

## CHAPTER IX

### THE MONEY MARKET (*Continued*)

#### THE GOLD STANDARD

##### A FRAUDULENT STANDARD

MR. ARTHUR KITSON has called the Gold Standard as applied to financial credit the "Fraudulent Standard." The term is justified; it is not a standard; it is a bondage based upon monetary policy that is an anachronism.

The theory of the gold standard was imposed by the Bank Charter Act of 1844. Since the passing of that act a new world has been created; new powers have been commanded to the service of Man. Machines like an army of Robots stand ready, that are capable of producing economic utilities and a standard of culture undreamt of by the old economies. But the outstanding features of modern civilization are: poverty within nations, and international wars. Twenty-five per cent. of the inhabitants of the countries of luxurious poverty have been condemned, apparently, to remain on the subsistence level, and periodically there is the spectacle of the great army of producers loitering disconsolate at the doorways of the factories, gazing in idleness at the silent machines awaiting the order to produce, while all the land is filled with the great cry of "Want,

want." Consumer's desire, the "real demand," is there, insistent and insatiable; the Robots and their masters are there, anxious to produce; what demoniac Presence is it that strides the centre of the way, cutting a path of tragedy between frustrated "supply" and unsatisfied "demand"; cold names these, that harbour a world of sorrows. Is it indeed a periodic malady, that descends upon men to cause them thus to penalize themselves, in the midst of plenty, with the degradation of poverty?

##### PRACTICAL OPERATION OF THE GOLD STANDARD

Sufficient has already been said to justify the assertion (in Chapter VIII) that one of the penalties imposed by the present functions of the Money Market, is complete domination of productive industry by the Gold Standard. It is now further asserted that this, the actual "hall-mark" of the monetary system, with its twin progeny of ill-fame, inflation and deflation, is the hidden cause of the poverty of nations, and, in the practical working of these operations, is the cause of war; the economic war imposed by the inevitable necessity to create and protect foreign markets.

These are serious statements. But they need not be propped by original supports nor imposed by lengthy arguments. They are proven by the words of the strongest advocates of the Gold Standard itself.

Let it be remembered then that Currency is a medium of Exchange to aid the struggling masses of mankind to provide themselves with the animal-necessities of life and the cultural necessities of the higher aspirations. Refer again to the demonstrated facts of Currency as used to-day, through the financial system of perfected barter. Finally, consider the actual command of Nature's bounty at the disposal of mankind; the machines of any one great country capable of supplying the world, while the brother-

nations went on holiday; and, in the perspective of this knowledge, examine the practical working of the Gold Standard as expounded by the Cunliffe Committee in 1919. This, a commission of financiers, described the pre-war monetary system and advocated a return to it at the earliest possible moment; if the present submission is justified, their ideal must be questioned with the force of a bitter experience:—

Extract from the Report of the Cunliffe Commission  
 "The Currency System before the War"  
 (Paragraphs 2 to 7)

2. Under the Bank Charter Act of 1844, apart from the fiduciary issue of the Bank of England and the notes of Scottish and Irish Banks of Issue (which were not actually legal tender), the currency in circulation and in Bank reserves consisted before the war entirely of gold and subsidiary coin or of notes representing gold. Gold was freely coined by the Mint without any charge. There were no restrictions upon the import of gold. Sovereigns were freely given by the bank in exchange for notes at par value, and there were no obstacles to the export of gold. Apart from the presentation for minting of gold already in use in the arts (which under normal conditions did not take place) there was no means whereby the legal tender currency could be increased except the importation of gold from abroad to form the basis of an increase in the note issue of the Bank of England or to be presented to the Mint for coinage, and no means whereby it could be diminished (apart from the normal demand for the arts, amounting to about £2,000,000 a year, which was only partly taken out of the currency supply) except the export of bullion or sovereigns.

3. Since the passing of the Act of 1844 there has been a great development of the cheque system. The essence of that system is that purchasing power is

largely in the form of bank deposits operated upon by cheque, legal tender money being required only for the purpose of the reserves held by the banks against those deposits and for actual public circulation in connection with the payment of wages and retail transactions. The provisions of the Act of 1844 as applied to that system have operated both to correct unfavourable exchanges and to check undue expansions of credit.

4. When the exchanges were favourable, gold flowed freely into this country and an increase of legal tender money accompanied the development of trade. When the balance of trade was unfavourable and the exchanges were adverse, it became profitable to export gold. The would-be exporter bought his gold from the Bank of England and paid for it by a cheque on his account. The Bank obtained the gold from the Issue Department in exchange for notes taken out of its banking reserve, with the result that its liabilities to depositors and its banking reserve were reduced by an equal amount, and the ratio of reserve to liabilities consequently fell. If the process was repeated sufficiently often to reduce the ratio in a degree considered dangerous, the Bank raised its rate of discount. The raising of the discount rate had the immediate effect of retaining money here which would otherwise have been remitted abroad and of attracting remittances from abroad to take advantage of the higher rate, thus checking the outflow of gold and even reversing the stream.

5. If the adverse condition of the exchanges was due not merely to seasonal fluctuations, but to circumstances tending to create a permanently adverse trade balance, it is obvious that the procedure above described would not have been sufficient. It would have resulted in the creation of a volume of short-dated indebtedness to foreign countries which would

have been in the end disastrous to our credit and the position of London as the financial centre of the world. But the raising of the Bank's discount rate and the steps taken to make it effective in the market necessarily led to a general rise of interest rates and a restriction of credit. New enterprises were therefore postponed and the demand for constructional materials and other capital goods was lessened. The consequent slackening of employment also diminished the demand for consumable goods, while holders of stocks of commodities carried largely with borrowed money, being confronted with an increase of interest charges, if not with actual difficulty in renewing loans, and with the prospect of falling prices, tended to press their goods on a weak market. The result was a decline in general prices in the home markets which, by checking imports and stimulating exports, corrected the adverse trade balance which was the primary cause of the difficulty.

6. When apart from the foreign drain of gold, credit at home threatened to become unduly expanded, the old currency system tended to restrain the expansion and prevent the consequent rise in domestic prices which ultimately causes such a drain. The expansion of credit, by forcing up prices, involves an increased demand for legal tender currency, both from the banks in order to maintain their normal proportions of cash to liabilities and from the general public for the payment of wages and for retail transactions. In this case also the demand for such currency fell upon the reserve of the Bank of England, and the Bank was thereupon obliged to raise its rate of discount in order to prevent the fall in the proportion of that reserve to its liabilities. The same chain of consequences as we have just described followed and speculative trade activity was similarly restrained. There was therefore an automatic

machinery by which the volume of purchasing power in this country was continuously adjusted to world prices of commodities in general.

Domestic prices were automatically regulated so as to prevent excessive imports; and the creation of banking credit was so controlled that banking could be safely permitted a freedom from State interference which would not have been possible under a less rigid currency system.

7. Under these arrangements this country was provided with a complete and effective gold standard. The essence of such a standard is that notes must always stand at absolute parity with gold coins of equivalent value, and that both notes and gold coins stand at absolute parity with gold bullion. When these conditions are fulfilled, the foreign exchange rates with all the countries possessing an effective gold standard are maintained at or within the gold specie points.

