

[Taken from Peace Plans #11]

(I) [Slightly abridged by T.H.G.]

TRANSLATION: Since I do not possess the German original of this work, I could not even try to improve the translation in many cases. U. v. Beckerath found it frequently incorrect. (Now I do possess the German translation but I have not closely compared the two - but only in a few instances where I noticed the Spiller, who produced the English translation, had obviously got it wrong. Ideally, a professional translator, familiar both with English and German and with sufficient knowledge of economics would be able to provide a much better translation. At this stage, knowing my limitations, I will not even try. Beckerath mastered the German language very well and in case of doubt this original should always be referred to.

COMMENTS: In the first duplicated edition, I had added some comments in brackets, mostly signed with: The Editor, abbreviated. For this scanned and somewhat proof-read edition, I added some more comments, in brackets, mostly signed: J.Z., with the date.

CENSORSHIP INFLUENCE: In this essay as well, the author could not openly defy the Nazi regime and hope to survive. I trust that most libertarians are able to read between the lines and make the necessary deductions and additions themselves. As a rather obvious precaution against Nazi censorship, the author quoted some utterances of Nazis, e.g., on pp. 7, 56, 149, 203, 251 (compare also index references under Goebbels, Goering and Hitler) and stressed references to Bismarck, Frederick the Great, Prussian traditions, leaders and leadership and, naturally, had to omit references to the noteworthy Jewish tradition regarding monetary affairs. Is there another religion which makes honesty in monetary relationships a religious duty?

(One of my disappointments of coming to live, now for most of my life, in Australia, was that here, at least in my early years, since 1959, the "leadership principle", if it deserves the term "principle", was stressed and practised all too much as well, especially by very mediocre "leaders", all of whom had all too little knowledge of and interest in radical freedom options but mainly the personal interest of getting into power and staying there as long as they could, spreading or mouthing popular prejudices, presently against "illegal immigrants", intentionally put into remote concentration camps, for long periods, and rather inhumanly treated there, women and children included, as if they were criminals with victims. - J.Z., 5.12.01.)

UNDERDEVELOPED COUNTRIES: Ulrich von Beckerath describes the problems of underdeveloped countries as due mainly to three factors: 1.) a continuous currency famine, increased not mitigated by 2.) inflationary currency policies of their governments and 3.) lack of insurance cover. He provides detailed cures for all three problems. A more complete case could have been made to point out the relationship between lack of economic development and lack of monetary freedom. A future peace plan will deal with this, using India as an example. (See the few PEACE PLANS references in my main website, under development. www.acenet.com.au/~jzube)

REPETITIONS: You will find frequent repetitions of certain ideas, explanations and examples on these pages ? and can still bet on it that most of them will be misunderstood nevertheless. As v. Beckerath's essays were so far never printed together and appeared first spread over an interval of 5 years and were, moreover, never indexed before, the repetitions are largely excused. The matter dealt with is so new and complicated for most that the repetitions are not to be considered as a nuisance but rather as a help.

II COMMENT ON VON BECKERATH'S SUGGESTION OF A LIMITED COMPULSION - FOR PUBLIC INSURANCE

Dear reader please do not expect your kind of philosophical purity of libertarian thought in von Beckerath's writings. If you cannot, for instance, agree with him on the limited compulsion he suggests in the sphere of public insurance, do not let this disagreement stand in the way of your appreciation of the radical libertarian solutions he offers to major problems of present-day life like unemployment, deflation, depression, inflation, economic development, the social question in general and basic constitutional reforms, problems which are interrelated with almost all other human problems. (Note that in some passages he even suggested individual secession from the State, competing governments and competing law systems. Then reconsider his compulsory membership for public insurance companies within that framework! - J.Z., 5.12.01.)

Although, seemingly, he deals only with the technique of monetary freedom, his various reforms, sometimes only mentioned shortly and by the way, would in reality bring about a new economic social and political order, one based on individual liberty and peace and harmony as the natural condition between exterritorial and autonomous communities of volunteers.

I do foresee your objection against compulsory insurance but find it really somewhat absurd to accuse a man, who did advocate individual secession from the State, because, under present territorialist conditions, he advocates a degree of compulsion in the sphere of public insurance. In reality there is no contradiction as we will see later on. Let us pay him the respect he obviously deserves for his studies and at least try to understand the case he makes out for a limited compulsion in insurance. In his own objections against compulsory insurance he largely agrees with you and me. (Compare 273?276.)

1.) Beckerath's Concept of a Limited and Justified Compulsory Insurance

Ulrich von Beckerath called a natural or human right, one not yet codified by the U.N. or in any other well known code ?"the right of the individual ? within its obligation to provide for his own livelihood himself; even in case of inability to work ? to provide for this personal security without government assistance and intervention through private organizations or suitable private contracts. The individual is furthermore obliged to make somehow unmistakably known in what way he has taken care of his future subsistence."

In point 36 of the human rights draft contained in plan 110, this right and duty has been expressed as follows: "Every rational individual has the right and duty to provide against the risks of normal life, e.g. by taking out an insurance with an insurance company of its choice. Comment: It may only be forced to take out an insurance just sufficient to guarantee a minimum standard of living in case of illness, accident, invalidity, and old age, so that it may never become a burden to others, claiming support based on its right to life. Membership in an exterritorial and autonomous community of volunteers guaranteeing its members such a protection, on the basis of an assumed human right to receive the minimum material requirements for existence from society, either free of charge or as a loan, is a sufficient insurance." (This draft was largely compiled from suggestions in his correspondence.)

In other words, his concept of compulsory insurance implies that all those, whose income or property precludes a self?insurance against the usual private emergencies & needs arising out of sickness, accidents, invalidity, old age and catastrophes, should be forced, if necessary, to provide for their minimum requirements in such cases themselves, but each would remain free to take out an insurance with a company of his choice or one he sets up in association with others. The principle justifying this kind of intervention, in his eyes, is that to force a man to do what as a rational being he would do himself, does not do him (his personal personality as a rational being) any wrong. Even then, rational

beings would only interfere if the mistake made is not just a trivial affair. I wish someone would undertake the trouble and thoroughly explain the applicability of this principle and its limits. I hold that it would, for instance, well justify the forceful prevention of most suicides.)

The compulsion to take care of one's own requirements, the immediate ones and the future private emergencies and needs, which according to general life experience one must expect, would lead to a situation where nobody, who tends to be improvident and would voluntarily neither save sufficiently nor insure himself, could any longer be a burden for the general public. He would instead, by means of the insurance

system, be supported by his own efforts only, even in times when he is unable to support himself through his current work. In this way von Beckerath wanted to replace the present Welfare State system ? which compels everybody to provide for the welfare of everybody else and does not allow anybody to take care of himself, without restricting such efforts ? not only by the right of everybody to take care of himself (either by individual savings or reserve funds or by some mutual aid agreement with others according to his own choice), but by the enforced obligation of everybody thus to take care of himself and his dependents for common and calculable future needs and emergencies. Thus in his future misfortunes and incapacities, he would, as a rule, not have to appeal to the charitable feelings of others, would not become a ward or responsibility of others.

Social security would then be a "right", but a self-earned, a purchased, a contractual right against the insurance company of one's choice. A rational being (one which at least knows and respects the natural or human rights of others) foresees the risk of personal emergencies and disabilities and would, as a rational and responsible being, provide for such emergencies at least at the subsistence standard. Thus the above indicated compulsion is not directed against their natural inclinations, does not reduce their choice. It is instead directed against the irresponsible and improvident ones, who are now allowed to prey on the responsible ones ? anonymously, by means of taxation, that is, with the help of government compulsion ? or by their appeal to our charitable sentiments (sentiments developed as a survival trait of the species before insurance was invented).

To be economically independent not only from a Welfare State but also from private charity is a desirable aim for many whose charitable feelings or religious beliefs ? including a religious duty to be charitable ? are not strongly developed. We are in this respect in a period of transition, one which tends to break down even family communism and charitable relationships between parents and children. Many do already regard the dependency on the charity even of close relatives and the obligation to be charitable at least towards such people ? as a burden, not as a pleasant duty. Few of those individualists, who are only too ready to exclaim : "Let them starve if they did not provide for themselves in time!" - would actually have the stomach to let a starving man die before their door. Their wording does already indicate this. They do not definitely state: I would let him starve. Furthermore, they would not find it pleasant either to fight looters, during a hunger riot.

I do still think that von Beckerath has a strong case here in favour of a limited compulsion, one which would force the improvident and irresponsible to support themselves. If Beckerath's suggestion had been realized in time, we would not have to carry the present Welfare State burden and most people would by now have learned that they cannot have something for nothing, that they have to pay a price for the social security they desire. All who do now, without your consent, live at your expense, would then be self-supporting.

One might therefore consider this compulsion as a defensive and protective measure of those who love liberty and consider their property as inviolable.

(Please note, that neither Ulrich von Beckerath, nor myself, did ever advocate compulsion to insure oneself with an "insurance company", public or private, that is subject to a) the inflation risk, via monetary despotism, b) to the deflation risk, due to monetary despotism, d) to taxation and other confiscations by the State of the accumulated insurance reserves, e) to interest rate regulation, f) to compulsory "investment" in governmental "insecurities", or to any other wrongful and irrational interventions with a sound insurance business. Under such conditions the compulsion to participate would be a particularly nasty kind of tyranny. - J.Z., 5.12.01.)

From I. Kant's remark, quoted on p. 215, one might only conclude that all parties must at least submit to predetermined arbitration should a collision of rights and interests occur. Does such a collision occur when some persons do not insure themselves against personal misfortune and age, against fire, theft, floods etc.? In most cases and directly only the victims - and their dependents - would suffer. The others would be indirectly influenced whenever and to the extent that "Catiline existences" are created, strong appeals to their charitable sentiments are made, or the concept of a "duty" to help the poor and of "their right" to be helped, becomes popular and finds expression in corresponding coercive laws.

That "Catiline existences" are a threat to the safety and property of others has been vividly demonstrated by the riots in recent years which took place even in countries with the highest standard of living. Whether the appeal to charity does constitute a threat is a matter of doubt or is strongly denied by all those who have not yet read Ayn Rand's works. But please, do consider the present situation. The improvident, as voters, and through their representatives in parliament, do act as predators on the productive and self-supporting part of the population, quite legally and quite immorally. If this is not depredation, then what is?

It can hardly be denied that liberty lovers should "mind their own business". But it must also be recognized that when statists interfere with such rightful aspirations and mind not their own business but that of others, then it is the business of the liberty lovers to "intervene" against the interventionists and to force them to mind their business, in our case, to force them to provide for their own social security themselves. If it is rightful to defend oneself against an individual predator, a criminal, to restrain him and to reform him into a responsible and self-supporting citizen, then it is also rightful to employ preventive and defensive force against Welfare Statists. Do I have to go on arguing this point?

Under freedom to set up or join extraterritorial and autonomous communities of volunteers, the statists would undertake the required compulsory measures themselves, would introduce, through their elected shepherds, compulsory social and other insurance for all members of their herds. This one ought to be a really striking argument against the objectors. Alas, how many of my readers are already able to clearly visualize a society of this kind?

