

A Brief Letter to Henry Meulen

Walter Zander
97 Baker Street, London, W. 1.
10th July 1952.

My dear Meulen,

I am very sorry I missed your visit the other day. I was in Liverpool and Manchester.

May I at first return the two photographs with many thanks. I would like to see your daughter again, and when she should come to London, please let us know. There is also the possibility of my coming to Edinburgh later this year, and if so, I shall get in touch with you before.

Now to the dispute with Beckerath. I am too far removed from the problem in question. But if you would accept my opinion, I would say this.

- (1) I think that Beckerath's principle that the value of notes should be based on the obligation of the issuer to accept his notes at full nominal value, is sound.
- (2) It is obvious that the use of these notes will be limited according to the demand for the goods of the issuer. Notes issued by a village barber shop (as issued frequently in China), will have a very small circulation; notes issued by a national railway will have a larger circulation; and the circulation of notes, issued by the State, and accepted for tax payments will be greater still.
- (3) It will, therefore, be desirable to increase the scope of the circulation as much as possible. The main method which Beckerath suggests is the association of several issuers in an issuing bank (Verrechnungsbank), in which case all members promise to accept these notes against their own goods. The principle, laid down above in para (1) remains, therefore, unchanged and is only extended to all members of the Verrechnungsbank.
- (4) Your suggestion is to increase the scope of circulation by the promise to convert the notes into Gold. This introduces a different principle. I do not object that the issuer should be entitled to convert his notes into gold. But I am doubtful whether he should be forced to do so, because this conversion will be demanded just in those times when it is most difficult, if not impossible, for the issuer.
- (5) Now to the last question. Will the promise to convert the notes into gold make the reform easier? I think you are right that your suggestion is more likely to secure support to-day, since it is more familiar to the general attitude of mind. But in spite of this I am inclined to join Beckerath's point of view.

As far as I can see there are two principles involved.

You stress – no doubt rightly – the freedom of banking but maintain the obligation of the bank to convert its notes into gold.

Beckerath, while sharing your devotion to freedom, wishes to establish a fundamentally different principle, i.e. the issue of notes based not on their convertibility, but on their acceptance by the issuer.

I enclose copy of this letter, and if you would forward it to our mutual friend, he may be interested to see it. I have to my grief mislaid his address. Perhaps you will be good enough to let me have it.

Kind regards,
Yours sincerely,

WALTER ZANDER

Henry Meulen, Esq.,
31 Parkside Gardens,
S.W.19.