#### CRITICISM OF THE REPORT

This, then, is the system to which the Committee definitely advised the Government to return, and to honour which the country has been reduced from a stage of universal prosperity and full employment, to a lamentable condition of trade depression, with millions of workers unemployed and they and their dependents living miserably on an inadequate dole.

Let these statements, therefore, be examined individually, and thereafter let the collective and cumulative effects of the suggestions be observed, when applied to the needs of commerce.

In section 2 it is stated that prior to the war, currency consisted entirely of gold or notes representing gold. But the third section admits the growth of the cheque system since the passing of the Act of 1844.

Reference to the chapters on Banking and on Currency-creation prove that the gold and notes were in fact the small change of commerce; all the major transactions were operated by cheque, on the system of perfected barter. Yet it is not considered wrong to harness the cheque-system, the invention of the gigantic organisation of modern industry, to a constraining and controlling regulation imposed while the present conditions were in embryo.

Further, when it is stated that there was no means whereby the legal tender currency could be increased except the importation of gold from abroad; and if this gold is to form the only basis of credits for the expansion of industry; it becomes obvious that industry is no longer regulated by the inventiveness of man and his control of the bounties of Nature, with currency as but the tickets wherewith to distribute the ever-increasing shower of natural riches; on the contrary, industry has become but a function of the monetary system, and its expansion has been made subservient to the possession of stated quantities of a callous and useless metal, that is not even used as money.

Again, if gold is thus to be imported from abroad the importing country must be the creditor of other countries:—all nations cannot have favourable exchanges, as we have seen, nor can all nations export gold. Hence if the applications of applied sciences continually tend to equalise the industrial power of ambitious nations, and the offensive power of their armaments, and if those nations, by the decree of a fatal system, find it imperative to have a favourable exchange implying control of huge overseas markets, then indeed the seeds are sown of strife and aggression, ending in the mutual disaster of war.

Thus the standard of living within nations tended to become dependent upon precarious international

balances. Section four describes the actual operation and effect of gold-removal, and section five continues, mounting to the statement that the most important consideration is not the happiness and economic security of the British people, but the maintenance of London as the financial centre of the world.

That this is indeed a fact, is disclosed by the considered statement of the effect of the raising of the Bank's discount rate (paragraph 5).

Let these words be recapitulated:—

There is to be restriction of credit;  
New enterprises must be postponed;  
Demand must be lessened;  
Unemployment must occur; because  
The demand for consumable goods must be diminished.

Such is the unconsidered complacency of human nature, that these statements can be penned calmly by well-fed and kindly old gentlemen of great erudition, with a sincere belief in their necessity and ultimate benefit to the community. It may be, indeed, that they have no faintest inkling of their interpretation in the life of the commonplace man who earns his precarious living subject to the terrors of unemployment and insecurity.

For in blunt language these statements mean that, to maintain the equilibrium of the monetary machine, the command, "Thou shalt not," must be issued by the great god Mammon, and straightway the hum of industry must hesitate and cease, and, that the demand for consumable goods be diminished, the worker must go home and instruct his little household that forthwith they are on forced rations. Demand must be lessened, and holders of stocks must be forced to sell them at a sacrifice; therefore the

Industrialist and the producer must go into the oblivion of bankruptcy, and their workers, and the inarticulate army beyond their workers, must shake hands with comparative Famine and lie down with Misery.

Sections six and seven show the operation of the same "gold check" on the opposite circle of rising prices, and it is stated that there was an automatic machinery by which the volume of purchasing power was continually adjusted to world prices of commodities in general. There is here an insistence on the price level that brings the discussion closer to its goal; for there is no suggestion whatever that the supply of purchasing power shall serve the community.

To serve the community the purchasing power made available to the consumer should be sufficient to enable him to purchase all the available "economic wealth" that can be produced by the absolute efficiency of the industrial system, working to its fullest capacity.

But the purchasing power consists mainly, as demonstrated, of cheques drawn upon bank lodgements. Those lodgements are based almost entirely on Credit, and Credit, as has been seen, is harnessed to Gold. The incentive to analyse this thing called Credit is increased, and it may be better understood by two examples of the reaction between gold and the loans based upon it.

KITSON'S "INVERTED PYRAMID"

Refer again to the description (in Chapter VIII) of Currency creation, and it is remembered that the gold reserve of the Issue Department of the Bank of England is used as a "Standard" by the Banking Department of the same institution; this standard

being 20% or less of the liabilities or loans based upon it. These loans further were observed to become "Cash on Hand" in the balance sheets of the Joint Stock banks, to be used by them again as the "Standard" upon which to base further credits, issued to the industrial community.

Mr. Kitson has expressed the process in diagrammatic form, correctly, as an "inverted pyramid":—

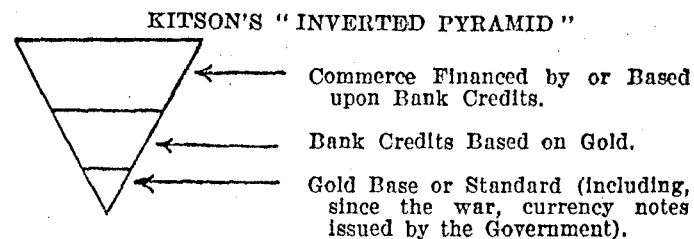


Diagram No. 8.

In this fashion, the effect of a fluctuation of the gold base or standard becomes apparent. To quote Mr. Kitson's own words:—

"The following illustration of the triangle shows that at present all our huge volumes of credit are piled upon an insignificant amount of gold, so that every golden sovereign represents from twenty to one hundred sovereigns' worth of credit."

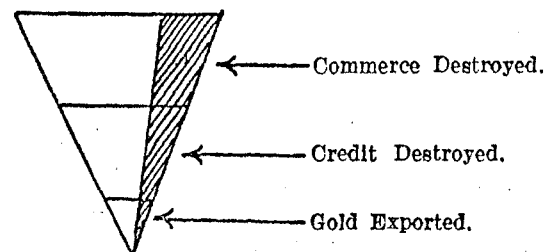


Diagram No. 9.

"If, therefore, a million pounds of bullion are exported, the Banks are compelled to call in all the credit resting on that sum, in order to maintain their so-called margin of safety. Hence the movement of a comparatively small amount of gold or legal tender means the addition to or cancellation of a large volume of currency. Some years ago 'The Banker's Magazine' gave a most startling instance of the effect of gold exports upon the prices of our gilt-edged securities. During a period of ten weeks a certain group of American financiers drew from the Bank of England sums equal in all to eleven million pounds in gold and shipped it to New York. Prior to this operation these gamblers sold British Securities heavily, and bought United States bonds and shares. The transfer of the gold caused a fall in the prices of 325 of our representative securities, equivalent to £115,500,000, whilst the absorption of this gold caused a corresponding rise in Americans. This illustration explains why a relatively small addition of legal tender can sometimes seriously affect the price level. It is not due to the increase in legal tender, but to the disproportionate amount of Bank Credit based upon it. The fact also explains the reason why the values of commodities have become so easily the sport of speculators. The sudden creation or withdrawal of credit, the export of gold from one country to another, is sufficient to ensure certain profits to the cosmopolitan gamblers in finance."

