, most likely, be realized only by either a well thought out and executed tax strike or by a peaceful panarchistic revolution. - J.Z., 20.5.03.)

13 February, 1953 (Yours of 9/2)

My dear von Beckerath,

I am glad you found enough interest to reply to my letter in spite of your lack of energy. It is bitterly cold here in Wimbledon. Strangely enough it is always warmer in winter in Edinburgh than in London, and cooler in summer. But the thermometer has rarely sunk even here to 10 degrees Fahrenheit. I wish you had an electric blanket. It measures 50 by 30 inches. It is laid on the mattress, and your blanket and sheet are laid over it. It is governed by a thermostat which prevents over-heating of the bed. I generally turn it on an hour before I go to bed, and turn it off when I get into bed. It costs 3/4 d. an hour in current.

Thank you. for being willing to write a review of Rittershausen's book. I am disappointed that I cannot read it. Most of my German economics I have read in English translation.

Let me now turn to our gold discussion. I cannot understand what you mean by saying that under your system gold has no price. Gold is a commodity, whether it is used as a standard of value or not. (??? How many kilograms are in a kilogram? How many meters in a meter? How many litres in a litre? How many kilo Watts in a kilo watt? - J.Z., 20.5.03.)

Consider the gold miner. Let us suppose that the labour of mining gold increases two-fold. Whether gold is used as the standard of value or note, he will ask twice as much in other commodities as before. How shall he reckon the amount of commodities he asks in exchange for his gold?

If gold is the standard, and goods are priced in gold, all shopkeepers must halve the value of their goods. If, however, goods are priced in paper, the prices of all goods except gold remain unchanged; but the paper price of gold can be allowed to rise two-fold. I think the latter system easier and more logical than the former, for the reason that the gold market is affected by many circumstances, and it is a hindrance to trade if the prices of all goods have to be altered only because the market for gold has changed.

(J.Z.: As if a fully free market for gold, in all kinds of currencies and value standards did already exist, also widespread pricing of goods, services and labour in gold weight units and no legalized authority of creditors to demand gold from their debtors and no legalized authority of all note holders to demand gold from the issuers of the notes. Under that freedom condition the fluctuations that M. feared would be rather small and rare. The more traits of monetary despotism remained, the larger not the value fluctuations of gold weight units but the value fluctuations of the paper means of exchange and paper value standards were and will be and M. should have become aware of the true cause of these fluctuations in the value of paper currencies and should not have ascribed all of them to fluctuations in the value of gold. - J.Z., 30.5.03.)

I think you are mistaken in your supposition that gold had no price in London in 1913. Gold had an international price then as it has today. But our govt. used the first of the two systems mentioned above, that is, when the international price of gold rose, the State restricted credit here, and compelled a proportionate fall of prices of ordinary goods.

Now let us consider the case of your shops (I use the term "your" only to give a short description of the system you support). I deny that I am confusing a state of forced currency with a free system. You will price goods in gold, and have a circulation of gold coins.

(J.Z.: Rather, of self-issued goods and service vouchers denominated in gold weight units but not redeemable in gold weight units! This in parallel with competitively minted gold weight units that may be freely offered but not demanded. - J.Z., 20.5.03.)

I find some confusion in your replies. On p. 3 of your last letter you write: "If the gold price in the sphere of obedient subjects rises, in my sphere

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it does not rise." But on p. 4 you write: "If the world price of gold (*), expressed in gold coins sinks, so that the shop must reduce the price of goods, please did not this occur 100 times before 1914? The question is rather: why were such variations borne without difficulty?"

(*) (J.Z.: B. noted in the margin: I wrote "goods" not "gold". I did not always follow B.'s original pagination! - J.Z., 30.5.03.)

In the first quotation you deny that an increase in the world price for gold will affect the value of gold in your shops; but in the second quotation you admit that the price of gold in your shops (*) will change and that the shopkeeper will have to alter the price of his goods. Will you please state which of these two statements expresses your real view.

(*) (J.Z.: B. never suggested that he would set up shops in which gold would be sold. Nor did he suggest shops whose prices would never change. - J.Z., 20.5.03.)

You ask if such price reductions did not occur a hundred times before 1914. They certainly did, and more so in Britain than in any other country in the world (see "Free Banking" pp. 179-182). The difference is that we caused commodity prices to fall by restricting credit. Under your system you expect that shops and customers will freely agree to alter prices when the gold price changes.

(J.Z.: Not when the "gold price" changes, but when the goods prices change, as they often do. And the B. system would also ignore the paper prices paid for gold in inflated paper money (fiat money, legal tender money, forced currency or cours forcé paper money issued by governmental central banks. [Precisely these large and frequent changes induced B. to adopt rather gold weight units.] Nor would, under the B. system, a deflation be possible, because alternative exchange media could be freely issued to prevent any currency shortage. Nor did B. accept the hypothesis of M. that the purchasing power of gold could and would suddenly be doubled or halved [except towards governmental and mismanaged central bank notes]. Extreme demands for gold occur only under monetary despotism, including the legal and juridical grant to creditors and note holders to demand gold from the general debtors or the issuers of notes. Sudden changes in the production conditions of gold have very little influence on the price of gold, since current production is only a very small fraction of the total accumulated gold stock. M. engaged in fantasies on gold or imagined that despotic or prejudiced conditions and authoritarian rules regarding gold would be indefinitely continued rather than abolished. B. also made proposals to minimise or abolish disturbances by political revolutions, civil wars and international wars. Moreover, he often suggested that if a gold weight unit really, not only in the imagination of Meulen, et al, were no longer the optimum value standard or the least evil, then, under fully free choice of value standards, one or several better value standards would be adopted by all those who prefer them. But M.'s proposed "unvariable standard of value", expressed in a managed paper unit,

by issuers who imagine, with Meulen, that they can grant long term loans in their own notes and that such loans, not based upon savings but just these note issues and "trust" plus fractional gold metal redemptionism, would not affect the value of these notes, would be one that would fill me with what I believe to be well founded distrust and lead to my total rejection of his notes and of his "value standard". I subscribe to none of the conclusions he drew from his flawed definitions and unchecked premises, except the one: Full freedom for experiments in this sphere, among volunteers. You make your own choice, at least within this thought game. - J.Z., 20.5.03.)

I deny that our price variations were borne without difficulty. My whole book is an attempt to show how much we suffered from our attempt to maintain a gold standard.

Under your system, you will not impose credit restrictions, but you expect that everybody will know the changes in the world gold price because it is given daily in the papers.

(J.Z.: No! Ordinary consumers would only be interested in changes in the prices for goods and services in the shops, indicated in gold weight units. For these they do not have to consult the paper, except its advertising. They would know from their frequent shopping experience that the notes of their local shopping centre would be accepted by it at par with their nominal gold weight value. And they would be mature enough to expect normal changes in the pricing of goods and services. - J.Z., 20.5.03.)

I think it is expecting rather a lot to suppose that Frau Braun or Schmidt will look up the gold price every morning before she goes shopping, and will make the calculation: "If the price of gold has sunk from 75 DM to 73.12 Per Oz., how much more must I pay for a pound of potatoes?" And when she has made the calculation, the shopkeeper tells her he has just heard by telephone from the Bourse that the price of gold has fallen further to 72.35.

(J.Z.: Both, the customer and the shop keeper will not give a hoot about the "price of gold" expressed in any State paper money or in Meulen's banknotes. What both will do is watch the prices of goods and services expressed in gold weight units. And the shop association banks will keep their notes at par or close to par in the local market and local circulation and will always accept them at par. Their customers will know this and thus will not care at all about the gold price in gold coins for gold bullion or the price for gold coins or a normal weight of gold in a national or central bank or foreign exchange currency, or in Meulen banknotes. They will think in terms of weight units of gold, not in terms of M's supposedly ideal paper value standard units, unless they will remain addicted to such units or become addicted to them, at their own risk and expense. The shops might then engage in the enlightening campaign to price their goods and services in both, gold weight units and paper value standard units. Customers will then very soon realize which unit is more reliable, steady and trustworthy. I know on which one I would place my bets. - J.Z., 20.5.03.)

There is the further difficulty under your system of settling debt contracts. I have agreed, for instance, to pay 1000 DM in a year's time.

(J.Z.: B. warned about such speculations and suggested that for those unaware of the risks involved they should not be recognized in courts, unless a withdrawal premium is agreed upon for such gambling contracts or dealings in "futures" or a hedging contract has been concluded, which would limit losses. However, when people are fully informed about the risks involved and nevertheless and quite explicitly and carelessly do commit themselves to such risky contracts, then they should have to suffer the consequences of possible great losses or even bankruptcy. A minimum of knowledge and care are required to stay in business. All who are too ignorant or careless should become quite naturally excluded from it, the sooner the better. B. suggested clearing rather than cash commitments, especially with regard to rare metal coins and exclusive paper currencies, both of which might be in very short supply. - J.Z., 20.5.03.)

When I made the contract the price of gold was 75 DM.

(J.Z.: Note, that this "free banking" advocate continues to reckon in a forced and exclusive and mostly mismanaged paper currency! - J.Z., 20.5.03.)

When I repay, it is 65 DM, and I lose.

There are, under your system, two possible causes of a change in the value of money:

- (1) a change in the price of gold;
- (2) a change in the price of general commodities.

In my system (2) is the only cause of change. Hence debt contracts will be more frequently falsified in your system than in mine.

Finally I return to the question I originally put to you:

When the world price of gold sinks, and you have a circulation of gold coins, people will, as you admit, flock to your shops with gold coins and clear you of goods. When you have no goods, but a lot of gold coins, you will offer these coins to people who bring your notes. But at what price? At 20s. for one 1 sovereign? People will laugh at you: "The price of gold is now 18s. for a sovereign." And similarly when you offer sovereigns to your wholesaler, he will sell you goods only by accepting your sovereigns at 18s.

(J.Z.: For Meulen the Paper Pound, Dollar or DM had become a category of his monetary thinking. It was his home-built mental trap, from which he never escaped. - J.Z., 30.5.03.)

Why exactly will you not allow your shops to keep their prices unchanged when the price of gold rises, and let the change in gold be shown only in the price people pay who buy and sell gold?

Sincerely yours - signed: Henry Meulen

(Yours of 16 Feb.) 20 February, 1953

Dear von Beckerath,

Let me apologise at once for having misread your word "goods" for "gold". I cannot think how I came to make so serious a mistake.

Price of gold. In the third par.(*) of my letter of Feb. 13 I wrote that gold is a commodity, whether it is used as a standard or not. When the demand for gold increases, whether through fear of war, political disturbance, or any other cause, gold coins tend to be melted down and exported to the region of high demand. It is for this reason that gold coins are hoarded. The coins may no longer be legal tender, but their value as a commodity persists. It was in this sense that I meant that gold has a price, and that price is reckoned in whatever medium is current in the place that imports gold, whether that medium is a forced currency or not. If there are free note-issuing banks there, the price of gold in those notes would rise according to local demand.

(*) (J.Z.: I did not always keep their original division into paragraphs. Thus you have to search beyond such hints! - J.Z.)

Of course if the notes in the importing country are of the type you propose, the case is a little different. But you will remember that this discussion arose over my objection that if the price of gold ingots rises, the coins in your system will disappear into the melting pot, for the reason that holders of coins can sell them for more than their equivalent value in your notes. Therefore they will buy from you with notes rather than with coins. Then my question still arises: when there are no gold coins in circulation, and you continue to price your goods in gold coins, you will be pricing them in a medium which no longer exists, and you will be using their paper value before they disappeared. This is proved by the fact that if an odd coin appears, it will have a higher value in your notes than it had before the demand for gold ingots increased. Note that although your notes have no forced currency, they will no longer be exchanged outside your shops for gold coins.

If the world price for gold ingots falls, and you persist in accepting gold coins as the equivalent of your 20s. notes, people will get the cheaper gold ingots coined, and will buy from you in coins rather than in notes - precisely and only for the reason that the world price for gold ingots has fallen. When you come to re-stock your shop from the wholesaler with these coins, he will accept them only at a reduced rate. If, however, he also has agreed to accept gold coins at par with your notes, he will lose when he comes to buy raw material from abroad.

The only reason why gold coins "had no price", as you say, in London before 1914 is that whenever the world price for gold ingots rose enough to cause a serious drain on our gold reserves, our Bank stopped it by raising the Bank Rate (as in the American banking crisis of 1908). This caused our prices of

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goods to fall here, and so forced up the home purchasing power of gold sovereigns until it reached the world price of gold ingots. Had our government not done this, our gold coins would certainly have disappeared into the melting pot and would have been exported, exactly as they were when the world price of gold rose after the outbreak of the last war.

Debt contracts. I will leave this point until I have your reply to the foregoing.

Swiss Bank Bulletin. I can well imagine that there is so great a demand for capital in Germany that people are unwilling to risk their savings in long-term projects. But since as the Economist records, Germany is saving and investing a bigger proportion of her national income than we, there must be a market for the shares of ordinary industry.

Rittershausen has written me giving the various pages of his book which he thinks I should specially read. I have settled down to reading it again, his book in one hand and the dictionary in the other! I find that I am gradually getting accustomed to his style. It really is a remarkable book, and I will do what I can to get it read here. I hope he will be able to get it translated into English.

It is suddenly much warmer here, and I hope it is the same with you. It is surprising what a difference the rise in temperature makes to all the little things in my garden after only two days. I trust it will have the same, effect on you.

Now that I am back home again, I have written to Professor Robbins reminding him of his willingness to meet me and discuss free banking. It will be very interesting to me to find out precisely what are his objections. Of course he is one of the few remaining defenders of the gold standard (British style) (J.Z.: Which British style? Kitson's and Meulen's definition of it differed from that of other Englishmen! - J.Z., 30.5.03.), and so his objections will presumably be those of Lord Overstone. But he envisages only a State-imposed gold standard, and I hope to find out what are his objections to a fluctuating paper price of gold. (*)

Sincerely yours - signed: Henry Meulen

(*) (J.Z.: Elsewhere M. admitted, that as a result of his long agitation for his kind of currency and value standard, he had found only about 6 supporters for it! Not that the supporters of B. would far outnumber his fans. Both should have given up trying to convert the other and should have merely tried to produce a common proclamation of monetary tolerance for voluntary experiments with exchange media and value standards. But here they would have encountered again their strong disagreement on rights. - J.Z., 30.5.03.)