Let us, therefore, discuss further some of von Beckerath's arguments on compulsory insurance. He believes that a compulsory fire insurance would be justified in the same way as a compulsory membership in a juridical community (p. 215). The comparison holds to a large extent ? with regard to old type towns where wooden houses prevailed and the carelessness of a single uninsured could cause a fire that would go out of control and burn the town down. Then at least compulsory fire prevention and protection measures seem justified - if they stay within certain limits. Perhaps one might under such conditions consider not only this but also a compulsory insurance, comparable to that of bank-cashiers, so that whoever started a fire might be successfully held responsible by the burnt out neighbors. The insurance company selected by the insured would then see to it, in its own, the insured's & the neighbors' interest, that he takes a minimum of precautions against fire hazards. If this compulsory insurance would only cover the fire damage done to others and not at all the damage suffered by the guilty party, then the premium required might be reasonably low. Apparently, in practice, the guilty party is only rarely held responsible in such cases. I cannot presently remember even a

single instance of e.g., a careless smoker being charged with having set off a large scale forest fire and sued at least for part of the damage he caused. Should people always be charged and sued in such cases? If so, then they ought to be forced to acquire an insurance cover which would enable them to fulfil such a responsibility. Instead, the present tendency seems to consider irrational acts or irrational human beings as a natural hazard and one attempts only to provide an insurance cover once such "natural catastrophes" have occurred. Typical instance: insurance against theft.

An extension of the above indicated degree of compulsory fire insurance could only be defended on the basis of the three arguments discussed before: prevention of "Catiline existences, of the need for charity, and prevention of income distribution schemes of governments.

Nowadays houses can be built almost fireproof, and most of them are. People are at liberty to build only fireproof houses in the vicinity of wooden other ones. Thus only the careless or guilty ones need suffer directly from a fire they start. Furthermore, those who have lost their homes and many of their private possessions through fire, are not necessarily reduced to "Catiline existences" thereby. They may be forced to spend a higher percentage of their income than before on accommodation (rent for a furnished flat) and may have to make an extra savings effort to enable them to acquire again certain property they appreciate. In a society with economic freedom, including the economic freedom Beckerath demands, which would make full employment possible, to the extent that those who have labour power for sale desire it, no poverty need result from failure to insure property against the fire hazard.

In his estimate of the need for compulsory public insurance, von Beckerath seems to have assumed a static situation and to have forgotten the fundamental and dynamic changes implicit in his system - once it is applied, at least by a minority, and allowed to spread:

Already the insurance companies he proposed would alleviate the continuous currency shortage so typical for most Asian and other underdeveloped countries (even, and more so, when they are impoverished by the over-issue of forced and exclusive currency). Moreover, this issue of new and stable exchange media would most likely not be the only one. I can hardly imagine a situation where only public insurance companies would be permitted to make use of monetary freedom or would realize it in a revolutionary way. The change brought about by a sufficient supply of healthy exchange media and stable value measurement would directly and indirectly immensely facilitate ? among many other things ? the spread of private insurance.

These two reforms could reach their optimum effect naturally only if they are accompanied by all the other aspects of a free market economy. Inflation would no longer make insurance unattractive, deflation would no longer make it difficult or even impossible. Competition would lead to the offer of the most attractive insurance cover schemes. The decentralization B. envisions would permit the setting up of cooperative fire, health insurance etc. - on a level attractive to people still living in a village economy. To the extent that people would then at last be fully employed ? if they desired this ? and could thus gradually accumulate some savings, to the extent that they would thus become removed from a mere subsistence economy, they would get interested in taking out insurance covers. Private and voluntary insurance would be likely to spread still faster when cooperative banks would ask that, as an additional security for themselves, the would debtor insure himself and his property. They might, as von Beckerath suggested, take out an insurance for him and recover the expense together with the loan money. (That loan conditions of banks can increase personal security has e.g. been demonstrated in the early nineteenth century in the Southern States of the U.S. Duelling had become fashionable again at least among certain classes of society and was eliminated by bankers stipulating that any loan would fall due immediately if the debtor committed himself to a duel. See Charles Sealsfield (Karl Anton Post), "The Cabin Book", 1844.) Automatic and regular deductions of insurance contributions from bank accounts would make the collection of insurance contributions as simple and possibly even cheaper

than their collection together with taxes. This, again, assumes that free banking is introduced generally and at the same time. It must be admitted that European or American style commissions for insurance agents would be out of question for some time. However, do we have to consider this as an unsurmountable obstacle? I hold that localized insurance companies, applying the principles of monetary freedom, would not find it very difficult to become locally sufficiently known and appreciated. Every single one of their notes would act as an advertising leaflet. Particularly if the local clergy, physicians, lawyers, shopkeepers and money lenders (who by then would be likely to have set up local issuing centres) would cooperate, in their own interest, no great difficulties will arise in, building up a large voluntary membership. Perhaps considerable premium reductions for those who join without having to be persuaded by an insurance salesman and discounts, when people join as a group, on their own initiative, would be possible, advisable, and help spread voluntary insurance faster. The group insurance principle might be further applied by granting a no-claim or low-claim bonus to those small groups which, through preventive measures and mutual supervision, would keep the total claims of group members at a low level, last not least by reducing and almost eliminating fraud. If experience is any guide, cooperative insurance companies of the type suggested by von Beckerath would be likely to spread very fast, e.g., in China, provided that there are no legal obstacles, no matter how well intentioned) and that genuine cooperatives may be set up and not only state-owned and State-regulated enterprises, either exploited or subsidized by the State, and wrongly named "cooperatives".

It can be foreseen that a number of irresponsible statist and child-like primitive people would remain uninsured if insurance is not compulsory and if we tacitly, assume the continued existence of territorial, uniform, centralized and warlike States with a monopoly for passing laws and regulations. However, in a genuinely free society, granting to each individual free choice, even regarding political, social and economic institutions and laws, all people who have not privately taken care of their future would be likely to be

taken care of by statist-oriented extraterritorial and autonomous communities of volunteers, societies they would be likely to join or which would remain as a remnant of the present States, once the individual's right to secede from the State is recognized.

The Statist communities could provide for their voluntary members all the compulsory insurance and general Welfare State benefits they fancy - but at their own expense only. Indeed, since membership is voluntary, these Welfare States would then have much in common with private insurance companies. Only the kind and extent of coverage would be different and less individualized.

I do not believe that many adherents of the Statist religion would remain outside these "Welfare Communities", that the host of well-meaning "organizers" would fail to succeed in signing them up. The few remaining "Catiline existences" could not be dangerous any more and would, as objects of charity, help those whose charitable sentiments would otherwise become frustrated.

The right of individuals to resign from a State without having to migrate and without losing any human or natural right provides, paradoxically, for a non-compulsory method to introduce compulsion, introduce it by individual consent of all concerned and for all the members of an extraterritorial and autonomous community of volunteers, constituting another competing State within the general human society.

Likewise, it provides an opportunity for "compulsory" private insurance for all the members of a libertarian community. Furthermore, personal law communities, parallel, or alternative or competing governments, might be set up which would e.g. outlaw insurance altogether and impose instead a religious obligation on their members to act charitably. Where does the libertarian's objection come in then? Even if they should still feel the need to argue and advise against such system, they would have

no reason or justification to resist it.

Thus, viewed in perspective and combined with the competition he proposes between private and public companies and with the individual's right to secede from e. g. a Welfare State, the element of compulsion in his insurance plan becomes almost reduced to naught.

2.) The following Are some of the Objections Ulrich von Beckerath himself Raised against today's Compulsory Insurance Schemes

a) Compulsory insurance while inflation is almost guaranteed through certain laws?

Compulsory insurance on the basis of a legal tender paper currency is wrong. Any depreciation of this currency would partly or completely destroy the security aimed at and paid for. Only insurance schemes applying the levy principle would form an exception. But e. g., to finance old age and invalidity pensions by levies raised on current paying members would destroy the self-responsibility principle and impose an excessively large burden on the younger or still working members. The rightful and sensible alternative is productive investments of the reserve funds (accumulated insurance premiums) on a stable currency basis, allowing every member ? according to the law of large numbers to be supported out of the additional production due to his invested insurance premiums. To compel a person to take out an insurance while at the same time the government systematically destroys accumulated insurance funds through its monetary policy ? is a particularly evil trait of monetary despotism and Welfare Statism. The "insured" are thereby compelled to pay a price out of proportion to the service they will receive. In some instances the purchasing power of the insurance amount will be so reduced they will in effect have been forced to buy scrap paper for their old age security. (Governments usually cover up their embezzlement and force the new generation to foot the old age pensioner bill out of their current earnings ? which are much lower than they would be if the insurance reserves would have been properly invested at the highest interest rates obtainable on a free market. The pensioners, at the expense of the new generation, are treated as if their accumulated insurance funds had not been wasted by the government's monetary policy. They become thus the accessories to the huge fraud and robbery committed by the Government against the new generation.

b) Compulsory insurance under present?day Trustee Acts, insufficient funding and government controls of the capital market?

Largely from the above objection, due to the present inflation risk, follows the objection against compulsory insurance as long as today's Trustee Acts are still valid and capital transfers and interest rates are controlled and regulated by professional inflationists, expropriators, and mis-managers known under various fancy titles. As long as government securities had the least fluctuations on the stock exchange there seemed to be a case for compulsion to invest insurance funds in these at first sight safest and most unobjectionable securities. But already for several generations government securities have become the least safe, the most insecure investments. Nevertheless, in most countries, insurance companies are still forced, to invest a considerable percentage of their reserves in government "securities". (The insufficiency of parliaments as guarantors of natural rights is well demonstrated by this glaring example.)

But compulsory insurance, while this hypocritical malpractice persists, is objectionable for still another reason. Not only do the "insured" not get their moneys worth back when they are forced to invest it, by way of their insurance company, in unproductive or inefficient government projects and are repaid only in inflated paper ? but they themselves, as taxpayers, have to repay this compulsory government loan, which the government owes them, in their nature as insured citizens from whom the government "borrowed". In other words, they are compelled to pay their premium twice and to pay in form of taxes

the interest they nominally receive for their own insurance funds, forcefully invested in various & as a rule unprofitable government projects, Moreover they may soon be forced to subsidize these projects. Compulsory insurance is unjustifiable in this case.

Furthermore, the government, through imposing an interest ceiling, prevents the optimal use of accumulated insurance funds and indirectly increases the premium to be paid. This also offends against the ideal of investing insurance funds as productively as possible, for as high interest rates as can be obtained on a free capital market, a system which would allow people to reduce their premiums to a minimum and permits e.g. old people to live as pensioners from the added production, resulting from their very productively invested insurance funds, almost in the same way as if they had obtained old age security through a private savings and investment plan.

The rightful aim of those benevolent souls who passed the Trustee Acts can easily be achieved by requiring a credit insurance for all insurance investments. Prospective members would demand this additional safeguard from insurance companies of their choice and other companies not providing this protection would be driven out of business. Ulrich von Beckerath wrote an article on the subject in "Oesterreichische Revue" of 12/9/1927, called "Kreditversicherung and Muendelsicherheit". Prof. Heinrich Rittershausen dedicated a whole book to the subject: "Die Reform der Muendelsicherheitsbestimmungen and der industrielle Anlagekredit ? zugleich ein Beitrag zum Erwerbslosenproblem." (Gustav Fischer, Jena 1929 Compare page 23.) (Reproduced in PEACE PLANS 532.)

It is likewise wrong to compel people to contribute to an insurance fund which can easily be shown to be insufficient to cover the amount insured for. The apologists for such an institution speak glibly of a "State guaranty". The guaranty consists in the promise future raids against future taxpayers, the insured, their children and grandchildren! Otherwise this type of "insurance" can only be compared to forcing people to invest in a business which, as can be seen right at the beginning, is going to be bankrupt in a few months or a few years. Whoever voluntarily joins such a "social insecurity fund" or accepts this kind of State guaranty without protesting, is morally no better than a member of a robber band. To conscript people into a robber band is, naturally, neither morally nor otherwise defensible. Simple tables can show that the social security taxes are often out of proportion to the benefits promised and that they would, as a rule, be recovered within a few months after the insurance falls due. This has been clearly pointed out in the case of the U.S. in Robert E. Slayton's article "Recovery of Social Security Taxes", Rampart Journal, Winter 67, Box 158, Larkspur, Colorado 80118.

c) Compulsory insurance whilst the money monopoly persists?