This is an illustration of the policy of the deflation of currency, in one country, with a corresponding inflation in another. To the impartial enquirer, there seems no logical connection between the gold basis as at present understood and the actual currency-need of the community. There seems no justification for the chaining of "the lifeblood of the economic organisation" to the fraudulent standard; its only

justification seems to be, that to do so brings the whole industrial organisation, (working, be it remembered, on credit-currency), within the limits of the Bank Charter Act 1844, and therefore under the absolute domination of the Money Market.

Practical and bitter experience has demonstrated this effect. The base of the credit pyramid since the war has been gold with the addition of treasury notes issued by the Government, some £200,000,000 of which have no gold backing. The Cunliffe Committee was a committee for financial investigation; it was also a committee of bankers and financiers. It advocated a return to the Gold Standard. In 1920, in the midst of an unprecedented trade prosperity, marred by high prices but almost without unemployment, the Government accepted and declared this policy. The result is notorious; the people of this country have walked through a valley of shadows; thousands of bankruptcies have been forced, and millions of the population have been reduced to absolute destitution; a rising generation of young workmen have idly walked the streets for several years, without a chance to learn a trade to be their livelihood.

This deliberate return to the bondage of the old monetary standard is the root cause of the terrible condition of the country to-day, when another "winter of unemployment" must be faced.

Professor Gustav Cassel has criticised the policy, and summarised the effects of deflation or reduction of currency:—

"During the year May, 1920—May, 1921 a fall of prices has taken place perhaps more violent than any other in the economic history of the world. This fall is still going on, and though it seems to have been retarded during the last few months the definite end

of the movement is not yet in sight. The downward movement of prices has not, as is sometimes assumed, been merely a spontaneous result of forces beyond our control. It is essentially the result of a policy deliberately framed with a view to bringing down prices and giving a higher value to the monetary unit. This policy of deflation has its root in the popular idea that the pre-war levels are still to be regarded as "normal," and that stable economic conditions can be obtained only by bringing prices down to the old level. . . . A prolonged fall of prices must necessarily have an extremely disturbing effect on production and trade, and it is this consequence of a policy of deflation which has manifested itself most clearly during the last four months."

## SIR EDWARD HOLDEN'S ANALYSIS

The evil effects of the gold-control of industry have been demonstrated, but the second example is a definite support of the criticism by the words of a banker. At a meeting of the Liverpool Banker's Institute in 1907, Sir Edward Holden was defending bankers against the charge that they were not supporting the manufacturers by granting sufficient credit. (The two following notes are extracted from "Our Monetary Policy" by Mr. T. B. Johnston.) By means of a triangle Sir Edward illustrated the relation between Credit, Loans, and Cash Reserves, and claimed that the banks could do no more, because they were bound by the gold standard and *Gold controlled trade*.

## SIR EDWARD HOLDEN'S TRIANGLE

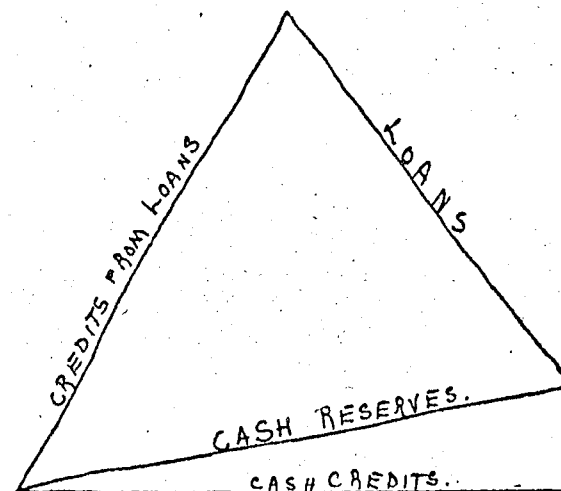


Diagram No. 10.

"The right side of the triangle," he said, "represents the loans of the whole of the banks, and the left side represents the credits created by these loans, and the base the cash balance or reserve. If the loans and credits as represented by the two sides of the triangle were the only elements that the bankers had to take into consideration, then there would be no necessity for them to restrict their loans at all, and traders could increase their businesses and obtain loans ad libitum. But there is another element, and a most important one, to be taken into consideration, and it is the fact that all credits as represented by the left-hand side of the triangle, and the line drawn from the base, are practically payable on demand, and in gold, assuming, of course, that the Bank of England notes represent gold.

Every banker, therefore, must make up his mind by what amount his credits are liable to be diminished, both in ordinary and extraordinary times, and when he has thus made up his mind he ought to keep that amount of available resources in gold, or in a means of obtaining gold.

"Let us consider then, that the base of the triangle consists of gold," (since the war gold and currency notes), "and it is the ratio of the base of the triangle to the total credits (both created and cash credits) which restricts bankers from increasing unduly their loans. If business increases unduly, and if bankers continue to increase the loan side of the triangle, then evidently they are getting into danger, and the only judicious course which they can pursue is to curtail their loans, which curtail these credits, and thus re-establish the ratio.

"I want you to remember that the banking system of every country has its triangle, and that the principles enunciated above exist in every triangle of every system based on gold in the world. That being so, it is clear, generally speaking, that the business of the world is carried on by means of loans, that loans create credits, and that the stand-by for the protection of credits is gold, and that therefore **GOLD CONTROLS TRADE**" . . . and consequently the employment of labour.

*How the Vicious Circle is Created.*

Mr. Johnston's comments are interesting and lucid:—

"It is important to remember that currency in the shape of gold or notes is practically only used for the purpose of paying wages and other small transactions, all else is settled by cheque, bills of exchange, etc. A manufacturer whose weekly wage bill was in pre-war days £1,000, would have required 1,000

sovereigns from his bank every Friday night. When trade improved, however, as it periodically did, and he was employing more men at increased wages, he required a correspondingly increased number of sovereigns for wages, and as this would apply over the whole country there was a greatly increased demand on the banks for gold, and they had to resort to the Bank of England.

"If the good trade continued for any length of time the gold reserve became depleted, and in order to protect it, and also to attract gold from abroad, the Bank Rate was raised, causing a restriction of credit, a stoppage of expenditure on capital goods, with resulting unemployment. This unemployment entailed a lesser demand for commodities, which again increased the unemployment, and a vicious circle was created, which ended in low prices, low wages, and, as Sir Henry Campell-Bannerman once said, ten millions of our people on the border line of starvation.

"The war, with the practical abandonment of the Gold Standard has confirmed this opinion.

"Instead of the gold base to the triangle which could not be increased except by further supplies of gold, we had a base composed of currency notes, which could be increased as necessity arose. We had active trade everywhere, with full employment, and if it had not been for the terrible shadow of the war all producers would have been smiling.

"When, however, industry can obtain all the money it requires, as was the case during the war, the demand exceeds the supply. There is a rising market, and if prices are uncontrolled speculation becomes rampant, and prices are forced to an unjustifiable height, which in turn brings about demands for increased wages, and thus another vicious circle in the opposite direction is created."