28 February 1953 (Your's of 23/2 received y'day)

Dear von Beckerath,

Thank you for your prompt reply. It is much easier to reply when the discussion is still fresh in one's mind.

Price of gold. The discussion becomes metaphysical. Whenever two articles, of any description, are exchanged, both have a price, whether a common exchange medium is in use, or not. If you deny that the one article has a price, the other can have none, since price means the relationship between two objects. If I exchange my watch for a ring, it means that, for me, 1 watch = 1 ring, or the price of 1 watch is 1 ring. This principle is not contradicted if one of the articles is gold; neither is it contradicted when one of the articles is not allowed (either by law or by free agreement) to change its price. The price is there, but it remains unchanged. But this point is of more importance to philosophy than to economics.

A country cannot prevent changes in the gold market outside its frontiers; and it will have much difficulty (and will cause grave disturbance in its home economy) if it attempts to prevent the home price of gold from changing in response to the international market - whatever medium of exchange it uses.

(J.Z.: "the home price of gold" can only exist when there is only one monopoly money in the home country. When there is free competition for the supply of exchange media and use of value standards, then gold weight units, gold coins and gold-weight accounting units will have different values or exchange rates or prices in these other exchange media and value standards, depending also upon the conditions under which the gold weight units are used, which permit at least, according to one survey, seven different kinds of "gold standards". If all the different forms of legal tender are included in the gold standard definition, then many more than 7 gold standards might be possible. To each his own! - J.Z., 30.5.03.)

Germany before 1914 is an example. You write that gold coins had no price in Germany. I think that what you really mean is that the paper price of gold was kept unchanged by State action. I am certain that Jackson was right in his description of the pre-1914 system in Germany ("free Banking", p. 278). The evidence for the truth of his

statement is that Germany was able to keep her Bank Rate consistently lower than ours, and made fewer and smaller changes in her Bank Rate than we. If she had been constantly willing to exchange gold for Reich notes at a fixed price, she could not have maintained a lower Bank Rate than we (see pp. 179/80 of "F.B."), since gold would have been sent from Berlin to London until the two Bank Rates were about equal.

You write that economic history offers no example of people preferring free notes to gold. But on p. 133 of "F.B." I quote such an example from Graham's book, in the only country in the world that had real free banking - Scotland. The full passage from Graham runs as follows: -

"Another matter of experience may be adverted to. It frequently happens that foreign vessels coming here to buy or cure herrings, tender gold in payment; the fishermen, who are ignorant and illiterate, invariably refuse to take it, no doubt in dread of imposition from bad and counterfeit metal, and always ask for banknotes for their herrings. It even occurred last year that many of the strangers carried gold with them, which they were obliged to get exchanged for notes, as those having bank notes could purchase herrings at 1s. to 5s. per barrel cheaper than those having gold."

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Paragraph 2, line 4, of my letter of 20/2. By the "price of gold", I mean, as I explained in par. 1 of the same letter, the price reckoned in the medium of exchange used in the particular countries demanding gold. (J.Z.: That includes all the inflated paper monies of governments, usually indicating their depreciation! - J.Z., 20.5.03.)

When this demand increases, people offer more of their med/ex for gold. This price will, of course, vary in different countries because of different local conditions, but fundamentally it is based on an increased demand for gold, and a willingness to give more of anything (particularly inflated paper money! - J.Z.) in exchange for gold.

Drain on the reserves of Central Banks. Agreed: few papers spoke of "the price of gold", but all spoke of "the demand for gold", and demand is the cause of price. Depositors wanted gold in time of crisis only because their desire for gold (from whatever reason it sprang) had increased.

(J.Z.: Leave central banks to their self-made problems and do not copy their problem-causing features or the problems of banks of gold bugs, even of the Meulen type only, in genuinely free banks! - J.Z., 20.5.03.)

You explain the crisis by the grant to depositors of a legal right to get gold.

I think the legal right made no difference: it was the fixed relation between gold and paper that was to blame.

(J.Z.: Under a gold-clearing or gold accounting standard, the "fixed" relation is only that of a gold weight unit to other gold weight units. E.g. the "fixed" relationship between grams and ounces, or between the gold weight of a sovereign, a US eagle and a German old Goldmark. The purchasing power of a weight unit of gold is as stable, in the short, medium and long run, as is possible or experienced for any single commodity. Other proposed and practised value standards have still to prove themselves to be better. If they should be able to do so, then they will be more widely or generally adopted under monetary freedom. But even if they are not, their advocates should be free to choose them for themselves, rather than arguing against those who choose gold weight units as their own value standards or supporting laws against them or setting up hypothetical cases against such choices. To each the value standard of his or her dreams, provided they find willing contractors to use it for their trades. - J.Z., 20.5.03.)

This is the theme (the fixed idea! - J.Z.) that runs right through my book. Even if this fixed relation had been voluntary, in times of strong foreign demand for gold the metal would have emigrated to the source of the demand so long as holders of gold were willing to give up their gold at a fixed paper price.

I had hoped for a more detailed reply from you to par. 2 of my last letter. What will be your stand/val. when gold coins have disappeared? Do I understand that your only reply is that the coins will not disappear, no matter how strong the foreign demand for gold?

Also I should be much interested to have your reply to par. 3 of the same letter.

The Rittershausen review.

I do not want to put you to trouble when your health is so bad. I have just rung Zander. He has not yet received the book, but I am to send him my copy, and he may be willing to do the review for me. Would you prefer him to do the review?

Thank you for the article on USSR. Very interesting. I will try and get it in the next number. I am afraid, however, that if I insert your final plea for money reform, people will smell that you are the writer. I think I had better omit it. Or perhaps you would like to alter it.

I will look up Beer's remarks on Attwood. I have Attwood's "The Scotch Banker". He took the ordinary line of opponents of the 1844 Act. They failed, I am convinced, because they did not see that the Gold Standard was to blame. The (metal-redemption! - J.Z.) standard operates to keep the standard of living of every country down to that of the poorest country that can find a use for gold. We escaped that fate only by suspending the Act whenever the demand for gold became too strong.

By the way, what is your local electric voltage? Over here 220/250 volts, alternating current, is practically universal.

Sincerely yours - signed: Henry Meulen

7 March, 1953 (Yours of 2. III, recd. y'day)

My dear von Beckerath,

When you say that gold coins have no price, and invite me to give one example to the contrary, you set me a task impossible in logic, for the reason that you define a gold coin as something that has no price. (J.Z.: Under a gold standard system in which it was chosen it as its value standard! That is the logic that M. failed to see. - J.Z., 20.5.03.)

When therefore I say that the disappearance of gold coins into the melting pot proves that coins have a price, you will say that the coin had no price before it was melted, and when melted it is not a coin.

I, of course deny the truth of your definition of a gold coin.

(It is not the definition of a gold coin but of a gold standard that accepts the gold coin or another gold weight unit as its value standard. - J.Z.)

Since uncoined gold has a price, and a fluctuating price, anything made with gold also has a price.

(Yes, gold watches, rings, bracelets etc. And gold bullion has its price in gold coins. But gold coins do not have a price in the same kind of gold coins, not under a gold standard, anyhow, that has adopted them as value standard. - However, to repeat such truths to a dead Meulen is even more useless than to repeat them towards a still alive one. However, other readers might benefit from such distinctions. - J.Z., 20.5.03.)

Some men may agree to accept a particular paper note as equivalent to a coin; but when the price of uncoined gold rises, some people will sell these coins as gold, thereby proving that the theory that coins have no price is true only for those people who proclaim its truth. Black is equally white for those people who say it is so. So long as there are people who desire gold for its commodity value - whether coined or uncoined - gold coins will have a paper price. Coins will cease to have a paper price only when everybody agrees to accept gold coins at a fixed paper price.

(J.Z.: M. could not get it into his head that under a "gold standard" that accepts a gold weight unit as its value standard (whether or not it also adopts gold-redemptionism), the paper money that is issued is priced in gold and not the gold in paper. The paper money gets a discount against the gold coin or stands at par or, in rare cases, it stands at a premium against the gold coin - but in all of these 3 cases it is still measured by the gold coin its value standard. Only when paper money is made legal tender [forced acceptance, usually combined with forced value or *cours forcé*], i.e., when gold coins are no longer the exclusive or even permitted value standard, do gold coins get a price in that forced currency, which is then providing a paper or abstract "value standard". They might also get a price in an optional currency, where there is not a gold standard adopted that has chosen gold coins as the value standard. - Other factors, like redemption on demand for gold certificates and the general "right" granted to internal or foreign creditors to demand gold coin or gold bullion payment from their debtors, can give gold an enforced, artificial and extra value. B. always opposed this privilege, which has led to many payment crises, and did propose a sound alternative to it, namely clearing or alternative means of payment, that would transfer the same gold weight value. - J.Z., 20.5.03.)

Let us give up arguing as to whether coins have a price, and turn to the practical difficulties of any system in which men agree to exchange gold coins for paper at a fixed paper rate.

(J.Z.: Why bother to discuss this hypothetical case, which neither B. nor M. proposed? Why discuss the difficulties which others create for themselves by their dogmas? Since WW I governments at most bought gold coins at a fixed paper price but did not sell them to the general public at that paper price. They had their "gentlemen's" agreements on selling gold at a fixed paper price only with central banks, under the wrong assumption that large gold hoards, withheld from the public, would still give a value to their inflated paper currencies. By now no governmental paper money, that I now of, has a fixed relationship to a gold weight unit, either for purchases from the public nor for sales to the public. But at least governments do mostly no longer prohibit the possession of gold and the trade in gold. They "merely" tax such trades when they become aware of them. But all rare metal certificate issuers, whether they use paper, credit cards or coded e-mail for the transfer of such deposits, remain under the threat of sudden "legalized" confiscation of their remaining rare metal assets. Governments by now confiscate even large quantities of their own currency, merely upon suspicion that they had been illegally acquired. - J.Z., 20.5.03.)

You object to my remark in my last letter that the legal right to demand gold makes no difference in a crisis; (It may cause a crisis! - J.Z.) and you reply that the Banque de France protected itself by offering Rentes (it also offered silver). But you fail to remark that this shows that in France the note was no longer equal in value to its equivalent gold coin; hence France was not on a gold standard, although some people were still willing to accept notes as being equal to gold coins. The people who wanted gold were not willing to accept notes instead. Hence France was not on a gold, but a paper standard. If France had really been on a gold standard (whether legally or voluntarily), the rise in the foreign price of gold ingots would have led some Frenchmen to exchange their notes for gold coins, melt them, and export the gold.

Under a voluntary gold standard holders of gold coins will either melt them, or else exchange them for paper notes or goods at a fixed rate. Sooner or later the coins will come into the hands of somebody who will melt them.

You then reply that the disappearance of the coins will not matter to your notes so long as your shops have goods to offer for the notes. I agree - I did not say that everybody would lose faith in your notes when coins disappeared, but merely that the people who wanted gold would not accept notes

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as an equivalent.

What I asked was: when note-holders who want gold cannot get it, what is your standard of value?

You now reply with the example of a small Irish town where goods may be priced in gold coins although no coins are ever seen there. This is of course possible. But on the day when the ingot price of gold rises in Dublin, your little Irish shopkeeper will be on a paper standard, although he may not know that ingot gold has risen. He will be using as his standard the price of ingots on the day before their price rose, when ingots were equal to coins. It may be that, after a time, the price of ingots will fall again, and that notes may again be worth their face value again; but it may also happen that the price of gold may never fall again. In this case your shopkeeper will be able peacefully to continue to exchange his goods for "£ 1 notes" which are worth in gold the weight of gold that could be got for them on the day before ingots rose in price.

This is not an example of any metaphysical principle, but simply that the shopkeeper had priced his notes in sovereigns for which he was willing to accept £ 1 notes, and when gold ingots rose, he continued to price his goods in notes which he called sovereigns. This cannot be regarded as an example of the use of a gold standard in the accepted sense, but rather as an example of the system I propose.

(J.Z.: Is it? the shopkeeper continues to accept the gold weight units, represented by the sovereign, as **his** value standard for **his** goods and service prices and for **his** notes. He has not accepted the Meulen "standard" but continued with the same value standard that he has used before, even though, outside of his sphere the gold weight unit may have gained or lost in purchasing power or may have been abolished as a value standard. Freedom of choice for value standards, too! Naturally, when he re-orders his stock from the "outside world", he will have to adjust his sales prices accordingly, - as he will when using any other currency as well, according to the prices he will have to pay to his suppliers. - J.Z., 20.5.03.)

Now let us turn to the case of a fall in the foreign price of ingots. You reply that industry will use more gold. But the rise in price from this cause is problematical. On the day, however, that the fall occurs, people will buy you out with gold coins, and they will continue to coin cheap ingots as long as ingots remain cheap and you are willing to take coins at their old rate. I elaborated this objection in par. 3 of my letter of Feb. 20. I should be glad of your reply.

I note that Rittershausen makes the same point about gold having no price in his book. I have written him, making the same objection as I am making to you.

Sincerely yours - signed: Henry Meulen

(Yours of 9 Mar. recd. today) 11 Mar. 1953

Dear von Beckerath,

Please believe that a discussion of paper money without forced currency is not disagreeable to me. I asked that the discussion as to whether gold coins had a price should stop only because I contended that it rested on an illogical basis. If in discussion one can convict one's opponent of illogic, it is as when one checkmates in chess - the discussion automatically closes.

You write that legal tender coins have no price if there is no forced paper currency. In the first place I had not hitherto understood that you desired legal tender for coins, but only that men should agree voluntarily to accept paper notes as the equivalent of gold coins.