Ulrich von Beckerath is among the very few who recognized that compulsory insurance is wrong not only when the insurance cover is in danger of being wiped out by an inflation or reduced through interest ceiling or when it is confiscated for Welfare State and Warfare State purposes or when others are compelled to pay a large share of the contributions, but also when and as long as the insured would have trouble to acquire the necessary exchange media to pay their premiums ? because the money monopoly almost guaranties a permanent money shortage. He shows clearly how this particular objection to compulsory insurance can be overcome.

d) Compulsory membership in a monopoly insurance company?

Likewise, von Beckerath objects against compulsion to insure oneself only with one particular insurance company. If public insurance would fulfil the expectations of its supporters it would not need compulsion to join an insurance company of one's choice - or any at all. 90% of the population would join voluntarily because they would be offered a better and cheaper insurance cover. Furthermore, only

under competition can a public insurance company show convincingly what its services are worth. Von Beckerath advocates this kind of competition ? e.g., on pages 209 and 216 and suggests, likewise, a cooperation between private and public insurance companies, e.g., on p. 250, Thus, in still another way, he would reduce compulsory insurance to a minimum. I predict that, in the long run, the public insurance companies he suggests would be competed out of existence. You might counter this by saying that Beckerath proposed tax?exemption, that is, privileged public insurance companies. (If one can consider freedom from tributes to be a privilege! - J.Z., 5.12.01.) However, instead of attacking him for thus proposing what appears to be an obvious privilege you should consider his proposals as a whole. Then you would realize that he would like to see insurance companies to take the place of States and that he is far from condoning the present penalizing taxation of private enterprise but suggests voluntary taxation instead, that is repeal also of compulsory taxation for private insurance companies. He opposes such taxes as much as e.g. special taxes on note issuing banks, private competing police forces, voluntary fire brigades or private schools (or on parents who, at their expense, send their children to private schools). He opposes taxes in the insurance sphere particularly because they do amount to an attempt to tax "competing governments" out of existence. No government is authorized to tax private efforts which would tend to make government "help" superfluous. At the time and place, when he wrote, he could not express this openly and clearly.

e) Compulsory membership mitigated by self?government and decentralization

The self?government he demands p. 210) for public insurance companies, combined with the large extent of decentralization he suggests (without it self?government would be no more than a farce) would, from still another angle, reduce compulsion to a minimum and would ? like competition ? offer an easy way to do away with compulsory public insurance altogether.

f)Compulsory insurance and "employers"" contributions

Like any sensible man with economic insight, von Beckerath also objects against the deceptive (towards the employees) and unjust (at face value) system of charging the employers with part of the insurance premium of the employees. (Moreover by force of law, the employers are degraded into tax collectors for the State.) This method deceives ignorant workers, who do not realize that these deductions are calculated by all employers as part of the wages (without this compulsion wages would include these amounts) and makes them believe that they could get a cheap insurance cover at the expense of someone else. Once they would have to pay the full amounts themselves and directly, they would soon come to realize how inefficient most large scale public insurance companies are run and would begin to shop around for a better cover, to get their money's worth. Lastly, one has to keep in mind that in spite of the inclusion of a limited compulsory insurance in his economic freedom proposals, his main proposal, monetary freedom, does not depend on it.

On the contrary, he expressly mentions money issues based on private contributions or dues (e.g., on p.222) and such issues are generally discussed or implied when he discusses acceptance", "clearing", "creditor cover", "debt foundation", "duty to issue exchange media", "readiness to accept" etc. If he had written instead "Private Insurance and Compensation Money", not much in this book would have to be altered. The monetary principles involved are the same: "... every possibility of applying the principles of the Milhaud system throws light on all other possibilities of its application as well as on the principles of the system itself", he wrote on p. 227.

III.

SOME NOTES ON TWO TYPES OF GOLD STANDARD WHICH ARE POSSIBLE AND HONEST:
THE 100% GOLD COVERED CURRENCY AND THE GOLD?CLEARING OR GOLD?FOR-

1.) Popular Attitude Towards Money

Money is still such a mysterious good for most people that they think only of finding, winning, taking, or, at best, earning it in free exchange. They hardly ever think of producing it. Whenever this happens then only forgery, inflation or fraud enter their mind immediately as either disgusting or attractive possibilities. They feel unable to produce sound money themselves but believe that certain other people or certain institutions somehow possess this mysterious capacity for "creating" money and that they ought to be restrained in this "dangerous power". If exclusive and forced currency were the only possible currency then they would even be right! This type of currency has nowadays become so predominant that it has almost become a category of thinking. All other currency and standard of value possibilities are either considered as non-existent or ignored or as being defended only by "money cranks". Even the otherwise very advanced adherents of the Austrian School of Economics are not quite free from this prejudice, since most of them do consider a 100m gold cover to be necessary as a restraint on private money issues.

Among the remnant of those who love freedom as much as they love peace and who realize the close relationship between the two, it has almost become fashionable to consider the 100% covered gold? currency as ideal and to a large extent so it is, if one is only concerned with the value standard, compared with the paper currencies issued and mismanaged by governments. This attitude is strengthened by the weakness and wrongness of arguments favoring central banking and discrediting "the" gold standard (the old classical or the 100% cover type). The other type, which von Beckerath advocates, is hardly discussed at all.

The argument that the gold standard would not allow a government to pursue an "independent monetary policy" is typical. It is only comparable to complaints of thieves about solid locks and alert night?watchmen. People should be free to choose gold weights as value standards for their contracts - and any other value standards they like for themselves - and to pay in gold coins, if they agreed on this and do possess enough of them for their purposes. But they should never give a legal and juridical authority to demand payment in gold coins which a debtor does not possess, cannot obtain and hasn't even agreed to supply.

In fact, the old type 'classical' 1/3rd gold cover and the various "gold reserve currencies" are far from ideal and even the 100% gold cover and convertibility advocated by some has several major defects - if they are practised as exclusive means of exchange and as exclusive and forced value standards.

Ulrich von Beckerath has treated these currency standard and exchange media possibilities directly only with some side remarks and generally by criticizing the right of creditors to demand a particular and exclusive currency. He concentrates instead on advising on rightful, sound and practicable alternatives, especially for means of payment, whenever and wherever a shortage of gold coins arises. Apart from this he only discussed gold as an accounting or clearing standard of value, combined with a similar silver standard in a "parallel currency".

A comprehensive and objective evaluation of the still current concepts of a gold standard has apparently still to be written or at least to be sufficiently published.

2.) Some Remarks on the Monetary Theory of the Austrian School of Economics

I am looking forward to a scholarly comparison between the monetary theory advocated by economists of the Austrian School and the monetary freedom theory, upheld by von Beckerath and a few other German economists. My own knowledge of the Austrian School is very limited ? being confined to the

reading of a few magazine articles ? and in the sphere of free banking there are many more books that I would like to get access to and to read than I have so far been able to. Nevertheless, I have formed for myself a preliminary judgment and it might induce someone else - and be it only through my errors which have crept in - to undertake a thorough investigation and comparison.

From what I have learnt about it, the Austrian School of Economics does much good in upholding the torch of economic liberty, For this reason I recommend its literature to everybody. In the monetary sphere it effectively fights some prejudices whilst still defending some others. It stands for gold as the ideal standard of value ? but it makes no distinction between gold as ideal standard of value and gold as an exclusive means of payment (including 100% covered gold certificates), a very important distinction which v. Beckerath frequently points out. While making gold the exclusive standard of value (a free market would give it a predominant position in this sphere anyhow) it also wants to turn it into an exclusive means of payment, either in coin form or in form of 100% covered paper money. (For the sake of simplicity, I have here generalized the views of various writers of this school. They do not agree 100% on this subject and some have already gone far along the road to full monetary freedom.)

The economists of the Austrian School are certainly right in attacking a paper currency which is so dishonestly managed that it promises redemption in gold any time without there being a 100% gold cover available. They are wrong, however, in attacking also all kinds of paper money which do not promise convertibility into gold metal by the issuer, are not covered at 10%, 33%, 100% or at some other percentage by gold, are not legally endowed with the legal tender "quality" but based, instead, on other foundations which would keep their exchange rate on a free market either at par with their nominal value (which might be expressed in gold?weight units) or close enough to it. They are right in attacking the present?day State paper money ? which does not even promise any kind of cover, or redemption, except acceptance for taxes and compulsory acceptance in general circulation, has no built?in limits for issues and provides no stable standard of value but is, instead, and according to admissions of the currency "authorities" and to widely accepted "currency policies", "manipulated".

Would the statist citizens also tolerate the manipulation of the meter or liter measure, by replacing the standard units by highly elastic rubber?meters and liter balloons?

Lack of understanding the concrete substance of the propaganda language of statist-minded politicians and economists seems to be the main?stay of statism. Lists of communist double-talk have frequently been compiled. We need now whole dictionaries against the double?talk on our side, to provide an escape or liberation route for captive minds. (Such a handbook would be only one of several similar ones which belong into the arsenal of every defender of freedom.)

Austrian economists make a mistake in asserting, like e.g., Murray N. Rothbard did, in his otherwise very valuable pamphlet: "What has Government Done to Our Money? - Pine Tree Press, Rampart College, Box 158, Larkspur, Colorado 80118) that State paper money cannot possibly have a sound basis.

The reader will find many references to sound State paper money under the watchword "tax foundation" in the index of this special sub-series. This "tax? foundation" would not only work within the present and at least partly unjust statist and territorialist framework but also whenever States are reduced in their influence on voluntary members only and would receive only voluntary tax contributions or fees for their services.

Probably all representatives of the Austrian School have the laudable intention of wanting to prevent governments from inflating the currency. They realized that no government, in the pursuit of its welfare and warfare policies, is ever short of an excuse for this kind of robbery. ("Fraud", "requisitioning",

"expropriation" and "taxation without consent", "intentional depreciation" and similar terms fit this kind of "monetary policy" as well. Calling it "forgery" is inapt, since one can hardly forge one's own means of exchange, although one can multiply it almost indefinitely, and via "legal tender" enforce its acceptance until it becomes almost entirely worthless.)

Alas, most of them want to avoid inflation merely by imposing on the government, or any competing private note issuer, a 100% gold redemption obligation ? while at the same time upholding the government's monopoly for the issue of money tokens or the monopoly of competing private notes of this type to provide such an "exclusive" currency, outlawing thereby all other monetary freedom options. They do not fully realize that as long as this governmental money monopoly exists , or the kind of exclusive gold standard currency provided by competing banks, this kind of "restraint" is likely to be ignored by any government which is powerful enough to enforce the obedience of rationally dissenting citizens. And, if history is any guide, competing private banks will also tend to deviate from 100% gold covers. Even if they did not, confining the economy to those exchanges only which are made possible by such exchange media would be wrong and counter-economic.

Provided, these economists have, like Ludwig von Mises and Murray N. Rothbard did, advanced one step from a governmental money issue monopoly and do demand competition in the sphere of banking and banknote?supply, they do, usually, still insist on convertibility as the only means of achieving the circulation of paper promises and stable value reckoning. Thereby they show that they still have not fully realized the possibilities of other free market covers, checks, and limits for the issue of money substitutes made out of paper. References to these will be found in the index under "market?rate", "discount", "acceptance", "demand", "shop-foundation", "debt-foundation" "creditor?cover" "tax? foundation", "clearing" etc.