## THE GOLD STANDARD AN UNREGULATED SYSTEM

Thus in the monetary system upon which the economic life of the country depends, there is a vicious circle that may progress either upwards or downwards; downwards into the catastrophe of deflation—upwards into the rarefied heights of inflation, where prices mount rapidly behind the expanded credit of an active prosperity, overtake and overcome it, and in due course topple it over a precipice again into the regions of deflation.

Trade cycles; financial cycles; a fault imposed by one vicious weapon remedied by another weapon equally brutal. The operators of the monetary machine control its activities by these weapons alone; surely this is the only organisation in the world that must proceed upon its way in a series of uncontrolled dashes—without an automatic regulator, by which guidance could be imposed to avoid the periodic wreckings now encountered.

The gold standard seems indeed indefensible. It is condemned by bitter experience; its principles are disproved and disclosed as sheer fraud by an examination of the financial system—it is disowned by its strongest advocates.

Professor Keynes, who in 1919 supported and approved the decisions of the Cunliffe Committee, criticised above, in 1923 published a book in which he states: "Therefore, since I regard the stability of prices, credit, and employment as of paramount importance and since I feel no confidence that an old-fashioned Gold Standard will give us the modicum of stability that it used to give, I reject the policy of restoring the Gold Standard on pre-war lines."

Addressing the general meeting of the Midland Bank, in 1924, Mr. M'Kenna rejected the possibility

of a return to the Gold Standard by means of deliberate deflation of currency.

Commenting upon the British Government's decision to raise the pound sterling to parity with the dollar, even at the sacrifice of her internal prosperity, Senator Henri de Jouvenel, a French writer, stated; "Great Britain since the peace has sacrificed her prosperity to her monetary prestige. It was by disturbing the solidarity of the exchange rates in the month of March, 1920, that Great Britain ruined her trade and industry, and created that unemployment of which she to-day bears the marks. . . . British statesmen have sacrificed the economic interests of their country to their monetary pride."

These examples require no comment, but invite a question. Was the British Government a free agent in its decision to restore the Gold Standard by sacrificing the country's prosperity? Was it not, rather, that the International Convention of Economists held at Brussels decided that steps should at once be taken to get back to "the complete and effective gold standard," that the International Conference was formed of financial economists, and duplicated by the national committee, the Cunliffe Committee—and that the Cunliffe Committee at great length formed and advised a similar decision, ultimately adopted—it would seem inevitably—by the Government?

## THE WORLD PRODUCTION OF GOLD

The Gold Standard is the engine of control of the financial operators of the Money Market, wielding the weapons of inflation and deflation. It stands condemned.

If further evidence should be necessary to enforce the judgment that it is not economic, but merely the

embodiment of the power of a particular organisation, it is supplied by the world figures of the total gold produced for a period of four hundred years:—

ESTIMATED WORLD PRODUCTION OF GOLD  
1498-1900.

Period.	Number of Years.	Amount in Kilos.	Approx. Value in Sterling.
1492-1850	358	4,752,100	£649,000,000
1851-1885	35	6,880,000	£871,000,000
1886-1900	15	8,969,600	£541,000,000
1498-1900	408	15,101,700	£2,061,000,000

Here it must be immediately noted that during the second period (including several famous gold discoveries), one-third more in weight and value was produced in 35 years than in the previous 358 years, while the last period of 15 years almost equalled the same period of 358 years.

The acceleration was due to the application of scientific methods to gold-production, and to deliberate search for potential mines. But its occurrence is conclusive proof of the actual necessity of currency-expansion during the enormous development succeeding the Industrial Revolution. Twice as much produced in fifty years as in 350 is a recognition of the necessity, even to support the penurious standard of the current system.

But the most outstanding fact of the production, after all, is the total. Two thousand millions of gold, from which must be deducted the immense drain imposed by the Arts, by losses in manufacture, in minting and in currency depreciation. The net total then, to be the dominant factor in regulating the production of economic wealth throughout the world—a world rapidly increasing in population, and advanc-

ing in productive power infinitely faster than any possible advance in gold production.

All these considerations have become self-evident during the course of the present study, and to the impartial student the gold base of industry seems an anachronism. Even in Great Britain, the total monetary values examined, e.g.,—

Bank Deposits	...	...	£2,400,000,000
Paid up Capital of Joint Stock Companies	...	...	4,000,000,000
National Debt	...	...	7,000,000,000
Bonds	...	...	1,000,000,000

are so huge that the total gold available becomes insignificant and its control an absurdity.

The trade of the world is carried on by Credit, on the system of perfected barter; the difference, in Britain, between the meagre amount of Gold held as reserve, and the immense values handled by commerce, must be based on the belief or "Credit" of something other than Gold.

The time therefore seems opportune to examine the real basis of the economic system, upon the goodwill of which the precarious and fraudulent balance of the Gold Standard, and its implications, operates. A brief analysis of Credit will supply the required explanation.

## CHAPTER X

## AN ANALYSIS OF CREDIT

## THE OMNIPOTENT MONOPOLY

THE late President Wilson, during the discussion which reversed the American monetary policy from deflation to inflation, used the following words in one of his speeches :—

“Some of the biggest men in the United States are afraid of something. They know there is a power somewhere, so organised, so subtle, so watchful, so interlocked, so pervasive, that they had better not speak above their breath when they speak in condemnation. The control of Credit has become dangerously centralised. It is the mere truth to say that Financial resources are not at command of those who do not submit to their dictation and domination. The great monopoly in this country is the monopoly of “Big Credits.”

This is a remarkable statement, made so recently by one of the outstanding intellects of the present generation, whose life-work may yet prove to be the beginnings of the true league or brotherhood of

nations. And these words form a startling commentary on the credit-analysis of Sir Edward Holden, given in Chapter nine, summarized in these words; “The stand-by for credits is gold, and therefore *Gold Controls Trade.*” The implication of those words is unwritten but obvious; in Great Britain all credits are issued through the Money Market, and the operators control the gold reserve absolutely; therefore, if Gold controls trade, the Money Market controls both trade and gold, by means of the Credits by which the two extremes are united.

Thus the great monopoly referred to by President Wilson is obviously the monopoly of that commodity which in the present discussion has been called credit-currency, and identified as cheques, notes, and bills of exchange operating upon bank deposits, the Government credit account, (as in the case of currency notes), or the conventional credit-power granted to certain great accepting and discount houses.

The huge sums that have been examined and docketed under these headings can now be conveniently summarized into one great conception and to that conception can be given a name that describes it clearly;—the name of “Financial Credit.”

## FINANCIAL CREDIT

Now what in the first place is implied by the name “Credit”? The word is indeed to be interpreted literally; “credit” is synonymous with “belief”; Credit implies belief; to grant credit is to have belief in the recipient thereof.

Apply the interpretation to the term “Financial Credit” and the whole operation of the Money Market is understood thereby. The Money Market is the creator of currency, the use of which is granted to

the economic community in the belief that it will in due course refund a like amount of similar currency.

The practical operation (in plainer language) is familiar to every business man. By an apparently inevitable process, which, unfortunately, the business community has not thought fit to study and understand, all industrial and commercial operations must be financed by loans. Whether these loans are granted by the banks or collected from the public matters not; it has been demonstrated that ultimately the loans are created by the circle of "belief" or "credit" operated by the bankers.

