

22 March 1933.

Dr. F.R. Immer,
University Farm,
St. Paul,
Minnesota, U.S.A.

My dear Immer:

I sent back your manuscript a while ago, and think it must have reached you soon after you posted your last letter. I think it made a very good paper, but there was one slip in the algebra, which Yates spotted, which made one of your numerical applications a little wrong. I gave the details in my previous letter, which you probably now have.

I am wondering whether the turn your public opinion is taking in favour of a "sunder" banking system is really wise. Of course it is a popular view after there has been a run on many banks, and some have been broken. In practice what is called sunder must mean less enterprising, liable to contract credit more and expand it less, to support a smaller paper currency or equivalent paper on the same amount of gold, and generally to lower prices. Of course there is no particular harm in low prices in themselves, but if combined

with a system of social emotions which regards both the lowering of wages and the repudiation of debts as threatening sacred rights, which all sound men should be willing to fight for, then the only remaining way of meeting lowered prices is by ceasing to give employment or to pay dividends.

I do not think that all these economic fallacies that are floating about need concern us in the least, except for one thing, and that is that they divert attention from the real economic dilemma into which the world is running, by committing itself to the development of a far larger fraction of the world's resources, most notably in agricultural land, than the existing population of the world can utilise. The outstanding fact in the history of the present crisis is that food prices collapsed throughout the world well in advance of other commodities, before, indeed the world knew that there was a crisis, that the urban industries felt the draught only when the purchasing power of the food producers had been exhausted, but that, since that time, economists and journalists have been talking as though the over-production of manufactured goods was on the same level, causally, as was the over-production of food.

In a word, in my opinion we are being frantically energetic in remedying everything else except the real cause of the trouble.

Yours sincerely,