(J.Z.: I have not checked whether B. did there propose or desire legal tender for gold coins but he could certainly have referred to the fact that under the legislated gold standard, represented by gold coins as means of payment, unit to mark out prices and as standard of value in all contracts, these gold coins **were** certainly and quite legally legal tender, whether B. desired them to have this characteristic or not. From that fact one could not automatically and logically conclude that B. would have **desired** this arrangement. At least for a while, in his thinking on gold coins, he assumed that leaving them the legal tender power would do no harm. Harmful would only be legal tender for paper money. However, faced with almost religious fervour against the use of gold coins, he suggested, at least during his last years, when I learned to know him - from 1952 onwards - that they, too, would not need legal tender since they would be widely enough acceptable without it - i.e., among all people welcoming them as value standards and as means of payment after their all too frequent and prolonged experiences with paper money value standards and paper money exchange media. - J.Z., 20.5.03.)

In the second place, I have often stated that whether the paper notes are given forced currency or not does not affect the question whether gold coins have a price.

You write that my statement "Since uncoined gold has a price, anything made with gold has also a price" is true only when paper has a forced currency.

I think you err. You will presumably admit that a gold ring, priced at L 5, will cost, more if the price of ingot gold rises, whether payment is made in forced currency or free notes.

But you argue that if men agree to exchange gold coins for free notes at a fixed price (B. did not propose or say that. M. substituted his own terms and thinking here! - J.Z., 20.5.03.), changes in the bullion market will have no effect on gold coins.

I replied that this would be so only if everybody agreed; but that so long as some people were ready to melt the coins and sell them as gold, the coins would have a fluctuating paper price.

You continually write that in this argument I am assuming a forced currency note. I am making no such assumption - I am assuming precisely the system you advocate: one wherein people are free to accept or reject paper notes.

(J.Z.: At least one seeming point of agreement. But, did M. accept the self-chosen and also juridical obligation of an issuer of notes, termed in gold weight units, to accept them at par, as if they were gold coins of the same denominations? Did he accept the self-chosen pricing of goods and services as well as of general debt contracts in gold weight units, without any obligation to supply such gold weight units? Did M. realize the difference between being allowed to offer gold coins in payment when one has them and wants to use them to pay one's debts with them, from the obligation to supply them, upon demand, to a creditor or to someone presenting a note for redemption, although one has made no such promise? Did he realize that such a promise is a gamble, a risky speculation? Did he altogether reject gold redemptionism? Did he recognise free market rating of currencies against their value standard as one of the major factors in preventing over-issues. Was he aware of all the forms that

"gold standards" and "legal tender" and free note issue options could take? Did he appreciate the need for the short-term cover of notes by suitable debt certificates, to assure their rapid reflux, and the need for them to have obligatory shop foundation, or "readiness to accept" foundation? There remained so many points of disagreement between them, that I cannot accept his assertion of identity between the systems. Far from it! Did he really assume "**precisely**" the system advocated by B.? Did he even comprehend it? - You be the judge! - J.Z., 20.5.03.)

I asked the further question that when gold coins have disappeared, what is your standard of value? You replied with the Kantian principle of action at a distance. But this is hardly a case of "action at a distance (space)"; rather it is distance in time since we (??? M. was, B. wasn't! - J.Z.) are presuming that the world-price (B. rightly denied its existence! - J.Z., 20.5.03.) of gold has risen, and that sovereigns have disappeared (into their heaven? - J.Z., 20.5.03), or been melted into ingot gold. (Can the value difference between them ever be large under free coinage and where there exists a free market for gold??? - J.Z., 20.5.03.)

Whether gold later becomes cheaper again is, as I wrote, problematical. (Was M. able to point out any large or permanent rises in the value of gold? Or any large or permanent falls? - J.Z., 20.5.03.)

You are faced with the question: what is the value in gold of your £ 1 notes when no sovereigns are present?

I say that their value will be the weight of gold in a sovereign before uncoined gold rose in price.

And when I said that your Irish shopkeeper was using this standard, it was not necessary for me to show that he asked the price of gold ingots.

We were both presuming that no sovereigns were in circulation.

(B. would at most have conceded that locally, openly and temporarily none were in circulation - but they were still handy, somewhere, in some hands, waiting for their best opportunities. - J.Z., 20.5.03.)

He had previously priced his goods in sovereigns, but was willing to accept £1 notes. He would continue

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as I wrote, to accept these £ 1 notes after the price of ingot gold had risen in Dublin. But, whether he knew it or not, he would not then be on a gold standard, for the reason that ingot gold had risen, and sovereigns had been melted into ingots.

(J.Z.: Even in that case, he would still be on **his** gold standard. People remember gold prices better than the all too frequently changing prices expressed in paper money. Even his uncoined "makuta" gold standard would have been preferable for him and his customers to most governmental paper money "value standards", including the one proposed by M. - J.Z., 20.5.03.)

Banque de France. I think you will find that France never went further from a paper standard in times of crisis than to offer silver instead of gold; and as the demand was generally for gold, her action saved her from jerking about her bank rate in the way we were forced to do.

(J.Z.: M. should have talked with R. about this. R., during or shortly after the Great Depression, travelled in France to explore why it had suffered less in the Great Depression than had most other European Countries and the U.S. This substitute redemption of deposits with securities was, I believe, one of his findings. B. hinted somewhere else that more or less underground exchanges, using IOU scrip, and their clearing, was a long-term practice, especially in French villages, and made their people partly independent of the government's monetary policy. Certainly, these very private exchanges among people, who knew and trusted each other, had also tax advantages for them, and made them independent not only of the possession of official Franc notes by the French central bank but also of the quantity of gold and silver they may have been hoarding among themselves. The very nature of these transactions has prevented them from being officially and statistically recorded or reported in economic studies. - J.Z., 20.5.03.

Fall in the price of gold. Forgive me - when the holder of ingots gets them coined, that is not all. He will use the newly minted coins to buy up your stock. And when you come to re-stock, your gold coins will be accepted, either at home or abroad, only at a discount.

Cuttings. Thank you. But I doubt if the "Tagesspiegel" writer included purchases of tools by a private individual in his savings total. He would include, as is done here also, only those purchases of plant for which a manufacturer claims a capital outlay in his income tax return. There is no way of recording the purchase of tools etc. by private individuals - they would not be shown in income tax returns. The "Kurier" writer certainly does not distinguish between fixed deposits and money deposited on current account. But I think no banks do this in their returns: they give the gross amount of their deposits on the particular day when the return is made; just as they do not divide their advances into long and short term - they simply lump them together as advances. It would of

course be better if they made this division both in deposits and advances; but they have long urged that this would give away essential secrets. If ever we have better competition in banking, I think banks will be ready to give this information.

Sincerely yours - signed: Henry Meulen

13 March, 1953

Dear von Beckerath,

I have this day sent you an electric blanket by parcels post. Please accept it with my kind regards. It should, of course, have been sent to you at the beginning not the end of winter; but I didn't know how good they were until my daughter provided me with one during my convalescence in Edinburgh.

I packed it in a wooden box to guard it against being crushed. The elements are no good if they are sharply bent. You will find instructions for its use inside the box.

I asked our post office if duty was payable on such things in Germany. He did not know. I explained that it was a gift to a friend who was ill. He advised me to write that on the Customs Declaration, and it was then possible that the German authorities would not charge duty. But if you have to pay, please tell me, and I will refund the amount to you.

I could almost hope that we have a few more cold nights in order that you might see how comforting the blanket can be.

Sincerely yours - signed: Henry Meulen

(Sunday evening) 15 March, 1953

Dear von Beckerath

I have just returned from visiting the Zanders. I took Walter in the car to Burnham Beeches. We stopped in a charming glade in the woods, in the sunshine, with the first green buds breaking everywhere. But Nature could not beguile us from our stern purpose, and we hammered the gold standard until it was as flat and thin as a sheet of gold-leaf.

I write you now whilst the discussion is fresh in my mind.

Zander says that to the best of his recollection the Vier Gesetz members rarely discussed the gold standard problem, for the reason that in Germany, and on the continent generally, the price of gold varied but little, and there was therefore little discussion over the proposal that paper should correspond with the price of gold - this was an obvious way of preventing paper inflation.

(J.Z.: In my first edition of the Beckerath papers, I included as much of this discussion, too, as I could lay my hands on. It is still mostly only in German and its digitisation will have to wait until I get around to it or until someone digitises it from my microfilm edition. Hopefully, someone else will also undertake much of the translation work. My English is still not good enough, even after having spent about 44 of my years in Australia. Talks on such subjects were always rare. - J.Z., 20.5.03.)

But they discussed "Bankmaessigkeit" and "Rueckstrom" (sound securities & reflux - J.Z.) a lot because the main difficulty on the continent has always been bank inflation.

(J.Z.: Did Dr. Walter Zander really use that term or was that M.'s insertion? From Zander, who wrote so clearly on securities, railway money, currency and the Four Law Drafts themselves, I would have expected a more clear and accurate term than "bank inflation". What German banks were guilty of - like many others in other countries until now, was the investment of short term funds in long term loans, without knowledge and consent of the depositors providing the short-term deposits. At most one could somehow describe this as an "inflation" of long term credit, at the expense of a "deflation" of short term funds, or as a wrongful, speculative and irrational investment of funds supposed to be liquid in illiquid capital assets. But the term "inflation" is here misleading, when one imagines from it that the savings and investment and current account banks, on their own, could really cause a genuine monetary inflation. These banks have neither a note issue power nor a legal tender power and thus they cannot themselves inflate a currency. However, the government, when it backs them up, in case they run into difficulties with their unsound policy, can cause an inflation by additional note issues of legal tender notes. Such a backing is even likely.

But then these monopoly and coercive powers should be blamed and the policy of backing up faulty bank practices, not the banks themselves or credits. Such banks should have been allowed to fail (instead of burdening innocents with further taxes or an inflation) and that might have led to competition for all current account and investment banks and, maybe, even for note-issuing banks. Alas, until now the worst of both practices are usually combined - and not sufficiently criticised nor are the alternatives to them sufficiently appreciated. - J.Z., 20.5.03.)

This was most interesting to me, because the exact opposite occurred in England. Here the frequent changes in bank rate, due to fluctuations in the world demand for gold (always then concentrated on London), made the gold standard a constant problem. (Again, I suppose this to be Meulen's rather than Zander's view! - J.Z., 20.5.03.) On the other hand the 1844 Act led to the steady amalgamation - of the small independent banks into the monopoly we have today. There was gradually decreasing competition among these monopoly banks: they had less and less reason to undertake the riskier business (J.Z.: Ha! All too often they deserted small and safe business in favour of large and very speculative and risky business! - J.Z., 20.5.03.), and accordingly the need for the imposition (J.Z.: ??? honesty, rationality and publicity for major transactions is hardly an imposition! These bankers played with the people's money just like the politicians do! - J.Z., 20.5.03.) of "Bankmaessigkeit" hardly arose here, although our banks have always made a small proportion (? - J.Z.) of long-date loans, which are, of course, more profitable than those of short-date. (That would depend on how often the short-term loans are turned over per annum. Moreover, the profitability of the long-term loans depends also upon the sufficient availability of short-term loans - or note-issues - for turnover credits. - J.Z., 20.5.03.)

Zander himself got a 3-year loan from Martin's Bank (Out of what kind of funds? - J.Z.), and although the war compelled the closing of his business, the bank got its money back in full, and the manager who made the loan is now is now one of the top men in Martin's Bank. (J.Z.: Look at the huge losses made by large banks and finance companies and you come to the conclusion that all too often the scum rises to the top, there, too. Many of their profits are largely the result of their remaining privileges. - J.Z., 20.5.03.)

Zander says that, so far as he now remembers, on the few occasions when the gold standard was discussed, the plan of the Viergesetze (Vier Gesetzentwürfe - Four Law Drafts, not four laws! - J.Z.) was that if the world price (again, Meulen's fantasy term! - J.Z., 20.5.03) of gold altered much, the value of the paper note would be correspondingly altered, the fundamental aim being to keep the paper note continually equivalent in value to gold.

Now, let me point out that this plan could be conceived only in a country where the price of gold varied very little, i.e., in a country that had no free gold market. (??? - J.Z.) If you look up the records of our bank rate changes before 1914 (all of which changes were caused by fluctuations in the demand for gold)

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(J.Z.: Rather by the irrationality and wrongfulness of gold-redemptionism and the privilege granted to creditors to demand payment in gold, as B. had pointed out so often! - J.Z., 20.5.03.),

it is evident that it would have been extremely difficult for individual traders and shopkeepers to calculate for themselves the changes in the payments they made in goods or wages, and the payments due to them, so frequently as would have been necessitated by the changes in the London Bullion market.

(J.Z.: Some people manage to find problems where there are none or they or their governments create them and then they consider these man-made problems as if they were forces of nature, rather than abolishing them. - J.Z., 20.5.03.)

Moreover such frequent changes made trade difficult - this is of course the theme of my book.

(J.Z.: Studying flawed traditions and practices does not necessarily provide sufficient clues and knowledge on sound exchange media issue and reflux arrangements, sound value standard and sound credit arrangements. - J.Z., 20.5.03.)

We avoided this necessity in England by compelling a general reduction of credit when the demand for gold increased. This eventually brought commodity prices into proportion with the increased demand for gold. In this way the task of altering prices was transferred from the individual to the bank. But the evils of the process were great and profound, and were the reason why I wrote my book.

The plan described by Zander, however, differs essentially from the plan you describe in your correspondence with me (I very much doubt M.'s judgement on this! - J.Z., 20.5.03), since I understand that you will continue to price your goods in notes which were the equivalent of sovereigns before gold rose in price - and this no matter how much the world price of gold changes.

Briefly the difference is that when the price of gold rises Zander will reduce the prices of goods in paper notes or gold, whereas you will keep the prices of goods unchanged.
(J.Z.: Did M., after a short discussion with Z., understand Z. better than he understood B. after corresponding with him over 2 decades??? - J.Z., 20.5.03.)

Dr. and Mrs. Zander send you their kind regards.
Both always speak of you very affectionately.

Sincerely yours - signed: Henry Meulen

P.S. It should be noted that although when one takes the yearly average of the price of gold, the figures remain comparatively stable, yet within any particular year the fluctuations may be - and were actually - considerable. (His "measure": Forced and exclusive currencies, almost constantly mismanaged, causing inflations, deflations and stagflations! - J.Z., 20.5.03.)

If one calculates the average level of the end of a see-saw, it will appear to be stable, since the rises exactly balance the falls. Yet a person seated at one end might get violently sick!