Surprisingly, most of these "free market advocates" underestimate the pernicious influence of legal tender and the possibility of a free market rate for various means of payment ? which allows the formation of a discount of means of payment (against whatever standard of value has been agreed upon, e.g. gold weight

units for account, based on free gold coin & bullion exchanges in the open market), and thus automatically stops or prevents over?issues.

Optional and market rated exchange media are discountable and refusable (except for their issuers, who must accept their own IOU's at par, in this case immediately) and beyond insignificant and temporary discounts they will tend to be altogether refused in general circulation, so that their issuers, even with the worst of intentions, could not push any more of them into circulation. Nor would they have an incentive to do so. For, if they could pay with them only at e.g. 30% discount and would immediately have to accept them at par from anyone, then this could mean a foreseeable and avoidable loss. Moreover, with the increase in the discount, the resistance among potential acceptors would increase rapidly - with the exception of those only who owe the issuer something and thus, if they have not obliged themselves to accept the issuer's notes at par, they could rid themselves cheaply of their debts to the issuer. Furthermore, an issuer has become known as an issuers of private money that had depreciated, he might never again be able to act as issuers and might even be driven into bankruptcy, being held responsible for the over-issued notes - with all his private and its corporate property. However, such over-issues would tend to be as scarce as are over-issues of e.g. cinema and railway tickets.

In this sphere the modern "gold bugs" have hardly advanced economic science for the last 100 years but have rather slipped back.

A century ago the significance of legal tender ? and of its alternative ? was rather well known. When they attack legal tender they do it only by attacking "fiat money" in general and wrongly apply the term "fiat money" as well to paper money which is not legal tender ? merely because it is not convertible into gold by the issuer. Some of these economists, for instance Murray N. Rothbard and Orval V. Watts, have realized, like v. Beckerath did, and others long before them, that Gresham's law applies only to legal tender money. But so far they have not yet, like von Beckerath did, drawn all the logical conclusions from this economic law ? largely because of their preoccupation with one cover only: namely the 100% rare metal cover by the issuer.

One might say, in general, that Ulrich von Beckerath explored the omissions in the monetary theory of the Austrian Economists and the monetary freedom potential they ignored. It is up to these economists now to take note of this scientific exploration and exposition ? or to lose their credibility as scientists (in the eyes of all for whom this does not merely imply academic qualifications) and become reduced to mere partisans of one among many other monetary theories.

Ulrich von Beckerath came to the conclusion that gold, in spite of it being an almost ideal standard of value (definitely the lesser evil in most cases), should not be enforced as an exclusive means of payment, neither in form of coins nor in form of 100% gold-covered banknotes, and should not even be given the privileged status of an exclusive standard of value - except within voluntary payment communities.

He showed that redemption into gold by the issuer, this foreign element in the "circulation" process, should be referred to the free gold market. This kind of market convertibility would suffice to allay and dispense suspicion against soundly founded paper money and would permit stable value reckoning. Like the old type of gold standard, it would not suffice on its own, but would have to be accompanied or backed up by "readiness to accept", a sufficient "demand", to ensure a "reflux", e.g., by "shop foundation", "service foundation", "debt-foundation", "tax foundation" or "clearing foundation". In all monetary exchanges or free quotes, on the free gold market, gold would serve in its ideal capacity for determining and measuring values and would in no way reduce the turnover in a country to the number of metallic gold "measuring sticks" that are available in any particular time, place or sphere to anyone. The publicly and freely determined as well as widely published exchange rate or various exchange media against gold (if they reckon in gold weight units, in their value standardization) would suffice. Debtors would not have to pay in and creditors would not have to have a "right" to demand payment in gold metal (unless this had been especially agreed upon, in private contracts, including a withdrawal premium.)

In short, gold weight units are close to the ideal standard of value. But even such an ideal should not be forced upon all. Gold in coin form or bullion is useful as a means of payment but it is far from ideal, even dangerous, as an exclusive currency, one that a creditor may demand at any time from his debtors, regardless of how well or how badly these debtors and their customers are supplied with such means of exchange.

To avoid misunderstandings, I am not afraid of stressing once again that von Beckerath does not raise any serious objection against honest, private or even honest government banks issuing nothing but 100% gold covered banknotes, deposit slips, gold certificates, or gold cheques ? no objection, at all, as long as they are not the customary, enforced, or exclusive means of payment, and as long as there is no compulsion to use only gold as a standard of value. (For some time v. Beckerath did indeed favour the idea of making gold although not an exclusive means of payment then at least an exclusive standard of value, by investing gold weight units and nothing else with legal tender. He has become more tolerant and freedom-minded since then and recognizes the right of e.g., index-standard fanatics to a standard of their choice and advocated in his later and last years full freedom of choice regarding

value standards as well, not only regarding exchange media - and governments or free societies.)

3.) Is a 100% Gold Cover Necessary and Justified?

The theory that it is necessary and justified and possible to cover all payment transactions 100% by gold assumes a continuous and equal distribution and a steady circulation of gold?money everywhere ? completely eliminating the speculative element existing in every present?day debt contract (an element clearly described perhaps for the first time by U; von Beckerath), even in quite ordinary ones, like wage and rent contracts. (What is here true for exclusive gold currency is equally applicable to an exclusive paper currency. While it must be admitted that gold ? if not interfered with ? has indeed a strong tendency in this direction (stronger than that of any other commodity). a tendency which has been formulated into the "law of fluctuating gold quantities", this distribution and regularity of circulation is not perfect enough and includes a dangerous time?element. Furthermore, the above theory assumes that price fluctuations follow the gold fluctuations quite smoothly and are thus harmless, while in reality these price adaptations require

time and in the period of transition prices either tend to run ahead or remain behind the money supply ? thus worsening monetary crises. (Compare 285 ff.)

Furthermore, precisely what makes gold an ideal value standard metal, does makes it also an ideal means for hoarding (the derogatory name for the keeping of private cash reserves when the harmful effects, under a system of exclusive currency, are considered). As long as gold is an exclusive currency and is thus considered as the claimable basis of all debt contracts, that is, as long as there is either no freedom to issue gold substitutes or no technique is known how to supply privately sufficient stable?value means of payment, made out of paper ? many sudden gold coin hoardings (or cash reserve increases) must be expected. It does not matter here what reason or motive started them. Some of these are likely to turn into acute currency famines. The right of creditors to demand gold seems to be completely harmless if confined to creditors of honest gold deposit banks charging a deposit fee. But if it is true, and who doubts it, that clearing or cheque accounts, all forms of non-cash payments, do mediate many more exchanges than cash does (I have still to see detailed statistics of these proportions), then the sudden reduction of short-term or immediately withdrawable deposits, clearing or cheque accounts (if such a withdrawal is permitted and the permission is inherent in the system), undertaken in order to satisfy urgent (and for one or the other reason suddenly increased) cash needs of the deposit or account owner, would greatly reduce the turnover potential by reducing the possibility of clearing. while greatly increasing the need for cash just when it is already in short supply. This danger lies in the nature of an exclusive currency and will therefore persist even if there is no other government meddling in the monetary sphere than the protection of the exclusive currency against competition.

Especially in revolutionary times the tendency to keep as large cash reserves as possible, is strong. It will increase the unemployment and depression which might have caused a revolution in the first place. Thus hoarding (or cash?holding of exclusive currency) tends to further revolutionary violence.

One might paradoxically say that the more gold or another exclusive currency is hoarded, the more the individual boarder benefits (when he finally spends his cash reserve after all other commodities have reached rock?bottom prices), while at the same time the general economy ? including the hoarders ? is correspondingly harmed through the at least temporary and all too sudden reduction of turnovers, with all the difficulties this implies during the period of price adaptations to the new relationship between the monopoly currency in circulation and the volume of goods and services on the market.

The natural self?recovery (two?way price adaptations, to finally restore the original relationship)

requires time. In the meantime, great harm is likely to be done in the balance - unless full monetary freedom is introduced and sufficiently practised. As v. Beckerath treats hoarding (and how to render it not only harmless but beneficial) extensively, e.g. on pp. 131ff, no more need be said here.

The objection of insufficient adaptability could be likewise raised when there are, instead of monetary fluctuations, large-scale fluctuations on the side of the supply of goods or services like e.g., abundant harvests or widespread droughts, great refugee waves or large shifts of employment opportunities from one locality to another (due to technological developments). Experience showed that the gold currency supply and the price and wage level, under any form of exclusive currency or monetary and financial despotism, are not adapted with sufficient rapidity to permit under such circumstances all and possible desired turnovers of labour and goods. Instead, as has only too frequently been observed, goods are destroyed, numerous bankruptcies occur, sales difficulties persist and famine conditions are approached combined with unemployment - instead of low prices, a high standard of living or high prices combined with overwork of all able to work (in order to allow them to earn sufficient money to purchase the high priced, because scarce foodstuffs). Nor are rich harvests, not soon needed for consumption, sufficiently turned into conserves or long-term capital investments, at least somewhere else. Only under monetary freedom could the local supply of means of exchange adapt perfectly to local fluctuations in the supply of goods and labour services - because only then would exchange media be based directly on the goods and service supplies and would correspondingly contract or expand - while still stable value units are applied. Compare this adaptability (details in Beckerath's writings) with the tendency of an exclusive gold currency in times of a currency shortage. During the shortage formerly unused stocks of gold coins ought to be dissolved to relieve the shortage. Instead, the tendency prevails, at least for a while, to rather increase, in balance, the gold hoardings - due to the often observed but more often ignored tendency

of falling prices to deter and only of fallen prices to attract purchasers. (See p. 285ff.)

The presently so prevailing internal price and wage fixing policy, other restrictions on internal trade, production and capital, combined with the obstacles to international trade, do make matters much worse than they are inevitably under an exclusive currency system. The repeal of all such restrictions is required. (F.A. Harper makes this point very well in "Jobs for ALL (who want to work)" Institute for Humane Studies, Inc., Box 727, Menlo Park 94025, California.) Only then could a system of monetary freedom work perfectly - and vice versa.

4.) Current Gold Production and Currency Shortages

The current gold production can hardly serve to greatly relieve any acute currency shortage in an exclusive gold standard currency, since it proceeds at a regular pace, requires considerable time and investments for expansion and amounts presently only to about 3%, p.a., of the total stock of gold accumulated so far, and retained, over thousands of years.

5.) Some Notes on the Total Gold Supply

For a long period in history gold was in so short supply that the total stock amounted, by 1492, to only about 3,800 tons. What did this mean in terms of its availability as a currency metal? See the considerations on gold coin denominations on the next page. Since then about 73.000 tons were added to the total stock, giving a total of about 77.000 tons in 1965. The small gold supply up to the time of Columbus does partly explain why subsistence and barter economy, slavery and serfdom still existed. (While silver was not as scarce as gold, it was also in insufficient supply to mediate all possible and desired exchanges. There was not sufficient money metal available to make a wider market and all desired exchange acts possible and to pay wages with them to relatively independent

workers. Those living close to the subsistence level were often only too willing to buy their "social security" through serfdom or could with relative ease be turned into serfs when they owed some money.

Price adaptation did not go far enough to generally introduce a monetary economy. Even now, after a twenty-fold increase in the gold supply and a much lesser increase of the population, the total amounts only to a cube of about 44 ft. or about 1 ounce or approximately 4 gold sovereigns per head of the population.

One third of this may be considered as lost, buried or at least temporarily fixed and hoarded in jewelry etc. or industrially used up. This would leave us with about 3 gold sovereigns per head, equal distribution assumed.