Therefore the businessman anxious to promote some enterprise borrows, say, £10,000 from his bank, which he uses to finance his undertaking, and in due course he produces and sells goods to the value of £10,000 with an addition of 10% profit; he therefore cancels his loan and £1,000 remains as his own "money."

Under the credit-interpretation, the banker grants the credit of £10,000 in the belief that the producer can refund the loan within the monetary system, and in a specified time. The producer accepts the loan, using it as credit-currency, in the belief that he can recover a similar amount of credit-currency by means of his industrial operations, to cancel the loan and leave a margin of gain to himself.

This illustrates an individual operation. But collectively, as has been proven conclusively, the operation of loan-creation is controlled absolutely by the Money Market, working upon the theory of the Gold Standard.

Financial credit, be it remembered, refers to currency and all financial values usually accepted as representing currency-values. Thus financial credit may be defined as the belief that a person or community has the ability to deliver money, of an amount

either specified or estimated, as when and where required. Collectively the Financial Credit of Great Britain may be identified at a particular date as (A) the total credit-currency embodied in the banking system; (B) the total credit-currency embodied in Bills of Exchange or other credit instruments apart from the banking system; (C) the total value of bonds, stocks, and shares; (D) commercial credits.

The diagram in Chapter II (page 11) may now be used with advantage; the circle of investigation has been a wide one, but it is completed by a return to the fundamental conception of financial economics.

The diagram discloses the economic plan as possible of interpretation in two ways. First, the actual goods and services may be considered, for the creation and distribution of which the whole system has been constructed. But secondly, and by the imposition of the practical necessities embodied in the definition of Finance given on page 14, all economic values may be stated in terms of "Money" or "currency"; their "values may be measured" in a manner universally intelligible.

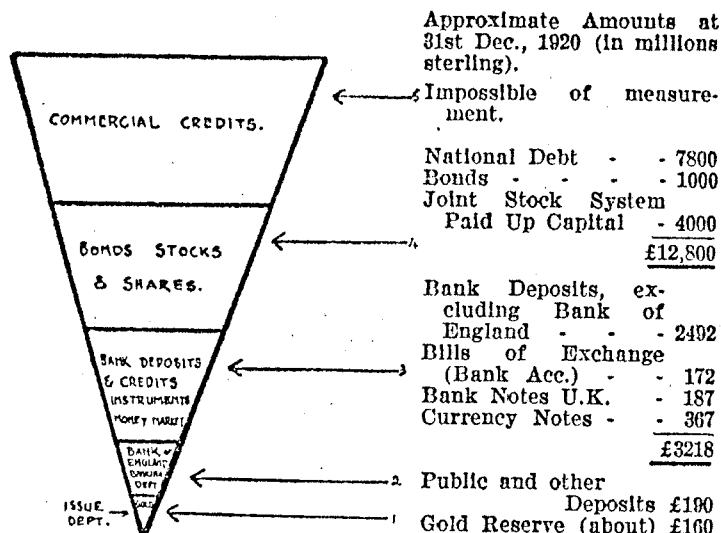
Theoretically therefore the total wealth of a community may be expressed either in currency or goods. "Currency" consists of a very small amount of Cash (or a commodity fulfilling the requirements of "good" money) and immense values of "representative" money.

To this representative money the name "Financial Credit" is applied, and it is described as "the monetary expression of the belief of the bank or other creditor in the capacity of the person credited to deliver money where, when, and as required."

Using the Kitson credit-pyramid again, the overwhelming volume of Financial Credit operated by the Money Market may be summarized concisely:—

CREDIT-CURRENCY AND LOANS

THE INVERTED PYRAMID



Total Representative Money or Existing Financial Credit	3,408,000,000
Total Loans, or Frozen Currency passed through the Money Machine	12,800,000,000
<b>Gross Total of Measurable Financial Credit at a given date</b>	<b>£16,208,000,000</b>

Total Commodity-Money or Standard Money (about) £160,000,000  
Diagram No. 11.

No. 1, the narrow base of the inverted pyramid, is the arbitrary measure of the "gold standard" and is to be read as including the small amount of bronze and silver legal-tender cash used as the small change of commerce.

No. 2 is the Financial Credit created by the Banking Department of the Bank of England upon the gold basis, using the "bankers' prudence" regarding the ratio of reserve to total liability.

No. 3 is the enormous load of "Bank money" so familiar to the business community in the form of cheques and bills of exchange. The total cheque clearings for the year 1920 were in excess of thirty-nine thousand millions sterling. To the figures given must be added the credit currency outstanding as created by the Money Market operators outside the banks:—the Accepting Houses and Discount Houses, for which figures are not available.

No. 4, representing the amount of money "invested" in registered trading companies and in national and local loans, may be described as "frozen currency." Subject to definite conditions, it is negotiable through the market for securities: but the term "frozen currency" is justified by reference to the description of Government borrowings given in Chapter VIII (p. 114). Apart from fictitious share-creation and fiduciary issues for goodwill, etc., the investments have at some previous period been created by the banking system as Financial Credit, passed through the accounts of individuals, to become crystallized ultimately in the form of shares, etc.

No. 5 is the immeasurable value of personal credits granted between traders, and based upon mutual belief or confidence in the ability of each to honour his obligation in due course, by the operations of commerce. These credits, under present conditions, are obviously only possible by the possession of loan-capital in the case of companies, and of liquid or working capital, in all cases, based upon the banking system either as advances or deposits.

REAL CREDIT

Thus may wealth be described as Currency; that is, as Cash plus Financial Credit. The apparently inevitable tendency to attach a false importance to

this measure of value, and to the machinery by which the measurement is made, has been sufficiently exposed.

But again referring to the economic plan on page 11,—it must be once again emphasized that Currency is but the measure of value of all things possessing economic utility or value in exchange and that in its function as a medium of exchange it is justified only by the efficiency with which it effects the distribution of the full product of the industrial machine.

The real wealth of a community, of course, must be expressed in goods; in those commodities that fill a natural necessity or satisfy a cultural desire. Such things were wealth before money existed; it was to express their relative values and to facilitate their exchange that the whole elaborate mechanism has been evolved. The repetition of these apparent platitudes is justified, when the effects of forgetting them is observed as in the operation of the Gold Standard.

The wealth of a community may thus be described as "goods." But the conditions of industry are familiar; most goods cannot exist indefinitely while the capacity for producing them exists continually; the household example is the creation of bread, "the staff of life." Thus, just as there is cash and a huge Financial Credit the creation and control of which is vested in the Money Market, so goods may be described as actual (or existing) and potential (or future). Material wealth at a particular moment may be measured, but the potential or future wealth rests in the belief that industry can produce it. There is a "belief" or "credit" in the productive capacity of industry.

This is the "Real Credit" of the community and as applied to the individual is described as an estimate of the capacity of the person credited to

deliver goods or services where, when, and as required.

The implications of this definition will be examined further, in the light of the almost boundless producing power of modern industry. Meantime, however, advance must be made progressively, and the material base of the Financial Credits operated by the Money Market may first be stated.