(I get a bit sick of M.'s assertions, "logic", false premises, analogies and flawed hypotheses! - J.Z., 20.5.03.)

14 April, 1953

Dear von Beckerath,

on March 13 I sent you by parcels post an electric blanket, and I wrote you on the same day. I hope you received the blanket. If not, I will make enquiry from this end.

Did you know that in his "Tract on Monetary Reform" Keynes suggested a plan somewhat similar to my own for abolishing the gold Standard? He proposed that the Bank of England should be allowed to alter its buying and selling price for gold in its own discretion. If it judged that the high price were due to internal inflation, it would raise the bank rate; but if it thought that it was due to foreign demand, it would raise its price for gold. He proposed the same plan for USA. He uses almost the same arguments that I had put forward already in 1910.

Also I find that in May 1949 Senator Pat McGarran laid before a Committee of the US Senate a bill proposing that gold be freely bought and sold by anybody in the open market, at the ordinary market price. I have been in correspondence with him, and he has sent me a most interesting report of the "Hearings" of his bill before this Committee. It contains most interesting arguments for and against his proposal. I have written asking if he will send me another copy of the "Hearings". If he does, I will let you see it.

The US Treasury came out strongly against his proposal, and the bill was dropped. But he seems to have secured considerable support, even from banks. The arguments against were mainly sentimental:

"Gold, with its fixed paper price, is our traditional standard, and should not be changed", etc.

Hardly anybody met his argument that a free price for gold would provide a standard to measure paper inflation.

I earnestly hope that your silence is not due to ill-health; but I fear that this is the cause.

Sincerely yours - signed: Henry Meulen

28 April, 1953

My dear von Beckerath,

I was relieved to get your letter of the 20th April. I was really afraid that something had happened to you. Insomnia is a wearisome complaint; but I am not sure that it is very harmful provided that one rests and does not worry.

I know that opinions differ on this. Both my daughter Paula and her doctor husband take sleeping pills. The husband takes them every evening, but Paula only when she has been unusually excited. I have written to ask her husband what pills he takes. But I know he suffers from bad headaches.

On p.4 of your letter, referring to Zander, you quote from the "Vier Gesetzentwürfe" a statement that if notes are at a discount of more than 95% of their nominal value for more than two days, the issue of notes must be suspended until the rate rises again to at least 95%. And I presume you will apply this rule also to your shopkeeper notes. This clears up a lot of misunderstanding between us. Your statement shows that you will deflate credit (??? cease further issues of notes, for the time being! - J.Z., 20.5.03.)

whenever, for any reason, paper

(J.Z.: Just the own notes, seeing that they have reached their inherent limits! That does not mean that others could not continue to issue their notes up to their limits and that one could not continue issuing the own once they are again at par or close enough to par-value with their nominal gold weight value. The own interest would also prevent one to issue notes, assuming an extreme case, at 50 % and then having to accept them from any debtor or purchaser, the next moment, at 100%.- J.Z., 20.5.03.)

falls more than 5% in relation to gold. This is the same system (but rather worse) (J.Z.: Neither the same, nor worse! - J.Z., 20.5.03) as we had here before 1914, and against which most of my book was written. We did, at any rate, allow the Bank of England discretion as to whether it would curtail credit in case of an excessive demand for gold.

(J.Z.: Limiting the issue of the own notes, guided by their discount, is not the same as "curtailing credit"! - unless one is a central banker! - J.Z., 20.5.03.)

If it judged that the demand for gold was only temporary, it would either wait, or it would try to get gold from abroad by various means.

But you will automatically cut down credit when notes are at more than 5 % discount, no matter what the cause.

(J.Z.: One has to recognise one's own limitations, even in the note issue business. The cause is quite obvious: The saturation point for the own notes in their circulation sphere has been reached and even slightly exceeded, so that of the potential acceptors some accept the notes only at a discount, while most others refuse them already altogether. One would have to be a fool to go on and on issuing, to less and less acceptors, under the wrong assumption that one would thus provide sound credits and that failure to do so would amount to a "credit restriction". And only a total fool would issue notes at 95 % discount which, next moment, he would have to accept at 100% for his goods and services, or in debt payments, from anyone who presented them. Would M. have recommended going on with issuing these notes until they become finally totally refused? And that everything else would be a "deflation" or credit "curtailment"? He played word games without much thought. - J.Z., 20.5.03.)

It therefore appears that Zander's statement (??? - J.Z.) that you would alter the value of the note when the world price for gold altered (or when the world demand for gold altered, if you prefer this expression) was correct.

If you curtail the issue of notes, the value of notes increases.

(J.Z.: Yes, ideally back to their par value, at which they would have the widest possible circulation in their circulation sphere and at which the largest number of people, so inclined, could provide their credits with them. To take an analogy: Would M. have recommended issuing shares on and on, even once they had fallen to below 95 % of their face value and that anything else would be a "curtailment of credit" and amount to a "deflation" of the capital market? - J.Z., 20.5.03.)

In other words you will increase the price of notes to make them correspond with the increased demand for gold. (J.Z.: Only M. can be credited with this incredible mis-interpretation! - J.Z., 20.5.03.)

Now the chief objection (which I stated repeatedly in my book) to this course is that the increased demand for gold which causes paper to fall (*) may be due to

- (1) Political disturbance abroad, causing hoarding abroad;
- (2) economic disturbance abroad, e.g. the US banking crises of 1908 and 1929;
- (3) unusually large loans to foreign countries, which may cause the exchange to fall so much that it becomes cheaper to send gold there than goods.

Now in all these cases it is bad to remedy the outflow of gold by curtailing credit at home:

- (a) because this makes home industry pay for enabling financiers to export gold;
- (b) because it removes the control of home credit from the nation and places it in the hands of foreigners; and
- (c) because this action by foreign countries cannot be foreseen, and this uncertainty restricts the home development of credit.

(*) (J.Z.: M. is way off-course here. To take the simplest examples: When bakers, greengrocers and butchers cease issuing more of their goods warrants, because they are, temporarily, no longer accepted at par, and wait until their natural reflux to them has restored their par value, and thereby restored their maximum acceptability within their circles, then they cause none of the evils that M. ascribes to them and they are not influenced by any of the factors that M. ascribes to them. They simply try to stay within their own business and optimum circulation sphere for their own notes and that makes the most microeconomic sense to them and their customers and, thereby, also, the most macro-economic sense. The same applies, naturally, to whole shop associations and shopping centres. They, too, have to stay within their sound issue and reflux limits. Only to that extent can they contribute to prevent deflations and credit restrictions, as well as inflations and stagflations. No one can and should provide short term, medium or long-term credit beyond his readiness-to-accept- foundation, his capital savings or deposits [also, lastly, based on readiness to accept foundation for wanted goods and services, made available for such investments] or the readiness of potential acceptors of turnover credits to accept his turnover credits, or his capital securities, at par. Free and responsible issuers and acceptors would leave macroeconomic hypotheses, theories, speculations, assumptions, fears, panics, practices and policies to others and make themselves as much as possible independent of such people and their often wrongful and irrational, although also all too often legalized doings. Here again, Meulen ceases to speak as an aware and responsible individualist but engages in collectivist notions and policies, rather than trying to get away from them - and he assumes that self-liberators engaged in self-responsible actions in their own spheres would act as collectivist meddlers and coercers. All his ascribed flaws stem from wrongful and irrational practices that B. wanted totally done away with, while M. wanted them continued to a large extent, merely moderated or reduced through his "system" of notes issues and his particular "value standard". And he even accuses others of having subscribed to his system or wanting, in practice, to do the same!

It is precisely for these reasons that Keynes (and I) proposed to abolish the fixed paper price of gold, in order that a country may defend its gold against foreign demand.

(J.Z.: Both should rather have tried to abolish their false and fixed ideas. They did not even seriously try. No country or debtor needs a "defence" of "its" or "his" gold against demands by internal or foreign creditors, once the right to metallic redemption and the right of creditors to demand payment in gold coins from their debtors, is no longer recognised and they are only entitled to clearing up to the values of their credits, measured in gold-weight units, using any exchange media or clearing certificates, at their value in gold weight units for this purpose. As B. often pointed out, in that case the debtors and the note-issuing banks would not even have to possess a single gold coin between them. At the same time, all the marketed gold in the world, that on the free gold market, would be at the disposal of those who, with their notes, at par or close to par, wanted to buy there any quantity of gold, instead of consumer goods or services. That would not cause any friction or difficulties, any shortages, deflations or gold weight value fluctuations anywhere. On the contrary, it would prevent precisely the fluctuations M. expected and predicted. - J.Z., 20.5.03.)

I will reserve discussion of the other points you raise until I receive your reply to the foregoing.

Sincerely yours - signed: Henry Meulen

(Your letters of 22/3 & 3 & 4/5) 6 May 1953

My dear von Beckerath,

Thank you for your letter, received today. I reply at once because I think we are decidedly nearer to fixing our exact point of difference on the gold standard. I confine myself to the one point of "overissue".

For you "overissue" has the one definite meaning, namely, a discount of notes in relation to gold. (J.Z.: Provided one has adopted gold weight unit as the value standard for one's notes and is still prepared to accept them at par. - J.Z., 21.5.03.) This was precisely the view of Lord Overstone (see p.120, 2nd par. et seq. of "Free Banking").

(J.Z.: ??? Was O. any more freed from notions of gold redemptionism than was M.? For B. the circulation limit for his exchange media was not a gold stock but the goods and services ready for sale. Their free market rating against a gold-weight unit as value standard was merely to indicate when the limits of this readiness to accept foundation was reached and also the limit of readiness to accept such goods- and service warrants among potential local acceptors, i.e., when their circulation sphere was sufficiently saturated. - J.Z., 21.4.03.)

Throughout my book I have attacked this definition. I pointed out that if this definition is accepted, it entails the restriction of production by the hazards of the gold market, whereas production should be limited only by the ability of men to use the available raw material.

(J.Z.: What hazards? M.'s imagined ones? B.'s system would make gold pricing, gold clauses, gold clearing etc. quite independent of the quantity of gold that is on the market. It would function, with sound enough gold value reckoning, even if all the gold coins had temporarily disappeared and not a single loaf of bread or working hour less would be turned over as a result of this disappearance of gold coins and the absence of gold hoards etc. No one would have to keep a redemption fund or ready cash in gold coins and still gold-weight unit value reckoning could go on undisturbed and lead to the frictionless turnover of all goods, services and labour. - J.Z., 21.5.03.)

You write that when State notes fall to a discount in gold, the State shall be legally prohibited from issuing more notes; but that although shops should not be legally prohibited, people should refuse to accept their notes.

(J.Z.: In both cases most people would refuse notes anyhow that are not standing at par and would prefer those that stand at par and thus are readily accepted at par not only by the issuer. The rule for the issuers to stop further issues at a certain discount is merely a common-sense rule and also one that corresponds to self-interest on the side of the issuer. - J. Z., 21.5.03.)

Now I will not at present discuss my own alternative to this system; but I point out that the effect of your legal restriction on the further issue of State notes is to alter their value. By reducing the supply of notes you increase their value. And you will increase their value until they reach parity with gold. Similarly in the case of your shopkeeper notes: if people follow your advice and refuse the notes when they are at a discount in relation to gold, shops will be unable to issue more notes, and their value will gradually rise until they reach parity with gold.

(J.Z.: Not so gradually! The discount will drive people to the shops, where the notes have to be accepted at par, or to the tax offices, where the State paper money has to be accepted at par and with these payments these discounted notes and the at least temporarily deserved distrust towards them would have disappeared. - J.Z., 21.5.03.)

Therefore, whether it be your intention or not, the effect of putting your principle into action will be that you will continually alter the value of your notes whenever the world demand and supply of gold alters.

(J.Z.: On the contrary: Thereby not only at the acceptance points (shops & tax offices) will the notes be kept at par with the value standard they adopted, a weight unit of gold, but also, as much as humanly possible, within their local circulation area. The supply and demand of gold in the world will have almost no effect whatsoever on this gold value clearing or gold value accounting system, as opposed to a system that is based on gold redemptionism and on the right of creditors to demand gold payments from their internal or external debtors. The B. system allows the free turnover of all goods and services, including labour, quite independent of the quantity supply and the current demand for gold metal. It just uses gold weight units as value standards, not as means to limit the quantity of exchange media that reckon in gold weight values. The total amount of such gold value reckoning media, plus cashless gold value clearing transactions, might exceed a thousand-fold the quantity of all the gold coins existing somewhere in the world and that of all the accumulated bullion as well and would not tie any issuers to the size of gold hoards that they might have accumulated. They would be under no pressure to accumulate any such hoards or to dissolve them, upon demand, by exchanging their gold for their notes or having to pay other debts with their notes. The readiness and obligation to accept the own notes like gold, for the own goods and services and in other debt payments is very different from the readiness and obligation to supply gold. And without the latter obligation all sudden and large fluctuations in the world markets for gold are minimised and even in times of wars and revolutions sufficient sound exchange media can still be competitively and rapidly supplied wherever needed. If the users of gold weight units as value standards ever found that their value standard would really fluctuate too much and that better ones are available, they would simply change over to them. But the unwarranted fears and apprehensions of M. would not induce them to do so. - J.Z., 21.5.03.)

You have apparently been willing to accept this system hitherto because you have observed that the production of gold has been more stable than that of any other commodity.

(J.Z.: Not the production of gold is necessarily very stable but its value is, because the gold stock accumulated over thousands of years is so much greater than the greatest annual new production. - J.Z., 21.5.03.)

This is the usual argument of all the defenders of a gold standard.

(J.Z.: Meulen's misunderstanding of their argument is not their argument. - J.Z., 21.5.03.)

Throughout my book however, I have pointed out that although the production of gold may be stable, the world demand for gold is subject to severe fluctuation.