Judging by recent production figures, up to one half of the total world stock may have been produced in the last 30 years, i.e., since von Beckerath wrote the essays reprinted in PEACE PLANS 9-11. The per head amount of gold reckoned in Australian currency, according to the official purchase price of the government (there is no sales price to private buyers, except to a few with a special permit) (That was changed in the seventies. But then gold sales and purchases were taxed! - J.Z., 6.12.01.) amounts to \$ 22.50 and, according to the black market price, to about \$ 54. Under free market conditions the purchasing power of gold would most likely be considerably less than the latter figure but let us, for simplicity's sake assume it to be \$50. This amounts to much more than I thought it to be before making this simple estimate yet it is not impressive compared with the ready cash (in government paper money and coins) plus current cheque accounts per head of the Australian population. Coins and notes amount to about \$ 76, cheque accounts to about \$ 273, together about \$ 350 per head. As these \$ 350 find expression in the current price level the available gold per head would, if it were made the exclusive currency, permit only a price level 1/7th as high as the present. Then each of the new gold dollars would buy about 7 times as much as the paper dollar buys now ? and would be about 7 times as hard to get.

Von Beckerath mentions on p. 13 the turnover of 2 German institutions, the Federal State Railway and the State Mail ? as being far in excess of 500,000 million Reichsmark and asserts that not even the turnover of a single country like Germany could be achieved through all the world's gold. This seems a strong exaggeration ? until one transforms the present gold stock (possibly twice as high as when von Beckerath made this estimate) into the old type Reichsmark. It would amount to no more than approximately 220.000 million RM. Nevertheless, things do not look quite as bleak for an exclusive gold currency for two reasons

1.) These 220.000 million RM total gold supply may be turned over 50 times a year, allowing a yearly turnover of 11.000.000 million marks, that is 22 times the turnover of the mere two large enterprises of a single country.

2.) The reduction of the general price level, due to the introduction of gold as the exclusive means of payment, would reduce the turnover of these 2 enterprises to 71.000 million RM reckoned in the new gold currency, thus allowing a total turnover of about 155 times their turnover.

Furthermore, the quantity of gold used as 100% cover for cheque and giro accounts (objectively this cover is not necessary at all) would be likely to lead to more than 50 turnovers a year, thus allowing a higher total turnover. On the other hand, the German State Railway and the monopoly Post Office are likely to have increased their turnover considerably, reckoned in stable currency units.

For comparison: Total international trade in the mid-fifties and reckoned in paper prices was about US \$ 190.000 million or about 800.000 million DM and it constituted naturally only a small fraction of the total turnover, including all internal transactions.

When the above indicated turnover limits are reached, further turnover would be possible through further lowering of the price level. But this is likely to bring about ? under an exclusive currency system ? deflationary developments for a considerable period of transition.

According to the above estimates gold is neither as scarce as some think it is nor as abundant as others assert. I would like to be informed by my readers of any exact, comprehensive and more recent surveys of these relationships.

6) An Estimate of Gold Coin Denominations which Might Be Required

Let us assume that gold would have been proclaimed the exclusive currency. To what extent would it have to be coined out and would the coins still be of an acceptable size? The per head amount we will divide is, as you may remember, about 3/4 of one oz or about \$ 50 gold dollars (of that time).

We would then require something like the following denominations, assuming that no change issued, in base metals. (Which would lead to the question: If sound change can be provided with base metals, why not also small and large denominations in sound paper money?)

- 2 x 10 Dollars, together 20 Gold Dollars, each weighing 3/20 of one ounce.
- 2 x 5 " " 10 " " " 3/40 " " "
- 5 x 2 " " 10 " " " 3/100 " " "
- 5 x 1 " 5 " " " 3/200 " " " (Standard Unit and Weight)
- 4 x 0.50 " " 2 " " " 3/400 " " "
- 5 x 0.20 " " 1 " " " 3/1000 " " "
- 10 x 0.10 " " 1 " " " 3/2000 " " "
- 12 x 0.05 " " 0.60 " " " 3/4000 " " "
- 10 x 0.02 " " 0.20 " " " 3/10,000 " " "
- 20 x 0.01 " " 0.20 " " " 3/20.000 " " " " \$ 50.00

Do you still think that small gold coins, also used for change, could never become too small to be usable? Murray N. Rothbard himself (ibid p. 32) mentions that ? after many currency debasements, the gold dinar in the 13th. century and later the silver maravedi in the 15th. century became too light for circulation. Likewise, the lack of sufficient weight and substance to put your fingers on would be the main defect of most of the above estimated gold coins. If such a system were ever practised, you might have to hold your breath when collecting your salary ? in order not to breathe in or blow away part of it and it might be advisable to transact all monetary exchange acts with the help of a microscope.

If one would insist on gold physically circulating then it might have to be rolled out into a thin film, comparable to the gold leaf used by sign-writers. Such coins, of film-thickness, could be glued on cardboard and encased in plastic for protection. Admittedly this would make forging easier and discovery of forgeries more difficult. Another solution would be to use base metals for all but 10 or 20 dollar coins and have these base metal coins fully covered by gold?weight corresponding to their nominal value. Likewise gold deposit notes could be used for small denominations and it would then require a certain quantity of these notes to achieve redemption by the smallest gold coin. The most sensible approach, within the sphere

of an exclusive rare metal currency, would be a parallel currency, with silver for all denominations smaller than 10 or 20 dollars. Thus an exclusive metal currency white perhaps difficult in some respects, seems at least to be technically feasible. (However, when these value standards are coined in dollars and the value relationship between them changes significantly, either gold or silver coins would be likely to be melted in. That could be avoided only by marking larger prices in gold weights and smaller prices, or fractions of prices, in silver weights, with coins merely giving the weight and

7) Clearing and the Requirement of a 100% Gold Cover

When A owes B \$ 10 on a certain day and B owes A \$ 10 on the same day, or their gold weight value equivalents, then both can clear or settle their accounts without any physical means of payment exchanged between them, even without either of them possessing any. At most both would have to write out a receipt for the other, or simpler still, they could swap their claim certificates and destroy them or, better still, frame them, as permanent reminders, with the byline: Paid without using gold as means of payment, simply by clearing.

When clearing is multilateral this possibility of goldless payment of goldvalues still remains. When a bank undertakes a wide multilateral clearing for its customers, using a gold weight for accounting and clearing, as a standard of value, and when, furthermore, the bank itself is, together with other banks, a customer of an extensive clearing network, still no gold is required for payment. Even the balances temporarily remaining are in the long run cleared and in the meantime paid by "transfer" money.

Such a system becomes only dangerous when an unnecessary element is introduced ; the authority for every member of the clearing process to demand not only clearing but cash payments instead, in one or the other rare metal or exclusive paper currency of a government. If he could demand, instead, only a payment in clearinghouse certificates, standardized and fractionalized like money, and issued by the bank, then his withdrawal claim could not lead to monetary disturbances.

It would be different if the right to demand moneymetal in payments is restricted to the very few instances where every possibility for clearing has been exhausted and still at least some of the debt remains, either because of incapacity, lack of insurance or bad will of the debtor or due to bankruptcy because of technological changes. On the other hand, in such cases further proceedings would mostly be fruitless, anyhow.

When comparing the possibility of clearing with the demand for a 100% gold cover for all paper claims, one has to remember that in principle and in fact all monetary exchanges (gifts, inheritance and robbery excepted. since they hardly amount to exchanges) do amount to clearing of claims arising out of the sale of goods and or services, although they are often undertaken with the help of a physical means of exchange. Physical means of exchange ? of all kinds ? do only facilitate this process ? through standardization and fractionalizing of claims and through the reduction of bookkeeping to a minimum. They do not alter this process in principle. Mere paper certificates, issued and administered in a way that they remain acceptable at par, in at least the local clearing process, are sufficient. Their nominal value need not be expressed in and accompanied by a metal commodity of the same value, not even in the safes of the bank of issue. It introduces therefore a foreign and unnecessary element in the clearing process to demand the full backing with physical gold (as opposed to a gold standard weight, and its value on a free gold market, merely used for accounting purposes) for every clearing transaction. Quite obviously, clearing, like barter, could not act inflationary.

Instead of permitting clearing in all its forms, to transact as many exchange acts as are possible and desired by freely trading individuals and associations, the gold cover requirement would limit exchanges to those which could have been paid in gold, though less conveniently. All other traders who would not be in this fortunate position would be excluded from exchanging their goods and services unless they could manage to do it by barter.

The main objection against the demand for an exclusive and 100% metallic currency or cover (even in its best form ? gold and silver with a free exchange rate between them and combined in a parallel currency) is therefore a moral one:

Why should a man only be allowed to buy with precious metal or to sell against precious metal ? if both, he and the seller or purchaser, are satisfied with substitutes or need no money tokens at all, because they make use of their natural right to clear their debts against their assets?

Why should all people be compelled to use only a privileged system of payments and a privileged standard of value ? e.g., payment with gold coins gold certificates or 100% covered cheque accounts, when they could easily supply themselves with as stable substitutes? (Compare the Human Rights draft in plan 1, points 31 to 34. - I would be grateful for better formulations.)

An exclusive gold currency and an exclusive parallel currency would still continue a part of the existing money monopoly. (It must be conceded that it would end centralized mismanagement of currency affairs.) All owners of gold would hold this monopoly collectively and would thus form a privileged class. This privilege would be somewhat decentralized but still remain. Membership in this "class" would, under normal circumstances, strongly fluctuate. Nevertheless, this particular property would introduce a considerable class distinction and illustrate the old saying that only a man who can pay his way may be considered as being free. Why should freedom to offer payment be bound to the possession of rare metals? What happens to freedom to exchange in such cases? And freedom to clear one's debts? And the freedom to agree upon other value standards and means of payment for one's own contracts? When did you last possess a few gold coins and could freely use them in your shopping and debt payments?

We are here concerned not only with one of the numerous minor injustices but with a restriction of the right to live by self-supporting efforts. It amounts to such a restriction when people, who, otherwise, could fully support themselves through freely clearing their output against that of others, are permitted such clearing to no greater extent than they can achieve under the condition that they obtain gold in the first place, in order to be licensed for further exchanges or clearing acts.

It is a particular form of senseless tyranny when people, before being allowed to clear, in one form or the other, with willing trading partners, have first to market their goods or services, a few of the many millions of different ones offered on a free market, on the rather limited gold market, or market for gold coins (A single commodity among millions!), and have thus at first to struggle for the possession of a quantity of one of the scarcest elements, and have to sell, whatever they have to offer, possibly only at emergency or forced auction prices, in order to obtain such scarce and exclusive means of payment.

When such an unjust and unnatural condition prevails, it becomes tragicomic to hear poets and writers exclaim against "the cursed hunger for gold". There is neither a justification nor a need for making participation in a market economy, participation in monetary transactions or in clearing exchanges, artificially, legally and juridically difficult, but every reason to make them as simple and unrestricted as possible.

Each trader has the right to judge for himself (within the limits of his contractual obligations) what kind of monetary or clearing settlement would satisfy him. Whenever and as long as a free gold market would not supply him with sufficient exchange media, he must remain free to resort to other money markets or to issue his own non-compulsory and non-fraudulent means of payment, either alone or in association with others.

That voluntarily chosen substitutes for gold money have frequently only a capacity for a local circulation at par is not only a disadvantage but has decided advantages also as von Beckerath points out. Moreover, in some instances clearing by means of shop-foundation certificates is actually superior to a gold cover or gold currency. Compare e.g. pages 11, 13, 30/1, 43, 89, 95, 220 and 258.

Again I feel urged to state that the above remarks ought in no way to be interpreted as an attack on the

free issue, use and possession of gold coin and bullion or on honest gold certificates. They amount only to a protest against outlawing or ignoring the possibility of certain types of non-coercive paper money, as good as gold, or almost as good and, occasionally, even better than gold. Promoters of the 100% gold cover and redemption currency are only right in not trusting most or all governments to supply such a paper currency.