#### PRACTICAL RELATION BETWEEN FINANCIAL CREDIT AND REAL CREDIT

In the present conception, the relation between Financial Credit as outlined, and the material wealth upon which it is based, is quite familiar to the businessman. It is the interpretation of this relation in terms of ownership, or the creative power implied, that apparently he has not studied. If he had done so, it is not conceivable that the present conditions would have been permitted to develop.

Taking the financial credits in order stated, their material foundation may be described briefly:—

- (1) Gold or metallic Money is itself a commodity possessing an intrinsic value equivalent to its stated value, excepting in the case of token coins already minted, the face value of which is granted by convention based upon the State credit.
- (2) The Bank of England (Banking Department) carries no actual "commodity money" excepting Bank of England notes backed by gold; the latter, however, has already been accounted for. The bank's liability to its depositors is based upon those securities upon which it has advanced money, "Government or Public Securities," and "Other Securities." These are not cash—the first

class is based upon the Bank's belief in the Government's sovereign rights, involving appropriation of material wealth (or its monetary equivalent) by taxation, with priority over other trade debts;—the second is based upon the Bank's belief that the borrowers have material wealth, or claims upon such wealth, of a realizable nature, which can be converted into credit-currency when required. This class of Financial Credit, therefore, is obviously based mainly upon material wealth upon which the Bank holds an indirect claim.

- (3) Representative Money within the Banking System. This class of financial credit is fully explained in Chapter V, and demonstrated by a summarized Balance Sheet on page 56. Referring again to this Balance Sheet, it may be reiterated that, in order to honour the Gold Standard theory, the depositors with the Banking system would first be required to purchase the whole of the real property or rights represented by loans and advances,—which is unthinkable. The balance is ultimately correct, but it is not a gold balance. The currency or "bankers' money" represented by deposits is not based on gold, but on real property pledged to the banks for loans, and accepted by the banks because of a belief that they are realizable, that is, convertible into "money" as required. It is obvious that this again is a circle of confidence; the properties may be realizable individually, but collectively they could not be realized in the monetary sense.

It is therefore correct to say that representative money within the banking system is based on material wealth in the form of

realizable properties or commodities upon which the banks hold either legal or equitable mortgages.

- (4) Negotiable Securities representing Currency or Representative Money that has been created by the Money Market, passed through the monetary organisation, and become "frozen" in the form of bonds, stocks, and shares, are theoretically a debt due to the community as individuals and in money, by industry, the Government, or public authorities.

The use of such loan-capital is familiar, however; it is invested in the creation of public works, and in fixed plant and productive assets. It is converted into the framework of the economic machine, upon which is based the belief in the productive capacity of industry, but, though the debt is in money, the belief refers to the production of goods. The foregoing, however, does not adequately describe the National Debt, which is largely the money value of goods and services used and destroyed in war. Since, however, war is waged in protection of the national life and wealth the debt is claimed to be a liability of the community (which it owes to itself as individuals and which must also lie against the fixed assets of productive industry). By these alone could values be "created" to balance monetary values of such magnitude.

The fourth class of financial credit, therefore, is again based upon the material wealth of the community, in the shape of the fixed assets representing productive capacity or public utility.

- (5) Commercial Credits are not measurable, but being loans between individual traders

within the economic organisation they are in effect the operation of the system of perfected barter. It has been demonstrated that while credits between traders must be measured, and are in fact controlled absolutely, by the Money Market operation of the Gold Standard, they are nevertheless based on goods; so far as the traders are concerned, the representative money operating commercial credits is merely a series of orders to their bankers to operate the system of perfected barter. Commercial credits are thus also based upon the mutual belief of traders in the possession of a capacity to produce material wealth that may be converted on demand into money. They are largely operated by the fixed assets of the joint stock system, using loan capital, and may be summarized as—the belief of traders in the potential power of production of material wealth embodied in the individuals comprising Productive Industry.

In the foregoing examination of Financial Credit and its material foundation, which the Gold Standard theory seeks to conceal, it must be pointed out that the values examined are those created by the present system. The Financial Credit, as stated, is that controlled absolutely by the Money Market; the material wealth measured by it must also be controlled by the Money Market, because, under the present system, no goods can be created unless they fulfil the conditions imposed by the monetary standard employed and are accepted by the controllers of the system as realisable properties.

There is no question whatever of that commercial well-being connoted by the term "wealth." Productive industry, indeed, cannot function for the "well-

being" of the community; it can only function for the creation of financial values as demanded by the creators of Financial Credit.

But other considerations now become obvious, and the question must be asked: Since all the credit-values examined, both "financial" and "real," represent in effect material wealth produced to fulfil a natural necessity or satisfy a cultural desire, must there not be a wider consideration,—a consideration wider than the present financial system; as wide, indeed, as the whole potential demand of individuals for those things desired by them?

That such a consideration does indeed exist is now obvious. The producer of goods, who must convert those goods into money to meet the demand of the financial system, would find them useless if no other individual within the community wished to consume them, and was prepared to pay for them. Here is found the real base of financial credit.

#### THE FOUNDATIONS OF CREDIT

Let the existing facts be re-stated. The creation of currency is operated by the Money Market and controlled absolutely by the Gold Standard. Since the financial credit thus "produced" is put in circulation within a severely prescribed system, its prime condition of issue is the possibility of return at the earliest possible moment. It is, therefore, based so far as possible upon the material assets of the industrial system, reckoned at the banker's estimate of their financial or selling value; beyond a point it is based only upon the belief that particular individuals can, in due course, produce "money" as when and where desired.

But once again recourse must be made to self-evident facts that are platitudes to the business man—

so well known, it is to be feared, that they are seldom examined in proper perspective alongside the power of creating "financial credit" here stated.

In the first place, a bank or other lender will advance a loan upon, say, a factory or plant only as a "going concern." The great borrowings of the joint stock companies are not intended merely to build palatial factories and erect elaborate machines; it is the future product of these machines and plants that justifies the loans.

Nothing is more desolate than a derelict industrial plant, from which goods have ceased to be demanded. In this connection, reference should be made to the forced sales of many great producing organisations erected by the Government during the War. These plants (as that at Gretna Green), could in many cases have been diverted to producing goods for a peaceful country, and in such cases they would have been legitimate "security" for bank overdrafts or other loans. But the demand was not there; at this stage of the discussion we can say that the "financial credit" in circulation as money was not sufficient to create an effective demand capable of keeping the great machines running. Therefore they became derelict and were dismantled and auctioned for little more than "scrap values."

Thus it is apparent as a second consideration that "financial" credits, or loans, are not issued against the "real" credits examined above, merely because such real credit consists of certain material assets. In most cases the actual or existing goods are of value only as part of the industrial machine; it is the potential goods which they are capable of producing that create the financial values. These potential goods are familiar in the orthodox definition of "the stream of production."

The stream of production is the wealth created to

satisfy the demands of the community for those economic utilities having exchange value. The whole tremendous fabric has been created to meet the humble necessities of the individual consumer.

Consumer's demand creates the whole of those values in the fixed assets of the community, to which the producers of financial credit have given monetary expression according to the dictates of their own system.