(J.Z.: Here he did not distinguish artificial demand fluctuations, in form of e.g. forced currencies, from which people try to escape into gold and which indicate not so much fluctuations of gold weight values but of the depreciated cours forc  paper notes. Nor did he distinguish fluctuations arising only out of the imposed or customary gold metal redemption and gold cash payment obligations, both of which would disappear for people reckoning in gold weight units without committing themselves to supply them, from other fluctuations like e.g. a higher than usual degree of using gold for jewellery and for industrial purposes, e.g. in computers. The latter changes are rather gradual and have only a small effect upon the total gold stock. Then there are changes due to political interventions like wars and revolutions which lead to increased gold hoarding. But these does not matter, either, for people not foolish enough to commit themselves to supplying gold metal or tying their note issues to the quantity of gold they might be able to accumulate to "cover" and redeem their notes. They rather cover their notes with their goods, services and labour, merely reckoning in gold weight value units.

This demand is altered by

(1) hoarding against the threat of war or internal political disturbance;

(2) trade fluctuations - by the fact that when a country imports greatly in excess of its exports, the fall in the value of its currency abroad renders it cheaper for its importers to pay in gold than in goods. When they export gold, the paper notes at home will eventually fall to a discount in relation to gold, and will, according to your principle be refused. Hence deflation will be imposed until prices fall to the point of parity with the existing demand for gold. Similarly in the country that receives the gold, people will find that it is cheaper to buy with gold than with notes.

(J.Z.: All these are problems for people with exchange media and value standards of the kind that B. did not propose but rather wanted to see abolished! B.'s notes would not have these problems! - While M. still wanted to back up the "trust" in his notes by fractional or market-rated redemptionism and gold supply obligations, even if postponed or discounted and thus his notes would still affected by fluctuations in the quantity of gold available at any particular time and place. Reckoned in gold weight units, M.'s notes would still suffer a discount. But this discount would not induce his "free banks" to reduce their issues and confine them to the quantities of ready for sale goods and services, including labour. On the contrary, he was even ready to issue them for long-term loans, although they would not have a rapid reflux through shop foundation and thus would be greatly depreciated or outright refused.

He wanted the note issuers restrained by note exchanges in their clearing centre. However, if all the M. banks were to over-issue their notes in long-term production credits to about the same extent, then this restraint would fail. Only the discounting and refusals of his notes in general circulation would work and other competing notes, e.g. of the B. type, standing at par or close to par, would be thus be widely preferred and drive the M. notes out of circulation. - J.Z., 21.5.03.)

Your shops will find that their tills are full of gold, which, when they come to replenish their stocks of goods, will buy fewer goods than before.

(J.Z.: ??? They would buy fewer goods only if gold had become greatly depreciated. Even a great increase in the current gold production could not achieve that. With the exception, perhaps, of the invention of a cheap method of recovering gold from the oceans or of very successful gold mining in space. But the various crises M. expected would rather have given gold **more** purchasing power and merely less purchasing power to exchange media that promised redemption in gold but could not fulfil their promises. - J.Z., 21.5.03.)

Accordingly they must raise their prices for these goods.

(J.Z.: Actually, they could reduce them! And their wholesalers would love to be so paid! - J.Z., 21.5.03.)

Therefore your system involves deflation when the home demand for gold increases, and inflation when it falls.

(J.Z.: Neither! There would either be more or less gold coins in circulation, side by side with gold-valued shop currency and clearing certificates, both of which would be independent of the quantity of gold available. M.'s almost complete misunderstanding of B.'s monetary freedom proposal continued on and on! Regarding money they could only fully agree upon free monetary experiments but not upon their likely results. - J.Z., 21.5.03.)

Sincerely Yours - signed: Henry Meulen

(Your letter of 12/5 received yesterday) 16 May, 1953

My dear von Beckerath,

In my last packet of newspapers I included a cutting reporting the death of a person who took alcohol on top of Amytal sleeping pills. Here is another cutting reporting a further death. Verb. sat.

I am glad you had to pay no duty on the blanket. It is good of the Germans to have made this concession. (J.Z.: "**the** Germans" were never given any say on whether there should be any "protective" duties, on what goods and how high they should be. - I would welcome any referendum on such subjects, including also all other taxes and regulations etc., provided the referendum would not be authorised to increase taxes or introduce new ones! - J.Z., 30.5.03.)

It appears that the crux of our difference over the gold question lies in par. 4 of your letter. You have certainly frequently contended that if creditors were not legally entitled to get gold, the demand for gold would be diminished. But I have as frequently replied that there is a world demand for gold which is independent of legal compulsion, namely (1) for hoarding, and (2) for settlement of trade balances. As a matter of fact nowhere in the world today has a private creditor the legal right to demand gold. People hoard gold because

(a) it has permanent purchasing power;

(b) it is safe against State inflation.

With regard to trade balances, let me say at once that Bank of England notes have been at a discount in relation to gold ever since we went off gold in 1931. The fact that B/E notes remained at par with gold before 1914 was due simply to the fact that we deflated our home credit whenever the world demand for gold became strong..

(J.Z.: Gold redemptionism, combined with the issue monopoly, reduced the supply of exchange media largely to the size of the gold stocks available for redemption in gold coins. Beyond gold coins and gold certificates one could only go through clearing, or through fractionally gold-covered notes, which were always under threat of a run for gold, although they might have been sufficiently secured otherwise, by short-term real bills or equivalent IOUs. Always the threat remained that a creditor might insist upon payment in gold instead. After gold redemption and the right to demand gold coins were abolished, the right of creditors to demand scarce State paper money notes another exclusive currency, had the same effect in producing payment crises. - J.Z., 21.5.03.)

The par. in my letter of 8/5 referring to trade balances assumed a system in which individuals could buy and sell gold freely. I said that in such a system, when a country imports greatly in excess of its exports, its importers will find it cheaper to pay in gold rather than in goods.

I really think you do not face the fact that, as I wrote on 8/5, although the production of gold may be stable, the demand for gold is subject to severe fluctuation, not due to any legal compulsion, but simply that disturbed political conditions lead many people to prefer gold to paper.

(J.Z.: The legal compulsion of the issue monopoly and of legal tender (compulsory acceptance and compulsory value) and of foreign exchange controls and protectionism with its special taxes and those of all other compulsory taxes, are involved, also the legal compulsions of territorialism, that lead to political problems in the first place. - J.Z., 21.5.03.)

If you accept this fact, as I think you must, the question of its effect on your currency system arises. (There is all too little that is factual about his statement! - J.Z., 21.5.03.)

If it were merely a case of the notes of one shop falling to a discount in relation to gold whilst the notes of other shops remained at par value, the remedy you propose is easy and just.

(J.Z.: A great concession for M. How soon will he forget about it? - B. naturally, meant not only single shops but whole shop associations and shopping centres. - J.Z., 21.5.03.)

But the situation I want you to consider is one in which there is an increased demand for gold throughout the country: a demand from gold exporters to supply the demands of foreign hoarders or to pay an adverse trade balance. Although your shops are not obliged to give gold in exchange for their notes, those notes will be at a discount in relation to gold

(J.Z.: Not at these shops and that is what counts most for them. They can all be retired there, at par! New issues can then again take place, with goods and services still priced in gold weight units but at whatever higher or lower prices will then have to be charged for them, in accordance with the price changes at the wholesalers. - J.Z., 21.5.03);

and this will apply to all the shops in the country.

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(J.Z.: So what? Prices fall and rise all the time! - J.Z., 21.5.03.)

According to you (? - J.Z.), this fact (? - J.Z.) will show that all the shops have "overissued" (? - J.Z.), and people will stop these shops from issuing more notes by buying up all their goods (? - J.Z.), and prosecuting the shopkeepers as cheats.

(Cheats, when they fulfilled their promises and continued to accept all their notes at par? - J.Z., 21.5.03.)

When I say that this is simple and catastrophic deflation (? - J.Z.), you reply that since the shopkeepers have no monopoly of note issue, I could myself come forward and fill the gap.

But, my dear von Beckerath, what notes shall I issue? If I issue the same type of notes as your other shopkeepers, the notes will be at a discount in relation to gold on the day I issue them (Not in his shop! - J.Z.), and I shall be prosecuted as a cheat.

(J.Z.: Only when if he continued to issue them, on his "principles", in "trustworthy" long term production loans, to trustworthy clients, while his shelves were empty or insufficiently stocked for all the notes so issued. That is exactly what the B.- system avoids and the M. system recommends. Under the M. system shop foundation is ignored and not provided, as an obligation by shop-owners, for all the notes of the M.-system. Issuers of the M. - system leave themselves open to fraud charges unless they could prove that they could not possibly have foreseen the inevitable result of their "note-issues" upon trust. Issuers of the B.-system issue only short term loans without the limits of their immediate readiness to provide wanted consumer goods and services at least up to the amounts of these loans, actually, in practice, for much higher amounts. But, before they reach such higher amounts, the local currency requirements will already be saturated and the notes will get a small discount. Then they stop further issues until fresh notes are needed again, as is indicated by their par-value in general circulation, not only at the issuing shops. - J.Z., 21.5.03.)

You do not appear to consider the possibility of a general increased demand for gold throughout a country - the fact that where gold previously bought X goods, it may occasionally buy X + Y goods.

(J.Z.: B. expected and took precautions for all kinds of price changes on official and unofficial markets and made his exchange media and value standards as independent of them as possible. - J.Z., 21.5.03.)

Strasser. Yes, I read in our papers of the Strasser decision. It is difficult for a foreigner to judge such a case. In England, since we allow Communists and Fascists freedom of speech, I suppose we would allow Strasser to return and say what he liked. But I am ready to believe that the Nazis are a greater danger in Germany than Fascists are here. The Problem of allowing freedom of speech to people whose avowed object is to abolish freedom of speech as soon as they have the power, is a difficult one and I daresay that if Communists or Fascists became much more numerous here than they are today, we also would deny them freedom of speech. But today we think, rightly, that the fact that they have freedom of speech is a big factor in keeping their numbers small.

Sincerely yours - signed: Henry Meulen

29 May, 1953 (Your letter of 22/5)

Dear von Beckerath.

I am glad to know that your health improves as the sun comes North - you should become a Parsee.

I agree, of course, that if creditors are denied the right to claim gold, the demand for gold is reduced.

But I cannot admit your contention in par. 3 of your letter that the evils of using gold (with a fixed paper price) arose exclusively from the right of creditors to claim gold. I have often pointed out that when a country has imported much more than it has exported, the value of its currency abroad sinks so low that it is cheaper for it to pay in gold - not because the foreign exporter has a right to claim gold, but because he is willing to take gold, and it is cheaper for the importer to pay in gold.

The only reason why the periodical (ly - M.'s English was not perfect, either. I did not mark all his mistakes, although my Word computer program indicated many of them. B.'s English mistakes are more excusable and so I corrected them when I noticed them or thought that my English expression was better than his. Bias and discrimination? Yes! - J.Z., 30.5.03.)

- increased demand for gold before 1914 did not show itself in an increased price for gold is that London was then the only place in the world where gold could be freely bought. When the demand became excessive, we restricted credit here, and thereby reduced our commodity prices. This induced foreigners to send us gold from their hoards to buy our cheap goods instead of demanding gold from us. You will note that with the present strong hoarding demand for gold, South Africa is able to sell her freshly-mined gold at a premium.

Balance of trade. I admit that exporters (especially German) are more ready to give long credit today than in Adam Smith's days; but

(1) there is obviously a limit to the willingness of exporters to grant such credit;

(2) the greater part of foreign trade today is conducted on very short credit, and payment is demanded against proof that the goods have been shipped.

Hence the foreign values of currencies are practically as important today as formerly.

But all this is merely an introduction to my main point. If you admit (as I think you must) that the greater part of the demand for gold is independent of any legal right of creditors to claim gold, it seems obvious to me that in your system your notes must occasionally fall to a discount in relation to gold. The discount will arise as follows:

when the demand for gold increases, exporters will use your shopkeeper notes to buy gold from bullion dealers. When the supply of gold runs short, these dealers will charge more for gold, and will offer an increased price to induce hoarders to sell their gold. This means that your notes will be at a discount in relation to gold. When this happens, according to your rule, the shopkeeper must stop

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issuing notes. I say that this is simple and catastrophic deflation - of the sort practised by our Bank of England before 1914. You admit on p.2 of your letter that if the notes of all the shops in the country are at a discount in relation to gold, all the notes will disappear from circulation, and you add that nobody would suffer disadvantage!

(J.Z.: New and competitive issues, at par (always and par in the issuing shops) and close to par at least in general local circulation, would soon take their place, until the local market for sound exchange media is again sufficiently saturated! - J.Z., 21.5.03.)

My dear Beckerath - is it no disadvantage that the country is without a medium of exchange? (J.Z.: Again, he jumped to a wrong conclusion! - J.Z., 21.5.03.)

You ask me later to distinguish between a discount of notes at the bullion market, and a discount at the issuing shop; and you say that the former is of no interest to you. But you have already said that when the notes of all shops are at a discount in relation to gold, the notes will disappear.

(J.Z.: Rather, they will soon be returned in payment at par to the shops that issued them and new notes will be issued as soon as they are sufficiently required. - J.Z., 21.5.03.)

How can it be known if all notes are at a discount except at the bullion market?

(J.Z.: The shops will notice it when **they** can no longer issue **their** notes at par or close enough to par! - J.Z., 21.5.03.)

And is it of no interest to you that the country is without exchange medium?

(J.Z.: Under freedom of note issue? Not all notes will be temporarily at a discount and therefore under a temporary issue stop! - J.Z., 21.5.03.)

You state that when the demand from hoarders for gold increases, your shops will again issue notes based on the new price for gold.

(J.Z.: Did B. use the term "price for gold" in this connection? - J.Z., 21.5.03.)

Is your country then to be without ex/med. until it is decided (and who decides?) that the purchasing power of gold has again become stable?

(J.Z.: None of his premises here is correct. - J.Z., 21.5.03.)

Surely it is better (J.Z.: To each his own conclusions, however false! - J.Z., 21.5.03.) to allow the paper price of gold to increase whenever the demand for gold increases, rather than destroy your ex/med. and then later increase the paper price of gold. By allowing the increased demand for gold to show itself in the paper price whenever it arises, your shops can go on issuing their notes, and the home exchange can proceed as usual, unaffected by fluctuations in the bullion market.

You write that during the inflation time in Germany a turnover of 100 kilos of gold at the bullion market had no influence. I was not aware that Germany had a bullion market at all during the inflation time. I should think that whatever gold there was in Germany disappeared into private hoards with the first catastrophic fall of the Mark. And I should also imagine that people were willing to pay a, high paper price to get possession of gold at that time.