What reference to gold does a "gold-less" gold-clearing require? No more than an agreement between traders of all kinds to use as a value standard measure the value of a certain weight of gold on a free market. All other commodities can, under free market conditions, be easily priced with their equivalent in gold weight units and the sellers would tend to do this in their own interest. Thus all claims arising out of all sales could easily be cleared by means of using this common denominator as a reference point. Not a single representative of this gold weight unit need be in the vaults of the clearing centre. Its availability on the free market and daily free market quotes for all paper currencies would suffice, if well publicized, to allow gold clearing and gold accounting of all means of payment which have no other commodity value than their printed paper has on the paper scrap market. To allow frequent free market comparisons between the value of various kinds of paper money and gold, as much gold as possible should circulate freely in coin form instead of being wasted where it is least of all or not at all needed in the bank vaults. Only free competition between various means of payment systems is likely to bring about this most favorable condition.

8.) Some Suggestions for a Rightful Currency Reform

How could the change-over from an inflated paper currency to a gold-for-account-currency take place? A number of different steps are to be taken:

1. All legal tender provisions are to be repealed, likewise
 2. the note issue monopoly of the central bank.
 3. The government's note printing presses are to be stopped.
 4. Sound State or municipal paper money (with a sound tax foundation) and
 5. various private means of payment, all without legal tender, are freely issued.
 6. All restrictions on the possession and transfer of gold and silver and
 7. all restrictions on free coinage are to be repealed.
 8. Between the new private and the new State paper money, and both of these and gold on a free market, and all of these and the old State paper money, free exchange rates would develop. At these, before the old paper is withdrawn, it could still circulate among those who are temporarily still willing to accept it, in spite of its possibly rather inconvenient bulk and the reckoning difficulties.
- 9.) There are now three main ways to withdraw the old inflated paper money:

- a) The old type paper money is accepted in tax payments, at par, for taxes still fixed in paper dollars. New issues of State paper money, without legal tender in general circulation and while compulsory taxes are still continued, are to be made only once taxes are determined in gold weight values and then the new paper money is also expressed in gold weight values. But only the tax department would have to accept them at any time in payment of due taxes at par with their nominal value. Everywhere else it may be refused or discounted. The State's income at that time would consist primarily out of the issue of new tax-based, that is freely quoted paper money, in gold weight value denominations, which only the department of taxation has to accept at its face value. To facilitate its circulation, certain taxes might have become payable exclusively in this new currency (unless the taxpayer is willing to pay a small penalty: "smart money").
- b) The remnant of the government's gold reserve is sold against the old paper money at the rate determined by the market. (Otherwise rationing would have to be introduced or pro-rata sales as indicated under c.)

c) All State enterprises and possessions, including buildings, land, stocks, forests, railways, streets, canals, parks; power works etc. are put up for forced sale ? Like the property of any private bankrupt debtor when all clearing possibilities are exhausted. It seems self-evident to me that no further payments to State creditors are to be made out of new State revenue.

The gold value of all the government's real estate, stocks etc. is determined by free market offers ? including international ones. A large number of relatively small shares is issued for each of them , corresponding to their gold value. Then all existing creditors' claims against the government, including all pension claims and all still circulating State paper money of the old type, are to be accepted in payment for these shares at least at their free market gold value. If necessary, a comparison between these outstanding debts and the real assets of the State is to be made and a percentage to be determined at which rate all these creditors can be satisfied. The government is not to be given a chance to make a profit at these sales by accepting its own paper money below its nominal value ? until all inflated paper money is withdrawn and - then to sell the remnant on the open market for sound currency. That would amount to a fraudulent treatment of its creditors. Should the government's possessions really exceed the nominal value of all its debts, then other reprivatization steps would have to be considered. (A better plan can be found in PEACE PLANS 19c.)

No government is to be allowed in such cases to completely repudiate its paper money and to keep as part of its plunder e.g. the State owned enterprises. This ideal opportunity for a reprivatization ought to be used.

Since, obviously, nobody can rightly be forced to continue business relationships with a debtor who went already bank bankrupt once and might again be guilty of mismanagement, the demand for voluntary State membership on an extraterritorial basis and for the voluntary taxation this implies ? follows automatically. To subject everybody again to a government which had acted as a looter, instead of as a protector, would be tyranny. (Are there any truly protective governments and are they charging only free market prices for wanted services, competitively supplied? If not, then the right to secede from them is all the more obvious. - J.Z., 6.12.01.)

9.) Further Remarks on Price Adaptation to an Exclusive Currency

The price mechanism does not work quite as frictionless as some of its advocates believe it does ? when it is disturbed by one or two commodities (gold and silver) alone being allowed to express price relationships and to pay for all prices so determined.

The belief that prices would automatically and sufficiently adapt has been concisely put by Murray N. Rothbard (ibid, p. 13): "... it doesn't matter what the supply of money is. Any supply will do as well as any other supply. The free market will simply adjust by changing the purchasing power, or effectiveness of its gold unit."

The main error in this opinion is that a market which in this fashion is forced to reduce all prices is still to be considered as a free market.

(If, in a quite hypothetical case, however unlikely its realization might be, all the gold in the world that is available for coinage, were coined only into a single coin, one of an enormous size and weight, then, obviously, this single coin could not physically mediate all the trade of the world. Thus his remark: "Any supply will do as well as any other supply" - is obviously incorrect. - J.Z., 6.12.01.)

It must be conceded, however, that within certain limits this opinion is true, e.g., provided that a minimum of gold is available, that it is sufficiently coined out, in suitable denominations and that there is sufficient time for the adaptation to take place. Are these conditions always fulfilled?

The gold quantity available at the time of Columbus would today not suffice to turn over the volume of today's trade, not even at greatly reduced prices. Even at the time of Columbus, when its supply was supplemented by silver, and this for centuries, it was not able to dispense with the barter and subsistence economy everywhere in the world, i.e., to introduce monetary exchanges quite generally.

As we have seen in the above chapter on denominations, gold cannot be subdivided without limits. Gold coins for the smallest denominations could become too small for circulation. Rothbard himself quotes two such instances on p. 32 of the same work. (That in these cases the too small size was due to coin debasements does not matter.) Thus price adaptation would find a physical limit. Prices might be reduced to emergency sales prices and goods, because of a shortage of usable coins, and might still remain unsold, whereupon goods production would, most likely, be reduced towards subsistence plus those turnovers which the existing money supply would still permit.

When such a physical limit is reached, as, apparently, it often had during history, then even centuries are not a long enough time for the expected and predicted price adaptation to be completed, resulting in all barter transactions being replaced by monetary transactions at greatly reduced prices. Often, as experience showed, the time available for the necessary adaptation is not centuries but merely days or weeks. Compare the excellent description, in plan 191, of the currency famine of 1893.

With the time factor psychological elements like hopes, expectations and estimates creep in and spoil the smoothness of the desired and predicted price adaptation. Always assuming, naturally, the existence of one or the other form of monetary despotism or at least the best form of an exclusive currency. Shop-owners and wage-earners take a considerable time before they recognize the need for price and wage reductions and overcome their hesitation only slowly. Such delays increase a currency shortage, seeing that the turnover, based on not yet reduced (adapted) prices requires a disproportionately large share of the reduced money circulation and may even lead to their bankruptcy or unemployment before they really know what happened to them. Almost like in many car accidents, events move then as rapidly that proper counteraction cannot be taken in time to prevent disaster.

To the extent that people notice what happens: "falling" not "fallen" prices and wages, and respond to current price trends as usual, they will be inclined to sharpen the already existing currency famine by reducing their purchases as well as their hiring of labour and simply keep higher cash reserves ? in the expectation of still further price and wage falls. Admittedly, even this tendency cannot go on without limits. It is, nevertheless, one of the major factors ignored by those who expect automatic price adaptations to any degree ? under an exclusive currency system. The price adaptation ? within this framework ? functions only within rather narrow limits, that is, in cases when the price and wage changes are hardly noticed. It certainly does not work in the extreme cases, when its smooth functioning is required most of all. (One might draw a comparison here with the exclusive authority of present-day States to provide protection and security. States are helpless and can grant no security or protection against the vast threats of nuclear, biological and chemical warfare and are only partly effective against the continuous threat of criminal or terrorist or subversive activities. It seems to do its jobs only when the crime rate, the threat to security, is so small that it is hardly noticed by most, in other words, when it is not really required anyhow. It "malfunctions", when it is needed most. Then it reveals its inherent defects.) That even when prices do change, frequently and gradually, price adaptation to a general price level for certain goods at certain times and places is not perfect, is well known to discriminating shoppers, who are always on the lookout for bargain prices and compare the different prices charged for the same goods in different shops. Compare the index entry "Prices/ falling and low, increasing and high".

10) Unequal Distribution of Gold Currency Liquidity

That ready cash has the tendency not to be equally distributed but to flow instead, at least temporarily, in larger than average quantities or with a higher rapidity in certain channels, has often been observed. Even ordinary workers can observe, as a fact of life, that under the present system almost always some of them remain unemployed, i.e., without a cash income earned by free exchanges of their labour power, and this largely regardless of their capacity and willingness to do jobs that others would like to see done. Likewise, shop-owners remain overstocked with goods which are needed by consumers, which are not over-produced or over-priced, because the prospective customers cannot afford them, being restricted themselves in their earning capacity through lack of exchange media. In the international trade sphere similar observations can be made. Citizens of poor countries cannot afford to buy from the large stocks of developed countries because under the system of exclusive currency they do not find it easy to transform their labour power into purchasing power. The money which is available tends to go along other channels.

Similar observations are made during inflations and deflations. Some areas are less, others more severely hit by the monetary crisis. In times of predominant coin circulation it was often observed that far from the capital and from other centres of commerce, coins were relatively rare and this in spite of lower prices which should have tended to attract more money payments. (That distances and transport conditions were contributing factors is not denied. However, one should not automatically assume that all these price differentials are due only to these factors.)

Any money shortage is unlikely to hit all economic spheres at the same time and equally hard. Producers and traders of non-essential or secondary or tertiary priority items are likely to suffer first and most. This tendency alone will often give the image of the existence of certain money channels. Apart from localized liquidity differences there are those of certain spheres of the economy, regardless of locality. Well known are only the artificially created channels due to government planning and meddling in favour of this or that industry, for or against agriculture, the channels due to subsidies and compulsory and often penalizing taxation, furthermore, the differences between the liquidity of well organized union members, who have monopolized their job opportunities and that of less organized or less strongly placed workers, who are, collectively, the victims of the extortions of the monopoly unionists.

In wartime, for instance, armament industries find it easy to get credits for wage payments and the expansion of their production while peaceful industries run second or third place when it comes to the distribution of scarce credit resources.

The capital market does also reveal certain circulation channels ? expanding industries with rising and other industries with falling share prices. Comparable channels exist for the ordinary money supply. Von Beckerath tries to explain them by an analogy on p. 51.

The more centralized and monopolized a currency becomes the greater these differences seem to be. Thorough research on the subject has probably still to be done ? or publicized. Every study of this kind should distinguish between liquidity problems under monetary despotism (and be it only one which does nothing else but make gold and silver the exclusive currency) and the liquidity situation under monetary freedom which would allow everybody to monetize his immediately available assets.

Possibly such research would reveal that the fantastic growth of cities during the last generations was largely or at least partly due to money supply channels concentrating there and making thus the sale of goods and labour much easier and more adaptable.

(Under present conditions in Australia even the few and privileged large trading and savings banks have withdrawn their branches from many country towns and only gradually do credit unions and

community banks, to the extent that they are allowed, replace them.