As a final result, it must be observed that the consumer's demand operates ultimately upon natural wealth. So elaborate has this mechanistic civilization become that the foundation of all wealth, and all power of producing wealth, upon the naked and elemental resources of the earth is forgotten by the industrialised majority, when economic systems are under review.

Yet the real foundations of Credit may be stated briefly as:—

#### CONSUMER'S DEMAND UPON NATURAL RESOURCES

The only true origin of production is the real need or desire of the individual consumer, and, if there be any defect in the producing system, or any failure to distribute the product when available, it is the individual that suffers.

In this time of intricate system and world-wide organization the collective idea has become predominant. But the "community" is not an entity; there is a group-consciousness, but it is the community of *INDIVIDUALS* that creates such a consciousness, and to the proper conception of the individual as a source of demand, to satisfy whom the whole of industry exists, the economist must return.

Having lost that conception, there has been lost

also the power of making the individual demand, that is ever present, "effective" in its claim for a share in that stream of potential wealth which productive industry is capable of creating.

In no science, surely, is such reasoning permissible save in this study of an economic system that has been warped and distorted to the mould of a false and inadequate formulæ.

The unconquerable spirit of humanity has survived the storms of a thousand ages, and, before the menace of an apparently pitiless cosmos, has fought the cold might of Nature and forced a concession of immeasurable wealth. Generation by generation the slow battle has been waged, and then with a sudden advance the power of Man has been amplified a millionfold by his control of new sources of energy. But the impulse to advance is ever-present; with each new power the unchainable mind ascends higher, and demands more from the grudging secret-place of Nature. "Demand," says the economist, "is insatiable."

It is indeed true. So insatiable has been the demand of Man upon the immense strong-room of Nature, that this generation has a heritage that should mean comparative wealth, in the real sense, to every individual.

The illimitable resources of the earth are merely scraped, yet the economic machine operating upon them has a scientific knowledge and direction capable of supplying all men with plenty. Also, without doubt, the insatiable demand is still there.

Yet again it must be reiterated that the machine cannot work; it cannot perform its function as the intermediary between the wealth of Nature, on the one hand, and the individual consumer, on the other hand, because it has ceased to exist for this purpose, and is permitted to work only within the narrow limits of the financial system.

The giant Progress is indeed chained to the crawling chariot-wheel of Mammon. The whole analysis of Credit can now be summarized conveniently in diagram form (see Diagram No. 12).

THE FOUNDATIONS OF CREDIT

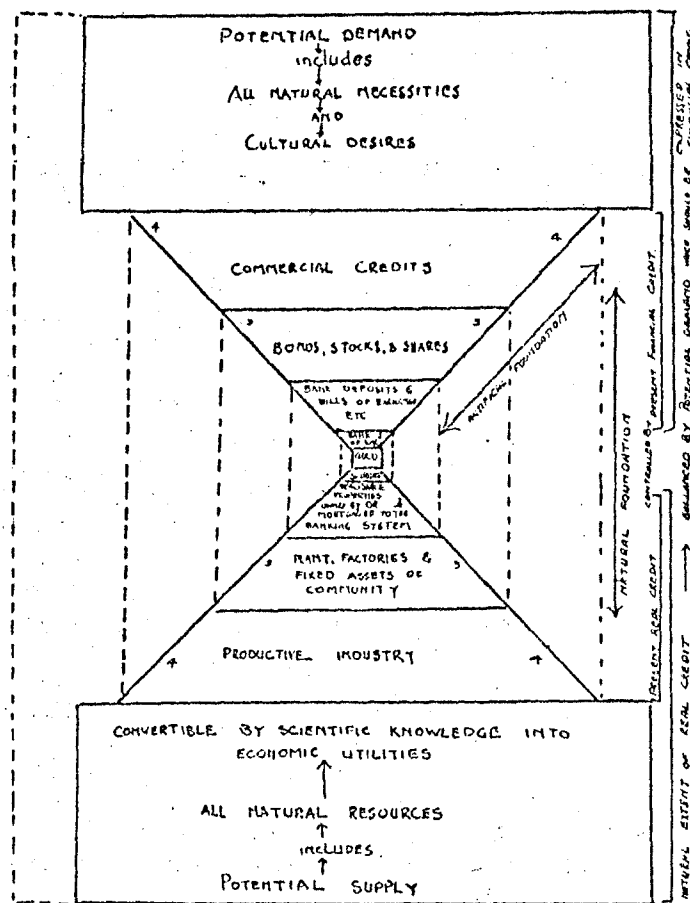


Diagram No. 12.

## RESUME

The points to be emphasized in a correct analysis of Credit can be examined in the diagrammatic summary, and are as follows:—

- (1) Present Financial Credit as created by the Money Market.
- (2) Present Material foundation of No. 1 operating under the control of the Money Market.
- (3) Real Credit embodied in Consumer's Demand acting upon Potential Supply of natural wealth.

(1) Present Financial Credit. It has been demonstrated beyond dispute, by the foregoing examination of the Money Market, that all money values now identified as "Financial Credit" must be created by the Money Market. The fact is self-evident, also, that no industrial enterprise, no economic activity of any kind, can to-day be made effective and of value to the community, except by the use of Financial Credit; firstly, as the necessary "Capital" to build the plant and lay down the organisation, and ultimately as the necessary purchasing power in the hands of INDIVIDUALS, to make effective their demand for the goods produced.

Thus industrial enterprise and all economic activity is controlled by the Money Market. "Gold controls Trade;"—if the operations of the Money Market are bounded by the unnatural limits of the Gold Standard or an equally defective substitute, then the wealth of the nation is limited to the total value of those money-tokens issued by a financial organisation that is but a minute section of the community.

(2) Present Material Foundation. Therefore

Financial Policy is the dominant power in the present economic system, and since the money values issued by the financial operators are merely tokens, possessing no value except by relation to real wealth, the material foundation of the present Financial Credit is the total real wealth of the nation. Let it be reiterated; nothing is "Wealth" to the Money Market except it is convertible into that credit-currency controlled absolutely by the money-trust.

Thus the industrial system cannot expand beyond the limit laid down by the Money Market, and the material wealth of the nation, and the credit of the Government representing the community of individuals, is in fact in pawn "by a convenient convention" to the money-power of the creators of Financial Credit.

(3) Real Credit. But it is noted that no material commodity has financial value in the eyes of the Money Market, unless it is convertible into credit-currency,—that is, exchangeable for those money tokens actually created by it. It thus admits the essential purpose of the whole economic process, which is the continuous supply of natural products to the community of individuals so far as the power of production will permit. The Money Market grants credit only on "securities" that are supposed to have a realisable value; factories and plant, obviously, are in themselves without value other than scrap, except as a means to an end—they are the means or implements producing economic utilities.

Therefore the current economic system operating under the control of the Money Market has no regard for the real foundations of Credit. The real credit embodied in scientific industry, or control of natural wealth, is infinitely greater than the production at present permitted within the bondage of the Gold

Standard. For a brief period the necessities of War removed that bondage, and the amazing vision was then seen of an industrial organisation bereft of five millions of its most efficient operators, manned by amateurs, by women and unfit men,—yet producing an overwhelming stream of commodities for the upkeep of the nation and its active soldiers, and the destruction of its enemies. The enormous volume of production was diverted to the uses of peace, but “mysteriously” ceased in 1920,—how and why, we are now in a position to state.