Sincerely yours - signed: Henry Meulen

7 June, 1953 Your letter of 2/6 received yesterday.

Dear von Beckerath,

It is an excellent discussion.

(J.Z.: Only if M. had managed to learn something from it. Hopefully, others will. - J.Z., 21.5.03.)

It excites me as much as chess once did, and is much more important.

Let me confine this letter to one point only.

You write that in your shop on 2.1.54 X pounds of coffee cost either one sovereign or a 20s. note. On 4.1.54 X pounds of coffee cost one sovereign, or a 20s. note, or 5s. in gold.

(J.Z.: Did B. write that or is that again a mere hypothesis or substitution by M.? - J.Z., 21.4.03.)

What exactly is the sovereign on the latter date?

If anybody wants to mint sovereigns, and sells coffee to get the gold, he will have to give 4X pounds of coffee for the weight of gold in one sovereign. Therefore if now your shopkeeper still prices X pounds of coffee at one sovereign, he evidently means the sovereign before gold rose in price. I say that in that case he is using the 20s. note as his standard of value, not gold. And the note is in this case a more accurate measure of the value of both coffee and gold, since it is gold, not coffee, that is in greater demand. Therefore the 20s. note is worth exactly 5s. in gold.

In a previous letter you wrote that he can use the sovereign as a measure of price so long as somewhere in the world there is a sovereign of the old value. But consider: if there is a great demand for gold for hoarding, bullion dealers will be ready anywhere to pay a higher paper price for coined sovereigns, thus bringing the value of those sovereigns up to the higher paper price for gold. Therefore the "sovereign" that your shopkeeper uses in his prices simply does not exist.

It is still very cold here. I use my electric blanket every night, and bless my daughter for having brought it to my notice.

Sincerely yours - signed: Henry Meulen

Your letter of 9/6, received yesterday

13 June, 1953 (B. noted: Received 15.6.)

My dear warrior,

I perfectly well understand that on the day when your system is introduced your notes will be at parity with the sovereign of 7,322 grammes of fine gold. What I keep on asking you is: What is your "sovereign" when the free market demand for gold has increased four-fold, when the old sovereigns can be sold for four of your notes, and when your notes will buy only 5s. worth of gold?

The holder of your notes will not have to change them into State, or any other sort of note in order to buy gold: he will take them to the bullion market, where he will receive precisely 5s. worth of gold for a "sovereign" note.

And why should your shopkeeper be so rude to him when he wants to buy a "sovereign's worth of goods; with 5s. in gold?

(J.Z.: Again, M. forgets something. Here, that the shopkeeper had only promised to accept his sovereign-denominated own notes like he would accept a sovereign coin. And he would keep his promise. This promise does not oblige him to accept 5s as if they were a sovereign. - J.Z., 21.5.03.)

If your shopkeeper takes this 5s. worth of gold to the bullion market he can sell it for one of his own sovereign notes - therefore he certainly cannot say that he suffers loss.

(J.Z.: Again: "If"! Why should he take, contrary to his promise, 5s as 20 s or one sovereign, and why should he have to bother to go to the bullion market? His notes, depreciated there, will fast enough come back to his shop, to be accepted there at par. - J.Z., 21.5.03.)

Thus I ask again: What is your "sovereign" when the free market demand for gold has increased four fold? I say it is the value of the weight of gold in a sovereign on the day when your system was introduced, when your notes were at par with gold, and before the demand for gold increased.

(J.Z.: Freedom of choice for value standards! To each his own. B. and his customers might go on reckoning in sovereign coins as their value units, regardless of how others value this coin in their exchange media and even regardless of how others value the notes of B.-type banks. They will express their price changes for new supplies from wholesalers still in sovereign weight units and go on expressing the value of their notes in sovereign weight units, fractions or multiples of them. And their prices, expressed in their chosen units, might go up or might go down, according to market conditions. However, as soon as they would find out that their self-chosen or voluntarily accepted value standard is no longer satisfactory for them and their customers, then they would choose another one that they can agree upon. I doubt that they would agree upon M.'s "invariable" paper value unit.

It is queer that we have no word for "Gesinnungsgenossen". I have often wanted such a word. We can say only "Those who think like me." (J.Z.: Or: "like-minded people" or: "people who share the same ideology". - J.Z.)

And who was Adolph v. Menzel, whose portrait appears on your stamps?

Your cutting from our English vicar. It is interesting that the Anglican Church allows so much freedom of speech. The Anglican Church has officially condemned voluntary euthanasia, on the ground that it is suicide, and God does not want men to end the life he has given them. Yet the Church allows this vicar to preach the doctrine; and it does not prevent the Dean of Canterbury from singing the praises of Communism. It even allowed the Bishop of Birmingham to preach against the Virgin birth of Christ.

Sincerely yours - signed: Henry Meulen

Your letter of 18/6, received yesterday

My dear von Beckerath,

23 June, 1953

I note that you will change the prices of the goods in your shops when the demand for gold increases.

You could have saved both of us a good deal of correspondence if you had said this when I wrote in my letter of Aug. 19, 1952:

"You will make the value of your notes depend on the price of gold; and when that price changes, you will alter the value of your notes."

(J.Z.: B. had taken it for self-evident that his shops, in retailing goods on the market, would follow the price changes of the goods on the market. That does not mean that he adopted to conclusions to which M. jumped. - J.Z., 21.5.03.)

But you replied on Aug. 25:

"It may happen that the price of gold, expressed in paper money, increases two-fold in one day. What does this interest the man who possesses one of my notes?"

On Sep. 9 you wrote that although a 20M gold coin might one day buy 40 Meinl notes, people who brought these notes to Meinl's shops would get only the same amount of goods as before the rise in gold.

(J.Z.: That applies to currently issued notes and their reflux. When, upon restocking the Meinl shops, they would have to pay more or less for their goods, from wholesalers, then their retail prices of these goods would, naturally change, in the future, accordingly. But this does not mean that gold weight units could not still be used in their prices and in their notes. - J.Z., 21.5.03.)

You repeated this in your letter of 29/9, and several times since.

And when, on Mar.15, I wrote you that Zander thought (*) that if the world price of gold altered, the value of your notes would be correspondingly altered (in goods of course), you replied on 20/4 that Zander was wrong.

(*) (J.Z.: As becomes clear from M.'s report of his talk with Z., M. only **thought** that Z. thought along M.'s lines of thought but did not quote Z. literally. M. often assumed that others thought in his terms and accepted his premises and ascribed his own terms and premises to them. From M.'s report we cannot find out what Z. really thought and actually said. Even good friends can misunderstand each other that much, as is frequently demonstrated by this prolonged correspondence between B. and M. - J.Z., 21.5.03.

In view of these statements, I think you must admit that I was justified in thinking that you proposed to sell your goods at the same price in "sovereign notes", no matter what the world demand for gold, and whether gold sovereigns were in circulation or not. Hence the question I constantly put to you: What is the "sovereign" printed on your notes when the world demand for gold has increased, and all gold coins have disappeared.

(J.Z.: A weight unit still remains a weight unit. A value unit adopted still remains a value unit adopted. But prices expressed in that value unit may go up and down and a retail shop or association of retail shops acting as bankers, could not exempt itself from the ups and downs in national and international prices. They could redeem all their issued notes still at the old prices. But if they had to restock at higher - or lower -prices, then they would have to charge higher - or lower - prices, too, when reselling them. And their new note issues, still expressing their value in gold weight units and being redeemed in their gold-weight priced goods, could continue. - J.Z., 21.5.03.)

Your letter of 18/6 alters the whole discussion. You say now that when the demand for gold increases four-fold, you will cut your prices (in notes) to a quarter of their previous level. And whereas previously you wrote that when your notes were not at par with gold, you would stop issuing, I understand now that you will simply alter your goods prices to conform with the new value of gold, and will go on issuing as before.

In my letter to you of Feb. 13, I detailed objections to this plan (p. 2, par. 3). You reply that general fluctuations in the demand for gold are so rare that little difficulty will be experienced in practice. In my book, however, I have shown that fluctuations in the world demand for gold before 1914 caused frequent changes in our bank rate, and seriously hindered our production. I freely admit that the fact that London was the only place in the world before 1914, where gold could be freely got to almost any amount, caused changes in the demand for gold anywhere in the world to be centred on London and this increased the severity and the frequency of those changes in our bank rate. Nevertheless, even if every country in the world allows free buying and selling of gold, there will remain two great sources

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of fluctuations: (1) for the settlement of trade balances; (2) for hoarding. A country that wants gold will put up its

price; and every country that can spare gold will then send gold to it. This will disturb the paper price of gold everywhere, and, no matter how small the change, it will affect the value of your "sovereign" notes. If you are really proposing to alter all your commodity prices with every change in the demand for gold, people who buy and sell will never know for any length of time what precisely their money is worth. Long-term debts in money will also be difficult to arrange.

Before 1914 the Bank of England controlled our currency and the buying and selling of gold. The Bank disregarded minor fluctuations, and altered the bank rate only when the change became great. This preserved our commodity prices from daily fluctuation; but when the change came, it was much more serious. The difficulty is the same as when the State abolishes the free market in commodities and indulges in bulk buying. In a free market the price changes daily - nay hourly - with every change in demand or supply; whereas the State buys at infrequent intervals, and the changes in price are more severe. Therefore if you insist on preserving a fixed relation between your notes and a given weight of gold, you must choose between frequent small alterations of all commodity prices, and less frequent severe alterations. I do not envy you your choice.

By the way, we do not use the word "which's" in English. We certainly say: "The man who spoke", and "The stone which fell"; but in the possessive case we say "The man whose clothes are new", and also "The stone whose shape is round." These irregularities in national languages are quite unnecessary, and are infuriating. You will remember that Spencer refused to learn any foreign languages because the illogical irregularities offended him so much. Esperanto or Ido are quite regular in these matters.

I much hope that your health is better with the warmer weather. New York may have had a heat wave; but here the weather remains cool; and I had a fire all last week. I cannot sit down and think if I am cold - my head gets hot, and my feet cold.

What exciting, times you are having in Berlin; with you so near to the Soviet sector. But on the whole Russia seems to be becoming much more reasonable. (J.Z.: Is this individualist double-talk? - J.Z., 21.5.03.)

Sincerely yours - unsigned

Your letter of 25/6 received yesterday 30 June, 1953

Dear von Beckerath,

The main difference between us now appears to be over the possible frequency of changes in the demand for gold under your system. On p.1, last par. of my letter of 23/6 I put forward two main causes of such changes: (1) settlement of trade balances; (2) hoarding.

You reply to (1) that you follow Adam Smith. I know my "Wealth of Nations" pretty well; but I cannot recall a passage in which Smith denies that if a country buys more than it sells the value of its currency abroad will fall, and at a certain point it will be cheaper to settle the balance in gold. Goschen remarks that a difference exceeding 2% in the exchange rate between England and France is enough to cause an export of gold.

To (2) you do not reply.

In the same par. I remarked on the frequency of changes in our Bank Rate before 1914. As to the frequency please look up pp. 179 et seq. of "Free Banking".

You reply that freedom of note issue will reduce this frequency.

There were only two causes of a drain of gold from our B/E before 1914:

- (1) an increase of spending at home, causing increased bank loans and the need for increased bank reserves;
- (2) a demand for gold from abroad.

Freedom of note issue will certainly reduce (but not abolish) (1); and if all countries adopt freedom of note issue, (2) will also be reduced. But freedom of note issue will not reduce the foreign demand for gold for hoarding, or the settlement of trade balances (note that large loans abroad also tend to disturb trade-balances).

I therefore expect that even under freedom of note issue, the world demand for gold will fluctuate pretty frequently; and if one country alone adopts freedom, the demand for gold upon it will be greater.

Moreover there is the deeper disadvantage of a fixed relation between gold and paper, namely, that an increase of trade activity (such as we both hope to result from freedom of note issue) tends to call forth increased

loans; and until the goods produced through the agency of these loans are sold, prices will tend to rise. The very fact that credit is everywhere restricted today shows that present prices are unduly low. But when the rise occurs the foreigner exports cheaper goods to the country in question, and takes in exchange, not goods, but gold, which by the hypothesis has not been allowed to rise in price. In a country where the ex/med. is created by banks who maintain a gold reserve, this drain of gold forces a contraction of credit. The issuers of your notes do not bind themselves to redeem their notes in gold; nevertheless such a drain of gold will cause your notes to drop to a discount in relation to gold. In the *Viergesetzen* you lay it down that

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when the Reichsbank notes are at more than 5 % discount in relation to gold, the Reichsbank must stop issuing. I do not know why you single out the Reichsbank for this harsh treatment, since in the case of a drain of gold all your shopkeeper notes will be at a similar discount in relation to gold. I suppose you would support Gide in the quotation I give from him on pp. 166-7 of "Free Banking." Apparently, however, you will not prohibit your shopkeeper banks from continuing to issue, and you will allow them to change the gold prices of their goods. When I urge that such changes of commodity prices are vexatious to production and trade and confuse all long-term debt contracts, you reply (1) that changes in the demand for gold of such a size are rare (you point to our experience before 1914).

I have previously referred you to p.179 of "Free Banking" where I show how many more changes of bank rate we suffered than Germany or France. Moreover we would have had more changes of bank rate had not the B/E constantly sacrificed its profits in order to check gold fluctuations. When the B/E found that too many notes were being presented for conversion, it sold securities in the open market. This made money scarce and reduced demands for conversion. You would have no self-sacrificing B/E, and your gold would be exposed to the full force of foreign demand.

There then arises the chief point I would like you to meet. At what stage in the fall (or rise) of your notes in relation to gold would your shops alter their prices? I think it was you who originally introduced the example of a fantastic increase in the demand for gold; and I agree that such crises are rare. But in 1907, when we had a 7 % bank rate, agents went about France collecting gold from railway stations and the large stores for export to London. And I refer you to Goschen's remark quoted above. I think therefore that you must expect fairly frequent changes in the demand for gold, even under your system; and, as I wrote in my last letter, you are faced with the choice of frequent small changes in your commodity prices, or of making fewer big changes. If you adopt the former course, there will be chaos in your shops. If you choose the latter course, you will throw producers and merchants into periodical convulsions.