Another and widely observed phenomenon, contributing to the existence of "money channels" is the practice of banks to grant credits rather to a few large to vast firms than to numerous small firms and individuals. While one should have assumed that credits given in the hundred-thousands, millions and billions would, as a rule be more carefully granted than small credits, to less known firms and individuals, the practice has often shown an astonishing lack of care in the granting of vast and prolonged credits, which has led, currently, in Japan, to the writing off of over \$ 50 billion in bad debts. Apparently, the further credit comes from obvious and short-term and self-liquidating turn-over credits, or from credits for specific productive projects to credits to vast private bureaucracies, merely upon their general "reputation", the more mal-investments are made. - J.Z., 6.12.01.)

Prof. Galbraith seems to have done at least one service to economic science by stressing the fact of different money supplies for two different spheres: the compulsory and the voluntary sector of an economy which he likes to call the public and the private sector because of the semantic implications. How he could possibly arrive at the conclusion that the public sector is starved by the private sector (such is a popular and published version of his teachings in this respect. I did not bother reading this apologist for State intervention.), as if the public, compulsory and monopolistic sector would be the productive rather than a parasitic one and as if the private sector would have taxing powers as well as prohibition powers against it, as the public sector has against the private sector, is a riddle to me. Every fact that I have noticed so far ? apart from protectionist policies (which are a part of the public sector, really) ? points in the direction of the public sector being overfed at the expense of a private sector which often is almost starved or regulated into a large degree of inactivity or unused capacity, if not outright outlawed and suppressed (apart from the black market activities that it can still manage to undertake). Compare e.g. house building in France and

Sweden. Nevertheless, I do appreciate Galbraith's well publicized opinion because he stresses that the money distribution in these two economic spheres is unequal. It does not matter here which of the two is short and why and how this has come about. His assertion should help to stimulate some fundamental thinking on the subject of liquidity distribution under a centralized and monopolized or exclusive currency system and might even lead some to study the alternative: full monetary freedom and financial freedom.

Under monetary freedom all economic spheres short supplied with money could create their own means of payment and clearing, using whatever value standard suits them best.

If money channels do exist, then a perfect enough price adaptation does not occur and the victims of this flawed system of payments have the right to resort to self-help. They will not be satisfied with a declaration of central banks or of 10 % gold cover advocates that, according to their theories all their "legitimate" requirements would already be supplied.

I would like to know more about this subject. Can you help?

11.) Gold Production and Inflation

In a recent defence of gold for monetary purposes (Theodore Macklin's "Gold ? Key to Confidence", published and distributed together with much other relevant matter by: "Economists' National Committee on Monetary Policy", 79 Madison Ave., New York, N.Y. 10016, ? a booklet containing many facts and thoughts I found very instructive but which also contains some errors) it was said on 6p: "1964 saw world production of 1580 tons. This is a figure 1,775 times as great as for the era before Columbus. Confronted by such facts the Keynes propaganda is obviously untrue." Compare this with the 3.825 tons produced before 1492 and the 73.345 tons produced from then on until 1965 giving us a total of

77.170 tons ? as noted by the above mentioned author. You will then see that the annual production amounts to an automatic increase of the monetary volume by more than 2% per annum. This is an increase which Keynes would not have considered as quite high enough but as already very welcome according to his monetary manipulation and slow inflation theory for exclusive paper money.

One cannot always expect population and production increases to be in balance with the gold production. Indeed, the same author points out in an interesting table, on p. 9, that since 1600 world population grew only by 755% while the gold stock grew by 9,727 %. Alas, in this table the author failed to include estimates of the extension of the monetary economy and of the turnover per head. On "confidence" see the index.

The 1965 gold production amounted according to p. 31 of Macklin's booklet to 2,77% of the total gold stock. If gold were ever made the exclusive currency, then many defenders of Keynes' theories would consider this annual increase of the money supply as already sufficient to "guaranty" a "growth rate" of 2.5 to 3%. If, furthermore there were a free gold market and no low pegged prices for newly produced gold, nor any taxation and regulation of gold mining, then the annual increase of the total stock might amount to 5 or even 6%. Do the defenders of a 100% gold currency still not recognize the shadow of Keynes on the golden wall?

They think they are fighting Keynes' policies by their currency reforms. Instead, they would merely replace one "growth policy" by another one, admittedly, one less influenced by the human factor.

If gold were used merely as a standard of value and not as the exclusive currency then this increase would hardly matter. Cash transactions in gold coin, relatively rare compared with the turnover brought about by various paper means of payment, would simply tend to become slightly more frequent.

12.) Rigidity of an Exclusive Metallic Currency

An exclusive metallic currency (which probably never existed during the last few centuries in any of the more civilized countries, however close a currency may have come to such a situation) would probably ? in spite of the above-mentioned deflationary and inflationary dangers inherent in it ? be one of the most rigid means of payment. This would render such a currency ideal as a competing means of payment which at the same time serves as the standard of value for almost all other

commodities (by individual and group preferences) but it would render it unsuitable as an exclusive means of payment. The attempt of 100% gold cover proposals to stop government meddling with currencies and value measurements is to be welcomed but any method applied for this purpose should not, at the same time, stifle or render difficult free voluntary exchange acts between private people who want to use other exchange media or value standards. The aim can be achieved by repealing the money monopoly & the legal tender laws and introducing monetary freedom quite generally. (Even the best conducted newspaper or broadcasting station is not a sufficient substitute for competing newspapers and broadcasting stations. Nor is any central bank or any exclusive value standard a good enough substitute for competing note issuers and free choice of value standards. - J.Z., 6.12.01.)

13.) What is the Meaning of a "Gold Price" Provided that Gold is no Longer Outlawed as a Standard of Value?

Henry Meulen's concept of a gold standard is elaborated in his monumental work "Free Banking" and in numerous articles in his periodical "The Individualist". ("Free Banking" is still available from the author: 31 Parkside Gardens, London S.W. 19 or from Karlis Paucitis, the editor of "Free Star" and publisher of "George Boardman's STEPS TO FREEDOM", 6413 Sandy St. Laurel, Maryland, for \$ 4.50.) (Meulen died in 1978.) I do intend to review his line of thought at length but could not do him

justice here in a few lines. However, I would like to mention a single objection that I share with von Beckerath against his theory concerning the monetary use of gold. He opposes a "fixed price for gold" and proposes redemption of notes by various weights of gold according to the "price of gold" on the market. This would in reality reduce gold from the position of the standard metal to one commodity among others & render the abstract English Pound paper banknote unit the real standard of value for gold and all other commodities. Under a gold currency it would not make sense to speak of a "price of gold". Whenever gold is the general standard of value then all goods and services would be priced out in gold weight units. For instance, the price of one ounce of gold would then be one ounce of gold. (This would be still true when the gold weight unit involved is camouflaged by the selection of different gold weights or gold quantities and different national names for these. Even private banknotes and State paper money would then be "priced" in these gold weight units. In such a situation it is misleading to speak of a gold price. A weight unit cannot be measured by itself. One cannot measure a meter by a meter or a gallon by a gallon, What Meulen and others, using the term "gold price", do possibly mean is the exchange rate of various paper currencies against the gold standard unit, the purchasing power of the chosen gold weight unit towards other means of exchange, mainly various paper moneys. It seems therefore proper to speak ? under a gold standard - only of a price of the various types of paper money expressed in terms of the standard gold unit. If one sticks with the gold standard concept ? then every item has a gold price but gold, by definition, has none. Gold is weighed in weight units but not priced in gold terms. Under a gold standard a paper money, subject to a free market rate, may either stand at par, above or below its nominal gold weight value. (Ulrich von Beckerath had numerous exchanges with Henry Meulen on this subject. They never achieved agreement. I also tried, in vain, in my limited correspondence with Meulen, mostly microfiched by now, to promote sufficient agreement on basic definitions - and did so, likewise, in vain. Certain terms become fixed ideas in many minds that are otherwise very intelligent. - J.Z., 6.12.01.)

The "price" of gold economists should consider ? its equivalent in terms of goods, services or other exchange media ? should for the sake of clarity rather be called the purchasing power of gold. Murray N. Rothbard has expressed himself so well on this subject (ibid pp. 4, 6, 7, 11, 12) that I feel tempted to quote him:

"Like all commodities its 'price' ? in terms of other goods ? is determined by the interaction of its total supply, or stock, and the total demand by people to buy and hold it." "On the free market, then, the various names that units may have are simply definitions of units of weight. When we were 'on the gold standard' before 1933, people liked to say that the 'price of gold' was 'fixed at 20 dollars per ounce of gold'. But this was a dangerously misleading way of looking at our money. Actually, 'the dollar' was defined as the name for (approximately) 1/20th of an ounce of gold. It was therefore misleading to talk about 'exchange rates' of one country's currency for another. The 'pound sterling' did not really 'exchange' for 5 'dollars'. (Actually, the pound sterling exchanged for \$ 4.87, but we are using \$ 5 for greater convenience of calculation.) The dollar was defined as 1/20 of a gold ounce, and the pound sterling was, at that time, defined as the name for 1/4 of a gold ounce of gold ounce. When a pound sterling 'exchanged' for 5 'dollars', then 1/4 of a gold ounce simply traded for 5/20 of a gold ounce. Clearly, such exchanges and such a welter of names, were confusing and misleading. How they arose is shown below in the chapter on government meddling with money.

In a purely free market gold would simply be exchanged directly as "grams", grains, or ounces, and such confusing names as dollars, francs, etc., would be superfluous." "As we have said, money, or gold, is the common denominator of all prices. But what of money itself? Does it have a 'price'? Since a price is simply an exchange ratio, it clearly does. But, in this case the 'price of money' is an array of the infinite number of exchange ratios for all the various goods on the market. Thus, suppose that a TV set costs 3 gold ounces, an auto 60 ounces, a loaf of bread 1/100 of an ounce and an hour of Mr. Jones'

legal services 1 ounce. The 'price of money' will then be an array of alternative exchanges. 1 ounce of gold will be 'worth' either 1/3 of a TV set, 1/60 of an auto, 100 loaves of bread or 1 hour of Jones' legal service. And so on down the line. The price of money, then, is the 'purchasing power' of the monetary unit ? in this case, of the gold ounce. It tells what that ounce can purchase in exchange, just as the money's price of a TV set tells how much money a TV set can bring in exchange." One of my latest subscribers, Mr. Milton M. Shapiro, 451 Converse Ave., Claremont, Calif. 91711, wrote me a short note stating: "Yes ? you may list me among your 'monetary reformers' ? I would classify myself as essentially a '100% gold standard' man along the lines outlined by Prof. M. N. Rothbard (in L. B. Yeager, ed.: In Search of a Monetary Constitution), involving no fixed values in gold. "By the way I teach Economics, including Money and Banking, at the local Cal Poly College, of California State."

This note was apparently written in a hurry and I would like to have explained the half-sentence: "involving no fixed values in gold". Would he oppose for instance the readiness of a note issuer to accept his own notes in accordance with their text as the equivalent to one ounce of gold each, as if he were actually paid with one ounce of gold instead? Or would he only oppose e.g. official gold values for national currencies in international transactions? This minor disagreement or misunderstanding, like the one with Henry Meulen, somewhat discussed above, shows again how insufficient our language still is for communication purposes.

This seems to be as good a place as any other one to mention some more monetary freedom advocates of whom I heard in the meantime: (Compare notes, pp 266 & 291/2.) Mr. & Mrs. Brian J. Monahan, Route, Two, Box 121 Mundelein, Illinois 60660, U.S.A. Mr. Monahan stated that Dr. F.A. Harper, president of the Institute for Humane Studies, Box 727 Menlo Park 94025, Calif., U.S.A., would likewise favour monetary freedom. Mr. Cliff Ellis, 6/119 Riversdale Rd., Hawthorn 3122, Victoria, Australia. Robert E. Sagehorn, editor and publisher of WESTERN WORLD REVIEW (the summer 1967 issue is largely dedicated to monetary freedom), P.O. Box 2714 Culver City, California, 90230.

