

money permits any extension of the money circulation. Those who own the land can always insure sufficient covered space, even if they can only construct one-storey houses, while the most skilful builders are at a loss to accomplish their task if cramped for land.

It might be objected that even where the State has the power to issue an unlimited amount of money, it can never know how much money is to circulate at a given time to preserve its value, i.e., the average prices of merchandise unchanged, for the very fact that the credit level is beyond its control. So we might say that it is impossible to calculate exactly how much fuel is required to keep the temperature of a room at a certain height, because many factors have to be taken into account which are beyond our control, such as the variations of the outside temperature, the thickness and quality of the walls, the occasional opening of doors and windows, etc., and it is true that the greatest scientist could not supply the desired figure under such circumstances. For all that it is equally true that any blockhead can keep our room at the desired temperature by simply watching the thermometer and regulating the supply of fuel accordingly.

To calculate how much money is exactly required by the market, how much will neither depress nor raise prices, defies the skill of the most experienced financier, as it is absolutely impossible to figure the amount of work which money substitutes will do at a certain period, or the turnover for which the currency is required; but to regulate the supply of money according to the prices of merchandise is as easy as to determine the quantity of fuel by following the dictates of the thermometer.

In my previous article I went into the details of the process. I have showed how yearly statistical tables of turnover and prices can

supply standard measures by which discrepancies in the daily estimates may be finally corrected so as to eliminate all chances of arbitrary action on the side of the authorities, or, anyhow, supply a yearly correction of false estimates made by following the daily price lists for the purpose of extending or contracting the money circulation. In which way this contraction or extension is to be effected depends, in the first instance, on the question whether a State Bank is to be established or not. This is a question entirely independent of the currency problem, though many friends of a radical currency reform are, at the same time, ardent partisans of a State Bank, I, for my part, think that there is no reason why we should not let the existing banks continue to do the banking proper without, however, giving them any monopoly, in fact, by rather encouraging the establishment of People's Banks on the co-operative system of Raiffeisen, which has such splendid success in Germany and Italy. Of course, the banks' right of issuing bank notes would be abolished, the State's paper money being lent to the banks, or others against sufficient security, and at a rate of interest corresponding to the state of the money market. The remarkable reversal in the relation between the rate of interest and the conditions of the money market, which will result from the new system, shows better than anything else the total change which this system will bring into our financial conditions. At present a business crisis is not only accompanied by low prices of merchandise, but by the high rate of interest which the producers have to pay for money. Under the new conditions, as soon as a scarcity of money has depressed prices, more money will have to be issued, and to induce the business world to take up this money the rate of interest will be reduced accordingly, and vice versa, when prices are high the rate of interest will be