You are unjust to me when you say that my book states that note monopoly is alone to blame. Already in the preface (foot of p.XI et seq.) I refer to the gold question; and on pp. 287 et seq. I point out the need to protect a bank's gold store in times of strong foreign demand. The whole of Chapter VII is an endeavour to show that the opponents of the 1844 Act failed precisely because they did not see that freedom of note issue would not work with a gold standard. And the whole of Chapter XII is devoted to setting forth an alternative to the gold standard. Before writing the book I discussed for months this very subject with O. E. Wesslau, co-author with Egmont Hake (whose son, by the way has recently joined the Pers. Rights Assoc.) of "Free Trade in Capital." He eventually admitted that free banking would not work if the gold reserves of banks were exposed to unforeseen foreign demand. (*) He did not use your argument that that considerable foreign demand is so rare as to negligible. I have criticised his views on p. 288 of "Free Banking."

Sincerely yours - signed: Henry Meulen

(*) (J.Z.: Fully free banks would not be tied to gold reserves and would gladly get rid of that burden. They would not need them for their sound issues, at par with gold weight units. - J.Z., 21.5.03.)

P.S. One other point. You argue that price alterations do not matter, since market-prices alter today. But changes due to supply and demand are inevitable, and in any case affect only particular commodities at one time; whereas price changes arising from gold fluctuations are unnecessary, and they affect all commodities and services. Price changes due to supply and demand are infrequent, except in the case of perishables; whereas gold fluctuations are frequent, arising not only from fluctuations in production, but from the shift of gold from country to country. Market changes in ordinary commodities are made by producers in competition with each other, and can fairly easily be investigated by consumers, whereas gold changes require knowledge of the bullion market, with which few consumers have contacts.

Finally practically every economist has pointed (to? out? M. wrote nothing here. - J.Z.) the disadvantages of the use of money which itself suffers fluctuations. Irving Fisher wrote whole books on the subject - so did my old friend Jas. C. Smith; and I myself was sufficiently impressed to write a whole chapter on the subject in "Free Banking."

The enclosed correspondence will interest you. Please return it at your convenience.

signed: HM

Your letter of 3/7 received yesterday 8 July, 1953

Dear von Beckerath,

Let us be clear on one point. In your letter of 18/6 you write that after a drain of gold, four bags of coffee will be sold under the Warner system at the price (in notes) that one bag was sold previously. I call that system a fixed relation between paper and gold. What do you call it ?

By the hypothesis gold has increased four times in value. Therefore one gold coin buys four times as much goods as before, and you will increase the value of your notes by four, thus keeping a fixed relation between paper and gold.

(1 =Beckerath's marginal note.)

(J.Z.: No! Goods in the shop, for new issues of notes, will still have their priced expressed in gold weight units, but with the prices correspondingly reduced. The notes will still be expressed in gold weight units - at least until another value unit is adopted in them, if ever. The notes will buy more, as they will in every case when goods prices have been reduced. B. would not have "increased" the value of his notes or the value of the gold weight unit. The market would have done that. The "fixed" relation would still be a quite natural one: Readiness to accept both, the own notes expressed in gold weight units in the same way as the same weight units of gold would be accepted. But these price changes would not apply to the goods required to retire the previously issued notes. No matter how great the discount of the previously issued notes may be on the gold market, the shop would still accept them at par - and then cancel or destroy them and issue new notes, based on newly stocked goods, at new prices. Due to the acceptance of the old notes under the old conditions, and their discount on the general market, the old notes would be very rapidly retired. - J.Z., 21.5.03.)

When I urged that it was vexatious to trade to change all commodity prices merely because of a change in the market price of gold, you replied that changes in the bullion market are so rare as to be negligible in practice. My replies of June 23 & 30 were intended to show that changes in the bullion market will be frequent even under a Warner system.

(2 - Bth.)

You now write in several places that movements of gold will not affect Warner notes since the issuers do not bind themselves to redeem their notes in gold. But you have already said (June 18) that a drain of gold will compel your shops to reduce commodity prices. Presumably also, if gold comes in, prices must be raised. Are these alterations of no importance? Of course if such alterations were very infrequent, they would be negligible; but my contention is that they will be frequent, even under a Warner system.

(3- Bth.)

I gave examples from our pre-1914 experience only because you frequently write that before 1914 changes of commodity prices were infrequent. But when I point to the frequent changes of our bank rate, you change your position, and say that these fluctuations were due to the right of holders of bank notes to secure redemption in gold. I take it then that you admit that before 1914 we suffered frequent changes of bank rate, and that these caused changes of commodity prices.

(4 - Bth.)

Let me therefore confine myself to your argument that our pre-1914 bank rate fluctuations were due to our gold redemption system, and that the Warner system is free from this hindrance.

(5 - Bth.)

The object of the 1844 Act was to preserve parity between gold and paper. The Warner system also will maintain this parity. The 1844 Act secured its end by restricting credit when gold was scarce, and by easing credit when gold was plentiful. Restriction of credit prevented merchants from buying, and manufacturers were therefore

compelled to reduce prices. You presumably agree that this was bad: it was accompanied by unemployment and low wages. But under the Warner system, prices will equally be reduced when gold becomes

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scarce. You seem to think this does not matter so long as credit is not restricted. But, firstly, a manufacturer whose product cost (products cost or product costs - J.Z.) him £ x cannot sell for L x-y without serious loss. Secondly, every manufacturer must plan ahead. He makes contracts for raw material and for wages. He cannot foresee gold movements, and if commodity prices are to be altered with every gold movement, all production and trade will be hindered.

(6 - Bth.)

It seems to me that your only reply can be that gold movements will be infrequent under a Warner system, since I cannot see how, under that system, the shopkeeper and his customers can protect themselves against these changes (your letter, p. 3, par.1). You seem to think that gold movements are caused solely by the right given to creditors to demand gold. I reply that nowhere in the world have creditors such a right today - yet there are frequent gold movements. Why? Simply because gold is fulfilling its basic purpose of supplying the absence of mutual trust. So long as there is danger of war, revolution, and State inflation, nations will not extend general long-term credit to each other, either in the form of Verrechnungsanweisungen or in any other form. When one nation has bought from another more than it has sold, its currency will depreciate in that other country. But its gold will not depreciate and importers will at a certain point prefer to pay in gold.

When a certain amount of gold has been thus exported, gold owners (in the Warner system) will refuse to sell gold at the rate of one sovereign for £1 note: they will raise the price of gold; and when they do this, the Warner notes will be at a discount to gold, and according to your letter of 18/6, shopkeepers will reduce the prices of their goods proportionately.

(7 - Bth.)

Now, however, I find a certain confusion in your argument. You write (p.2, 3rd par. from bottom) that when the Warner notes are at a discount with gold, people will refuse them, and the holders of the notes will present them to the issuing shopkeeper in purchase of his goods. But why should notes be refused when they will buy more goods than before? The only people who are discounting the notes are the owners of gold. Why should ordinary people be troubled at this? And as soon as the shops reduce their prices proportionately to the increased value of gold, the notes will return to par with gold, and will again be accepted at par by gold owners.

(8 - Bth.)

Sincerely yours signed: Henry Meulen.

Did I not send you a copy of "Free Banking"?

Column from INTERNATIONAL FINANCIAL NEWS SURVEY, June 5, 1953, page 377. marked, presumably, by M:

"Increases in Thailand Exchange Rates

Late in May, the exchange rate set by commercial banks and exchange dealers in Thailand rose from 17.00 to 21.50 baht for U.S. dollars and from 48 to 54 baht for sterling. The sharp rise was attributed to several factors:

- (1) the fact that merchants who obtained U.S. dollars and sterling from the Bank of Thailand did not use the currencies for imports of essential commodities, as intended;
- (2) a decrease in Thailand's rice exports;
- (3) a drop in prices of such export goods as rubber, tin, and wolfram;
- (4) the auditing of bank accounts by government officials to make certain that the banks were observing the exchange control regulations regarding overseas remittances;
- (5) the demand of creditors abroad for payment for imports, because of fear of a communist invasion of Thailand; and
- (6) the flight of capital owing to fears of foreign aggression.

Source: FAR EAST TRADER, New York, N.Y., May 27, 1953.

(Points 5 and 6 were especially marked in the margin. - J.Z.)

Your letter of 10/7, received today

14 July, 1953

My dear von Beckerath,

Believe me that if I have misstated your views, it is quite unintentional. I am honestly trying to find out what exactly is the Warner plan. Will the prices of goods in the Warner shops be altered when the demand for gold in the bullion market alters, or will they not?

(1 - Bth.)

In your letter of 18/6 you wrote that when the demand for gold increases, the price of coffee will be reduced. In your letter of 3/7, however, you write that movements of gold will not affect Warner notes. I now gather that you mean that Warner prices will not be altered in response to gold movements, but only in competition with other shops' commodity prices.

(2 - Bth.)

But this does not remove your difficulty. Let us drop the example of a four-fold increase in the demand for gold (which we agree is fantastic), and consider a 5 % increase. When this rise occurs, gold exporters will buy gold on the bullion market for export. They will use for this purchase whatever notes they have, and among them presumably Warner notes. Long before the 5%, increased demand is satisfied, gold owners will raise their note price for gold, and Warner notes, together with all other free notes, will be at a discount in relation to gold, even if it be only 1 or 2 %. Now, in your letter of 7/7, in replying to my par. 2, line 6, you repeat that as soon as the Warner notes suffer a discount on the market, people will decline them. How then is it possible to say that the Warner system will not be affected by gold movements?

(3 - Bth.)

When I suggested in my letter of 3/7 that if shopkeepers reduce their prices when their notes fall on the bullion market, there is no reason why people should return notes to the issuing shop, you agree. But note that my supposition is that the fall in the value of their notes be accompanied by a decrease in commodity prices. And the notes will not return to par with gold unless shopkeepers reduce their prices proportionately to the increased demand for gold.

(4 - Bth.)

The upshot of all this is that I am still uncertain if the Warner system proposes to reduce prices when the demand for gold increases, or not. It seems obvious to me that all note issuers who wish to preserve a fixed relation between their notes and gold, must reduce prices when the demand for gold increases. Therefore even if the Warner shops will alter their prices only in competition with other shops, a change in the bullion market will compel other shops to change their prices, and Warners must follow suit.

(5 - Bth.)

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The issue is simple. If the shops do not alter their prices when the demand for gold alters, they are on a paper, not a gold standard. If they disregard small alterations, and alter prices only as a result of a large alteration in the bullion market, they are using a paper standard for small gold changes and a gold standard for large changes.

(6 - Bth.)

One other point. On p. 3, par. 1, you write "Obviously you suppose here a price of gold expressed in course-forcé notes."

I was not - I was supposing a free gold market and free notes. I wrote that "when a certain amount of gold has been exported, gold-owners will (in the Warner system) raise the paper price of gold."

What action do you think that gold-owners in such a free system will take when the demand for gold increases?

(7 - Bth.)

Sincerely yours - signed: Henry Meulen

Your letter of 17/7, received today. 20 July, 1953

Dear von Beckerath,

Let me keep this letter to one point.

In your letter of 16/6, p.1, par. 2, you write:

"You suppose the purchasing power of gold became fourfold, and that by an excessive demand for gold ... My shops will restore the state of 1913 That means, the label which said before: This bag of coffee is sold for a, sovereign or for a note in the face value of a sovereign, that label is removed and replaced by a label: Four bags, containing coffee like this, are now sold for 1 sovereign or for a note in the face value of 1 sovereign."

In your letter of 3/7, p. 2 par. 4, in which you reply to p.1 of my previous letter, line 2 from bottom (I wrote that a drain of gold will cause your notes to drop), you write that "the suppositions from which you start (B. used "depart" instead of "start" - J.Z.) are not given in Warner's system. The notes will not drop."

Am I not justified in thinking that your reply as quoted in par. 1 above is in contradiction to your reply as quoted in par. 2 above?

(J.Z.: The notes did not drop in this example. On the contrary: The bought four times as much in coffee as before. Does that express their depreciation? But notes of the previous issue, by then withdrawn, with the goods sold, might have been depreciated on the bullion market - if they ever reached it, or in local general circulation, but were still of full value at the shop, until all of them had been withdrawn, paying for coffee at its old price: Only one bag of coffee for a one-sovereign note. Those who had bought these notes cheaply anywhere, got their coffee bargains earlier than the others, with their new notes, still standing at par with their gold weight units and now being accepted for four times as much in coffee.

Sincerely yours - signed: Henry Meulen

P.S. P.2, par. 1. Yes - I should have written: "When I suggested in my letter of 8/7, last -par.

Your letter of 23/7 received yesterday 28 July, 1953

Dear von Beckerath,

If you and I cannot explain our meaning clearly to each other, we have little hope of converting others.

In your letter of 17/7 you asked me to give par. and line in your letter of 16/6 where you wrote that if the demand for gold increases, the price of coffee in the Warner system will be reduced. In my reply of 20/7 I quoted your actual words, and pointed out the contradiction between this and your statement in your letter of 3/7 that an increased demand for gold will not cause the Warner notes to fall in relation to gold. You now write that you see no contradiction.

But if more notes are demanded by gold-owners for their gold, it is surely customary to say that the notes have fallen in relation to gold. The owner of ordinary goods has now two alternatives:

(1) He can ignore the rise in the demand for gold, and leave his commodity prices unchanged (as you propose in your letter of 3/7). We may then say that at his shop the notes have not fallen in relation to goods; but then the notes are an a paper, not a gold standard.

(2) He can remain on a gold standard, and alter all his commodity prices in proportion to the increased demand for gold (as you suggested in your letter of 18/6). We may then say that his notes have not fallen in relation to gold; but he has been able to secure this result only by making all his goods fall in price proportionately.

(J.Z.: Rather, he got his re-stocking goods cheaper and thus could sell them more cheaply! But then he does not usually buy them with gold. He can only issue new notes, still with the same weight unit of gold as a standard of measure, buy with them restocking goods, more cheaply than before, price the so bought goods according to the new and higher purchasing power of the weight unit of gold, and get his profit as before from selling goods at a retail price margin, but this time at prices, reckoned in the new gold weight value, that are lower than they were before. Most retailers would be quite happy to buy and to sell more cheaply than before. Meulen sees problem where none exist.