Charles A. Wiles, 1009 Balfour, Midland, Michigan, U.S.A., editor of "HAIL".

14) A Gold Subsidy to American Miners?

I was recently somewhat disappointed when I found Mr. Walter E. Spahr, editor of "Monetary Notes", published by the "Economists' National Committee on Monetary Policy", 79 Madison Ave. New York, NJ. 10016, "recommending a gold mine subsidy instead of another devaluation of our standard dollar".

Should the fiction of the gold cover of the U.S. Dollar be preserved, the lie that \$ 35 in U.S. paper money are still worth 1 ounce of gold, in spite of the U.S. government not being prepared to sell you or me a single ounce of gold at this price? Or should the present "gold-painted" paper dollar rather be left to its fate, to its proper evaluation on a free gold market in terms of gold weight? How much gold could U. S. \$ 35 buy, in a free market for gold and various means of payment?

The fear of the concept of "devaluation" seems in this case unfounded as here devaluation might mean nothing but a reduction of the official purchase price for gold, expressed in paper money, which

over-values the inflated paper dollar ? to its free market price reckoned in gold weight, and leaving it there As has been pointed out in plan 175 (in PEACE PLANS No. 8), only devaluations below the market rate are objectionable. On the other hand, according to the principles of monetary freedom, one could rightly demand that at least the issuer, who has inflated the paper dollar, the U. S. government, be compelled to accept its own promises at their face value, no matter how low their market rate may be. While the legal tender provisions and the money monopoly ought to be repealed ? last not least to prevent any money shortage which might otherwise result, the U.S. Government like any bankrupt debtor, ought to be held responsible with its whole property, and must, as far as possible, fully redeem

all its paper premises at their face value, or, when this face value exceeds the total property, then it must redeem all claims according to a pro-rata system. At \$ 35 per ounce, or at the pro rata price, the remaining gold stock and all government property would then be rapidly transferred again into private hands. The paper dollars which have thus streamed back ought to be destroyed. To use them again would be another fraud. Taxes ought to be fixed in their present equivalent in gold weight (in a short term & limited reform) & the old paper dollars ought to be accepted, in all payments to the U.S. government, as if each 35 of them were really still worth 1 as the government asserted so far, 1 ounce of gold. (This, surely, would be one of the most radical tax reductions ever.) Legal tender would remain 1 against the government and against nobody else. The large reduction of government income due to this reform would force it to reduce or cut out expenditures. How to equalize the value of new private or public paper money issues to that of agreed upon gold weight units, according to free market principles 1 is the subject of von Beckerath's and Dr. Zander's articles.

IV. WOULD MONETARY FREEDOM LEAD TO A RISE OR A FALL IN PRICES?

One basic argument of those objecting against full monetary freedom is 1 a misinterpretation of the quantity theory which finds e.g., expression in the above discussed expectation of automatic price adaptations to the quantity of gold available for monetary purposes. Prof. M. N. Rothbard (ibid, p. 13.) puts this opinion very clearly when he says: "New money only raises prices 1 i.e., dilutes its own purchasing power." U. v. Beckerath, on the contrary, expects in balance and in the long run a general reduction of prices through new issues. He states that only emergency sales and forced auction prices will be abolished and replaced by free market prices 1 in most instances. He expects prices to fall for some of the following reasons: (This list is probably not yet complete!)

- a) The issue of goods warrants reduces sales costs 1 as they invariably return to the issuer in payment for his goods or services.
- b) As all desired exchanges will then become possible (none will fail to take place merely for lack of exchange media). Thus turnover will increase and permit savings and rationalizations which would reduce prices. (Compare page 83.)
- c) International payments would become easy. Trade would automatically and obviously be balanced in a free and multilateral exchange using purchasing certificates. The resulting increased turnover and division of labour would again make for reduced prices, in the average. (However, wider markets would lead to the increase of some prices.)
- d) Stable value reckoning will attract additional investments and would thus lead to increased production and lower prices.
- e) Short-term credit could then be offered almost interest-free, at the cost of administration. Savings would no longer be required for it. This would lastly lead to the repeal of interest ceilings 1 which indirectly hold production down and prices up (although a lowering of prices may have been intended by the legislators).
- f) Monetary freedom would lead to full employment to the extent desired by individuals and to fully productive employment. No more make work schemes and featherbedding. This would be a strong factor in reducing prices.
- g) Maximizing exchange by making all desired exchanges possible and easy would indirectly lead to a rapid increase of savings which, productively invested, would bring about lower prices (This is, by the way, the rapid private enterprise and self-help way for developing an underdeveloped country. First of all, ordinary

exchanges must be made easy & profitable. This will lead to increased production and savings. The savings, freely invested, and without drawbacks through depressions, will again lead to still higher turnovers, these to ¼ etc.) (For some longer explanations see under "development" in my main website.)

h) On p. 21 von Beckerath points out how the order?system (which is closely related and partly identical with monetary freedom) would reduce sales costs. - J. Zube, ed.

"The federal government (or more precisely, those who control it) is indeed operating what is not unlike a vast legalized counterfeiting ring. In one important respect, however, government inflation is far more vicious than run?of?the?mill counterfeiting: the State is legally empowered to compel the victim to accept the counterfeit notes as legal tender. Moreover, the victim is legally forbidden from attempting to protect himself by owning gold. As is always the case, the State imposes itself by legalized physical compulsion.

"What monetary reform should be urged, then that is consistent with the principles of a free society? The least (stressed by the editor of P.P.) that should be sought is a return to the gold standard with removal of all restrictions on private use and ownership of gold. Ideally reform should go still further: the State should be divested of its coercive monopoly over the issuance of currency. If, for example, the American Express Company chose to issue its traveler checks as currency and chose to back that currency with gold held in its own vaults, it should not be hindered by law from doing so, nor should individuals be prevented from using such currency if they so desired. Would such a free market in money lead to hopeless confusion among hundreds of competing currencies? Not at all; the international standard would be gold, and an ounce of gold is an ounce of gold whether in New York or California or China or Timbuktu. Nor would a free market in money lead to general economic chaos. On the contrary, the free market leads to stability ? it is intervention by the State that has led and is leading today to economic disaster. " ? Quoted from p. 226 of Richard W. Grant's "The Incredible Bread Machine" ? a Study of Capitalism, Freedom and the State, 286 pp, \$ 4.00, publ. by R. A. Bray, available from Sandra Jeffries, P.O. Box 14031, E. Portland Sta. Ore. 9714 U.S.A. Mr. Grant does not discuss a gold for account standard of private notes without a gold cover. He ignored that one can hardly counterfeit the own currency although with a monopoly and coercion one can reduce its value to next to nothing. Nevertheless, his book is a very valuable contribution in almost all other respects. (I am glad to be able to report that recently it has finally been reprinted, after having been out of print for decades, for so long, indeed, that I produced a pirate edition on microfiche, not so long ago, before I heard about the reprint. - Certain freedom texts are so good and important that they should be permanently in print, at least on microfiche, floppy disks and CD-ROMs. - J.Z., 6.12.01.)

"The kind of Government I would like to see would not deny any businessman or party the right to sell and buy "paper" (IOU's chits, bills debentures, etc., etc.) in any orderly ways of their own choosing. Provided that trading in such ""paper" is not "disorderly", ways of conducting it is a matter for business people as business people, rather than for economists as economists or politicians as politicians." C. A. Ellis, address above, in a letter, 11/8/67. He is author of "Business, Government and All of Us"? The Social Sciences Movement (Australia) 59 Metung St., Balwyn, E. 8, Victoria, Australia, 1966. Review in one of the future issues. (Alas, while he was still alive and via one visit and correspondence I was unable to come to agreement with him on a basic subject like "legal tender". - J.Z., 6.12.01.)

(I had forgotten that I had already appended the following passage and thus, I included it, again, while proof reading this scanning job, somewhere in the above text. But a little bit of repetition for some significant texts does hardly do any harm. - J.Z., 6.12.01.

How old is the suppression of free enterprise in the supply of exchange media? Herbert Franke in

"Geld und Wirtschaft in China unter der Mongolenherrschaft (Money and Economy in China under the Rule of the Mongols), Harrassowitz, Leipzig, 1949 (For such ancient history texts there existed some freedom of press even in Eastern Germany, under totalitarian communist control! - J.Z., 6.12.01.), quotes on p 105 an instruction or regulation of the central government, issued in September, 1314 A.D. "Recently the owners of brothels, wine?houses, cafes and baths have repeatedly produced token money out of bamboo or wood tablets or paper and have brought them into circulation with a discount against paper money. This infringes the currency law. These certificates were only accepted in the issuing store for wine and could not generally circulate in the streets and markets. It has therefore been decided that all these superfluous bamboo and wood tablets or tickets are prohibited." Franke continues: "The regulation of 1294 runs similarly. Because of the shortage of low paper money denominations in Kiang?nan, the population had issued purchasing certificates for tea, flour, bamboo and wine and circulated them. Even then offices and private citizens were prohibited to accept such certificates or to pass them on."

Judge for yourself. If these certificates would have been "superfluous", would they have been issued and accepted? I believe that the currency shortage must have been great to induce people to accept as localized certificates at less than par. Probably the State?money was in danger of being competed out of existence, locally and so force was resorted to under the same kind of pretenses and excuses which e.g., the BBC used to get legislation passed against British "pirate" radio stations run by free enterprises. Compare the legislation on p. 55/6 and the "jurisdiction" on p. 255/56.

Already Adam Smith criticized legal tender and showed it to be one of the conditions without which an inflationary over?issue of paper money is not possible. On p. 141 of the Great Books issue, when speaking about paper money with less than its nominal value: "To oblige a creditor, therefore, to accept of this as full payment of a debt of a hundred pounds, actually paid down in ready money, was an act of such violent injustice as has scarce, perhaps, been attempted by the government of any other country which pretends to be free. It bears the evident marks of having originally been, what the honest and downright Doctor Douglas assures us it was, a scheme of fraudulent debtors to cheat their creditors." "No Law, therefore, could be more equitable than the Act of Parliament, so unjustly complained of in the colonies, which declared that no paper currency, to be emitted there in time coming, should be a legal tender of payment."

The Constitution of the U.S.A. tried to guaranty monetary honesty through a special clause. Art, I, Section 10 runs: "No state shall ... emit bills of credit; make anything but gold and silver coin a tender in payment of debts; ¼ " (Alas, this left still the Federal Government free to do precisely what it considered as wrong when done by others.) Madison commented on this in "The Federalists" No. 44: "The extension of the prohibition of bills of credit must give pleasure to every citizen in proportion to his love of justice and his knowledge of the true springs of public prosperity. The loss which America has sustained since the peace from the pestilent effects of paper money on the necessary confidence between man and man, on the necessary confidence in the public councils, on the industry and morals of the people & on the character of the republican government, constitutes an enormous debt against the states chargeable with this unadvised measure, which must long remain unsatisfied; or rather an accumulation of guilt, which can be expiated no otherwise than by a voluntary sacrifice on the altar of justice of the power which has been the instrument of it." ? I started once a collection of criticism directed against legal tender. Can you help me to complete it? J. M. Zube.

The idea?world of G. Szmak, industrial economist, 420 Lexington Ave., New York, N.Y. 10017, contains many pearls. In one of the most recent of his numerous releases, titled: "The Ten Demandments of Economic Order", he stated: "CURRENCY shall be earned into circulation through wealth production. MONETARY VOUCHERS issued by the people individually shall be used for accounting and transferring of wealth. ? More of him in future issues. This one is long enough! - Zu.