And it is apparent also that the colossal sabotage of War is not necessary for the continuance of that insatiable “demand” that set the great machines screaming upon their triumphant march of organised production. The community of individuals has a greater desire for a continuously rising standard of comfort than the dictators of financial policy will admit. “Real” demand is indeed insatiable.

Finally, therefore, it must be noted that the Real Credit of a nation lies ultimately in the demand of individuals for those things made available by scientific industry. Real credit is thus a communal asset; it is not rightfully the exclusive property either of the owners of capital (natural or artificial) as such, or the labourers as such, or even of both classes as joint producers, but rather of the whole community, as producers *and* consumers. That is, “Consumer’s Demand upon Potential Supply embodied in the economic system.” Thus Real Credit is a communal asset, and the fact has emerged that Real Credit alone can give “value” or purchasing power to Financial Credit. Financial Credit, which is merely the expression in Currency of the Real Credit, is therefore a communal asset also.

Thus it is again apparent that if Financial Credit is made the basis of all economic enterprise, (as it

is to-day the indispensable mechanism of commerce), and if the control, issue, and policy of Financial Credit is embodied in any organisation or group of organisations, then indeed the economic wealth of a nation is controlled absolutely and beyond dispute by that organisation or group.

The examination of the financial system has now been completed; its dominant position has been made obvious, and it is now possible to show briefly and clearly its reaction upon productive industry.

Reverting to the original submission of the discussion, and regarding scientific industry, properly, as the means for producing and distributing natural resources to the community of individuals, the definite assertion will now be made more clearly, and explained, that—

“The financial system is the cause of Poverty within nations, and international (economic) War.”

*But the question of the student is already answered. He obeys the “law of supply and demand,” and is bound by the “quantity law of money,” and these are things of fearfully-demonstrated efficiency within their system. But their system is false; as any system must be false that stands between man and the natural wealth won by his inventive genius; and that uses the tyranny of poverty and unemployment as a normal method of control. The Creator of the natural laws must indeed be flattered by the imitation of those lesser beings who would lay claim to the control of economic “laws” as vital to the needs of man as the air he breathes. In the midst of plenty, shall the bodies of the Nations indeed wither and die upon the cross of gold?*

## CHAPTER XI

MONEY TOKENS AND NATURAL WEALTH;  
PRACTICAL CONTACT OF FINANCIAL POLICY  
WITH PRODUCTIVE INDUSTRY

## THE INDIVIDUAL AND THE SYSTEM

THE preceding chapters have treated of a system, and it is perhaps necessary to preface the present chapter with the observation that it is still a "system" that is to be criticised. The community does not exist as such; the joys and the sufferings of life affect individuals, and, though it is upon individuals that the tragic penalties of poverty and war must be imposed, yet it cannot be assumed that the individuals necessarily composing the financial organisation are severally accused of a deliberate and conscious imposition of such catastrophic sorrows upon their fellows. Collectively, however, they must accept responsibility for their policy, in so far as any defects of such policy are consciously supported, even in ignorance, to the detriment of society in opposition to any new and more scientific proposal for the better distribution of natural wealth.

Both the individual innocence of financial operators, and the concurrent responsibility of the collective Money Market for financial policy, may be traced and examined on the lines of this discussion. It has been seen that the money-functions are funda-

mentally the measuring of values of real wealth, and the facilitation of exchange between individuals, and in a primitive society these functions might indeed be performed without the intervention of any organised financial system. But it is observed that in tracing the growth and present composition of the Money Market, the trend of the discussion has necessarily been away from the first conception of money as actually a part of the trading system, and under its control, towards the elaboration of a dominant system, the directors of which are so far removed from the elemental conception of the INDIVIDUAL consumer's demand for natural wealth, that their policy is necessarily applied to the conduct of credit-currency, and the imposition of implied powers, upon principles directly antagonistic to the social good.

Thus the present organisation of nations presents a strange paradox of tremendous productive power embodied in a highly-organised system of scientific industry, and a complementary system of financial measuring, currency-creation, and control, that has imposed its policy upon the other system. If that policy should be so defective as to cause the unfathomed miseries of the poverty so evident even in the wealthiest nations, and the further disasters of tragically brutal wars that sweep across a civilization supposedly Christian and intellectual, then indeed there is a responsibility great enough to create a passion of reconstruction in the most orthodox financier, unless he be in fact lost to the necessities of a stricken world.

## OPPOSING SYSTEMS

## PRODUCTIVE INDUSTRY AND THE MONEY TRUST

The analysis of Credit has shown that all social systems are based on very simple things; upon the

natural desires of humble individuals for those things necessary for comfort and that elusive happiness that is the aspiration of every human being.

The ultimate foundation of Credit was shown to be consumer's demand, and from this the elaborate organisation of individuals into systems has been evolved. Theoretically, therefore, specialized industry has been evolved as the self-discipline of individuals into different spheres of work for the better production of economic utilities, won from natural wealth to the full extent of scientific power, and on the other hand the monetary system has been organised merely to reduce all such utilities to a common measure of value, and to facilitate their exchange.

Fundamentally, therefore, the problem has been identified as the balancing of the potential demand of individuals with the potential supply of natural wealth by means of financial credit in the hands of individuals.

The industrial system obviously should have no regard for money as such, if it is considered properly as the application of scientific progress to the conquest of natural resources. Industry has a function to perform, and its policy must necessarily be the production of the greatest quantity of goods, in the most desirable form, that the demand of the community of individuals will justify. That potentiality of supply is almost unlimited; during the War (let us again remember) when the insatiable demand of the great struggle was backed by the unlimited purchasing-power of the Government, the full volume or stream of production of which industry was actually capable, and is yet actually capable, was plainly demonstrated. A conservative estimate would say that with very little alteration or *extension* of plant, the industrial system to-day could produce at least

six times the quantity of goods that may be classed as necessities, if there were an available market for them; a more generous estimate multiplies present production by fifteen.

But although industry deals with goods, it must dispose of those goods by means of a system consisting of money values expressed by money tokens, and it is here that the distinction between finance as a servant of the economic system and finance as a separate and antagonistic system becomes apparent, because if industry depends for its market upon the money tokens which will express the money values of its production, obviously the quantity of its production will be limited, not by its potential power, or, as we have called it, its Real Credit, but by the quantity of money tokens to which we have given the name of Financial Credit.

Thus there is the conception of the industrial system, whose power of production or real credit is limited only by the extent of scientific conquest over natural resources, controlled as to the quantity and value of its production by the financial system and its power of issuing that financial credit which is the only purchasing-power that justifies production in the present economic organisation.

To the financial system, therefore, must be given the name and description of the "Money Trust." Commercially, a trust is really a partnership of corporations or companies, who combine together for the purpose of controlling the sources of supply, the processes of production, the distribution, and the price of a particular commodity, and reckoning money as a commodity on the basis of the "Quantity" theory, the analogy with the components of the Money Market is apparent. We know, of course, that the condition of perfection for the operation of a trust is a complete monopoly of the commodity dealt in. And