Disagreements could arise, though, for long term contracts with a gold clause. It is either literally interpreted or not. It may also be supplemented by an index clause, or by an agreement that small changes will ignored and significant changes will be shared among the contractors. Freedom of contract - free choice of value standards and also competitive jurisdiction and arbitration systems! - J.Z., 21.5.03.

I think you should admit that the statements in your letters of 18/6 and 3/7 are contradictory, and you should tell me which of the two you now uphold.

You write that in my letter of 30/6 I gave no reasons for my opinion that a drain of gold will cause the Warner notes to fall to a discount in relation to gold. At that date I thought the statement so obvious that no reasons were needed. When you questioned it, I detailed the process in my letter of 14//7, par. 3. To what part of this par. do you object? In your letter of 23/7 you write (par. 3 from bottom) that notes which fall when the demand for gold increases, will be declined by the Public. But when the demand for gold increases, somebody will want to export gold. Those people will buy gold with whatever notes they have. Some of them will have Warner notes, and those notes will be accented by gold owners only at a discount in relation to gold. I do not see how this discount can be prevented.

(J.Z.: The Warner store will still accept them at par and thus they will tend to disappear there, rather than be used on the gold market, where they would be widely refused. - J.Z., 21.5.03.)

When we have got these points clear, I can go onto your other points; but these are fundamental, and any

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discussion on the standard of value must get them clear.

Please note that the question of the standard of value is distinct from that of the system of note-issuing. The Warner system can be operated either on a gold (And this gold-standard, as detailed in my letter of 14. 7., par. 3, does not involve cours-forcé for the notes.) or a paper standard - all I want to know is which standard it will use.

Sincerely yours - signed: Henry Meulen

One other point.

How do you account for the fact that German banks habitually grant longer date loans than do British banks? Of course before 1914 we were on a gold standard, and you were not. Hence our bank reserves were always exposed to danger of unforeseen withdrawal, whilst your's were not. This doubtless allowed German banks to make longer date loans than British banks. But since 1931 we have been off the gold standard, yet our banks still confine their advances mainly to short-date loans, whilst Germany makes long-date loans. I suppose the reason must be that there is more competition between German banks than exists here, since there is today no reason why our banks should not grant equally long date loans. Yet our banks constantly criticise the German habit of long-date loans, and declare loftily that British banking is carried on in a sounder manner. Of course it is safer for a bank to confine itself to short-date loans; but it is queer that not one of our banks sets out to get the profit that might result from launching out into longer date loans.

H. M.

Dr. Winther, of Heidelberg, sends me today a cutting from some German paper, dated apparently Mar. 5th, of an article "Geld ohne Fesseln" (Money without Fetters) by Vizekanzler Franz Bluecher. It looks as though Germany also is sighing to get back to the orthodox gold standard. Bluecher states unashamedly that "Die Goldwaehrung setzte voraus dass man den Goldpreis, also einen Warenwert, herauf- und heruntersetzte." (The gold currency presupposed that one set the gold price, that is a commodity price, up and down. - J.Z.)

He add that "Konvertibiliaet hat als erste wichtigste Voraussetzung dass die Regierungen ihre Finanz- und Wirtschaftspolitik so einrichten, dass die finanzielle Stabilitaet in jedem Lande gesichert ist. Ein- und Ausfuehren lassen sich nur dann in ein harmonisches Verhaeltnis bringen, wenn alle inflationistischen und deflationistischen Tendenzen beseitigt werden." (Convertibility has at its first and most important precondition that the governments will arrange their financial and economic policy in such a way that the financial stability is secured in every country. Imports and exports can only be brought into a harmonious relationship when all inflationary and deflationary tendencies are abolished. - J.Z.)

Happily this puts off the restoration of a gold standard to the Greek Kalends. Can nobody persuade Germans that if international debt contracts are fixed in the free price of gold, convertibility can be introduced tomorrow? The nations can then inflate or deflate as much as they like, but international debts will be settled in the free price of gold. If exporters wish to guard against currency loss, let them agree with the foreigner to halve the variation in the free price of gold. But nobody seems to discuss this point. So far as I know Senator McCarran is the only public man who recommends that gold be allowed to find its free market price.

Dear von Beckerath,

14 Sep. 1953

It is a long time since I heard from you. I trust you are not ill. I have been on holiday in Scotland for about a month. I drove up the west coast of Scotland, where the scenery is very wild, with deep lochs running from the sea into the mountains. I enjoyed it much, and, luckily the car behaved itself excellently, in spite of occasional bad roads.

I also spent a very sweet week with my daughter and son-in-law, in a little cottage they have on the Firth of Forth, about 50 miles from Edinburgh, in the district that Scott describes in "The Bride of Lammermoor."

Enclosed is a front-page article from this week's "Economist" which will interest you. I have marked two passages with which I rather disagree. The legend arose in England during the 1914 war that the Germans are respecters of authority. We, of course, wanted to find a reason why the Germans could reject the "obvious" justice of our cause. We could not admit that they had good reasons for going to war (Did their government??? - J.Z., 21.5.03.) so we invented the idea that they just went to war because the Kaiser told them to. In my experience the ordinary thinking German is, if anything, more independent than his counterpart here. If there are fewer parties in Germany today than formerly, it is that the fear of Russia is a uniting element.

I doubt also if the victory of Adenauer shows that Germans prefer a leader to a policy. I rather think that the Russian danger caused many to vote CDU who would otherwise have voted Socialist. They fear that the Socialists will reduce Germany's military strength. Also I think that Germans feel the need of a united European front against Russia more than we do. We are actually more isolationist than the Germans. (Is this an individualist who is writing, or an industrious newspaper reader? - J.Z., 21.5.03.)

In the next "Individualist" I am reviewing a book "Men against the State - The Expositors of Individualist Anarchism in America 1827-1906" by Dr. James J. Martin, published in USA. It is really most interesting, and if you have time to read it, I shall be glad to send it to you. The individualist anarchists have been sadly neglected.

Sincerely yours - signed: Henry Meulen

(J.Z.: I just read the above-mentioned article in THE ECONOMIST, Sep. 12, 1953, headed: "A New Germany", but do not find it worth my while reproducing it here in full. It is the usual election comment with some speculation on politics as usual. Such articles can bore me almost to death, like Christian preachers can with their sermons. Thus I reproduce here only the passage marked by M. - J.Z., 21.5.03.)

" ... But the disquieting fact is that when Germans voted for the Christian Democrats they were, above all, voting for Dr Adenauer personally. The election result cannot be taken as conclusive evidence that the Germans are now convinced democrats. On the contrary, it shows how keenly they still follow a strong national leader, choosing a man before party or policy. ..."

8 March, 1954

My dear von Beckerath,

It seems so long since I heard from you. I hope that you are not too ill to write. After all, you do learn from "The Individualist" what I am thinking, but I hear nothing from you. On the whole it has not been too bad a winter here. We had only one really cold spell of about three weeks, during which I had one burst water pipe here in the house, and lost a swarm of bees. I had omitted to cover them up properly, and the poor little things were frozen. But the burst pipe I mended myself. My neighbour had to wait four days for a plumber to call.

You probably know as much about our politics as I do. I am a little fearful about our Chancellor. I rather fancy the Americans may tempt him to put us back on the gold standard. I do what one man can to oppose it; but the trouble is that for most Individualists the only alternative to a fixed paper price for gold is a State-managed currency, and they tend to prefer a gold standard. In USA the alternative of a free market paper price for gold is much more frequently discussed. Senator McCarran keeps hammering away at the subject.

The "Times" today has a long article on the state in West Berlin. The article will be concluded tomorrow. I will keep this letter back and enclose the two articles.

The Western Powers seem unwilling to put pressure on Russia to allow free elections in the Eastern Zone. I am rather afraid that when Western Germany is rearmed, she will take forcible steps to expel the Russians. She could hardly be blamed for this; but it is likely to be a bloody affair unless the Western Powers support her. Russia has no case at all for denying free elections in the Eastern Zone; but I suppose the Allies take the view that if anybody has to suffer, it should rather be Germany since, after all, she did start the whole silly business.

I am glad to report that my stomach is still doing well; and, surprisingly enough, my hair is beginning to grow again on the top of my head. My indigestion must have deprived my blood of some element required for hair-growing. The electric blanket was a great comfort in the cold spell. It is a great advantage to have the whole length of the bed warmed instead of just the feet, as is the case when one relies on a hot water bottle. I notice that the same manufacturers also make an electrically heated pad which can be used on any part of the body like a poultice. I should think it is very good.

My best wishes to you. Write me at least how you are.

Sincerely yours - signed: Henry Meulen

(I have no letters from M for the almost 5 year interval, nor any letters after the next two. Perhaps Mr. Duewal in Berlin still has them somewhere in his collection, probably still inaccessible. - J. Z., 21.5.03.)

6 February, 1959

My dear von Beckerath,

Thank you for your reply. I hoped that the bait of a really unusual discussion on money would attract you, and I am glad you rose to the bait. You are one of the few men to whom I can put monetary problems and get a judicial reply. I feel rather like Nietzsche who used to write across Europe to Strindberg saying that they two were the only people who could discuss reasonably; although, from my reading of Strindberg I cannot see that he was really a soul mate of Nietzsche.

I am sorry you have been so ill. Perhaps the cause was this disgusting winter. We have had more thick fog than I can remember, and London seems a vast hospital of bronchial trouble. I, however, have been very well, although aged by my operation. But I still sit down to a good discussion with zest; in proof of which I send you the last "Individualist." It was a wrench for me to desert my long held belief in collective security, but I had to give it up.

Will it be all right if I send future numbers of the journal to your private address by printed papers post in a plain envelope"?

Good luck to you - signed: Henry Meulen

1 May, 1959

My dear von Beckerath,

Thank you for your letter of Ap. 20 with the copy of de Puydt's article, which I have read with much interest.

The fundamental problem which faces Anarchists is not the ideal - most men would like to live without outside coercion - but the method to attain this ideal. The method which proposes simply to abolish the coercive power of the State seems to me an impossibilist one.

Firstly because of the ever-present danger of war. In face of such a danger, nations will hardly permit important sections of their people to escape liability to fight.

Secondly, the problem of Socialism. The Socialists believe that the State should take over all industry. They are not likely to admit the right of sections of the people to disobey the central decision.

(J.Z.: Firstly, M. overlooked how much panarchism could strengthen the defensive position of the side which realized it first, while weakening the military strength of any despotic regime.

Secondly, he overlooked that the Socialists would get their chance to do their things to themselves, at their own expense and risk, for as long as they can stand it. They would not have to engage in any election struggles and power struggles once they had gained an election but could simply go ahead with their socialist experiments, supported, initially, by about half the population.

Moreover, he mixed up the abolitionist position of anarchists with the panarchistic position. The panarchists would not abolish the State but merely leave it, secede it, be no longer any trouble to it. And the State could be continued, with the support of the numerous Statists, although only on the exterritorial model, no longer on the territorial model. The Catholic Church managed very well its continuance based upon exterritorial power only, even in predominantly Protestant countries. The anarchist abolitionist approach maximises resistance, the panarchistic one minimises it. - J.Z., 21.5.03.)

The more hopeful way is, I think, Tucker's. Abolish the money monopoly, and the resultant prosperity will remove unmerited poverty. Socialism will then lose its central argument, and it may be hoped that the contest between Russian Communism and Capitalism will then decay. That would mean the disappearance of one of the great threats of war today. Then the hope for the abolition of the coercive powers of the State will improve.

(J.Z.: A peaceful monetary freedom revolution would mean a part-realisation of panarchism - in the monetary sphere. Other panarchistic and part-realizations of panarchism might occur e.g. in the sphere of transport, social insurance, health services, postal services, power supply, etc. People might come to drop out not from all State services and burdens and laws at the same time but out of certain segments of them only, particularly those which the territorial governments obviously manage very badly. Many politicians would be only too happy to get rid of problems they cannot solve and that hang like heavy stones around their necks. - J.Z., 21.5.03.)

Your letter sent me back to "Social Statics." I am luckier than you, in that I still possess the first edition., with chapter XIX. Why did Spencer suppress this chapter in later editions? In the "Autobiography" he states the reasons why he afterwards came to the conclusion that nationalisation of the land was bad; but he does not say why he omitted "The right to ignore the State." I admire him so much that I am unwilling to believe that he had an unworthy motive. But Chapter XIX is excellent, and it is possible that de Puydt had read it before he wrote his article.

All in all, however, the de Puydt article does not seem to me worth the labour of translation into English. For fifty years I have tried to persuade people to take the relatively small step to freedom involved in granting freedom of note issue and the abolition of the gold standard of value; yet there has been little response. How much less likely are people to respond to an appeal to grant the right to ignore the State!

Sincerely yours - signed: Henry Meulen

J.Z.: If he had, clearly enough supported that last-mentioned appeal, for 50 years, he might have drawn not only a few money reformers on his side but all other kinds of idealists as well, who under the democratic system have almost no chance at all to get their ideas realized but who, under individual secessionism and exterritorial autonomy, or experimental freedom in the economic, political and social sphere, could have realized their ideals fast, either proving or disproving them and thereby greatly promoting progress in these spheres, perhaps as fast as it occurred in the sphere of science and technology, under similar tolerance, exterritorial autonomy and experimental freedom. Alas, here, too, M. did not go sufficiently into the details and that may have been the reason why B. discontinued this correspondence, if he did and it seems that he did but I am not sure about this.

I am glad that this chore is mostly over now. Only a combination of 20 files, pagination and zipping with Win-Zip, remains to be done and some more introductory remarks and appeals. Zipping, hopefully, will reduce this correspondence to a size that would still fit onto a floppy disk and onto a single large e-mail.

More than ever before I understand now why so few people bothered to scan in and proof-read long texts, whole books etc. It's so laborious and time-consuming still! Microfiching such material is so much easier and faster, as a rule.

PIOT, John Zube, 21. 5.03.

PLEASE, send me e-mail addresses, to which I should send this letter exchange - or sent it to them yourself!